



Social Sector Innovation Funds

Lessons Learned and Recommendations

Shivam Mallick Shah and Michele Jolin November 2012

Center for American Progress



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Introduction and summary

Over the next decade America will face enormous social and economic shifts, driven by budget constraints at all levels of government, significant demographic changes, and an increasingly globally competitive, changing workforce. Our nation will have less money for services at the same time there will be greater demand from a larger, older, and more diverse population than ever before. Young people and their families will be especially vulnerable in the face of these challenges, just at a point in their lives when they need to be gaining the critical education and other skills needed for life-long success.

To significantly improve outcomes for young people and their families in the context of this constrained fiscal environment and these other mounting demands, we must focus on improving the ways in which taxpayer dollars are spent. The federal government must identify and invest in “what works” to be a catalyst for and investor in effective and innovative solutions that produce greater social impact in the key arenas that will determine our country’s future competitiveness—education, economic opportunity, workforce development, and youth development. While the current public debate largely has been about more or less resources, it also is critical to focus on how to get better results with existing resources.

Social sector innovation funds—those funds that focus on developing and scaling promising and potentially transformative community-based approaches that solve critical social problems—are one example of how the federal government is increasingly driving public dollars toward investing in what works.¹ The Office of Management and Budget currently highlights six evidence-based initiatives,² of which a subset is comprised of social sector innovation funds. Specifically:

- **Investing in Innovation Fund**, which funds the development and scale-up of evidence-based kindergarten-through-12th-grade educational strategies (Department of Education; \$150 million in fiscal year 2012 ending in September)

Social sector innovation funds provide a means for government to build a larger evidence base of what works and develop a better understanding of the tools and best practices for evaluation.

- **Social Innovation Fund**, which supports public/private investment in evidence-based programs focused on economic opportunity, youth development, and healthy futures in low-income communities (Corporation for National and Community Service; \$44.8 million in FY 2012)
- **Workforce Innovation Fund**, which funds development and scale-up of evidence-based strategies to improve education/employment outcomes for U.S. workers (Department of Labor; \$50 million in FY 2012).

These three funds are united by their focus on transformative change, evidence-based criteria for investments, partnerships with the private sector, and commitment to learning from grantees to improve practice more broadly. Each of these funds presents a tiered grant-making approach that enables those applicants with greater evidence of impact to be eligible for larger grant awards, while still providing grant awards for less proven but promising efforts that are committed to collecting relevant data and investing in the evaluation of their work. Social sector innovation funds provide a means for government to build a larger evidence base of what works and develop a better understanding of the tools and best practices for evaluation.

These funds illustrate a trend toward evidence-based decision making that we see taking hold in the government at myriad levels. There is growing momentum at the federal, state, and local government levels for using data, performance, and evidence to steer public dollars to more effectively address needs. In fact, the Office of Management and Budget's Acting Director Jeffrey Zients recently sent a memo³ to all federal agency heads asking them to use evidence throughout their budget submissions for fiscal year 2014 beginning in October 2013.

Similarly, mayors and governors across the political spectrum also are increasingly using data and performance to ensure limited taxpayer dollars are producing the greatest impact possible. (See Appendix A for a discussion of the challenges and opportunities in advancing an invest in what works policy agenda.)

Innovation funds can play a critical role in helping governments at all levels invest in evidence-based programs, specifically by identifying promising programs in communities across our country, investing in efforts to improve the evidence base, and funding their scale and spread, when appropriate.

By conducting our own independent analysis and interviewing leaders involved with designing and implementing selected innovation funds, selected applicants and grant-

ees of innovation funds, and a range of industry experts with relevant perspectives, this report describes the role that the government can play at multiple stages of innovation—and the role social innovation funds in particular can play in advancing an “investing in what works” policy agenda—synthesizes the key lessons learned from prior innovation funds, and proposes policy and implementation recommendations for strengthening current and informing future evidence-based innovation funds.

In the pages that follow, we will detail all of these attributes of social innovation funds, synthesize lessons learned from our experience to date with these social innovation funds, and propose a set of policy and implementation recommendations for strengthening social innovation funds and supporting the federal government in implementing a “what works” policy agenda. Here is a brief summary of our policy recommendations:

- Redirect funding from ineffective federal government programs to social innovation funds.
- Determine where additional social innovation funds should be created.
- Provide additional funding for successful innovation fund grantees.
- Increase funding for data collection and third-party evaluations.
- Set aside a portion of larger federal funding streams and award them competitively against evidence-based criteria.

We also recommend the following steps be taken by the executive and legislative branches of the federal government to support quality implementation of innovation funds:

- Create an interagency working group on social innovation funds.
- Create a common evidence framework.
- Encourage greater implementation of tiered-awards approach.
- Improve the peer review process.
- Better define the role of philanthropy and the private sector in supporting social innovation funds.
- Ensure the flexibility of private-sector matching funds.
- Report annually on learnings from each innovation fund and application of these learnings more broadly.
- Better leverage data collection and evaluation results to communicate the progress and learnings from innovation funds with critical stakeholders.
- Better understand the support innovation fund grantees seek.
- Continue to increase transparency of programs and processes.

The federal government is uniquely positioned to identify, fund, and scale transformational change, and strengthening evidence-based social innovation funds is one critical way to achieve that goal. As evidence-based innovation funds mature, it is important that we continue to learn from their experience to inform our work. Meeting the needs of young people, their families, and communities across the nation requires that the government prioritize investing in both innovation and what works.

Why social sector innovation funds?

The federal government can leverage several distinct but aligned approaches⁴ to increasingly direct government funding toward social programs and interventions that will have greater impact. Government-run social innovation funds can play an important role in helping address critical national or community needs when there is an identified challenge but a sense that we are “stuck” in terms of making significant progress, and when there are solutions in communities with an evidence base that could scale with the right kind of targeted government and private-sector investment.

Social innovation funds typically invest in products, processes, strategies, and approaches that improve significantly upon the status quo and have the potential to power transformative change. And these innovations are on a continuum in terms of their stage of growth and the level of data or evidence they have about their impact. Let’s look at these multiple stages of innovation.

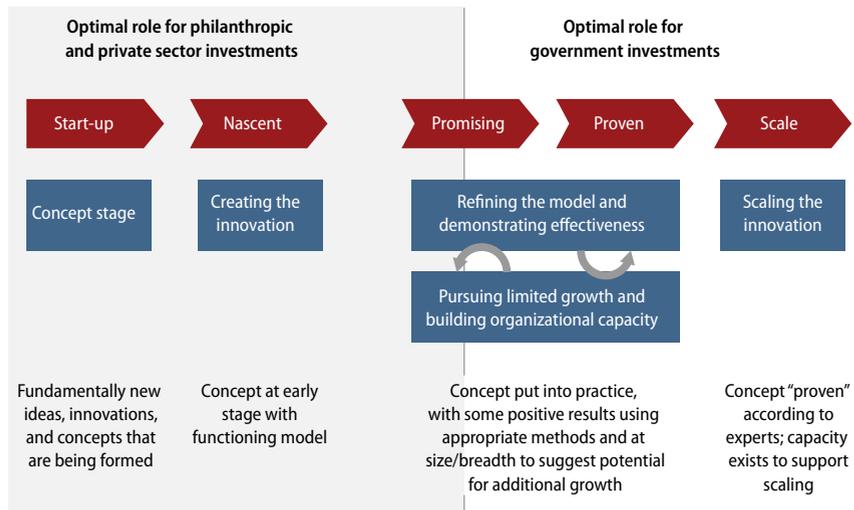
Multiple stages of innovation and the government’s role

To most, innovation typically connotes something that is new and unique. Innovation is often understood as something untested and in the earliest stages of creation and development. Effectiveness or evidence of impact, as well as the scalability of that impact, are usually excluded from the definition of innovation.

In reality, there are actually multiple stages of innovation,⁵ and multiple points at which critical investments must be made in developing and building an idea or intervention. This spectrum of innovation requires different kinds of investments and different sizes of funding at each of the different stages.

As with private-sector financing of a for-profit business, the earliest stage of a social sector innovation requires investors who are interested in developing an idea or concept and willing to tolerate more risk. As the idea or concept evolves, investors need to focus resources on developing and refining the model—still a

FIGURE 1
Investing in multiple stages of innovation



Source: The Bridgespan Group; individual interviews and Results for America team analysis.

riskier stage for investors interested in developing the approach. As a model begins to show promise and therefore means less risk to investors, resources need to be directed at understanding the impact and results, as well as expanding the reach to test its potential for growth and impact at larger scale.

When the innovation has developed evidence of impact and can be considered “proven,” it then makes sense for an investor to drive large amounts of resources to help scale and spread the idea. Government, philanthropy, and the private sector can play complementary and important roles as investors in these multiple stages of innovation. In general, they can do so because:

- Philanthropy, individuals, and others in the private sector have more flexibility, are willing to take more risks, and often are closer to or have a better sense of the individuals or teams developing the innovation. Their optimal role is at the earliest stages of developing a concept, building a model, and beginning to understand the impact of the innovation.
- Government is often less flexible and more risk averse, so it can invest in an innovation that has shown some promise and is ready to increase its evidence base and begin to scale.

This is not to say that there is not a role for the government to play in these earlier stages of innovation. Government can create prizes or challenges to stimulate and encourage more innovation around a particular social challenge where there is a need for new ideas and solutions. Government can invest in a less proven model, program, or approach if it has more experienced leadership teams and a commitment to collecting the right data that is conducive to conducting quality evaluation over time. At this earliest stage, government should focus on quality management teams, clean data collection, back-end evaluations, and performance-based decision making.

The federal government also can have an important catalytic impact in simply seeking ideas for funding at earlier stages of innovation. By shining a spotlight on the critical issues most in need of innovation, and by creating market incentives for good ideas, the federal government has the ability to “signal to the market” where innovation efforts are most needed, and by doing so can incent a range of stakeholders to target their efforts where our country needs it most.

Nonetheless, given the size and reach of government, the most important role that government can play is that when an innovation is “proven,” then the government can significantly expand its investment and scale the innovation or approach to communities across the country. (see Figure 1)

The multiple stages of innovation and the government’s role can be best illustrated through concrete examples of various programs:

- At the most developed end of the spectrum, the **Nurse Family Partnership Program**⁶ is an example of a program that had developed a strong evidence base through rigorous third-party evaluations over time, many of which were supported by private philanthropy. Because of the powerful evidence supporting the impact of this program and its approach, the federal government chose to invest significantly in the scale and spread of several proven approaches to high-quality nurse home visiting programs like that offered by the Nurse Family Partnership through the Home Visitation Program at the Department of Health and Human Services (\$1.5 billion from FY 2010 to FY 2014).
- In the middle of the spectrum, the **Social Innovation Fund** grantees have identified programs that have begun to show promise and some evidence of impact, so government dollars are being invested side by side with private-sector funds in expanding promising programs and developing a stronger evidence base.

- The **Investing in Innovation, or i3, program** directly targets its funding based on multiple stages of innovation. By design, efforts with stronger evidence of impact and effectiveness are eligible for greater amounts of federal funding, but less proven efforts are still eligible for funding if deemed strong in other areas (including the experience of its management team and a commitment to data collection and evaluation over time). This is a model of how government can structure funding along the multiple stages of innovation.

Common principles of innovation funds

The Office of Management and Budget currently highlights six evidence-based initiatives,⁷ of which a subset is innovation funds:

- **Investing in Innovation Fund**, which funds development and scale-up of evidence-based K-12 educational strategies (Department of Education; \$150 million in FY 2012)
- **Social Innovation Fund**, which supports public/private investment in evidence-based programs focused on economic opportunity, youth development, and healthy futures in low-income communities (Corporation for National and Community Service; \$44.8 million in FY 2012)
- **Workforce Innovation Fund**, which funds development and scale-up of evidence-based strategies to improve education/employment outcomes for U.S. workers (Department of Labor; \$50 million in FY 2012)

These evidence-based innovation funds share a set of common principles that distinguish them from other competitive federal funding streams. Specifically, these funds:

- Are relentlessly focused on outcomes and aspire to achieve transformational change
- Appreciate the need and demand for effective practices and prioritize investments in what works
- Recognize the power of partnering with philanthropy and the private sector
- Recognize the need to learn from grantees and inform larger federal funding streams

Let's briefly examine each of these distinguishing features in turn.

Achieving transformational change

Innovation funds are based on a fundamental belief that current approaches will not result in the large-scale dramatic impact we seek. Instead of simply funding “more of the same,” these funds seek to uncover the rich supply of ideas—some proven, some emerging, many somewhere in the middle—that are worthy of greater exploration and investment.

Prioritizing investments in what works

Innovation funds incorporate the belief that there are standards of evidence against which grants can be made, and that those efforts with greater evidence of impact should receive larger awards. At the same time, these funds understand that making investments in evaluation now will help provide the data and create the infrastructure necessary to assess impact of a given innovation over time, and to more clearly distinguish net impact from gross outcomes in doing so. These funds recognize the importance of continuing to support promising efforts that commit to a series of actions that will develop an evidence base over time.

Recognizing the power of partnering with philanthropy and the private sector

Innovation funds are a vehicle for philanthropic groups and the private sector to provide local support necessary for efforts to take hold in a community and be scalable and sustainable over time. Effectively scaling innovation in the social sector requires philanthropic and nonprofit partners to invest alongside businesses in communities and the government (at all levels) to support and sustain transformational change. Although this partnership with the philanthropic and private sector is often translated into providing matching funds to federal grants, there are multiple ways in which the philanthropic and private sector can support innovation fund grantees and leverage the government's investment. We will discuss this in greater detail later in this paper.

Recognizing the need to learn from grantees and inform larger federal funding streams

All three types of innovation funds examined in this report propose a more engaged and purposeful partnership between the government and grantees, and perhaps most importantly has required a more intimate relationship among grantees (such as requiring participation in a community of practice). The purpose of such engagement is meant to allow promising ideas, programs, and trends to be elevated and applied more broadly across organizations, agency efforts, and the nation, and not be limited to the practice of a single grantee or program. This focus on learning and spreading what works is another testament to the notion that the quality and impact of federal policy will be increased by learning from what is working in communities outside of Washington, D.C.

Spotlight on three specific innovation funds

The Investing in Innovation Fund, the Social Innovation Fund, and the Workforce Innovation Fund illustrate the principles outlined above in unique but complementary ways. An initial examination of these three specific innovation funds (see Table 1 on following page), coupled with interviews with a diverse range of individuals connected to these funds and a thorough review of publicly available materials about these evidence-based initiatives, reveals a rich set of learnings and recommendations for increased policy and implementation effectiveness of these and similar efforts moving forward.

Although it is still too early to declare that grantees of these evidence-based innovation funds have wholly achieved their stated outcomes and goals, grantees from each of these programs are already demonstrating meaningful progress in their communities and beyond.

Following are examples of the initial impact of these three innovation funds, as well as examples of interim outcomes and progress of selected innovation fund grantees. We have included these stories because we believe they illustrate the meaningful progress underway that is helping young people, families, and communities in need, but we realize these stories fall short of conclusive evidence of net impact of these innovation funds or these innovation fund grantees. We look forward to examining that evidence when it becomes available, as each of the efforts described is required to be evaluated by a third-party evaluator.

The Social Innovation Fund¹³

In just three years, the Social Innovation Fund has leveraged \$137 million of public dollars to raise \$350 million in private dollars to invest in community solutions with the potential for greater impact. Importantly, 126 funders have matched these intermediary grants and many more have provided subgrantee matching funds.

TABLE 1
Overview of selected evidence-based innovation funds

Innovation Fund	Investing in Innovation Fund	Social Innovation Fund	Workforce Innovation Fund
Host agency	Department of Education	Corporation for National and Community Service	Department of Labor
Focus	Provides competitive grants to local school districts and nonprofit organizations with records of success to help them leverage public/private partnerships to implement education practices that have a demonstrated positive impacts on student achievement.	Provides competitive grants to grant-making intermediaries that competitively select nonprofit organizations in order to grow promising, evidence-based solutions in three priority areas: economic opportunity, healthy futures, and youth development.	Provides competitive grants to state workforce agencies, local workforce investment boards, and institutions eligible for to apply for WIA section 166 grants to help them develop evidence-based, results-driven employment and training services .
Critical design elements	<p>Tiered evidence framework—strong evidence required for scale up grants, moderate evidence required for validation grants, and promising evidence required for development grants.</p> <p>In addition to eligibility requirement of meeting evidence standard, there are selection criteria focused on both evaluation and evidence.</p> <p>Private sector match equal to 20 percent of requested grant amount required.⁸</p> <p>Every i3 grantee must conduct an independent evaluation, and share the results of that evaluation with the public.</p>	<p>Leverages experience and infrastructure of quality intermediaries in the field.</p> <p>Grantees and subgrantees must match their funds dollar for dollar, thereby leveraging the federal investment 3-to-1.</p> <p>Every program supported is evaluated.</p>	Every WIF grantee must conduct an independent evaluation, and can use up to 20 percent of grant funds to cover the cost of that evaluation.
Funding and awards			
FY 2010	\$650 million; 49 awards	\$50 million; 11 awards	N/A
FY 2011	\$149.4 million; 23 awards	\$49.9 million; five new awards	\$147 million; 26 awards ⁹
FY 2012	\$150 million; TBD ¹⁰	\$44.8 million; four new awards	\$50 million; TBD
FY 2013 Request	\$150 million; N/A	\$50 million; N/A	\$125 million; N/A
Philanthropic match	<p>The Foundation Registry i3—an online marketplace by which i3 applicants can submit their applications and be matched with dozens of potential funders across the country—was created by the foundation community, helping support the nearly \$150 million required in private-sector funds across the first two grant competitions.</p> <p>Sixty foundations are currently listed as participating foundations in the Foundation Registry i3.¹²</p>	More than 125 foundations have provided intermediary matching funds and many more have provided subgrantee matching funds.	N/A (no match required).

Source: Interviews; review of notices for federal funding opportunities for all three social innovation funds.

The Social Innovation Fund has invested in hundreds of communities in 31 states and the District of Columbia. These grant dollars support 197 nonprofit organizations¹⁴ that are implementing promising, evidence-based solutions to pressing social challenges facing low-income communities.

Specifically, resources from this fund are now funding program growth and spread that will help young people create new pathways for success and prepare for employment, support economic and asset development of low-income adults and families, help Americans access vital health care, and combat poverty across a diverse cross-section of America. For instance, the following examples describe initial outcomes from SIF grantees:

- Social Innovation Fund grantee LISC, a nonprofit group that helps neighbors build communities, supports 47 financial opportunity centers spanning 10 cities. At these centers, low-income families receive support and coaching to assist them in making better financial decisions. In just six months LISC helped 2,400 people obtain employment, 1,500 individuals see an increase in their net incomes, 650 people improve their credit scores, and 450 people now have a higher net worth.
- Five antipoverty programs that have proved effective in New York City are now being replicated in eight cities across America—Cleveland; Kansas City; Memphis; Newark, New Jersey; New York City; San Antonio; Tulsa; and Youngstown, Ohio—with support from the Social Innovation Fund. These programs were originally developed and tested by the New York City Center for Economic Opportunity, the city’s award-winning antipoverty center. The programs being replicated aim to further the education, employment, and asset development of low-income adults and families. In the first year of one such program, SaveUSA, participating residents in four cities opened more than 1,600 SaveUSA accounts with close to \$1 million in savings. If participants maintain their accounts, they will be eligible for approximately \$426,000 in matching funds. In New York City alone, residents with an average income of \$16,000 were able to build up \$250,000 in savings.
- AIDS United is using its Social Innovation Fund grant to support eight innovative partnerships—collaborations of nonprofits, researchers, and others—that are improving individual health outcomes and strengthening local services systems. In total, it will connect at least 3,500 low-income and marginalized individuals with HIV to high-quality health care and the supportive services they need. Findings from their evaluation are expected to shed light on effective

strategies for increasing access to care for other chronic disease sufferers as well as for individuals living with HIV/AIDS.

The Investing in Innovation Fund¹⁵

As stated in the program's inaugural notice for proposals, the Investing in Innovation Fund, or i3, is designed to provide grants to applicants with a record of improving student achievement and attainment in order to expand the implementation of, and investment in, innovative practices that are demonstrated to have an impact on improving student achievement or student growth, closing achievement gaps, decreasing dropout rates, increasing high school graduation rates, or increasing college enrollment and completion rates. In just three years the i3 program has:

- Reviewed approximately 2,300 applications vying for innovation funds from across the country
- Engaged the private sector in investing in innovations in education by securing matching funds of nearly \$150 million for the nearly \$800 million of public dollars granted, with more than 250 private-sector funders (foundations, individuals, nonprofit organizations, and a range of other nongovernment entities) providing matching funds for i3 grantees
- Made available to the public a user-friendly, searchable database of information regarding all i3 applicants¹⁶ that is now being used to share information for other Department of Education programs
- Generated momentum across the nation by awarding grants to 79 school districts and nonprofit organizations in 26 states and the District of Columbia
- Introduced an evidence framework and the approach of tiered grant-making tied to evidence into the sector

Although the specific issue areas of focus (absolute and competitive priorities) within the program have varied some from year to year, the tiered evidence framework at the heart of the competition has not.

In short, applicants must meet specific evidence standards in order to be eligible for an i3 grant. This standard varies depending on whether applicants are request-

ing Development, Validation, or Scale-Up grants. In addition to meeting an evidence standard for eligibility, i3 grantees are also then assessed against selection criteria by peer reviewers for both evidence and evaluation. The table on the following page¹⁷ describes the different evidence standards that apply to each type of i3 grant, and indicates where these elements are considered in determining eligibility or as selection criteria. (See Table 2 on following page, and note that the evidence framework used for the Social Innovation Fund is aligned with the i3 framework but uses slightly different terms to describe each of the three tiers.)

Since its introduction this evidence framework developed by the Department of Education in partnership with the Institute for Education Sciences, the Office of Management and Budget, and a range of additional thoughtful policymakers and industry experts has been the focus of much discussion in the education field. This framework represents a range of perspectives from respected industry leaders, which will be discussed further later in this paper.

Resources from i3 are funding program growth and spread. For instance, Aspire Public Schools, a charter school management organization based on Oakland, California, and New Visions for Public Schools, a nonprofit education group in New York City, are two examples of i3 grantees who are nonprofit organizations with a long track record of improving student achievement that are using their i3 grants to scale and expand the reach of tools they developed “in house” to support and impact students and teachers in schools outside of their networks of schools. Specifically:

- Aspire Public Schools’ i3 grant is helping support its efforts to share data analysis tools with the sector using Schoolzilla. Schoolzilla is a cloud-based data platform that offers districts and charter management organizations the data collection and reporting tools that Aspire developed to serve its growing network of charter schools, which currently serves 12,000 students in grades K-12 across 34 schools in six cities. Eighty percent of Aspire’s students are low income. Schoolzilla is currently being used by more than 350 schools to analyze more than 4 million test scores, approximately 75 percent of which are from traditional, noncharter public schools.
- Through the systematic use of formative assessment lessons, New Visions for Public Schools is using its i3 grant to assist high school teachers in district and charter schools to enhance instruction and improve student achievement in algebra and geometry. New Visions currently serves 34,000 students across 76 schools throughout New York City. Teachers use materials as part of New

TABLE 2
Overview of Investing in Innovation Fund evidence standards

	Scale-up grants	Validation grants	Development grants
Strength of research <i>Eligibility requirement</i>	Strong evidence.	Moderate evidence.	Reasonable hypotheses.
Internal validity (strength of causal conclusions) and external validity (generalizability) <i>Eligibility requirement</i>	High internal validity and high external validity.	(1) High internal validity and moderate external validity; or (2) moderate internal validity and high external validity.	Theory and reported practice suggest the potential for efficacy for at least some participants and settings.
Prior research studies supporting effectiveness or efficacy of the proposed practice, strategy, or program <i>Eligibility requirement</i>	(1) More than one well-designed and well-implemented ¹⁸ experimental study or well-designed and well-implemented quasi-experimental study; or (2) one large, well-designed and well-implemented randomized controlled, multisite trial.	(1) At least one well-designed and well-implemented experimental or quasi-experimental study, with small sample sizes or other conditions of implementation or analysis that limit generalizability; (2) at least one well-designed and well-implemented experimental or quasi-experimental study that does not demonstrate equivalence between the intervention and comparison groups at program entry but that has no other major flaws related to internal validity; or (3) correlational research with strong statistical controls for selection bias and for discerning the influence of internal factors.	(1) Evidence that the proposed practice, strategy, or program, or one similar to it, has been attempted previously, albeit on a limited scale or in a limited setting, and yielded promising results that suggest that more formal and systematic study is warranted; and (2) a rationale for the proposed practice, strategy, or program that is based on research findings or reasonable hypotheses, including related research or theories in education and other sectors.
Practice, strategy, or program in prior research <i>Selection Criterion</i>	The same as that proposed for support under the Scale-up grant.	The same as, or very similar to, that proposed for support under the Validation grant.	The same as, or similar to, that proposed for support under the Development grant.
Participants and settings in prior research <i>Eligibility requirement</i>	Participants and settings included the kinds of participants and settings proposed to receive the treatment under the Scale-up grant.	Participants or settings may have been more limited than those proposed to receive the treatment under the Validation grant.	Participants or settings may have been more limited than those proposed to receive the treatment under the Development grant.
Significance of effect <i>Selection criterion</i>	Effect in prior research was statistically significant, and would be likely to be statistically significant in a sample of the size proposed for the Scale-up grant.	Effect in prior research would be likely to be statistically significant in a sample of the size proposed for the Validation grant.	Practice, strategy, or program warrants further study to investigate efficacy
Magnitude of effect <i>Selection criterion</i>	Based on prior research, substantial and important for the target population for the Scale-up project.	Based on prior research, substantial and important, with the potential of the same for the target population for the Validation project.	Based on prior implementation, promising for the target population for the Development project.

Source: U.S. Department of Education.

Visions' validated collaborative inquiry model. Currently in its first year and encompassing 14 schools and 3,200 students, the five-year "Accessing Algebra Through Inquiry" program is on path to impact 65,000 students in New York City and beyond.

- Other examples, such as the Diplomas Now team comprised of lead applicant Johns Hopkins University's Center for Social Organization of Schools and partnering with nonprofit groups Communities in Schools and City Year, are supplementing proven school models—in this case, Talent Development, with proven partner support for mentoring, tutoring support and other supports from City Year and Communities in Schools—are implementing efforts in schools already and seeing dramatic results. Throughout sites in Philadelphia, Miami, and Seattle, schools implementing Diplomas Now saw at least a 50 percent drop in the number of students failing math.

All of these examples help illustrate that i3 grantees are making a meaningful difference in communities today.

The Workforce Innovation Fund¹⁹

Grantees for the Workforce Innovation Fund were announced in June 2012: 26 grants across 18 states ranging from \$1 million to \$12 million each.²⁰ While the fund is too new to claim significant impact already, it is worth noting that the tremendous response and quality of applications received helped lead the Department of Labor to supplement the original \$98 million program with \$49 million from FY 2011 and FY 2012 funds. It is also worth noting that leaders from the Department of Labor proactively worked with counterparts in other agencies to learn from the experience of other innovation funds when designing and now implementing its program.

There are notable differences in the Workforce Innovation Fund from the Investing in Innovation Fund and the Social Innovation Fund that are the result of thoughtful and deliberate policy decisions that reflect the context of the workforce development field. For instance, although the Workforce Innovation Fund does not adhere to the same evidence framework as the other two funds, it does include a tiered grant-making approach where applicants must identify the level of evidence on which their proposal is based, as well as articulate their plans for evaluation of their proposed effort. All Workforce Innovation Fund grantees are

required to conduct an independent third-party evaluation—the cost of which can be covered by up to 20 percent of their grant.

Also, “meeting an evidence bar” is not an eligibility requirement in the workforce grant as it is in other two social innovation funds, but rather is a selection criterion against which applications are reviewed. And the Workforce Innovation Fund does not include a private-sector matching requirement but does strongly encourage partnerships with critical stakeholders, including the private sector, in its request for proposals. The quality of these partnerships is assessed within multiple selection criteria as well. These nuanced differences reflect the focus of the Department of Labor to support innovation and help build the evidence base needed for the field over time.

Of the 26 grants awarded this past summer, there are several examples of efforts that appear well positioned for success.

- The City of Los Angeles Workforce Investment Board is leading a consortium of Los Angeles City and Los Angeles County workforce investment boards in building the LA Reconnections Career Academy, a career development collaborative that aims to recruit nearly 1,400 out-of-school youth and young adults and provide them the supportive services they need to reconnect to education and work. This career academy builds upon the city’s commitment to realign youth workforce investment funds to combat the high school dropout crisis in Los Angeles. Its leadership team represents the workforce development, education, human services, and business leadership in the city and surrounding county.
- The Three Rivers Workforce Investment Board in Pittsburgh will use its grant to design and build a New App (apprenticeship) for Making it in America. The design and implementation of a new employment and training system for advanced manufacturing aims to better support the needs of both potential workers and potential employers.

Lessons learned from social sector innovation funds

Based on interviews with policymakers and grantees of the Social Innovation Fund and the Investing in Innovation Fund, along with a more cursory consideration of the Workforce Innovation Fund (given that the program is early stage and to date has run just a single competition), the following are several key lessons learned that could improve current and inform future innovation funds. There is both some good news in terms of promising lessons learned as well as some areas for improvement and notable challenges that need to be addressed.

The good news

There is a rich supply of quality ideas and organizations in need of funds

First and foremost, there is a rich supply of promising and evidence-based programs and organizations that are eligible for and can enormously benefit from the kind of federal funding provided by evidence-based innovation funds.

In designing and launching the funds, there was a serious concern among policymakers and advocates about whether there would be a sufficient number of organizations who could meet the evidence standards and qualify for grants. This concern so far seems to be unfounded. The quantity and diversity of applicants across these programs illustrates both an adequate pipeline or supply and the interest of the field in such programs.

For instance, with the i3 program, in 2010 only 2.9 percent of applicants received grants, and in 2011 only 3.8 percent of applicants received grants. The Social Innovation Fund's intermediary organizations re-granted funds to other organizations, and each found that they too received far more quality applications than they could fund, and in some instances were overwhelmed by the demands of reviewing and processing so many grant applications.

The high scores and razor-thin margins between grantees and nongrantees further illustrate the quality of the ideas put forth for funding consideration. Furthermore, the continued implementation of nonfunded applicants demonstrates local buy-in and determination, as well as (again) the quality of ideas beyond those few that were awarded innovation funds.

One possible exception to the adequacy of the pipeline or supply of grantees may be with the number of qualified applicants for the Social Innovation Fund. In 2010 (the first year of competition), there were 69 intermediary applicants, but there were 24 in 2011 and 31 in 2012.²¹ This may suggest a need for the Corporation for National and Community Service to better market or communicate the role of intermediaries, or a need for philanthropy to support the creation and strengthening of entities who could serve as intermediaries. This could include more local United Ways, community foundations, and other results-oriented community grant makers.

Nonetheless, the quality of the intermediary applicants for the Social Innovation Fund seems to have remained strong despite the decline in applications from the program's inaugural competition. Given the adequacy of the pipeline and the scale of needs in our communities, this would suggest that the federal government should increase (sometimes significantly) the amount granted by each Innovation Fund to support more evidence-based interventions.

Organizations are responding to government “signals” about the need for evidence

The evidence standards included in innovation funds have provided incentives and “pressure” for organizations to focus on improving their evidence base. And organizations are responding to government “signals” that evidence could be increasingly important to receiving federal resources.

Multiple innovation fund applicants (not just grantees) noted that applying for innovation grants allowed them to push their organization to adopt an outcomes-driven or evidence-based approach to their work. Other innovation fund grantees noted that the learnings from their grant are informing the broader work of their organizations.

Case in point: One Social Innovation Fund grantee described an effort to collect common performance indicators across their subgrantees that is now becom-

ing standard practice for other grant-making portfolios at their organization. Another grantee described how they are better able to encourage local affiliates to run evidence-based competitive grant processes because of their requirement to do so as an SIF grantee.

All of these examples illustrate the power innovation funds can have on the recipient organization itself in addition to the intended impact on young people, families, and communities. Given that organizations are beginning to respond to federal government signals about the need for evidence, the federal government and philanthropic organizations may want to increase funding for organizations to improve their data collection and conduct third-party evaluations in order to meet evidence standards. The government also may want to increase evidence standards in other government programs in order to expand the number of signals coming from the government and further incentivize behavior changes beyond the number of actual government grants.

It is important to note though that a shift toward becoming a data-driven and evidence-based organization can come with risk. Several organizations noted a reluctance to evaluate their efforts and share their findings publicly due to the concern that they would be “punished” by funders and the public for anything short of uniformly positive impact. This is particularly troubling for organizations since it is most common for evaluations to show mixed results and to demonstrate some but not necessarily uniformly positive impact. Nonetheless, organizations noted the value of evaluations in helping them understand and improve upon their practice, coupled with the growing demand for evidence of what works from public and private funders, as two critical factors that are increasingly moving them in this direction despite the initial perceived risk of doing so.

Matching grants draw new financial resources

Match requirements from the private sector and philanthropic organizations in order to qualify for these innovation fund grants are encouraging new sources of funding. The private-sector match of the Social Innovation Fund and i3 helped grantees secure funds that would have been otherwise hard to raise, and forge partnerships that are strengthening the impact of their work.

Both Social Innovation Fund and i3 grantees describe how the required private-sector match helped them secure funds from new funders who welcomed the leverage the federal grant dollars provided their private match. A closer look at the

Match requirements from the private sector and philanthropic organizations in order to qualify for these innovation fund grants are encouraging new sources of funding.

i3 program reveals that more than 250 different organizations provided more than 325 matching grants to the 49 i3 grantees announced in its inaugural competition in 2010. Of the near \$140 million raised by private-sector matching funds, 53 percent came from noncorporate foundations and the remaining 47 percent from nonprofit organizations, individuals, corporate foundations, private companies, and other nongovernment entities.

Of the \$140 million raised by matching funds, more than \$100 million was new cash raised by i3 applicants.²² And i3 grantees in each of its competitions have had to secure their private-sector matches very quickly. Due to the large number of applicants—nearly 1,700 in 2010 and nearly 600 in 2011—the Department of Education chose not to require evidence of a secured private-sector match at the time of application. Instead, following peer review, applicants were named “highest rated” and then had just several weeks to secure their private-sector matches. Once evidence of a secured private-sector match was reviewed and approved by the Department of Education, highest-rated applicants were named grantees.

Despite this notable time crunch to secure matches, every highest-rated i3 applicant successfully secured their private-sector match and become an i3 grantee.²³ The diversity of private-sector funding partners and the more than \$100 million in new cash alone demonstrate the effectiveness of the i3 match requirement in broadening the base of funders for evidence based innovation funds.

Nonetheless, interviews with government officials and grantees suggest the success of innovation funds could be increased by providing more clarity about and flexibility with the purpose of private-sector engagement. Too often, the engagement of the private sector is limited to simply filling a short-term, critical funding gap. By more clearly providing incentives and describing the aims of private-sector engagement, and by more clearly describing that the private sector includes all nongovernment entities (nonprofits, philanthropy, and not just the traditional for-profit sector), the government can help more innovation fund grantees better leverage the resources of the private sector and thereby maximize and possibly accelerate their impact.

Ideas can “transfer” and influence how other federal programs are designed and how federal funds are ultimately allocated

Innovation funds are finding results-oriented ideas that can be adopted on a larger scale by the federal government. By design, innovation funds are intended to be a

tool for government to identify promising, evidence-based ideas in communities around the country, support the development of their evidence base, and scale the ideas to more communities. The goal is for the successful ideas to influence federal policy more broadly. Our interviews with policymakers and grantees suggest that this “idea transfer” is beginning to happen in a few select circumstances, although more needs to be done to ensure this happens more efficiently and effectively.

For instance, Social Innovation Fund intermediary the New York City Center for Economic Opportunity has worked closely with the New York City Mayor’s Fund and senior leaders at the Department of Housing and Urban Development to garner support for including \$50 million in President Obama’s FY 2013 budget for a program called Jobs-Plus, which aims to increase the level of earnings and employment among residents of public housing.

Evaluations of Jobs-Plus indicate meaningful impact, and therefore the New York City Center for Economic Opportunity included expanding the program to additional sites as a proposed use of its Social Innovation Fund grant. Nine Jobs-Plus programs are run in New York City, one which is supported by this SIF grant. By leveraging the data that demonstrates effectiveness and strategically working with agency and leaders at the Department of Housing and Urban Development, the city’s Center for Economic Opportunity has helped make the case for federal funding of a Social Innovation Fund intermediary-sponsored program.

The need for improvement

Common evidence framework

Our research indicates that there is a need for more alignment on evidence standards. Innovation funds generally have sought to create a common standard of “evidence” of impact, but there still remains insufficient alignment across all federal agencies regarding what is meant by effectiveness (or transformational change) and what measures are used to determine effectiveness. A common evidence framework is critical to help create a level playing field by mitigating the unintended consequences of comparing results from evaluations with various levels of design rigor—i.e., weakly designed evaluations may yield strong evidence of impact whereas a well-designed evaluation may yield weak evidence of impact. Policymakers and funders need to make sure what they are comparing is actually comparable.

The Social Innovation Fund, i3, and Workforce Innovation Fund share common elements in the way that evidence is considered and used as a criterion for selection and in terms of the evidence base to be developed over time. For instance, all three programs ask applicants to present both the evidence they have already to demonstrate the effectiveness of what they propose to do as well as their plans for further evaluating the work they propose to do. In fact, all three programs require grantees to conduct an independent third-party evaluation. All three programs also adhere to a tiered evidence framework with three categories for consideration. The terms for these three categories vary across the programs, but in short they all indicate different levels of proven effectiveness and more or less range from promising to proven.

But absent results from a randomized controlled trial, there remains lack of agreement inside and outside government about what constitutes meaningful evidence of impact. This means there is no clear “industry standard” that the government can simply adopt.

Furthermore, using random controlled trials as the measure, there is a limited pipeline of organizations that have the strongest evidence of impact. In fact, many argue that systemic change efforts will never have the evidence required to show that they work because by their very nature there is no applicable control group against which progress can be measured.

The perceived high cost of evaluation, the limited capacity in the field to conduct quality evaluations at scale, and the limited capacity of implementing organizations to support quality evaluations further exacerbates this issue. The Office of Management and Budget’s recent guidance encouraging agencies to consider evidence-based tiered grant-making approaches²⁴ presents an opportunity to help increasingly align evidence standards across government, and reinforces the importance of better understanding how to apply the appropriate standards of evidence to different circumstances and contexts.

Improved peer review

Effective stewardship of taxpayer dollars is one of the greatest responsibilities of the federal government. Peer review systems are known to have been put in place to prevent agencies from allocating federal grant awards in biased ways, and to protect agencies from such accusations of misconduct. Peer review systems were

not necessarily designed to maximize quality decision making or improve the value of programs. In fact, many would argue that the basic model of peer review:

- Often disallows the most informed reviewers from reviewing applications because of perceived conflicts
- Typically does not include an in-person meeting with the applicant’s leadership team
- Typically disallows a reviewer from reviewing external information to assess claims made in an application

This basic model is simply inconsistent with the investment analysis best practices any private-sector funder would employ.

Our interviews found that there is a need to update peer review and other selection processes to ensure greater quality and alignment across innovation funds. The current government process for selecting grants creates certain constraints on the potential impact and effectiveness of innovation funds.

Innovation Funds, like most government programs, rely on assessments of submitted proposals made by panels of “peer reviewers.” Peer review is embraced by the government as an important way to ensure fairness in the selection of grantees. Typically, agency programs post a call for peer reviewers to the general public and then review the many resumes received for conflicts of interests and other factors to determine whether they are eligible to be a peer reviewer. Once selected, peer reviewers are typically assigned to a specific panel of peer reviewers who then review some subset of applications and score them against the program’s selection criteria (and sometimes, competitive preference priorities as well).

These scores are then tabulated across panels and then used to develop a slate of grantees—a rank-ordered list of applicants by score. Sometimes there are additional layers of review, for a variety of reasons, but for the most part, the scores assigned by peer reviewers inform the list of likely grantees for a given program.

With innovation funds, the peer review process creates certain constraints that might influence the effectiveness and impact of these programs. For instance, policymakers and those involved with implementing Social Innovation Fund and i3 programs expressed concern that individuals with the most relevant expertise in a grant-making area were often not allowed to be peer reviewers. Instead, they are deemed “conflicted” and unable to review grant proposals.

It is critical that some of the challenges of the peer review process be addressed in order for the innovation funds to achieve their intended impact and results.

Although it is important to note apparent conflicts—and this should be considered as an important factor when selecting and assigning peer reviewers—other factors based on experience also must come into play. Because the Social Innovation Fund and i3 are seeking to fund transformational, evidence-based ideas there is a need to have the grant applications reviewed by individuals who both understand the scope of the field, the potential for the ideas to be transformation and, most important, the quality of the evidence and plan to build evidence over time. Our research and interviews indicate that there is great variation in how agencies implement peer review, and there are indeed examples of agencies that adhere to less restrictive conflicts policy.

Policymakers and those involved with implementing social sector innovation fund programs also expressed concern that there are certain outdated rules, such as disallowing peer reviewers from reviewing any applications from their home state because they may have a bias in support of those applications. This further complicates the actual implementation of peer review panels where geography is unlikely to be a critical factor in selection.

In a similar vein, those involved with implementing i3 noted that current agency systems in place for scoring applications relies on outdated technology and fractured guidance to agency staff. For instance, panel monitors—those agency staff who manage the peer review panels—often are instructed to not read the applications that their panel of peer reviewers is reading so that they are not biased in anyway. But this means that when asked questions by their panel of peer reviewers, panel monitors may lack the relevant context and content knowledge to provide the highest-quality responses, which in turn may impact how peer reviewers score applications.

Peer reviewers typically are required to only consider the contents of a proposal when assessing scores. This guidance therefore disallows peer reviewers from leveraging their prior knowledge about a given leadership team, topic, organization, or geography. This also disallows peer reviewers from gathering additional information to test or question something they have read in an application they are reviewing. Although such safeguards are in place for good reason and such assessments may be subjective, enabling some flexibility here could provide valuable insight into the review process.

Limited technology is another factor upon which agency systems can improve. Peer reviewers typically must input all of their comments and scores by accessing outdated agency-specific systems, which can be tedious and time consuming

and discourage peer reviewers from providing meaningful feedback to applicants. While many of the challenges described here apply to other government programs as well, given the unique scope and purpose of the innovation funds—focus on transformational change, tiers of evidence—it is critical that some of the challenges of the peer review process be addressed in order for the innovation funds to achieve their intended impact and results.

In addition to peer review, other default internal processes can limit the effectiveness of innovation funds. In many agencies, default processes do not typically prioritize transparency, and current capacity constraints make this even more difficult to change for large-scale competitions.

Privacy concerns and regulations, for example, are often cited as the reason why applications, scores, and peer reviewer comments cannot be shared with the public. When the Department of Education chose to post unprecedented amounts of information on the applications it received for the first round of i3 and Promise Neighborhoods on a newly created website, <http://www.data.gov/communities/education>, this required significant internal leadership and resources and yet still did not meet the needs of many critical stakeholders.

Improved collaboration and learning

There also is a need for more flexibility for collaboration and learning, both of which are critical to the success and impact of innovation funds. At present, collaboration and learning can be limited by current federal government constraints.

The innovation funds have sought to create a learning relationship or community of practice among grantees to allow promising ideas, insights, or trends to be shared more broadly across organizations and possibly the field. Current federal constraints can prevent common-sense collaboration with the field that could improve program effectiveness. For instance, because most agencies will not share information with a subset of parties that is not otherwise made available to all parties, it can be difficult for a federal agency to partner with nonprofits that may be able to provide meaningful targeted assistance to applicants.

Similarly, it can be more difficult to partner with the philanthropic community because an agency may be prohibited from sharing grant applications or other information that can inform a philanthropist's interest in funding an effort.

Sharing lessons learned to more broadly impact other federal programs and policies

Lessons learned from innovation funds need to inform funding from larger streams of federal dollars and federal policy more broadly. As noted earlier, by design, the innovation funds intend to have a more engaged and purposeful partnership between the government and grantees in order to share ideas and lessons learned and increase the potential for successful, evidence-based programs to influence government policy and funding more broadly. Given that the size of the innovations funds is—and likely will remain—relatively small compared to other competitive and formula programs, a key goal in the design and creation of these funds always was to use these funds as examples to show that evidence-based funding can work and to test the ways in which it can most successfully be done. To date, there are good examples of where this is happening, such as the example described earlier with the experience of the New York City Mayor’s Fund, the New York City Center for Economic Opportunity, and the Department of Housing and Urban Development. But interviews with policymakers and individuals who implement the funds suggest that more needs to be done to share within the host agency the lessons learned about how to expand evidence-based funding in the federal government, and the lessons learned need to help inform efforts to make the larger competitive or formula dollars increasingly evidence based.

The innovation funds need to more intentionally share lessons about implementation of this kind of evidence-based funding, such as with the evidence framework, the peer-review process, and the matching requirement, as well as share learnings from the third-party evaluations underway by grantees and the learnings from the program-wide evaluations that departments are conducting themselves. By leveraging the work underway by innovation fund grantees to strengthen our collective understanding of what works, in what context and with what levels of support, large federal government programs can better design and implement other federal programs.

Recommendations

Innovation funds are one example of how the federal government can increasingly drive public dollars toward promising or proven solutions. A strategic approach to improving existing and creating additional innovation funds can help increase the amount of government resources that are directed at evidence-based solutions and address the needs of more communities across the country.

The following policy and implementation recommendations are designed to help federal agency leaders, policymakers, and their critical external partners make informed decisions to support and start evidence-based innovation funds, as well as improve the impact of the existing innovation funds, so that there is consistency where appropriate and clarity at all times as to the federal government's approach toward investing in what works through innovation funds.

Policy recommendations

Redirect funding from ineffective programs to innovation funds

Congress should increase funding for the Investing in Innovation Fund at the U.S. Department of Education, the Social Innovation Fund at the Corporation for National and Community Service, and the Workforce Innovation Fund at the U.S. Labor Department by at least 25 percent annually and stop investing in programs that are not achieving their desired results.

We recommend increasing resources for all of these programs, with corresponding decreases in other agency programs that do not use evidence as a criteria, given that there is sufficient demand for these programs and that these funds are steering more public dollars toward evidence-based solutions.

Determine where additional innovation funds should be created

The Office of Management and Budget should identify within 180 days the education, youth development, workforce development, and social mobility challenges that could benefit from the creation of an innovation fund; provide an adequate justification and rationale for the need for an innovation fund; and offer suggestions for placement in a particular agency. If there is an adequate rationale, Congress should create targeted innovation funds that are focused on issues poised for transformational change. Given the expertise and reach of OMB as well as their expressed interest in evidence-based policy, they are best positioned to provide an adequate justification to Congress as to the proper focus and placement of new innovation funds.

Provide additional funding for successful innovation fund grantees

The Obama administration should include provisions in future budget requests directing all federal departments and agencies to provide points of significant preference to organizations that have received grants from and have met the performance benchmarks established by federal innovation funds when applying for funds from other federal competitive grant programs. The goal of this recommendation is to help successful innovation fund grantees expand their influence on broader federal policy as well as increase funding from other streams of federal funding.

Increase funding for data collection and third-party evaluations

The Obama administration should include provisions in future budget requests that increase funding for individual organizations, collaborations, or systemic-change efforts interested in improving their data collection and/or conducting a third-party evaluation. This could also be advanced by the Congressional Appropriations Committees, which could require a meaningful set-aside of funds from each program to be used for rigorous data collection and evaluation of grants funded under that program.

Given that organizations are beginning to respond to federal government signals about the need for evidence, the federal government should increase funding to improve their data collection and conduct third-party evaluations in order to meet evidence standards and improve practice.

Set aside a portion of larger federal funding streams and award them competitively against evidence-based criteria

Evidence-based innovation funds are and will likely remain a small portion of total federal funds. With this stark reality in mind, most agree that their overall impact will likely remain limited if how the primary federal funds are awarded remains unchanged. Agencies should consider whether some portion of larger federal funding streams that are typically awarded by formula can be set aside and competitively awarded to those applicants that have evidence of the net impact of their work, and/or are committed to investing in quality data collection and evaluation such that their net impact can be assessed over time. This approach will further help the government incent the creation of a broader evidence base against which to assess what works.

Implementation recommendations

Create an interagency working group on social sector innovation funds

The White House and the Office of Management and Budget should create an “Interagency Working Group on Innovation Funds” to support the development, continuous improvement, and implementation of funds. To ensure agencies have the support to move swiftly in setting up new funds and in continuing to align and improve existing ones, the White House and OMB should regularly convene an interagency working group on innovation funds.

The working group would allow agencies to leverage shared knowledge and expertise, develop shared standards and practices, and to inform the design of new funds while also informing the design of the internal processes that will allow those funds to operate successfully. The working group also could focus on aligning evidence standards among existing and new innovation funds. The benefit for the administration would be a cohesive, coordinated portfolio of innovation funds operating from a core set of principles to drive policy goals and interests.

Create a common evidence framework

The White House Domestic Policy Council and OMB—with the Council of Economic Advisers a key partner—should initiate an interagency process to cre-

The federal government must support efforts to develop additional measures of effectiveness, and to consider how data and assessment can be used to improve practice in real time and not just determine impact over time.

ate a common evidence framework that can be used across geographies, agencies, and programs to gauge effectiveness and impact. This framework should be developed and vetted by experts in the government and the philanthropic, nonprofit, and private sectors, and must consider a focus on cost²⁵ as well as a focus on outcome. It should be user-friendly and allow promising organizations to self-assess whether they “meet the criteria” for different levels of funding.

Furthermore, the federal government must support efforts to develop additional measures of effectiveness, and to consider how data and assessment can be used to improve practice in real time and not just determine impact over time. The federal government must also invest resources in training its own staff on these emerging frameworks, and building the capacity of its staff and the field to further refine and improve upon the proposed frameworks.

To develop a common evidence framework, the Department of Education’s i3 evidence framework is an important starting point. Moving forward, the White House Domestic Policy Council and OMB, along with the Council of Economic Advisers, should work with the Departments of Education, Labor, Health and Human Services, and Justice and the Corporation for National and Community Service to develop this common framework within one year. The White House and OMB should include the input and feedback from critical third parties to develop a deeper evidence framework that can be embraced and applied by other agencies within various levels of government, as well as possibly by philanthropy and the private sector. This framework must consider additional measures of impact, as well as the relevance of context, cost, and usability.

Encourage greater implementation of “tiered awards” approach

The federal government should drive grants to those organizations with the strongest evidence of impact. An important approach to amplify is the strategy of “tiered awards,” so that applicants with greater amounts of evidence are eligible for larger federal grant awards. This is critically connected to the development of a common evidence framework described above. To implement this kind of “tiered awards” approach—as both i3 and the Workforce Innovation Fund have—agencies must better understand the implementation challenges that may result.

Case in point: Peer reviewers and agency staff—panel monitors and peer review trainers—will need to be well versed on the different eligibility requirements and

selection criteria across the tiers. And agency leaders will need to determine a set of policy guidelines that incorporates the challenges of multiple tiers. Are there multiple slates from which grantees are selected? Can applicants who are ineligible for one tier be redirected to another tier by agency staff? Logistically, can individuals review applications from different tiers? Answers to these questions alongside the back-office systems needed to allow management flexibility across tiers are essential.

Another possible approach to consider is adding competitive preference points for applicants who demonstrate certain levels of evidence and/or commit to a select set of approaches for data collection, analysis, and evaluation that will build an evidence base over time. Because the difference in scores between grantees and nongrantees can be so slim, earning these competitive preference points can make a significant difference in who earns federal grants.

Improve the peer review process

The newly formed Interagency Working Group on Innovation Funds (described previously) should initiate a process to identify weaknesses in the peer review process and report on needed improvements within 180 days. Specifically, the Interagency Working Group on Innovation Funds should review and synthesize how peer review is implemented in a range of agencies to better understand what approaches are currently employed well and can serve as a model for other agencies. This review should, at a minimum, consider:

- The purpose of peer review
- The use of tiered application and/or tiered review processes²⁶
- The recruitment and conflicts policy used to select peer reviewers
- The guidance, training, and ongoing support provided to peer reviewers
- The guidance, training, and support given to panel monitors
- The structure and composition of a typical review panel
- How peer reviewers are recognized and compensated for their service
- The general approach to public disclosure of peer reviewer names, scores, and comment
- An assessment of the technologies peer reviewers and agency staff are required to use.

Reviewing, scoring, and awarding innovation fund grant applications requires a level of flexibility and targeted expertise that traditional agency systems and

processes, often for good reason, are typically designed to limit. The quantity of qualified reviewers required because of the scale of applications to innovation funds, coupled with the broad range of expertise required because of the typically broad range of issues eligible for funding under innovation funds means that finding enough quality peer reviewers is challenging.

What's more, the deep expertise required to effectively assess evidence of impact and quality of proposed evaluation plans—because of the fundamental focus on evidence and evaluation that innovation funds espouse—coupled with the difficulty in assessing expertise in relevant competencies such as scaling or innovation, only adds to the challenge of finding enough quality peer reviewers for innovation funds.

Rethinking peer review processes, starting with when they should be used, and then determining who should review and how, can dramatically change what the government understands as effective and worthy of replication or scale, while maintaining if not increasing the quality and objectivity of the reviews. By more tightly managing the review process, agencies can run large competitive grant programs with greater consistency and quality. Moving forward, the newly convened Interagency Working Group on Innovation Funds should facilitate a comprehensive review of agency peer review practices and recommend actionable improvements.

Better define the role of philanthropy and the private sector

Federal agency leaders implementing and/or designing innovation funds should specifically articulate the purpose of the private sector engagement they seek in their requests for proposals. The federal government can more thoughtfully consider and define the role of philanthropy and the private sector in providing leverage to government funds. At a minimum, future innovation funds should be designed with the input of philanthropic and private-sector stakeholders, and innovation funds should aim to clearly state the intended role of philanthropy/the private sector in achieving their intended impact.

Specifically, the purpose of philanthropic and private sector engagement may be:

- To engage high-capacity stakeholders in support of grantee success to strengthen the quality of proposed ideas and efforts
- To create local buy-in (and accountability) that can facilitate long-term sustainability

- To signal to others what programs are of high quality and therefore worthy of their support and engagement
- To provide needed and flexible funds to get the immediate work at hand done

By articulating the purpose of the engagement, program parameters can be better informed and designed to help deliver the intended results, and private-sector partners of all shapes and sizes can more meaningfully engage in important innovation efforts.

In fact, some innovation fund grantees noted that their private-sector partners are often more compelling advocates to policymakers on the importance of innovation funds than they are themselves. Leveraging the voice of committed private-sector partners may further help secure important federal innovation efforts.

Ensure the flexibility of private-sector matching funds

Philanthropic and private-sector matching funds should have the flexibility to be used as broadly as possible as long as the use remains consistent with that outlined in the original grant application. Social Innovation Fund grantees note that they are unable to use their private-sector matching funds for fundraising activities—even though the terms of their grants will likely require extensive fundraising in order to meet the demands of the private-sector match requirement. Other grantees note that the extensive reporting requirements for federal grant funds are also applied to their private matching funds, which in turn has generated significant workload for their organizations—and sometimes required additional hiring—given the size of these matches.

In order to further incent philanthropic and other private-sector engagement with federal innovation efforts, it is important to protect the flexibility of these nongovernment funds. Moving forward, agency leaders from the Department of Education and the Corporation for National and Community Service in particular should convene a cross-functional team of legal, communications, and policy experts to determine what proactive steps can be taken to ensure appropriate flexibility for philanthropic and other private-sector funds. Their findings should then be broadly discussed with other agencies considering launching additional innovation funds.

Report annually on learnings from each innovation fund and application of these learnings more broadly

The Office of Management and Budget should require all federal agencies that host an innovation fund to report back annually on the ways in which the program's learnings are being shared and acted upon within the agency and with other appropriate federal agencies. Host agencies must be willing to "be a consumer" of the program's learnings, and intentionally consider how to leverage the learnings from innovation programs to improve the work of other agency programs.

The host agency of an innovation fund must see the success of the fund as integral to the success of the agency, and thereby prioritize learning from the effort. To facilitate quality implementation and key learning, the nuts and bolts of the innovation fund must be led by experienced agency officials who have run quality, competitive programs in the past and can both effectively manage the many technical intricacies of running such programs with the ability to effectively communicate progress and challenges to the rest of the agency, Congress, OMB, the White House, and a range of external stakeholders so matters can be resolved and amplified without undue delay.

Without that type of dedicated high-level agency leadership coupled with experienced technical agency implementing partners, innovation funds will struggle to succeed inside most agencies and will fail to distill learnings that can be shared and applied more broadly to other agency programs and administration priorities. As current innovation funds mature, OMB and the White House should work with agency leaders to both assess learnings and impact of these respective innovation funds, but to also determine how these learnings and practices can be leveraged to strengthen broader agency or administration efforts.

One specific example of agency action to encourage the transfer of ideas and learnings from innovation funds to other agency programs is happening at the Department of Education. Efforts are underway to revise the Education Department General Administrative Regulations, or EDGAR, to include the evidence framework used in the Investing in Innovation fund. This change would allow any Department of Education program to adopt this evidence framework without needing to go through the lengthy rule-making process..

Better leverage data collection and evaluation results to communicate the progress and learnings from innovation funds with critical stakeholders

In addition to reporting on progress to OMB annually, each federal agency with an innovation fund should create a robust communications strategy to convey the value and potential of these funds to other key stakeholders, including the broader public. Innovation funds would benefit from frequent communications and updates to key stakeholders on the progress and learnings of their programs.

- In particular, grantees (and subgrantees) will want to recognize that there is considerable value to be gained from effective communication of their early successes and progress toward outcomes. As these stories are shared with policymakers, philanthropy groups, other practitioners, and the public, they will help build an understanding of the innovation funds' potential to achieve impact over time.
- Agencies would also do well to communicate how innovation funds are contributing to improved agency performance across the board, and to share their lessons learned with their stakeholders. Both agencies and grantees will want to recognize that proactive communications will have the most value, and they will want to plan accordingly to ensure they have the capacity to sustain a robust communications strategy.

Furthermore, federal government agencies must develop a plan to support access to and learning from the evaluations of innovation fund grantees, in order to inform both local community practice and other government agencies and programs. One way to encourage this learning is to require that publicly funded efforts make their evaluations publicly available, with the appropriate precautions taken to protect the privacy of any specific individuals. The federal government or another informed third party might then consider how they can make this information usable to a broader audience of practitioners and policymakers. All three innovation funds discussed in this paper require grantees to conduct third-party evaluations, but there is not yet an articulated approach to how these evaluations will be used to improve practice and inform decision-making more broadly.

The newly convened Interagency Working Group on Innovation Funds should propose an aligned approach for monitoring progress on the ground and assessing hard evaluation results as they come together, synthesizing this information and presenting it to critical audiences to improve learning and decision making.

Innovation funds would benefit from frequent communications and updates to key stakeholders on the progress and learnings of their programs.

Better understand the support innovation fund grantees seek

The federal government must assess the types of support innovation fund grantees need, and determine the role of the federal government versus that of external parties in providing that support. There are limits to the level of support and thought partnership the federal government can provide any individual grantee because the government is not designed to provide hands-on counsel to grantees. Whereas the Social Innovation Fund leans on intermediaries to provide subgrantees needed support, the Investing in Innovation fund requires grantees to participate in communities of practice, and other programs such as Promise Neighborhoods rely on third parties with relevant expertise to provide support to current and potential grantees.

Leaders from the Department of Education, the Corporation for National and Community Service, and the Department of Labor—ideally through the newly convened Interagency Working Group on Innovation Funds—should consider working with a third party to proactively monitor these different approaches to improve our understanding both of the type of critical support innovation grantees need, as well as the best arrangements through which to provide that support.

Continue to increase transparency of programs and processes

Future innovation programs should begin with the goal of making their systems, processes, materials, and decisions as transparent as possible. This is necessary for at least four reasons:

- To strengthen the quality of the applicant pool
- To help bolster support for such programs by demonstrating that they are run effectively and without bias
- To provide critical stakeholders—philanthropists, evaluators, other practitioners—with the information they need to determine how they can best engage
- To deepen the public's understanding of the types of ideas and transformational change that innovation funds aspire to create

The Department of Education and others have demonstrated that such transparency is possible by posting applications, reviewer comments and scores for grantees, and by launching efforts such as <http://www.data.gov/communities/education>, which provides the general public access to user-friendly summary reports as well as direct access to a searchable database of 13 applicants by a range

of parameters including congressional district, state, absolute priority, and applicant type. But moving forward we will need to consider how government policies and constraints can make greater transparency the norm rather than the exception to the rule.

Policy leaders—those agency leaders actually designing and implementing innovation funds—and technology leaders—chief investment officers and selected line staff who actually develop and manage the systems agencies require applicants and staff to use—from across those agencies should come together to determine whether new, aligned systems for accepting applications and conducting peer review are necessary to meet the transparency goals and expectations of today. These new systems must make it easier to transfer information to user-friendly public-facing platforms without compromising the security and privacy that applicants appropriately expect.

Conclusion

The federal government must increasingly invest in what works. Innovation funds can be a useful tool to help the federal government find and direct public dollars toward what works, when they are designed and implemented appropriately. While still early, there are useful lessons to be learned from the current innovation funds that could strengthen their impact, and inform future innovation funds or, most important, the direction of larger streams of federal money.

The federal government is uniquely positioned to identify, fund, and scale transformational change, and strengthening evidence-based innovation funds is one critical way to achieve that goal. As evidence-based innovation funds mature, it is important that we continue to learn from their experience to inform our work. Meeting the needs of young people, their families, and communities across the nation requires that the government prioritize investing in both innovation and what works.

Appendix A

Challenges facing a “what works” policy agenda

There are a number of challenges to the government increasingly driving public dollars toward adopting an approach of investing in what works. Specifically, political constraints, across-the-board budget cuts, equity concerns and evidence obstacles. This appendix looks at these challenges.

Political constraints

Elected officials in our nation’s representative democracy consider a number of important factors in making policy and funding decisions. Among them are the needs and demands of their constituents their own political philosophy, the needs for political compromise and negotiation in order to advance legislation or ideas, and the budget constraints within which they operate. Program effectiveness or evidence is not always a key factor driving those decisions.

Furthermore, there is limited public demand for public funding decisions to be based on “what works.” While opinion polls show that the public agrees with the ideas and language of “results” and “impact” and “getting more bang for the buck,” it is hard to rally the general public around those intangible concepts and actively press for this policy approach, especially when there are a range of well-intentioned local programs doing good work—but that lack evidence—that may be at risk of losing funding.

At the same time there are many influential organizations and programs that are invested in the way government currently distributes funds, making them a more vocal and organized constituency in favor of the current funding approaches.²⁷

Across-the-board budget cuts

In January 2013 the federal government will face automatic across-the-board spending cuts that were part of a deal cut during last summer's showdown over the nation's debt limit. Although a different budget deal may be negotiated, there still will be enormous pressure to cut domestic spending, and that could include those programs that are investing resources based on evidence, such as the Social Innovation Fund and i3. At the state level, governments have already resorted to across-the-board spending cuts in order to balance their budgets. Programs that have evidence of impact have been as vulnerable to these cuts as all others, despite their impact.

Equity concerns

There is a perceived tension between driving resources toward what works and directing resources toward places that are most in need. If funding shifts to competitive, innovation, and evidence based, then many of the places greatest in need may be the ones who suffer the most because they may not have the resources or capacity to do the applications or build the evidence needed to compete for and be awarded grants.

Evidence obstacles

There is lack of agreement regarding what constitutes meaningful "evidence" of impact. Furthermore, many argue that systemic change efforts will never have the evidence required to show that they work because by their very nature there is no applicable control group against which progress can be measured.

In addition to the lack of an agreed-upon evidence framework, there are cost and capacity concerns as well. Quality evaluations can both be expensive and require a level of organizational commitment and capacity for success. These needs can "tap out" already-stretched-thin organizations and programs focused on providing quality services to those in need.

Appendix B

Opportunities to promote a “what works” policy agenda

At the same time as there are challenges to implementing a “what works” policy agenda, there are also opportunities to implement these ideas based on a more receptive climate for them. Specifically, budget constraints create an urgency to do more with less, there is a better sense of “what works” in a number of policy fields, philanthropic organizations are growing more interested in this approach, and models now exist within the federal government to see “what works” agendas introduced on a wider scale. This appendix looks at these opportunities.

Budget constraints create an urgency to “do more with less”

Governments at all levels are facing constrained budgets and debt reduction has become an important political issue. At the same time, our nation is faced with serious social and economic problems. A strong case can be made to both policymakers and the public that limited resources need to be spent more wisely, and that evidence-based policy approaches will help achieve more impact for taxpayer dollars, rather than “impact-blind” across the board cuts.

Better sense of “what works” exists in the field

There are an increasing number of programs and organizations that have invested in building an evidence base, have a stronger sense of their impact and potential to scale, and are using data to shape their work, especially in the area of education and youth development. These examples of impact can inspire policymakers and the public that success is possible. Organizations are also exploring ways to make quality evaluation more affordable and therefore accessible to more organizations.

Growing philanthropic interest in effectiveness and evidence

An increasing number of foundations and philanthropists are investing resources based on effectiveness and evidence, helping to build the critical pipeline of organizations and interventions that could participate in government funded evidence-based programs. For example, more than 150 private sector partners provided support with matching funds for i3 and Social Innovation Fund grantees. While the philanthropic and the private sector may have greater flexibility and the ability to take on more risk with their funds, taxpayer dollars should be directed towards efforts that have a very strong likelihood of success. Philanthropy is helping build this critical pipeline.

Models exist within federal agencies to see “what works” agendas introduced on a wider scale

Over the last several years, a number of federal agencies have developed strategies and tools to invest in innovation funds based on evidence of impact and to redirect funding away from those programs that are not performing. This includes the Departments of Education, Labor, Health and Human Services, and the Corporation for National and Community Service. This approach is no longer new or experimental. The strategic and operational lessons learned from these programs can be used to guide and shape how larger streams of government funding can be made more evidence based.

About the authors

Michele Jolin is a managing partner at America Achieves and a Senior Fellow at the Center for American Progress. Jolin was appointed by President Obama in December 2010 to be a Member of the White House Council for Community Solutions. Previously, Jolin served as a senior advisor for social innovation at the White House in 2009 and 2010. In that role she designed and launched the Social Innovation Fund, and developed other policy tools to drive investment toward more innovative and effective solutions to our nation's most critical social problems. Jolin also served on President Obama's Presidential Transition Team.

Jolin led the Center for American Progress presidential transition project and was co-editor of the book "Change for America: A Progressive Blueprint for the Next President." (Basic Books, 2009) Prior experiences include working as a senior vice president at Ashoka, a global network of social entrepreneurs, and chief of staff for President Clinton's Council of Economic Advisors for CEA Chairs Joseph Stiglitz and Janet Yellen. She is a graduate of the University of Wisconsin-Madison, the London School of Economics and the University of Virginia School of Law. She lives in Washington, D.C., with her husband and their three children.

Shivam Mallick Shah is a strategic advisor to America Achieves. Previously, she worked in the public, private and philanthropic sectors focused on a range of education reform efforts. In 2009 and 2010 Shah worked at the U.S. Department of Education where she led the implementation of the inaugural Investing in Innovation competition and the Promise Neighborhoods competition.

Prior to serving in the Obama administration, Shivam spent over five years on the Education team at the Bill & Melinda Gates Foundation. As a Deputy Director in the U.S. Program, she focused on managing the foundation's education investments and grantmaking activities in the northeastern United States with the goal of helping every child graduate from high school ready for college, work and citizenship. Her efforts leading the \$150 million New York City schools investment portfolio, where graduation rates in foundation-funded schools have more than doubled in five years to more than 70 percent in schools that serve largely low income and minority students, has become a national example that success is possible.

Shivam also previously co-founded the east coast office of NewSchools Venture Fund, and spent several years in the private sector at both McKinsey & Company and the investment bank Bear, Stearns & Co. Inc. She is a graduate of Georgetown University, the London School of Economics and Harvard Business School. She lives in Washington, D.C., with her husband and their three children.

Endnotes

- 1 Throughout this report, any reference to innovation funds is intended to be limited to those innovation funds that attempt to address a *social* problem.
- 2 As cited by the Coalition for Evidence-Based Policy, the additional evidence-based programs noted by OMB include the Department of Health and Human Services' Home Visitation program (\$1.5 billion from 2010 to 2014) and Teen Pregnancy Prevention program (\$105 million in fiscal year 2012), as well as the Department of Labor's Trade Adjustment Assistance Community College and Career Training Grants Program (\$2 billion from 2011 to 2014).
- 3 See: Jeffrey D. Zients, "Use of Evidence and Evaluation in the 2014 Budget," Memorandum to the Heads of Executive Departments and Agencies, May 18, 2012, available at http://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-14_1.pdf.
- 4 For instance, the government can: (1) create social innovation funds that identify promising or evidence-based innovations and provide resources to scale; (2) ensure that larger federal funding streams and competitive funds are directed toward what works; (3) create pay-for-success or Social Impact Bond structures to mitigate risk and ensure results for government dollars; and (4) invest in the infrastructure necessary to develop the evidence base and develop the capacity to take the most promising efforts to scale.
- 5 These multiple stages of innovation are descriptive and overlapping. They are not distinct and separate, but rather function along a spectrum.
- 6 Coalition for Evidence-Based Policy, "Evidence Summary for the Nurse-Family Partnership" (2012), available at <http://evidencebasedprograms.org/wordpress/1366/nurse-family-partnership/>.
- 7 See endnote 1.
- 8 The 2010 competition required a 20 percent match from all winners, but the 2011 competition required 5 percent for scale-up, 10 percent for validation, and 15 percent for development. The 2012 competition requires the same 5-10-15 percent breakdown as 2012.
- 9 The Department of Labor is using WIF and WIA funds to support these grants. \$20 million in Pay for Success grants is to be announced in spring 2013.
- 10 Applications are currently under review and the department will announce the winners by December 31, 2012.
- 11 For i3: Includes a provision in the Senate's FY13 Labor, HHS, and Education Appropriations bill that allows the Department of Education to use up to 30 percent of i3 funds to create the Advanced Research Projects Agency-Education, or ARPA-ED, to develop, test, and evaluate novel learning technologies and related processes. For WIF: Includes \$100 million from the Department of Labor's budget and \$25 million from the Department of Education's budget. For all programs: The federal government is currently operating under a six-month continuing resolution, funding these programs at current levels. The continuing resolution expires March 27, 2013.
- 12 "Participating Foundations," available at www.foundationregistryi3.org/about/foundations/
- 13 Each of the innovation fund grantee vignettes includes information on interim outcomes and/or gross impact—not net impact—of their innovation fund grant. Evidence of net impact is still being assessed given the early stage of each of these grants.
- 14 Additional nonprofit subgrantees will be selected to receive funding in Spring 2013.
- 15 See endnote 13.
- 16 Data.gov / Education," available at <http://www.data.gov/communities/education>.
- 17 Department of Education, "Office of Innovation and Improvement; Overview Information: Investing in Innovation Fund; Notice Inviting Applications for New Awards for Fiscal Year (FY) 2010," Federal Register 75 (48) (2010): 12072-12086.
- 18 "Well-designed and well-implemented" is defined in the 2010 i3 NFP, as follows: "With respect to an experimental or quasi-experimental study (as defined in the 2010 i3 NFP notice), that the study meets the What Works Clearinghouse evidence standards, with or without reservations."
- 19 See endnote 13.
- 20 "Workforce Innovation Fund Grant Awards," available at http://www.doleta.gov/workforce_innovation/grant_awards.cfm.
- 21 Of the 24 applications received for the 2011 SIF competition, only 18 were deemed compliant and moved forward to the full competition. Of the 31 applications received for the 2012 SIF competition, only 25 were deemed compliant and therefore moved forward to the full competition.
- 22 "Summary of 2010 i3 Matching Activity," available at <http://www2.ed.gov/programs/innovation/2010/matching-summary.ppt>.
- 23 An article published in the October 31, 2012, issue of *Education Week* noted that at least one i3 grantee has struggled to secure committed funds from a single individual donor towards its required private-sector match. It further noted that the specific i3 grantee is working with this donor to develop a new payment schedule, and that the grant is continuing to be monitored by the Department of Education.
- 24 The OMB memo specifically notes, "Agencies should demonstrate the use of evidence throughout their Fiscal Year (FY) 2014 budget submissions. ... the Budget is more likely to fund requests that demonstrate a commitment to developing and using evidence... Grant-making agencies should demonstrate that, between FY 2013 and FY 2014, they are increasing the use of evidence in formula and competitive programs."
- 25 Cost in this instance refers to the cost of the proposed intervention/program/tool that is being studied for effectiveness and impact. What is equally important to consider in the context of developing an evidence framework is the need to develop low-cost evaluations.

- 26 One way to run a tiered application process is to ask applicants to submit a short application for review against a subset of selection criteria, applications are reviewed and then a portion of these applicants are invited to submit a full application for review against all of the selection criteria. One way to run a tiered review process is to have applicants assessed only against a subset of selection criteria (for example, those related to evidence and evaluation), and then just the top rated applicants are moved forward to full review against all of the selection criteria. A tiered review process has been implemented in the past for i3 development applicants, and a tiered application process has been implemented in the current i3 competition for development grants.
- 27 As Daniel Stid noted in his *Washington Post* op-ed “The Social Services Industrial Complex,” “The dirty little secret of the social sector is that once government money starts flowing, the nonprofits that have advocated for it and/or who are benefitting from it have a vested interest in keeping it going, even as evidence shows “weak or no positive effects.”

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