

Old problems, new solutions: Measuring the capacity for social innovation across the world

An Economist Intelligence Unit study



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Research interviews for this report are listed below (arranged alphabetically by institution).

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Executive summary

Policymakers, non-government organisations, charities and entrepreneurs across the world are showing increasing interest in "social innovation" as a means of addressing various problems, from poverty and homelessness to environmental degradation. What does the term actually mean? As a relatively novel concept, it lacks an established definition. Most broadly, it can refer to new services and products, or new processes, rules and regulations, that help meet a social need--for instance reducing the number of homeless people on the streets, keeping children in school, or ensuring commodities are produced sustainably for fair wages. The benefits of social innovation, wherever it arises, accrue to society as a whole rather than individuals, although in some cases socially innovative projects can also produce profits and investment returns.

As the concept of social innovation has gained currency, more efforts have been made to bring rigour to the field by defining the term more clearly and analysing best practices in its application. So far there have been few attempts to examine how countries can encourage and enable social innovation. That is the aim of this Index and white paper, commissioned by The Nippon Foundation.

¹ The results should be interpreted in a domestic context since the Index does not consider whether countries can help develop social innovation across borders.

The Social Innovation Index 2016 measures the capacity for social innovation across 45

countries--G20 and OECD nations, together with select others to illustrate some notable trends in developing economies. Countries in the Index are scored on four pillars that together underpin their capacity to develop social innovation: their institutional and policy framework, the availability of financing, their level of entrepreneurialism and finally the depth of their civil society networks.¹

The key findings of the Index and this paper include:

Overall Index results

The United States comes top of the Social Innovation Index 2016, scoring 79 out of 100. It scores first in entrepreneurship and second in both policy and institutional framework and financing, falling down only in the pillar measuring the depth of civil society, where it ranks 11th. Given social innovation is rooted in bottom-up solutions, rather than big government, and is therefore in tune with prevailing political sentiment in the US, its ranking may seem unsurprising. But it has also demonstrated broad legislative and policy support for the concept, for instance through the Office of Social Innovation and Civic Participation and the Social Innovation Fund, both launched in 2009.

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• The UK has the best institutional framework and policy support for social innovation.

The UK ranks second overall and its social innovation policies are best-practice templates against which other countries can benchmark themselves. Successive UK governments have legislated to support social innovation projects and businesses, while policies such as the 2010-15 "Big Society" initiative have provided funding and institutional backing for numerous innovations, not least social impact bonds.

• South Korea stands out in the Asia-Pacific region, ranking 12th. Though it lacks a national social innovation strategy, South Korea supports social enterprise and provides funds and subsidies for such endeavours. The city of Seoul is spearheading social innovation with several initiatives such as open data and open communication: the city discloses 90% of public data, including draft projects by city officials, in real-time, and incorporates citizens' suggestions for improvements.

• Japan and Spain are among the most notable underperformers. Considering its income level, Japan (23rd) ranks lower than might be expected: most social initiatives are privately funded (though non-profit enterprises can apply for central government grants), and social factors inhibit entrepreneurial risktaking. Likewise Spain (28th), stands out by ranking below Kenya (27th) in the Index: although it participates in EU initiatives on the issue, there is little national awareness of social innovation as a cohesive concept, and it lacks national-level strategies and funding.

Policy and institutional framework

• Social innovation needs data, but few countries are open enough. Experts see policies around data transparency as one of the main building blocks for social innovation, particularly in the delivery of social services at the community level. In the Index, The EIU awarded only nine countries the top score in the indicator that measures whether governments collect and publish relevant data and research the impact of and need for social innovation: **Belgium, Chile, Denmark, France, Germany, Poland, Sweden,** the **UK** and the **US**.

• Legal frameworks for social enterprises are still rare. One of the most important factors is whether a country has a legal framework for social enterprises. Defining such structures encourages social entrepreneurs, gives legal protection to directors, and removes confusion over definitions that might hinder policy. To date such frameworks have been the exception rather than the rule: only seven countries in the Index have such laws in place, while a further 12 have plans to implement such legislation. The UK's community interest companies (established in 2006) and the US's benefit corporations (dating from 2010) are global benchmarks.

Financing

• Canada has the best financing environment for social innovation. Canada (3rd) has demonstrated a solid commitment to funding social innovation in recent years at both the national and provincial level, through initiatives such as the Community and College Social Innovation Fund and Ontario's Social Enterprise Demonstration Fund. It has also long pioneered innovations in financing, such as Nova Scotia's Community Economic Development Investment Funds, which allow investors a tax credit on investments into local communities, launched in 1999.

• Funding is not the goal. The danger with more funding and investment being channelled into social innovation and social enterprises is that funding itself, rather than addressing social issues, becomes the goal, and that projects or enterprises become excessively beholden to their financial backers. By focusing exclusively on cost savings for public authorities or returns for investors (e.g. in the terms of social impact bonds or the expected returns of social enterprises), the concern is that the bar will be set much higher for social innovation projects than for other social programmes that are paid for directly.

Social entrepreneurship

 Some African countries are well positioned to benefit from social enterprise. That social entrepreneurialism is seen as a sustainable solution in Africa is the result of what some experts call the continent's "crisis of development" and the failure of either the state or the market to deliver results. The way is open for dynamic, socially minded enterprises--or what some have termed "Africapitalism"--to solve social problems, in many cases using new technology that can "leapfrog" into wider use in developing economies. African countries in the Index score highly in terms of their entrepreneurial potential: with Kenya (27th), South Africa (26th), Ghana (39th), and Nigeria (41st) all coming within the top 15 in this pillar.

Entrepreneurship can only go so far.

Entrepreneurs who want to make money as well as achieve social goals are a vital source of social innovation, but shouldn't be seen as the "hammer that hits every nail", experts warn. Where no market exists to find a solution, non-profits or governments must step in, while in some areas, such as healthcare, the profit motive will make entrepreneurs more likely to guard their intellectual property, preventing innovative solutions from reaching sufficient scale. Moreover, in relatively wealthier, stable democracies, it may not necessarily be iconoclastic entrepreneurs but large companies or clusters of civil society organisations that deliver social innovation.

Civil Society

• Nordic nations stand out for the depth of their civil society, and the potential to develop social innovation within well established and comprehensive welfare systems. Iceland (15th) has the most robust civil society of any country in the index, as its third sector grew in demand for welfare services following the financial crisis of 2008. Denmark (4th), Norway (13th), Sweden (9th) and Finland (13th) also score well in the civil society pillar. In the same way the Nordic welfare model attracted great attention in postwar Europe, social enterprises in the region can now be "experimental arenas for participatory, learning-related and productive welfare", according to the Nordic Council of Ministers.

Index methodology

The EIU built the Social Innovation Index 2016 to assess the capacity of 45 countries to enable social innovation. The Index includes seven quantitative data points and 10 qualitative scores by EIU analysts, grouped into four pillars. Data points within each pillar are normalised (from 0-100, where 0=worst and 100=best) and assigned weights. Scores for each pillar are then calculated and also normalised out of 100. Each pillar is given a different weight in the overall score, which is also out of 100.

The pillars, their weights and constituent indicators are as follows:

Policy and Institutional Framework (weight: 44.44%)

- Existence of national policy on social innovation
- Social innovation research and impact
- Legal framework for social enterprises
- Effectiveness of system in policy implementation
- Rule of law

Financing (weight: 22.22%)

• Availability of government financing to promote social innovation

- Ease of getting credit
- Total public social expenditure

Entrepreneurship (weight: 15%)

- Risk-taking mindset
- Citizen's attitude towards entrepreneurship
- Ease of starting a business
- Development of clusters

Society (weight: 18.33%)

- Culture of volunteerism
- Political participation
- Civil society engagement
- Trust in society
- Press freedom

A detailed methodology is provided in an appendix.

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Introduction

² TEPSIE, "Social Innovation Theory and Research: A Guide for Researchers", December 2014. Available at http://www.tepsie. eu/. Inevitably there is a normative element to this definition encapsulated in the word "social", distinguishing it from private-sector innovation that may yield public benefits but which has private gain as its principal motivation. This has relevance to the section in this paper on social entrepreneurialism.

³ https://www.gsb.stanford. edu/faculty-research/ centers-initiatives/csi/ defining-social-innovation

⁴ The Economist, "A zero contribution: An unconventional way to combat petty corruption", Jan 28th 2010. Available at http://www.economist. com/node/15393714

⁵ TEPSIE 2014, p10. Academic discussions of the topic cover numerous subtleties in exactly what constitutes social innovation, the levels at which it operates, the philosophical and sociopolitical theories that underpin its adoption, and so on. TEPSIE gives a good overview of these issues.

What is social innovation?

Social innovation refers to any project or activity that is new, that meets a social need, that engages and mobilises its beneficiaries, and that to some extent transforms social relations by improving beneficiaries' access to power and resources. This definition, from the Theoretical, Empirical and Policy Foundations for Social Innovation in Europe (TEPSIE) project, is sufficiently broad to cover everything from car-sharing to microfinance to novel dispute resolution practices, cutting across the public and private sectors. That is, social innovation can refer to new services and products, new practices, new processes, and new rules and regulations, as long as they meet a social need and their benefits accrue to society as a whole, rather than individuals.²

The Center for Social Innovation at Stanford Business School highlights on its website three large-scale examples to help anchor the term in reality: charter schools, which operate outside the regulations that cover public schools and often employ novel teaching methods; carbon emissions trading, which creates a market to price (and thereby minimise) industrial pollution; and the Fair Trade certification for exporters of commodities like coffee and chocolate, which verifies whether producers are paying workers fairly and are adhering to other social and environmental principles.³ Other notable examples—among hundreds of thousands of possibilities—could include social impact bonds, first launched in the UK in 2010 to finance a prisoner rehabilitation scheme, or the "zero rupee note", issued since 2007 in

India by an NGO to help angry citizens highlight corruption and protest the solicitation of bribes for supposedly free services.⁴

The breadth of such examples means attempts to define social innovation often start, unhelpfully, with "I know it when I see it". Indeed, TEPSIE admits social innovation is still only a "quasiconcept", in that there is no one, agreed definition of the term. This is partly because it is new and has arisen ex post facto, "through people doing things in new ways rather than reflecting on them in an academic way".⁵ But the novelty and lack of established definition of the term carry risks, in that its overuse might mean it ends up no more than a buzzword. Projects like TEPSIE were therefore established to bring rigour to the field, to define and categorise social innovation, and to highlight best practices in its application. So far, there have been few initiatives to carry on this aim by measuring empirically the capacity for social innovation at a national level. The Nippon Foundation commissioned The Economist Intelligence Unit to address precisely this issue.

Is social innovation necessary?

Another risk that some analysts identify with the over-use of the term is that social innovation could end up being seen as a solution to substantive problems that the traditional operations of governments and public policy might be expected to address. Especially in poorer countries, the worry is that by focusing on "bottom-up" innovation, insufficient attention is paid either to governmental failures or endemic Intelligence Unit

social problems (like corruption or inequality) that require a systemic approach to resolve.

A corollary of this concern is that in studying the phenomenon, it is tempting to focus on social innovations in developing countries that are either dedicated to poverty reduction or that use frugal methods ("jugaad", a Hindi word for a "hack" or work-around, is often used as an umbrella term for such approaches). These initiatives are to be studied, promoted and celebrated, of course, but not at the expense of encouraging sound political and economic governance that helps entire economies to grow. In addition, social innovation in comparatively rich nations that addresses other pressing issues such as climate change or the problems posed by ageing populations are equally deserving of study—and, if effective, widespread adoption.

In reality the situation is not "either-or". There is no reason why governments and public bodies anywhere, even those that function comparatively well, cannot employ or encourage the adoption of socially innovative means to help solve problems that are intractable or resistant to traditional means of resolution, particularly given resource constraints. Whether this happens in rich or poor countries is—at the level of the innovation itself-immaterial. Indeed, in cases where public policy aims, such as the need to trim social welfare budgets to reduce public debt (that is, austerity), are either incompatible with the resolution of some social issues, or may even exacerbate them, there may be little choice but to consider alternative methods. The proliferation of social innovation in rich Western markets in the years since the global financial crisis proves that necessity can be the mother of (social) innovation anywhere.

⁶ Anecdotally, it is almost always the case that the higher a country ranks, the more examples there are to be found of its capacity to fund and promote social innovation in other (typically poorer) countries.

⁷ It is hoped that the scope in terms of countries and indicators can be expanded, refined and improved in future iterations of the Index.

Measuring the capacity for social innovation

Of course, this means that the onus is on governments and public bodies to do as much as they can to encourage such innovation. The environment must be conducive to allow these initiatives to succeed. This is why the Social Innovation Index 2016 gives a comparatively large weighting to whether governments have established supportive policy environments and financing to allow social innovation to flourish. It also considers less tractable but similarly important characteristics, such as a country's level of entrepreneurialism and the depth of its civil society, both of which are prerequisites for the development of novel means to solve social problems.

Some limitations of the index should be noted. First, for reasons of data availability and research scope it includes just 45 countries: G20 and OECD nations, together with select others to illustrate some notable trends in developing economies. In addition, the results are to be interpreted in a domestic context: the Index does not consider the breadth of cross-border applications of social innovation, where funding or expertise from one country supports social innovation elsewhere. This is an important and common aspect of overseas development assistance, for example, but one that it is difficult to quantify in an assessment of national capacity for such innovation.⁶

Second, although The Economist Intelligence Unit conducted an extensive literature review and consulted numerous experts on the construction of the index, the indicators it uses are not exhaustive. Given it is meant to be a useful tool for policymakers, as noted above it is weighted more heavily towards the policy and institutional framework necessary to support social innovation, and does not include a systematic measurement of private-sector inputs that may encourage it.⁷

Third, and most important, it does not measure the outputs of social innovation; that is, the extent to which such innovation is actually achieving its aims. This is partly because of the breadth of activity across which social innovation can be applied makes such measurement, at the country level, problematic. On a macro scale, success could be seen in improvements in the kinds of indicators of human flourishing (healthcare, education, environmental protection and so on) that are among the main results of good governance in general, rather than social innovation per se. And on the micro scale, individual instances of social innovation might have very different benchmarks of success (notwithstanding the common requirements of practicality, sustainability and scalability) over different timeframes. Quantifying the outputs of social innovation is, of course, a vital task, but not one this study attempts.⁸

The paper does include numerous references to successful examples of social innovation, many of which are from countries that score well in the index and hence demonstrate a capacity to foster such innovation on a national scale. Some are found in more surprising geographies, given the relatively infertile soil in which they have taken root. All demonstrate the undoubted potential of social innovation to improve people's lives.

⁸ Another consideration when judging success is whether to measure innovation or its social impact. On the former, **TEPSIE** notes the existence of several established metrics, including the Innovation Union Scoreboard (European Union), the Global Innovation Index (INSEAD), Innovation in Public Sector Organisations (NESTA), Measure Public Innovation in the Nordic Countries (MEPIN), and the Global **Competitiveness Index** (WEF). On the latter, extant measurements include the OECD Better Life Index, the European System of Social Indicators (GESIS), the Civil Society Index (CIVICUS), and the National Footprint (Global Footprint Network). See TEPSIE 2014, p17.

Overall results

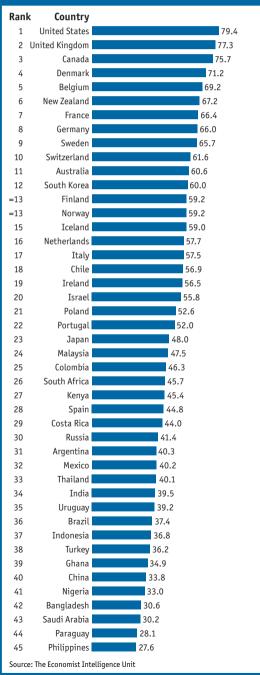
At the top

The **United States** comes top of the Social Innovation Index 2016, scoring 79 out of 100. It scores well in each of the four pillars, ranking second in terms of its policy and institutional framework (weighted 44.4% of the Index), second in financing (22.2%) and first in entrepreneurship (15%). It falls down only in the pillar measuring the depth of civil society (worth 18.3% of the Index), where it ranks 11th overall.

At one level, that the US comes first overall is unsurprising, given that it also ranks highly in measures of pure innovation: many of the same characteristics that support the application of novel solutions in private-sector fields, such as entrepreneurialism and a transparent and well developed legal framework, also underpin it in a social context. In addition, given social innovation is rooted in bottom-up solutions, rather than big government, it is also very much in keeping with prevailing American political sentiment. True, the US might not be well known for championing public causes over private enterprise, but the Index shows that the country does have the policy and institutional framework, as well as sufficient financing and civil society support, to allow social innovation to flourish in the public as well as the private sector (see box).

The top 10 of the index consists mainly of rich Western nations: aside from the US, Canada in third place and New Zealand in sixth, the others in the top 10 are all wealthy European countries. Each of the top 10 has high per-capita income and human development indicators, as well as stable democratic governance. Given the weight

Overall score



United States: A public priority

The public initiative that best illustrates the US's institutional commitment to social innovation is the Office of Social Innovation and Civic Participation, a unit of the Domestic Policy Council. This was created in 2009 by President Barack Obama, with the aim of cultivating "bottom-up practices in cities and towns across the country where ordinary people already are coming together to solve tough problems".9 Meanwhile, the Social Innovation Fund (SIF), a programme of the Corporation for National and Community Service, also launched in 2009, provides matching funds to support high-impact social innovation, via intermediaries that identify promising programmes and subgrantees, such as NGOs and local government entities.¹⁰

To take just one example of the many public initiatives being funded under the SIF's "Pay For Success" model, it is helping scale up an initiative started in New Haven, Connecticut, called YouthStat, a datadriven programme to identify at-risk youth and prevent their disengagement from society and involvement in crime. The programme targets children at public high schools in New Haven who have absentee rates of 10% or higher, one or more suspensions, and poor grades in maths or reading. Through mentorship, academic tutoring, career readiness training and afterschool programmes, the initiative aims to produce "measureable outcomes" such as better academic grades, fewer suspensions and expulsions, and better school attendance.¹¹

The US government is also a notable pioneer in the incorporation of behavioural science, which analyses human behaviour to identify barriers to service delivery or adoption, into social policy. The inter-agency Social and Behavioural Sciences Team has initiated projects that include targeted communications to address issues such as low savings rates in the military and student

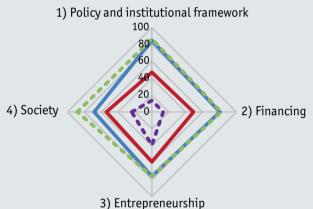
Ran	ık/45	Score/100
Overall score	1	79.4
1) Policy and institutional framewor	k 2	84.6
2) Financing	2	80.4
3) Entrepreneurship	1	76.2
4) Society	11	68.4

United States

Average

Highest

• • • • Lowest



debt, to notable success. An e-mail campaign encouraging military service members to join a government savings plan, for example, resulted in a 67% increase in those signing up.¹²

The New York-based behavioural science research organisation Ideas 42 works with the team on many of its programmes, and executive director Josh Wright credits the government's focus on behaviour science with driving results. "Starting from the end consumer and the underlying science of how they make decisions and take action is incredibly important. The context in which people are operating matters, and those contextual features are often overlooked in how programmes are designed. Behavioural science also comes at [an initiative] from the perspective of having to show it works; not just that it's pretty or interesting but that we're going to have some rigour in how we test it out. That's integral to driving social innovation."

⁹ https://www.whitehouse. gov/administration/eop/ sicp/about

¹⁰ http://www. nationalservice.gov/ programs/socialinnovation-fund/our-model

¹¹ http://www. nationalservice.gov/ programs/socialinnovation-fund/paysuccess/national-councilcrime-and-delinquency and http://www.nhregister. com/government-andpolitics/20140417/ new-haven-launchesyouth-stat-program-toconnect-to-at-risk-kids

12 https://sbst.gov/
projects/tsp-enrollment/

allocated to institutional and policy support for social innovation in the Index, that the countries that top it share these characteristics is perhaps unsurprising.

That said, social innovation is often born in developing markets as a direct result of governments lacking the capacity or resources to address social needs, leaving gaps that communities or the entrepreneurial must fill themselves. "Where resources are scarce, precisely because of that you have to make sure they're used in the most impactful way," says Albert Bravo-Biosca, head of the Innovation Growth Lab at UK-based foundation Nesta. "In developing markets innovation is not a luxury; it's even more necessary. And innovations that started in emerging or developing economies are now being more widely adopted in advanced markets."

The **UK**, in second place overall, has the best institutional framework and policy support for social innovation of any country in the Index, and serves as a best-practice template against which other countries can benchmark themselves. Successive UK governments have created detailed platforms and policies to ensure social innovation has sufficient infrastructural and financial support (examined below). The country also does well in terms of financing and entrepreneurialism (ranked 5th in each) and only falls relatively short, like the US, in the depth of its civil society (14th).

Alex Nicholls, professor of social entrepreneurship at the Skoll Centre for Social Entrepreneurship at Oxford University's Said Business School, says the UK government arguably has "the most developed social innovation agenda in the world," having established a legal form for social enterprises and also "internalised social entrepreneurship as part of its own innovation agenda for the delivery of public services." **Overperformers**

There are some notable over-performers. **New Zealand** is the top-ranked country in the Asia-Pacific region, some five places above its neighbour Australia. Although the New Zealand government has no formal strategy for social innovation, it is investigating the issue and provides funding to support social enterprise projects—putting it above Australia in terms of institutional and policy support (12th versus equal 19th). New Zealand also outranks its neighbour in terms of its commitment to entrepreneurialism (3rd v 23rd) and a robust civil society (5th v 7th).

South Korea is another stand-out performer in the Asia-Pacific region, ranking 12th overall. Although it lacks a national social innovation strategy per se, there is a national strategy to promote social enterprise and the social economy. Funds and subsidies for such endeavours are also available, as are government-sponsored incubator programmes under the aegis of the Korea Social Enterprise Promotion Agency. The city government of Seoul is spearheading South Korea's development of social innovation with initiatives such as the Seoul Innovation Planning Division and the Residents' Participatory Budgeting System (see part 3).¹³

When segregating the index by income group, other notable performers stand out: **Malaysia** is top of the middle income group of countries (those with per-capita GNI of between US\$4,000 and US\$12,000), while **Colombia**, **South Africa** and **Costa Rica** all perform better than might be expected given their relative levels of wealth. Each performs well in different areas. Malaysia's National Innovation Agency is supportive of entrepreneurship and empowers people at the local level to address social problems.¹⁴ Though Colombia's national social innovation strategy is currently being redrafted, it has a history of supporting such initiatives; Costa

¹³ http://ssir.org/articles/ entry/forging_ahead_with_ cross_sector_innovations

¹⁴ http://innovation.my/ about-us/aim/ Rica has a social innovation committee at the vice-presidential level that is rolling out a datadriven platform known as Costa Rica Propone,¹⁵ as well as easy-to-access incubators for social enterprises; while South Africa was one of the first to set up a public think-tank and advisory body tasked with coming up with new ways to deliver public services—the Centre for Public Service Innovation, established in 2001.¹⁶

Kenya is the best-performing of the low-income group of countries (those with per-capita GNI of under US\$4,000), ranking 27th overall. The country's success with innovative mobile banking services, through the MPesa service, is well known, but it has been aggressively targeting innovation in the social context too. To take just one initiative, Kenya is the first African country to launch an open-data portal, with previously difficult-to-access government information on social issues such as education, energy, health, population, poverty, and water and sanitation.¹⁷ India, meanwhile, is second only to Kenya in the low-income group of countries, ranking 34th overall. It punches above its weight in terms of financing and the civil society foundations of social innovation.

Underperformers

Considering their levels of income, several countries perform less well than may be expected. Japan is one of the most surprising, ranking just 23rd overall, a long way behind South Korea and other similarly developed nations. Although social innovation is gaining attention in Japan, and there has been some progress in enabling it, such as the introduction of social impact bonds and some potential utilization of dormant funds, much work remains to be done to encourage its spread. Currently, most initiatives in Japan are privately funded (though non-profit enterprises can apply for central government grants.¹⁸)

Japanese social entrepreneurs themselves also believe there are cultural issues at play. In Japan,

"once someone steps out of the established route there's usually no going back," says Ryosuke Kobayashi, founder of educational exchange organisation HLAB. "The liquidity in the job market is very low; there are silos between big corporations, entrepreneurs and academia even before the walls that segregate different sectors. Doing something 'out of the ordinary' is especially challenging for people living in a society that puts a fundamental emphasis on respecting social norms."

Spain is another country that does worse than may be expected, ranking 28th, just below Kenya. Although there are numerous examples of local innovation at the municipal level, and plenty run under the auspices of the EU, there is little national awareness of social innovation as a cohesive concept and no national-level strategies or funding to encourage its adoption.¹⁹

China, meanwhile, ranks 40th and comes secondlast in the middle income group. Although it has in the past adopted novel means of social innovation in order to address local civic governance issues (such as in the city of Wukan in Guangdong province, which at one stage had an elected council) the government of President Xi Jinping seems to have lost patience with any hint of bottom-up experimentation.²⁰ In addition, it ranks dead last in the civil society pillar, which includes indicators measuring things like the proportion of people who volunteer and participate in politics, and the freedom of the press. The weak foundations of civil society in China are undermined further by the government's suspicion of international NGOs-often a vital catalyst to fund and scale social innovation.²¹

The overall rankings demonstrate the breadth of capacities in countries across the world to encourage novel solutions to social issues. The remainder of the paper considers in more detail strengths and weaknesses across the four pillars that together constitute the Index: the institutional and policy framework, financing, entrepreneurialism and civil society.

¹⁵ http://www. costaricapropone.go.cr/

¹⁶ http://www.cpsi.co.za/ about-us/

¹⁷ http://www.mckinsey. com/industries/publicsector/our-insights/ innovation-in-governmentkenya-and-georgia

¹⁸ http://www. socialimpactinvestment. org/reports/Japan%20 NAB%20FINAL.pdf

¹⁹ https://webgate. ec.europa.eu/ socialinnovationeurope/ sites/default/files/sites/ default/files/Social%20 Innovation%20in%20 Spain%20%282015%29.pdf

²⁰ http://www. economist.com/news/ china/21701164-villagefamed-its-struggledemocracy-once-againturmoil-unwanted-model

²¹ http://www. economist.com/news/ china/21661819-new-draftlaw-spooks-foreign-notprofit-groups-workingchina-uncivil-society

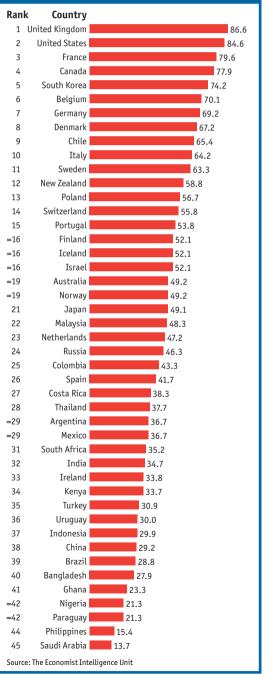
Pillars of social innovation #1: Policy and institutional framework

Research for the Social Innovation Index 2016 has shown that among the many factors that are relevant to a country's capacity to develop and encourage social innovation, the quality of its policy and institutional framework is the most important.

One reason for this is that public bodies themselves are sources and pioneers of social innovation. Some of the most innovative approaches to solving social problems might have remained academic theory without governmental impetus to put them into practice. One of the best known examples is the UK's Behavioural Insights Team (or "nudge unit"), which began as a Cabinet Office initiative to apply behavioural science theory to public service delivery—and thereby save the government money.²² Other such units have cropped up worldwide, in Denmark (MindLab²³), Finland (Sitra²⁴), Singapore (Challenge²⁵) and elsewhere.

Beyond such specific initiatives, national policy is crucial in establishing a fruitful environment for scaling social innovation. Since it is often the case that a conventional market solution is not feasible to solve the problems social innovators want to tackle, it follows that public authorities must give them sufficient support to achieve their potential. Aside from providing financing (included in the next pillar), governments need to be open in terms of the data they publish and their attitude towards the involvement of third parties in public service delivery, as well as in decision-making and procurement. And where social entrepreneurs do seek to mix social benefit with making money, they need a legal framework that enables both sides of their ambition. In

Policy and institutional framework score



²² http://www. behaviouralinsights. co.uk/. The body was privatised in 2013 and is now jointly owned by the UK government, Nesta, an innovation charity, and its employees.

²³ http://mind-lab.dk/en/

²⁴ http://www.sitra.fi/en/

²⁵ https://www.challenge. gov.sg/ short, a successful social innovation policy and institutional framework will enable scalability.

For such reasons, and because this project aims both to benchmark countries and reveal practical steps governments can take to improve matters, the policy and institutional framework gets the highest weighting among the four pillars that together constitute the Index, accounting for 44.4% of the overall score. This pillar comprises five indicators, of which the most important is the existence of a national policy on social innovation (worth 25% of the pillar - and hence 11.1% of the overall Index). It also includes indicators measuring whether or not the country has programmes to measure social innovation and its impact, whether it has the legal framework for social enterprises, the effectiveness of its policy implementation, and the strength of the rule of law.

National policies

Considering all these factors, the UK comes out as the country with the best policy and institutional framework for social innovation. It is one of only seven countries in the Index to get the top score for its national policy on the issue, awarded to those countries that not only have such policies but also actively implement them (the others being Canada, France, Italy, Portugal, South Korea and the US).

Successive UK governments showed a significant amount of support for social innovation projects and businesses, typified by the then Conservative/Liberal Democratic Party coalition government's 2010-15 "Big Society" initiative. This had several goals, including to devolve power to local communities, support co-operative and mutual movements as well as charities, and enable the publication of more relevant data. The programme included numerous supportive policy steps, including legal measures to support social innovation in public procurement as well as the Buy Social Directory, an online portal that connects private and public sector buyers with social enterprises.²⁶ The initiative seemed set to continue with the 2016 strategy "Social investment: A force for social change", which among other aims seeks to establish a social impact bond market worth GBP1bn (US\$1.32bn) by 2020.²⁷

Open data and research

Social impact bonds (explored in more detail in the chapter on financing, below) are one of the most famous examples of social innovation. This is principally down to work done in the UK to pioneer their usage. Since launching the first ever social impact bond in 2010 the country now has 32, more than the rest of the world put together. These cover everything from a GBP5m bond to try to improve outcomes for a group of 831 homeless people in London,²⁸ to an "adoption bond" to find permanent homes for children in the care of local authorities, linked to outcomes payments of GBP36.6m, called "It's All About Me."²⁹

Regardless of the target outcome, social impact bonds work only if data is collected rigorously. More generally, the existence of research into the need for and impact of social innovation is crucial to shaping the institutional and policy environment—building on the principle that the best policies are those that are based on the best evidence. This idea is starting to be applied with more rigour, through programmes such as the SPARK network (short for Social Policy Analysis for Robust Knowledge), an EU initiative in partnership with academic bodies and non-profit agencies.³⁰

Such research requires hard data, which is why many experts see policies around data transparency as one of the main building blocks for social innovation, particularly in the delivery of social services at the community level.

"Open data is a key enabler of innovation across the board," says Jaana Remes, an economist and partner at the McKinsey Global Institute. "The more cities can be transparent about historical data on outcomes and performance, including on the operational side, the more they can tap

²⁶ http://buysocialdirectory. org.uk/

²⁷ See https://www. qov.uk/government/ publications/building-thebig-society and https:// www.qov.uk/qovernment/ uploads/system/uploads/ attachment data/ file/507215/6.1804 SIFT Strategy 260216 FINAL web.pdf. Research for this report and the Index was based on data available at the end of the first quarter of 2016. Whether commitments of this nature will survive the change of leadership seen in mid-2016 as a result of the UK's shock decision to leave the **European Union remains** to be seen. The decision to move the Minister of Civil Society (responsible for social enterprise and social investment) from the Cabinet Office to the Department for Culture, Media and Sport in a reshuffle after the appointment of Theresa May as prime minister in late June 2016 was seen as a downgrade of the importance of the post. https://www. pioneerspost.com/ news-views/20160721/ uk-culture-departmenttakes-responsibility-socialenterprise

²⁸ https://data.gov.uk/ sib_knowledge_box/ greater-london-authorityhomelessness

²⁹ https://data.gov.uk/sib_ knowledge_box/node/183

³⁰ See TEPSIE, "Growing Social Innovation: A Guide for Policymakers", p16

South Korea: Capitalising on social innovation in Seoul

South Korea scores well in this pillar of the Index, coming fifth making it the most advanced country in the Asia-Pacific region in terms of its policy environment for social innovation.

The city government of Seoul is spearheading South Korea's development of social innovation. In 2012 the city set up the Seoul Innovation Bureau directly under Mayor Park Won-soon to drive what Mr Park calls "collaborative governance," or the involvement of citizens in identifying and addressing social issues. "The ultimate goal of social innovation is to create a city of the people, for the people and by the people," Mr Park says.

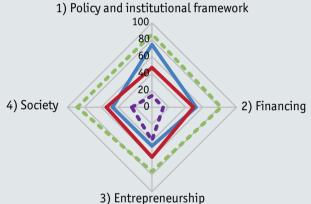
At the heart of Seoul's innovation platform is data and open communication; the city discloses 90% of public data, including draft projects by city officials, in real-time. Online portals were introduced where citizens could suggest changes to the way the city is operated; the administration also streamlined over 30 different civil service hotlines into a single integrated complaint channel that also issues disaster and emergency alerts. Mayor Park himself has over 1 million Twitter followers and says any time he gets feedback on problems like cracked pavements or trash, he "will forward it to the relevant department to act on and respond to immediately."

Other innovation initiatives include a roving community centre that makes house calls to underprivileged citizens who may inhabit welfare "blind spots", and the "Owl Bus" service, which used analysis of mobile phone data to develop late-night bus routes for areas that stay busy around the clock.

A former human rights lawyer, Mr Park is no stranger to social causes, but did have to take

Rank	/45	Score/100
Overall score	12	60.0
1) Policy and institutional framework	5	74.2
2) Financing	20	52.3
3) Entrepreneurship	42	45.9
4) Society	25	46.7

- South Korea
- Average
- Highest
- • Lowest



steps to raise appetite for change in the broader civil service. "Without the cooperation of city staff, innovation just remains a slogan," he says. "But it's not simple to make innovation a way of life in a short period of time." Through educational programmes, site training and recognition and awards, the mayor has worked to help officials "overcome conventional ideas and realise the need for a change."

In essence, Mr Park believes social innovation has to be based on a new form of policymaking, where the target populations are involved in the earliest stages. "Wikipedia-like governance through collective intelligence may provide justification of procedures and also become the key to finding the best solution possible," he says. "Prior to deciding on a policy, listening to the voice of citizens is a crucial factor, just as much as when it comes to the execution and assessment stage." into the talent and creativity of companies, individuals and community service organisations to build innovative tools using the information that can help save time and money for the city and its citizens. It's important that governments understand what the biggest time sinks and frustrations are for their citizens. You need to know what's not working to be innovative in finding solutions."

The EIU awarded only nine countries the top score in the indicator that measures whether governments collect and publish relevant data and research the impact of and need for social innovation. Again the UK is exemplary, setting up a range of initiatives such as "What Works" centres that collate evidence on best practice in social policy, and knowledge centres such as the Centre for Social Impact Bonds, which provides a range of tools including a unit cost database.³¹ The US has also stepped up the use of public data in tackling social problems, such as the Police Data Initiative³² and evidence clearing houses to identify successful approaches in specific fields.³³

Another country that does well in this field is Chile—which ranks 18th in the overall Index and ninth in the policy and institutional framework pillar. Gonzalo Munoz Abogabir, CEO of TriCiclos, a social enterprise founded in Chile that promotes recycling through a network of community-scale waste processing facilities known as 'Clean Points', says the government has long recognised the need to promote entrepreneurship, and is increasingly focused on encouraging start-ups with a social component. "The government has promoted innovation as something that's very relevant ... there's a mix of incentives and policies, but it's also a country where it's quite easy to start a company in general; the rules are clear. That's helped create a lot of momentum."

Although the country lacks a comprehensive national strategy, it is in the midst of planning one as part of a national innovation strategy being developed by the National Council on Innovation for Development (CNID), which published a study in January 2016 on the feasibility of the Chilean state's role in promoting social innovation.³⁴ Although individual government agencies and ministries have mounted social innovation initiatives, an effort is now being made to integrate such efforts across the executive branch, according to a leading social innovation expert in Chile.

One challenge of this centralised approach will be how to devolve social innovation at the level where it can be applied to solve specific problems. This is one reason why incubators for social innovation programmes are so important: in Chile there are several of these, including CoLab Alto Impacto at the University of Chile. In a recent initiative, this selected 10 social enterprises and awarded them each 9,600,000 pesos (about US\$14,000) in seed capital, in addition to providing regular workshops and mentorships.³⁵

Legal framework for social enterprises

There are many aspects to developing a legal framework that underpins social innovation, from tax relief to procurement rules that oblige public bodies to consider how services to be procured can improve the economic, social and environmental well-being of communities (such as the UK's Social Value Act, passed in 2012³⁶). One of the most important is whether a country has a legal framework for social enterprises, sometimes known as "mission-led" (rather than profit-led) businesses. To date these frameworks are the exception rather than the rule: only seven countries in the Index have them in place. A further 12 have plans to implement such legislation—i.e. a bill is pending or a policy has been announced. The rest have no such plans at the federal level.

The issue of how social enterprises (and social entrepreneurs) contribute to social innovation, and the implications of mixing profit and social goals, are explored in more detail in part 5 of

³¹ http:// neweconomymanchester. com/our-work/researchevaluation-cost-benefitanalysis/cost-benefitanalysis/unit-cost-database

³² https://www.whitehouse. gov/blog/2015/05/18/ launching-police-datainitiative

³³ http://ies.ed.gov/ncee/ wwc/

³⁴ http://www.cnid. cl/wp-content/ uploads/2016/03/0203_IS-TEXT0.pdf

³⁵ http:// centrodeinnovacion.uc.cl/ colab-10-proyectos

³⁶ www.legislation.gov.uk/ ukpga/2012/3/enacted Intelligence Unit

> this report. Suffice to say, there must be some distinction in law between incorporated entities that exist purely to create earnings for their owners, and those that do not. The "social" part of "social enterprise" means they fall into the latter category, but not necessarily to the exclusion of making profits. Indeed, a social enterprise may aim to be a hybrid organisation that still generates profit (or "surplus") but rather than distributing it to shareholders, ploughs most of it back into the business to finance improvements. Being incorporated as a social enterprise rather than a charity may also give greater latitude for entrepreneurs to retain direct control over their operations and combine a social goal or mission with a reasonable investment return.37

The profit motive can also sometimes help enterprises maintain focus on the endcommunities they are serving. "Aid technologies sometimes assume that village customers don't care about the same issues as everyone else, and that's absolutely false," says Jackie Stenson, co-founder and CEO of Essmart, a distributor of technologies such as solar lighting and clean cooking stoves to rural villages in India that is registered in the country as a standard private limited company. "One of the key things to developing relationships with these communities is treating them as they are: active, informed, intelligent customers. Because we're a for-profit, we have to respond to what our market wants; that was part of the choice behind our structure."

Legal protection and regulation is necessary for social enterprise activities for two main reasons. Firstly, defining such structures reflects the concerns of social entrepreneurs, who might otherwise worry that their businesses would lose track of their social missions as they grow and as their ownership becomes more diversified. Secondly, it gives legal protection to directors, since in most capitalist economies directors have traditionally been obliged, first and foremost, to make profits for the shareholders who have elected them to look after their interests. Though many company owners have come to recognise the folly of pure "shareholder capitalism", and the prudence of taking the interests of other stakeholders (such as employees and the communities in which companies operate) into consideration, the law has been slow to catch up.

Creating a legal structure for social enterprises has other potential benefits; it can bring such organisations to the attention of policymakers and the public, and help clear up some of the ambiguities around their status, which sometimes have financial consequences.

"For better recognition of social enterprises collecting data around them is important," says Zeenia Faraz, head of programmes-society at the British Council in Islamabad, Pakistan (where there is no legal structure for social enterprises currently). "Due to the lack of a widely accepted definition, it's difficult to clearly categorise social enterprises."

Because of India's lack of a formal category for companies that straddle the standard firm and non-profit, "there's some confusion at the upper levels of government as to what a social enterprise is," says Essmart co-founder and COO, Diana Jue.

Thus when the administration introduced a corporate social responsibility (CSR) law requiring companies to direct at least 2% of their pre-tax profits to charity or other CSR initiatives, it was left unclear whether donations to social enterprises would qualify, in essence depriving these enterprises of a possible funding source. "It's a bit limiting that there isn't some kind of combined structure for companies with a social component," like the US benefit corporation, adds Ms Stenson.

The benefit corporation is one of the most established legal forms of social enterprise. Since their introduction in Maryland in 2010, 30 US states and the District of Columbia have passed legislation to recognise them. Incorporating as a benefit corporation mandates considerations

³⁷ A useful discussion of these issues is available at https://www.theguardian. com/society/2009/oct/06/ social-enterprises-andthe-law other than just profit and obliges companies to report on them, establishing a "third party standard" for measuring performance.³⁸

Benefit corporations are not to be confused with B Corps; these are companies certified by B Lab, a US-based non-profit entity, to meet certain environmental, social and transparency standards. Of course the two often go together: the clothing company Patagonia, for example, is both a B Corp as certified by B Lab and, since January 2012, a registered benefit corporation in California.

While the B Corp is not a formal legal structure, B Corp certification can nonetheless have substantial business impacts and may represent a good 'halfway point' in markets where no corporate structure for social enterprises exists. "It's about being part of an ecosystem," says Mr Munoz Abogabir of TriCiclos, which was the first certified B Corp outside of the United States and is now helping build the B Corp network in South America. "It's more relevant every day for investment; you have more social investment funds, family funds and even more traditional funds looking for these kinds of companies. B Corps are also much better positioned to attract and retain talent. They're more resilient when they confront crisis because providers and clients are much more loyal to the company and want it to succeed."

Community interest companies (CICs), meanwhile, are a relatively new form of UK corporate structure with an even longer history, dating from 2006. CICs are legally obliged to perform a defined social mission, and though they can distribute a limited amount of profit, their assets are locked into the business and must be transferred to a similar body if the CIC is wound up. The UK has a CIC Regulator in place to ensure they adhere to governance and reporting requirements: by May 2016 there were 12,000 in existence and approximately one in every 200 companies established in the UK in 2015 took this form.

The immense and growing popularity of these hybrid business structures demonstrates the growing appeal of finding innovative approaches to social problems that fall outside the traditional strictly demarcated boundaries of public and private sector. In other words, they are an attempt to find a novel way to answer the age-old question, "who's going to pay for all this?"

³⁸ See http://www. forbes.com/sites/ theyec/2014/05/30/ why-consider-a-benefitcorporation/#7cea0a526ea3.

Pillars of social innovation #2: Financing

It goes without saying that social innovation is not possible without sustainable funding: this pillar of the Index gets the second largest weighting, accounting for 22.2% of the overall score. It is also true that the options for funding are broad. Since social innovation can operate in the private and public sector, some initiatives might fund themselves partly or wholly through commerce; others might receive grants from charities or public bodies or, if they serve non-commercial or regulated markets such as healthcare and social services, might subsist directly on public funds. Often financing comes from a mix of sources.

The hybrid nature of possible financing is reflected in the Index. A composite indicator on the availability of government financing specifically for social innovation is worth 50% of this pillar (meaning it carries the same weight in the overall score as the existence of a national policy on social innovation—11.1%.) For this indicator EIU analysts took into account the existence of formal social innovation funds and government grants for social innovators, as well as the presence of social impact bonds and publicly supported incubators for social entrepreneurs, and the ease of access to all these facilities. The pillar also includes an indicator measuring total public social expenditure as a percentage of GDP (worth 25%) and, to reflect the importance to social entrepreneurs of commercial funding, a proxy indicator measuring ease of access to credit within an economy (also worth 25%).

Canada comes top of this pillar of the Index, having demonstrated a solid commitment to

Financing score

Ranl	k Country	
1	Canada	82.0
2	United States	80.4
3	Belgium	77.9
4	Denmark	75.6
5	United Kingdom	75.1
6	Ireland	73.4
7	Australia	72.9
8	New Zealand	70.1
9	Sweden	69.3
10	Switzerland	69.0
11	Germany	67.8
12	Finland	66.2
13	France	
14	Israel	59.5
15	Norway	
16	Japan	
17	Italy	
18	Colombia	
19	Netherlands	52.9
20	South Korea	
=21	Iceland	51.4
=21	Poland	
23	Costa Rica	
24 25	Spain	44.8
25 26	Malaysia Chile	
20 27	Uruquay	43.8
27	India	
29	Brazil	
30	Mexico	39.8
31	South Africa	
=32	Portugal	
=32	Russia	
34	China	
=35	Kenya	36.9
=35	Turkey	36.9
37	Argentina	34.0
38	Ghana	31.9
39	Nigeria	28.5
40	Bangladesh	27.7
41	Saudi Arabia	27.3
42	Thailand	25.1
43	Indonesia	18.4
44	Paraguay	15.1
45	Philippines	13.4
Source	e: The Economist Int	elligence Unit

Intelligence Unit

³⁹ http://www.sshrc-crsh. gc.ca/news_room-salle_ de_presse/press_releasescommuniques/2014/ social_innovationinnovation_sociale-eng. aspx

⁴⁰ https://www.innovation. ca/en/OurInvestments/ ProjectsFunded/ SummaryProjectsFunded. The CFI does not define which of the over 9,000 projects it has funded are related to social innovation (as opposed to pure research), but to take one proxy, nearly C\$220m has been disbursed to 865 projects in the field of human and social sciences.

⁴¹ http://socialinnovation. ca/

⁴² https://www.ontario.ca/ page/social-enterprisedemonstration-fund

⁴³ https://www.ontario.ca/ page/social-impact-bonds

⁴⁴ http://www. socialfinance.org.uk/ database/#sthash. eqNu007f.dpuf

⁴⁵ http://reports.weforum. org/social-innovation-2013/10-communityeconomic-developmentinvestment-funds-canada/

⁴⁶ http://reports. weforum.org/socialinnovation-2013/bigsociety-capital-unitedkingdom/ funding social innovation in recent years. This has been in the form of both dedicated social innovation funds and general grants. The former include the C\$15m Community and College Social Innovation Fund, launched in November 2014, under which higher education institutions can partner with community organisations and businesses to apply for funding of up to C\$200,000 (plus an increment to cover overhead and administrative costs) for collaborative projects that address community issues, such as poverty alleviation, community safety and local economic development.³⁹ The latter include funds available through national schemes such as the Canadian Foundation for Innovation, set up in 1997 to finance research in a variety of fields, which has distributed over C\$6bn in total to date.⁴⁰

Much happens on a provincial level, too: the government of Ontario, for example, funds research through its Ministry of Research, Innovation & Science. The C\$4m Social Enterprise Demonstration Fund, to take one example, helped finance a number of initiatives to grow social enterprises across the province, such as the Center for Social Innovation (a Toronto-based non-profit incubator⁴¹), the Ottawa Community Loan Fund, and Waubetek—an Aboriginal-owned and controlled organisation that finances and advises Aboriginal businesses in north-eastern Ontario.⁴² It is also trialling the application of social impact bonds,⁴³ the first of which in Canada was launched in Saskatchewan in 2014 to fund communal housing for at-risk single mothers and their children, to prevent children being taken into care.44

Particularly when seeking to involve the private sector in meeting social needs, tax breaks or targeted subsidies were seen by some experts as more effective than legislative fiats. "Topping up" the costs of opening and maintaining accounts for the lowest income earners, for example, could convince more banks to extend quality financial services to poorer, largely unbanked communities. "The starting point has to be to recognise that serving poor customers well, will always and everywhere be more expensive than serving wealthy customers well," says Timothy Ogden, managing director of the Financial Access Initiative at New York University's Wagner School of Public Service. "There is a role for subsidy, particularly conditional subsidies, whether from the government or other actors, to encourage serving the poorest customers."

Innovations in financing

While the lion's share of funding for social innovation comes from traditional instrumentsgrants, loans and donations, as well as procurement funds and commercial earningscountries towards the top of the Index have practised what they preached by finding numerous novel means to provide capital to social innovators. Canada provided one early example in 1999 in Nova Scotia: Community **Economic Development Investment Funds** (CEDIFs). These allowed investors a tax credit on investments into local communities, while authorities simplified application documents to encourage local businesses and intermediaries to sign up. Since launch the programme has directed over C\$49m to support locally-owned and operated businesses and social enterprises, while total funds raised have grown at an average of 44% each year.45

In another example, Big Society Capital, the UK's flagship social innovation fund, is financed partly through monies taken from dormant bank accounts (those that have been untouched for 15 years). It is scheduled to receive up to GBP400m from such sources, more than the total amount the fund had invested by the end of 2015 (GBP261m).⁴⁶ It is an idea that other countries have found appealing: in Japan, for instance, where every year, billions of yen are locked in long-dormant accounts which could potentially be spent on much needed social innovation.

Costa Rica: High school intervention

Fundación Acción Joven (Youth Action Foundation) was established in Costa Rica a decade ago to tackle the high rate of children dropping out of school, particularly in underprivileged areas. Working mainly with seventh- and tenth-graders, the foundation enlists school administrations, university-age volunteers and private businesses to create special classes, workshops and activities such as workplace visits that keep students engaged and prepare them for future careers—recognising that many are in no position to go to university and will enter the job market early.

Anna Zimbrick, executive director, says FAJ has close relationships 4) Social with a number of large local and multinational companies in Costa Rica and in some cases receives direct funding from their CSR operations. "We've been fortunate in terms of funding, I think that's because we're speaking to an issue that everyone can grasp," she explains. "It's clearly to everyone's benefit that youth are well-educated and ready to have good jobs and quality of life."

However she also credits the Costa Rican government with setting the tone from the top. "Within the government there is a vision to innovate or create around education. Costa Rica has positioned itself on service industries and for that you do need a qualified, thinking workforce." Investment in education

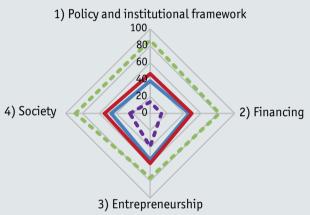
	Rank/45	Score/100
Overall score	29	44.0
1) Policy and institutional fram	nework 27	38.3
2) Financing	23	46.2
3) Entrepreneurship	=32	54.9
4) Society	27	46.1

Costa Rica

Average

• • • • Highest

• • • • Lowest



is increasing; initiatives have been introduced to promote entrepreneurship at high schools and universities, including AUGE, an incubator program at the University of Costa Rica. Also important is that university students have to do a certain amount of community service work to complete their studies, meaning agencies like FAJ have a steady supply of volunteers who in turn enter the professional sphere with experience in, and a connection to, social enterprises. There are some other notable achievers in financing social innovation in less wealthy nations. Colombia, in 18th place in this pillar (the top middle-income country), is one. National policy on social innovation has been in some upheaval in recent months according to social innovation analysts in the country, but it is currently being rebuilt, drawing in part on work done in 2013 by the National Agency for Overcoming Extreme Poverty (ANSPE) in the Department of Social Prosperity (DPS). ANSPE was dissolved at the end of 2015 but had pioneered a social innovation fund administered by a social-enterprise-focused NGO called Compartamos con Colombia.⁴⁷ There are also exciting things happening at the subnational level: a mayoral initiative called "Route-N" in Medellín aims to turn the city into the hub of innovation in Latin America, giving conventional and social entrepreneurs the funding and support they need to grow. It is arguably the closest thing to a true social innovation fund in any of the Latin American countries included in the Index.

Paying for success

One of the most salient features of social innovation is that while it serves public causes it is not charity. For that reason the sources of capital open to social innovators are wider, in theory, going beyond grants and donations and including private investments on which a return may be expected. Another salient feature is that social innovation often happens outside conventional markets, meaning it is harder to quantify its return in dollar terms than it is for conventional investments. Yet when social innovation does succeed—reducing the number of homeless people on the streets of London, or the incidence of truancy in New Haven, for example—benefits accrue to society as a whole, not least in reduced public spending and a lower burden on taxpayers.

⁴⁷ www.compartamos.org

⁴⁸ http://socialfinance.org/ content/uploads/2016/07/ SIBs-Early-Years_Social-Finance_2016_Final.pdf

⁴⁹ Ibid.

⁵⁰ https://thegiin.org/ impact-investing/need-toknow/#s1 One innovation in financing social innovation makes the most of these two characteristics: social impact bonds, or the "pay for success" model. Social Finance, the UK-based organisation that launched the first ever social impact bond in 2010, describes this as a "public-private partnership which funds effective social services through a performance-based contract."⁴⁸ Before a project is launched, stakeholders identify measurable determinants of its success. Investors finance the project and, if successful outcomes are achieved, their investment is repaid by public authorities (who are still saving money compared to the cost of failure, or doing nothing). If the project fails the investors don't get their money back, meaning in terms of risk, the structure has more in common with an equity investment than a conventional bond.

Social impact bonds are still in their infancy—it is far too early to call them an asset class—but recent research by Social Finance shows the structure is taking off globally: to date over 60 projects have been launched in 15 countries, with over US\$200m raised in investment. Moreover, of the 22 projects that have reported performance data, 21 have indicated positive social outcomes and 12 have made outcome payments, either to investors or for reinvesting in the programmes.⁴⁹ While the UK led the way, governments worldwide are now regular backers of social impact bond initiatives. Japan's Ministry of Health, Labour and Welfare, for example, recently announced that it would use social impact bonds to channel investment into non-profits addressing issues such as poverty and unemployment. Pilot projects over the next fiscal year will target increasing the adoption of children in orphanages and finding jobs for the socially excluded.

Social impact bonds are one of the most targeted forms of social impact investing, a broader approach to financing worthy projects that encompasses all "investments made into companies, organizations and funds with the intention to generate social and environmental impact alongside a financial return", to use the definition given by the Global Impact Investing Network.⁵⁰ The breadth of the applications of social impact investing put it outside the scope of this research, but the use of social impact bonds across a range of novel projects, and the success reported to date, show they can be an important enabler of social innovation—which is why their availability is factored into the Index.

Remember, it's not about the money

Social impact investing in general and social impact bonds in particular have their critics, especially regarding the use of private capital to solve public problems and the payment of an investment return on such activities.⁵¹ They are not a panacea: Social Finance warns their application will succeed only given the presence of certain conditions, such as the presence of reliable intermediaries and service providers.

Jane Newman, international director at Social Finance, also worries the model has been applied in some cases with an emphasis on the cost savings or financial returns rather than social impact, drifting in a sense from the original mission.

"The idea that it's all about saving money and that we should be using these instruments only when we can demonstrate with complete accuracy that the cost will be justified by savings down the line—that's been a bit of a blind alley. That mindset sets the bar much higher than it's set for the normal form of direct commissioning, where social programmes are paid for whether or not they are effective," she says. "It's important to understand the monetary side and it's a key part of it, but this is also about good-quality investment of public resources, focused on sustainable outcomes. We increasingly see [social impact bonds] as a system-change instrument, freeing up the public sector from commissioning a narrow set of services to commissioning solutions."

In addition, despite the appeal of novelty, it is important to recognise that such structures are not likely to equal the scale of conventional finance needed to fund the lion's share of social innovation. TEPSIE makes the important point that "that current [financial] instruments are sufficient if we make use of them through bundling the individual strengths of different types of actors": banks, foundations and donors, as well as entrepreneurs and investors who want to do well by doing good.⁵² What is needed to bring these sources of finance together is more intermediaries capable of sorting and matching their strengths and interests for maximum benefit.

Virtually all the experts interviewed for this paper agreed that more funding and investment were being channelled into social innovation and social enterprises, whether as a result of regulations like India's CSR law or the rise of socially responsible investing generally. The potential dangers with this are that funding itself, rather than addressing social issues, becomes the goal, and that projects or enterprises become excessively beholden to their financial backers.

"It's entirely likely that many interventions will not show their effects for years and years," notes Professor Nicholls. "We've got to get away from assuming the needs of funders are the most important part of impact measurement, and focus on the real impact for beneficiaries and clients, rather than collecting data to please funders."

Another important point to note is that money is just the start: as with any enterprise, capacity building needs skills, expertise and support services as well as cash. In this regard entrepreneurs need the same things, whether they are innovating in the private or social spheres.

literature on social impact investing, including social impact bonds, is available in "The Landscape of Social Impact Investment Research: Trends and Opportunities" by Jess Daggers and Alex Nicholls, Said Business School, University of Oxford and The Macarthur Foundation, March 2016

⁵¹ A summary of academic

⁵² TEPSIE, "Social Innovation Theory and Research: A Guide for Researchers", 2015, p27 The Economist

Pillars of social innovation #3: Entrepreneurship

A matter of debate

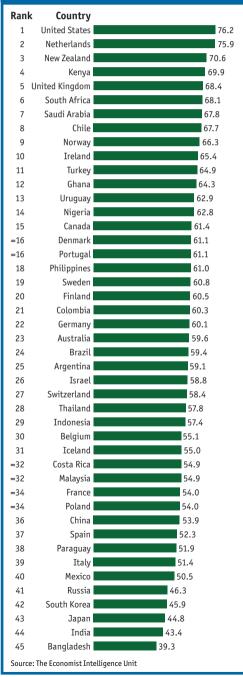
There is some concern among analysts of social innovation that efforts to promote it focus too heavily on social enterprise and social entrepreneurship. Since much social innovation happens outside any form of enterprise (in public sector bodies, for example), or is needed to tackle issues for which no market exists (e.g. homelessness, recidivism or truancy), the concern is that devolving responsibility for solutions to private-sector risk-takers is at best insufficient and at worst ethically questionable.⁵³

The for-profit social enterprise can't be seen as the "hammer that hits every nail," says Steve Davis, president and CEO of PATH, a Seattle-based non-profit focusing on health innovations for developing countries. Particularly in cases of "utter market failure," where financial incentives are lacking, it will inevitably be non-profits or governments who step in to fill the void.

For-profits are also more likely to hold onto their intellectual property, which "is counter to what's needed to achieve scale in the health setting," Mr Davis notes. "Sometimes you need to hand it off to a larger NGO to run it, or bring government in to see if some kind of public/private model can be developed to reach the most people."

This is the approach of PATH, the recent achievements of which include an injectable contraceptive and a specially designed cup to feed new-borns with malformations of the mouth. "We're often asked why we don't take the IP we help create and run with it, making it the source of revenue for further work," Mr Davis says. "But we

Entrepreneurship score



in TEPSIE (2015), "Social Innovation Theory and Research: A Guide for Researchers", p31. It notes: "[T]he relationship between social innovation and social enterprise needs to be better examined, not least since 'the social innovation produced by social enterprise has largely been presumed rather than empirically demonstrated."", quoting Barraket, J. & Furneaux, C. (2012) "Social Innovation and Social Enterprise: Evidence from Australia", in: F. Hans-Werner, J. Hochgerner, & J. Howaldt (eds) Challenge: Social Innovation Springer, pp. 215-237

⁵³ The debate is summarised

want to manage our technical neutrality, and often have to turn to companies to make something a sustainable product for the long-term."

Thinking of social innovation as either the responsibility primarily of government or business may be a false dichotomy, says Neil Mahotra, professor of political economy and faculty codirector of the Center for Social Innovation at the Stanford Graduate School of Business.

"Whenever sales and social impact are directly coupled, market forces can be leveraged to deliver social value. However, social progress requires solutions where the market has failed to provide for citizen's basic human needs, to support people's quality of life, or to unlock individuals' full potential. As such, both philanthropic and public capital have a huge role to play in supporting the development and scaling of effective solutions."

Indeed, although the link between entrepreneurship and social innovation may be weaker than it is for public policy, social enterprises and the efforts of public-spirited entrepreneurs have become increasingly important in helping discover solutions to social problems that have proved resistant to traditional means of resolution, by cutting across the traditional boundaries of public and private sector. In addition, it is arguably impossible to innovate in any field without possessing some entrepreneurial characteristics, in particular the willingness to take risks.

⁵⁴ http://data.worldbank. org/indicator/ SL.UEM.1524.ZS

⁵⁵ https:// illuminumgreenhouses. com/. The 60% figure is cited in http://ssir.org/ articles/entry/doing_ business_in_africa_where_ strategy_meets_social_ investment

⁵⁶ http://farmerline.co/ services/ For these reasons the third pillar of the Social Innovation Index 2016 consists of a variety of indicators that are proxies for countries' capabilities to encourage entrepreneurialism and risk-taking, as well as measures of how easy it is for would-be entrepreneurs to set up their operations. These include assessments both of the national "risk-taking mindset" and citizens' attitudes towards entrepreneurship, from the Global Entrepreneurship Monitor, as well as an EIU assessment of how easy it is to start a business. The pillar also includes a World Economic Forum measurement of whether clusters of industries often vital for innovation—are well-developed across a variety of fields. These indicators are weighted equally across the pillar, which as a whole—in recognition of the fact that much social innovation happens outside any form of enterprise—accounts for just 15% of the overall Social Innovation Index score.

The promise of "Africapitalism"

Measured on these factors it is arguably unsurprising that the US comes top. Of greater interest, perhaps, is the above-average performance of the African nations included in the index, with Kenya in 4th place in this pillar, South Africa in 6th, Ghana in 12th place and Nigeria in 14th. These fast-growing economies share some common characteristics, such as youthful demographics and a need to scale costeffective solutions rapidly to build capacity and tackle persistent social problems such as high youth unemployment (as high as 53% in South Africa in 2014, according to ILO data⁵⁴), and endemic poverty.

Examples of social entrepreneurialism are proliferating in these countries, with many typifying how new technology can "leapfrog" into wider use in developing economies. Kenya's Illuminum Greenhouses, for example, uses sensors in its greenhouses and irrigation systems that run on solar power to help smallholder farms cut water consumption by up to 60%.⁵⁵ To date the company claims to have helped over 1,100 farmers, raising their income by an average of US\$165 per month. Another technology leapfrogger aimed at the same sector is Farmerline, a Ghanaian social enterprise that develops web and mobile apps to collect and transmit agricultural data to and from smallholder farmers. Since its launch in 2013 it claims to have reached over 200,000 small-scale farmers in four countries.⁵⁶ Such enterprises are the fruit of attempts to build capacity for such entrepreneurialism from the ground up. One example is Paradigm Initiative Nigeria, an NGO

that runs several programmes to train would-be social entrepreneurs in information technology skills and financial literacy.⁵⁷

Such is the energy around entrepreneurial activity in Africa that it has given rise to the neologism "Africapitalism", coined by Tony Elumelu, a Nigerian banker and economist, which he has defined as "the process of transforming private investment into social wealth". His philosophy neatly encapsulates the best hopes for social entrepreneurialism in general, in that it makes use of local knowledge to develop innovativeand economically sustainable-solutions. "As homegrown businesses meet social and economic needs by creating goods and services with an innate understanding of the local environment, they can bring private capital to vital infrastructure like road transport and power generation," Mr Elumelu wrote for The Economist's World in 2015 publication.⁵⁸ "And they can create jobs for Africans, which will in turn create an African middle class—a new generation of African consumers."

Such hopes may sound utopian. To be sure, not all (or even most) entrepreneurs have social wellbeing as a priority. Kenneth Amaeshi, a professor at the University of Edinburgh, noted in a recent article for the Stanford Social Innovation Review that they are one of only three types common in the continent. The first, survivalist entrepreneurs, are "driven by survival instincts to avoid threats and challenges" and are "often reactive, short-term-oriented, and helpless" in the face of crises. Then there are success-driven entrepreneurs, who "exploit the opportunities created by the so-called failed socio-economic systems". The "Africapitalistic" entrepreneur is one who is determined to succeed but who is also driven by a social purpose—and who is often more successful than his or her less socially conscious counterparts as a result.⁵⁹

That social entrepreneurialism is seen as a sustainable solution for development in Africa is the result of the continent's "crisis of 'development'... [and] the failure of either the state or the market to deliver", Professor Amaeshi and Uwafiokun Idemudia from York University wrote recently in the African Journal of Management. This has led to "a call for better collaboration and partnership among the state, business, and civil society." Business here doesn't necessarily mean deep-pocketed multinationals, "which often (are forced to) take on public responsibilities in the form of corporate social responsibility", with mixed results, but social enterprises.⁶⁰

Does social innovation need entrepreneurialism?

While African nations included in the Index stand out for excelling in this pillar, some other, richer, countries do notably worse. France is in equal 34th place in terms of entrepreneurialism despite coming seventh in the overall Index score; Germany is outside the top 20 despite coming 8th overall; Belgium is fifth overall but comes 30th in this pillar. Japan is another striking example, coming third-from-last in this pillar, although it does not quite make up for its deficiencies elsewhere, coming just 23rd overall.

These standings reflect the fact that there is a weaker link between entrepreneurialism and social innovation than for other pillars of the Index. They also highlight that the countries cited above share certain characteristics: they are wealthy, stable democracies with well-developed social security systems. As their developmental history attests, their public institutions and agencies have proved themselves mostly capable and transparent, while the private sector has provided dependable employment opportunities for most people. In other words, in the main, their citizens have not (since the end of the second world war, at least) faced the choice of either becoming "survivalist" entrepreneurs or starving. It is therefore probably unsurprising that the lion's share of social innovation has not so far come from bottom-up enterprises.

⁵⁷ https://pinigeria.org/ about-us/

⁵⁸ http://www.economist. com/news/21631956entrepreneurs-willtransform-africa-says-tonyelumelu-chairman-heirsholdings-and

⁵⁹ http://ssir.org/articles/ entry/a_new_economic_ philosophy_for_africa

⁶⁰ Kenneth Amaeshi & Uwafiokun Idemudia, "Africapitalism: A Management Idea for Business in Africa?" Africa Journal of Management, June 2015. http://www. tandfonline.com/doi/pdf/ 10.1080/23322373.2015.1 026229

Kenya: A MasterCard innovation home base

In December 2014 MasterCard launched the MasterCard Lab for Financial Inclusion in Nairobi, Kenya, with a mandate to develop solutions to extend financial services to communities where they are lacking, focusing initially on East Africa. Paul Musser, MasterCard's vice president of international development, says the firm also considered Tanzania and Uqanda as possible sites for the lab, but that Kenya won out due to slightly better transport and telecommunications infrastructure, and as MasterCard had an existing formal presence in the country.

Funded by the Bill & Melinda Gates Foundation, the lab operates in close partnership with the 4) Socie government, local NGOs and the academic community, and conducts its hiring on an exclusive domestic basis. "It's important that [employees'] work resonates with where they live and grew up," Mr Musser explains. "[Innovations] are destined to fail unless we are able to engage with the community. There's just too many nuances, too much learning, too many local insights that nobody from the outside can innovate without."

While the company prefers not to disclose the projects the lab is currently working on, Mr Musser says they span sectors from agriculture, education and micro merchants (i.e. merchants who deal primarily in low-value transactions). These are being developed through a test-and-learn approach where the aim is to refine and quickly scale products that appear to have traction. "In the next year there will be things coming out of the lab that are really focused towards everyday spending; small transactions that make a difference to the lives of the poor, and nuanced to the culture and communities of East Africa."

In addition to drawing from local partnerships, Mr Musser believes it is vital that even a

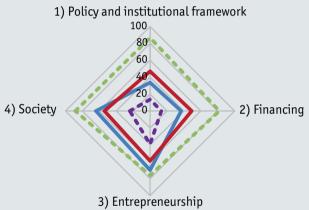
ank/45	Score/100
27	45.4
ork 34	33.7
=35	36.9
4	69.9
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Kenya

Average

• • • • Highest

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company's "social" work applies the same standards the firm upholds elsewhere, and stays aligned to the broader corporate mission. "A good solution is characterised by being safe, simple and smart," he says. "If it doesn't meet those criteria it will never go to market. In order for something to be safe and smart it needs good data practice, so you can extract insights but in a way that the client has the absolute right for their data to be protected and their privacy respected. Even if there isn't a government policy, [our] best practices are applied."

"We have a corporate strategy from which I can see a straight line to the work we're doing," he adds. "It says emerging markets and financial inclusion are a key part of MasterCard's longterm success. Companies miss the mark when they do things where they can't see that straight line attachment." And as Anna Zimbrick of Costa Rica's Fundación Acción Joven points out, while they may be more burdened by process or bureaucracy, large companies also have the resources to play a significant role in innovation and social infrastructure generally. "There has to be some caution; not everyone needs to be an entrepreneur," she says. "The large companies are the ones that provide the majority of employment and social benefits."

To the extent that there is a greater and greater focus on enterprises that are combining social and profit-seeking goals, these countries' relatively worse performance in terms of entrepreneurialism may result in some hand-wringing. This is particularly so with regard to Japan. But it needn't be the case, says Professor Kanji Tanimoto of Waseda University, who has written extensively on social innovation and related issues.

The reason Japan is always near the bottom of the list in entrepreneurship rankings is because the social costs of pursuing risk—and potentially failing—are still very high, Professor Tanimoto says. "The more prestigious the company you are working for, the better standing you have in society." But it is a mistake to equate social innovation only with small-scale enterprises. "When people talk about social innovation, they tend to focus on social entrepreneurs, but there are many established big corporations that carry out sustainable development projects," he says (see, for instance, the case study in Part 6). Another issue is that entrepreneurialism tends to champion individualism. "Social innovation does not and cannot happen with one genius talent," he says. "You do not make social innovation on your own: there needs to be an innovation cluster."

Such clustering is sometimes driven by necessity, rather than policy, in rich nations like Japan as much as less developed economies. Ryosuke Kobayashi, founder of HLAB, a non-profit that promotes international exchange programmes for Japanese high-school students, notes that the most dynamic social entrepreneurship is happening in the Tohoku region, which was devastated by the 2011 earthquake and tsunami.

Since the disaster, a sizeable social impactfocused startup cluster has emerged in Tohoku, supported by funding from as far away as Silicon Valley; leading lights include Material Concept, which promotes copper as a cheaper alternative to silver in solar cells, and Tess, the developer of a rehabilitative wheelchair for people with leg injuries.⁶¹ "When push comes to shove, you can see that Japan does have very fertile ground for social entrepreneurship," Mr Kobayashi says.

⁶¹ https://www.techinasia. com/tomohiro-takeimakoto-tohokuentrepreneurs

Tech4Good: Balancing growth and impact

Founded in Israel, Tech4Good is an accelerator programme for entrepreneurs hoping to make a mark with technologies that have social applications. While profit may not be the primary motive of all of these founders, to Kineret Karin, an entrepreneur herself and cofounder of Tech4Good Singapore, it inevitably plays an important role in achieving scale and longer-term success. "Once you have profit, you can create more impact," she says.

Tech4Good Singapore's programmes therefore cover "hard" issues such as accounting and developing business plans, but also emphasise the role of "soft" skills such as conflict resolution and dealing with failure in making a company investment-ready. "Failing and getting up again is not something people really do here," Ms Karin says. "Whereas we think failing is good—it makes you think, and rewind to see what went wrong."

The organisation is working with several promising Singapore and regional startups,

many focusing on issues that are particularly pronounced in Asia, such as ageing populations, road safety and social inequality. Hapticus, a Singapore-based company that Ms Karin compares to an Uber for people with mobility issues, is one example.

Though many "social tech"" firms are developing solutions that would seem ripe for wide regional adoption, the social focus does present barriers in terms of attracting the kind of interest and support standard startups typically receive from the government and potential investors, Ms Karin says. "The government support and infrastructure here is amazing for startups, but it's very focused on fintech; social innovation doesn't fall into the government agencies' boxes."

Similarly, given the longer timeframe for returns "regular investors look at [social tech] startups and might say no," she adds. "We focus more on getting attention from angel and impact investors, and family funds."

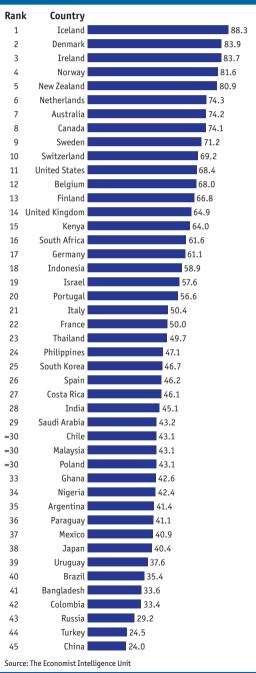
Pillars of social innovation #4: Civil society

Although more research needs to be done on the links between civil society and social innovation, the consensus is that the former needs to be robust to enable the latter. Governments and the private sector play a crucial role, as earlier sectors of this report have shown, as does academia. But support from civil society—that is, local nongovernmental organisations and on-the-ground participants, sometimes known as the "third sector"—is equally important.⁶² Indeed, social innovation is one of the most fruitful areas for the application of crowdsourcing, something that has taken off in recent years with the spread of online platforms for mass communication.⁶³

One obvious reason for this is that governments and public officials, no matter how wellintentioned, are unlikely to be the ones experiencing the kind of problems social innovation is needed to solve. Indeed, they might not know there are problems that need solving, or, if they do, what priority the communities concerned place on their resolution, or what untapped resources might be available. Civil society organisations have armies of local volunteers who are in a position to find out directly, while they can also act as incubators for early-stage attempts to address social problems. When such efforts are successful they can also play a key role in raising awareness of novel solutions.

Consequently this pillar of the index includes five indicators that indicate the strength of a country's civil society. These include their World Giving Index score, as developed by the Charities Aid Foundation, which measures the percentage of people in each country who donate money, volunteer time or help strangers; indicators

Civil society score



⁶² An ongoing three year research project by the European Commission, Impact of the Third Sector as Social Innovation (ITSSOIN), is investigating the precise connection between civil society and social innovation across nine countries. http:// itssoin.eu/

⁶³ The application of multiple minds to solve problems is not a novel concept, having been around at least since 1714 when the British government offered a prize for the first person to come up with a solution to the problem of longitude from the World Values Survey and similar sources measuring both the proportion of people who are members of a humanitarian or charitable organisation and the level of trust in society; an EIU score measuring citizens' willingness to participate in public debate, elect representatives and join political parties; and the freedom of the press as measured by the World Press Freedom Index. Each of these indicators is weighted equally within this pillar, which accounts for 18.3% of the total Index score.

Many practitioners say working with grassroots groups and a significant presence at the community level is critical to the success of social innovation projects. The British Council in Pakistan, for example, recently launched an initiative to create social enterprise centres at universities to support would-be social entrepreneurs. However, the Council already has a track record of running youth leadership and community development initiatives at dozens of public sector schools, and has also enlisted the support of a local partner, enterprise development organisation SEED Ventures, as well as the country's Higher Education Commission.

64 http://norden.divaportal.org/smash/get/ diva2:856045/FULLTEXT01. pdf. See also "Changes and challenges to the Icelandic third sector", a lecture by Gestur Páll Reynisson, Faculty of Political Science, University of Iceland, available at https://www. activegovedu.projecte-feaa. ro%2Fwp-content%2Fup loads%2F2016%2F05%2 FGestur-Reynisson_Plen. pptx&usg=AFQjCNFNEI0uVlaxZ4WHlDASMiFfPmeGw&s iq2=6qeHbyGEPX8vwdMXH FB2mQ

⁶⁵ http://almannaheill.is/ almannaheill/

⁶⁶ https://www. karolinafund.com/project/ view/1416

⁶⁷ http://norden.divaportal.org/smash/get/ diva2:856045/FULLTEXT01. pdf Only when a pilot programme at five schools is deemed successful will the Council proceed with plans to roll it out to 50 universities nationwide by 2018. "Embedding social enterprise in education systems is a key component of the British Council's social enterprise programme," says the British Council's Ms Faraz. "The university pilot project will enable us to find out how best we can embed it in education systems at that level."

Nordic but nice

Iceland has the most robust civil society of any country in the Index. The importance and strength of its third sector increased in tandem with growing demand for welfare services following the financial crisis of 2008, during which the country's banking system collapsed, leading to the fall of the then government.⁶⁴ An organisation to advance non-profit and third sector goals and interests, Almannaheill ("The Common Good"), was set up in 2008.⁶⁵ Although social innovation is a relatively new concept, non-governmental organisations have made efforts to put it on the national agenda. To take one example, Impact Iceland 2016, the island's first social innovation conference, is being funded through crowdsourcing.⁶⁶

Other Nordic countries also score highly in this pillar, with Denmark in second place, Norway in fourth, Sweden in ninth and Finland in 13th. Social innovation and social enterprise are relatively novel terms in the region, although—as in Iceland—the civil society roots crucial to its development are long and deep. A 2015 report on the issue by the Nordic Council of Ministers notes that although the debate about social enterprises "happened later in the Nordic Region than in countries like Italy and the United Kingdom, there has nevertheless been a century-long history of associations, businesses and other organisations in the socioeconomic field." It also notes that social enterprises do not necessarily have to be new, but their development "probably happens to an equally large extent through the metamorphosis of existing organisations."

Another notable feature of Nordic countries' approach to social innovation is its development within a very robust welfare state. This confluence of government and third-sector means to address social problems is an important characteristic of social innovation in the region (in contrast to the US, for example, which has historically placed a greater emphasis on self-reliance, market forces and volunteerism than governmental action). The Nordic Ministers' report suggests that in the same way the Nordic welfare model attracted great attention in post-war Europe, social enterprises in the region can now be "experimental arenas for participatory, learning-related and productive welfare".⁶⁷

Fragile China

At the other end of the scale, China comes bottom in terms of the development of its civil society, explaining in part why it comes 38th in the overall Index. At various stages there has

Japan: Watching over the elderly

In 2008, a driver in northern Japan for leading logistics company Yamato Transport was making a delivery to a regular customer, an elderly lady who always used to come outside to greet her when receiving parcels. But this time the customer did not come out—and the driver found out three days later she had passed away in her home, alone. Troubled, the driver approached the local university and her boss responsible for the district to ask if there was a way the firm could use its unrivalled network to "watch over" older people in more remote communities-a conversation that soon moved into other areas, combining ideas of helping the elderly manage grocery shopping, and collaborating with the social welfare council.

A few years later, the company now has an entire team supporting community services, such as elderly care, disaster recovery and transportation. It is now turning its attention to urban areas, recently launching a new delivery centre in suburban Tokyo that is exploring how to squeeze more efficiency into logistics with a smaller workforce—soon to be a reality for most companies in a country with a shrinking population—and also provides employment opportunities for the elderly around the area as well as shopping and housekeeping services for the district.

By working at the community level, Yamato has become associated with solving community problems, says Naoto Yamaguchi, project manager in Yamato's Division of Business Development and Enhancement. But with a presence in so many parts of Japan, Yamato has

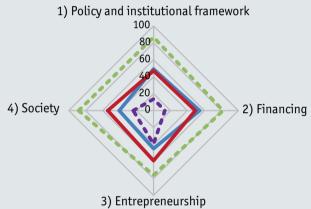
Rank	/45	Score/100
Overall score	23	48.0
1) Policy and institutional framework	21	49.1
2) Financing	16	54.4
3) Entrepreneurship	43	44.8
4) Society	38	40.4

🗕 Japan

Average

• • • • Highest

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a vested interest in ensuring these regions stay economically active. This is why it has taken steps, such as using local buses instead of its own trucks, to deliver parcels in some areas, to help keep the bus routes alive, and at the same time to maximize the efficiency of Yamato's distribution.

"These services may be classified as CSR, and in many companies, may be under the jurisdiction of the CSR department," Mr Yamaguchi says. "But here it's the responsibility of our department, because we're committed to delivering sustainable value to communities through our core businesses. That's why we do not rely on funding or special help for the projects we take on." been excitement about the potential for social innovation to take off in the country, especially given the problems posed by a rapidly ageing society. However, the foundations of philanthropy, volunteerism and political participation necessary to support grass-roots social innovation are weak, while a free press (that might either expose problems that need solving or promote innovative solutions) is non-existent. Meanwhile, the policy environment for non-governmental organisations (notably foreign ones) has become distinctly less accommodating as the government of President Xi Jinping has sought to centralise power amid a wide-ranging crackdown on corruption. Social enterprises are nevertheless seen as a promising prospect, given China's robust entrepreneurialism and as more businesses are incorporating social goals into their operations. The national government has emphasised the importance of "social governance innovation" and encouraged entrepreneurship and innovation in policy plans, while local governments such as Beijing and Shanghai have implemented their own policies to support the development of social enterprises. There have also been some notable non-governmental initiatives, including YouChange, the China Social Entrepreneur Foundation, which is seeking to promote sustainable development, volunteerism and support for social enterprises.68

> ⁶⁸ https://www. theguardian.com/ british-council-partnerzone/2015/may/07/theshape-of-social-enterprisein-china

NeighborNest: Technology in the community context

As the experts interviewed for this study have noted, technology can play a significant role in social innovation, whether through generating data that identifies issues and measures the impact of social ventures, linking remote communities to government services, or making financial and transportation services more accessible. Given their history as innovators and the broader focus on corporate social responsibility, it's no surprise many tech firms have taken up the social innovation mantle.

To take a prominent example, Twitter has created "Twitter for Good", a platform for the company's social initiatives that spans areas like Internet safety and education, technology adoption in underserved areas, and crisis and emergency response. Programmes under this initiative include Ads 4 Good, which donates advertising on the Twitter platform to non-profits, allowing them to expand the reach of fundraising or communications campaigns. But the company's real focus is its own backyard—San Francisco's Tenderloin/Mid-Market district, which has one of the highest poverty rates in the city.

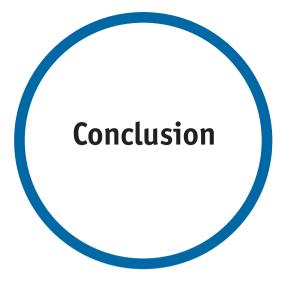
Twitter had for some time been mulling the idea of building a "tech lab" for a neighbourhood where such facilities were lacking, but head of community outreach and philanthropy Caroline Barlerin says a six-month research exercise that involved speaking to residents, area nonprofits and volunteers indicated something slightly different was needed. "We were really asking three questions: where do you access technology, what do you need it for, and if you had a space to do that, what would you want it to look like? We thought we were leading with technology and quickly arrived at the reality that people are craving community."

These findings informed the "physical and programming design" of Twitter's NeighborNest, which opened in 2015. The facility offers plenty in the way of technology, including Internet access, training in basic computer skills, classes on Internet safety and coding for kids. But it has developed a far wider "community-led curriculum" that covers things like languages and finding affordable housing, and also offers childcare, in conjunction with partners such as Compass Family Services.

Perhaps just as important, NeighborNest provides a secure environment for the people of the area to meet and socialise. "We didn't go at it alone; we didn't think we knew best, and we went in with a 'seek to understand' attitude from the beginning," Ms Barlerin says. "We also tested the programming for three months before we even opened. Those were great formulas for success."

Based on the experience the company has "open sourced" the NeighborNest model to its 35 worldwide offices, encouraging employees to open and teach similar classes even in the absence of a physical location. "It's a way of scaling without creating more bricks and mortar," Ms Barlerin says.





Enabling social innovation

As this report has pointed out, a "one-sizefits-all" definition of social innovation and a standard formula to foster its growth across different markets, are likely to remain distant prospects. And as experts have noted, one of the main characteristics of social innovation is that it can spring up anywhere, in spite (indeed, at times because) of the most adverse conditions. Nonetheless, our research shows there are factors, policies and best practices that are common across countries in which social innovation has taken root and thrived.

Broadly speaking, these represent a tendency towards balance. In the policy sphere, it is the combination of providing a certain degree of legal infrastructure and support—such as a framework defining social enterprises, or carefully applied subsidies—while not overregulating to the extent that social enterprises are forced to focus on compliance at the expense of impact or growth, particularly in sensitive sectors like health or finance. As Professor Nicholls of Oxford University notes, particularly in the developing world, social innovation "has also emerged because of the absence of effective welfare policy."

In obtaining financing, social innovation should be able to draw on multiple possible funding sources, from charitable grants to social impact bonds, impact investors or (in the case of social enterprises) the revenues derived from their own operations. Balanced, sustainable funding will also help social initiatives ultimately remain focused on innovation and impact in the communities they are seeking to serve, rather than delivering returns for investors, justifying their work to donors or securing the next grant.

It must also be recognised that in social innovation as in so much else, money isn't everything. Identifying and developing novel approaches to complex societal problems requires a steady supply of talent across a range of competencies, and in many cases the wholehearted participation of volunteers and civic groups.

The "biggest barriers [to social innovation] remain the lack of time and talent to get the best work done," says Mr Davis of PATH. "The best social innovation happens when the talents, resources, and ideas of the social, private, and public sectors align around a common social challenge and shared values. But this takes a commitment of years, even decades, to understand the problem and its context, to build trust to address a common problem, and build capacity and align incentives. Many in industry still see this as a sideshow, not part of the core business, so commitments of the right people and time are often inadequate or slow." Unit

This is why the work of organisations like the British Council and Fundación Acción Joven to introduce training on social entrepreneurship or workplace skills at the student level is so important. Capacity building may also be needed within communities to empower them to address issues independently, or (as has been the case in Seoul City Hall) within governments to promote understanding of and participation in largely citizen-led social innovation projects.

Balance also means deploying a range of tools to deal with a range of social shortfalls. Social enterprises may play a key role in making technologies or services more accessible to remote or underprivileged populations. In wealthy countries, where institutions are weak but a potential market exists, it may be best to encourage social entrepreneurs to fill the gaps with a certain amount of government support (or, at least, non-interference). There are also at times compelling genuine business opportunities in attending to social needs. However there are some areas—such as health, education and justice-where private enterprise needs to be closely monitored or regulated, or where there is no real "market" for certain kinds of services even though they may desperately be needed. In these cases the innovating will be driven by non-profits, governments and communities themselves.

Once a certain balance is achieved and social innovation emerges, the focus inevitably shifts to outcomes. Measuring these is no easy task. This is why the data around social innovation projects has become a precious currency, and why there is so much emphasis in many social innovation organisations on developing frameworks for quantitative as well as qualitative assessments, whether these are based around costs saved, years added to lives or workforce participation rates.

"Provable" results help secure further support from governments or donors, and build the case for more ambitious projects. In the words of Josh Wright of ideas42, to get buy-in for any change management process, "you have to put some wins on the table." At the same time it must be accepted that some results will take years to manifest themselves, and that gauging impact will always be to some extent an inexact science.

The success of social innovation, then, may typically be assessed in the context of specific cases and problems. But as the concept takes hold in more markets and more examples are found, the next step will be measuring outcomes in a more comprehensive fashion. At the broadest or national level, these may translate into improving human development indicators or poverty reduction, or, as more states grant them formal recognition, growth in the number of active social enterprises.

What is clear is that social innovation is already a force for positive change in many developed and developing markets alike; that it is being incorporated into more administrations, analysed by more institutions, and pursued by more entrepreneurs and investors. Future studies, and future innovators, will therefore have even more data to draw on, and social innovation will move further from a concept towards a science that is applied and tested and that inspires still more examples.

Appendix: 1. Social innovation index

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OVERALL SCORE		POLICY AND INSTITUTIONAL		FINANCING	ICING ENTEPRENEURSHIP SOCI		SOCIETY		
		FRAMEWORK							
Rank Country	Score	Rank Country	Score	Rank Country	Score	Rank Country	Score	Rank Country	Score
1 United States	79.4	1 United Kingdom	86.6	1 Canada	82.0	1 United States	76.2	1 Iceland	88.3
2 United Kingdom	77.3	2 United States	84.6	2 United States	80.4	2 Netherlands	75.9	2 Denmark	83.9
3 Canada	75.7	3 France	79.6	3 Belgium	77.9	3 New Zealand	70.6	3 Ireland	83.7
4 Denmark	71.2	4 Canada	77.9	4 Denmark	75.6	4 Kenya	69.9	4 Norway	81.6
5 Belgium	69.2	5 South Korea	74.2	5 United Kingdom	75.1	5 United Kingdom	68.4	5 New Zealand	80.9
6 New Zealand	67.2	6 Belgium	70.1	6 Ireland	73.4	6 South Africa	68.1	6 Netherlands	74.3
7 France	66.4	7 Germany	69.2	7 Australia	72.9	7 Saudi Arabia	67.8	7 Australia	74.2
8 Germany	66.0	8 Denmark	67.2	8 New Zealand	70.1	8 Chile	67.7	8 Canada	74.1
9 Sweden	65.7	9 Chile	65.4	9 Sweden	69.3	9 Norway	66.3	9 Sweden	71.2
10 Switzerland	61.6	10 Italy	64.2	10 Switzerland	69.0	10 Ireland	65.4	10 Switzerland	69.2
11 Australia	60.6	11 Sweden	63.3	11 Germany	67.8	11 Turkey	64.9	11 United States	68.4
12 South Korea	60.0	12 New Zealand	58.8	12 Finland	66.2	12 Ghana	64.3	12 Belgium	68.0
=13 Finland	59.2	13 Poland	56.7	13 France	61.9	13 Uruguay	62.9	13 Finland	66.8
=13 Norway	59.2	14 Switzerland	55.8	14 Israel	59.5	14 Nigeria	62.8	14 United Kingdom	64.9
15 Iceland	59.0	15 Portugal	53.8	15 Norway	56.0	15 Canada	61.4	15 Kenya	64.0
16 Netherlands	57.7	=16 Finland	52.1	16 Japan	54.4	=16 Denmark	61.1	16 South Africa	61.6
17 Italy	57.5	=16 Iceland	52.1	17 Italy	54.1	=16 Portugal	61.1	17 Germany	61.1
18 Chile	56.9	=16 Israel	52.1	18 Colombia	53.5	18 Philippines	61.0	18 Indonesia	58.9
19 Ireland	56.5	=19 Australia	49.2	19 Netherlands	52.9	19 Sweden	60.8	19 Israel	57.6
20 Israel	55.8	=19 Norway	49.2	20 South Korea	52.3	20 Finland	60.5	20 Portugal	56.6
21 Poland	52.6	21 Japan	49.1	=21 Iceland	51.4	21 Colombia	60.3	21 Italy	50.4
22 Portugal	52.0	22 Malaysia	48.3	=21 Poland	51.4	22 Germany	60.1	22 France	50.0
23 Japan	48.0	23 Netherlands	47.2	23 Costa Rica	46.2	23 Australia	59.6	23 Thailand	49.7
24 Malaysia	47.5	24 Russia	46.3	24 Spain	44.8	24 Brazil	59.4	24 Philippines	47.1
25 Colombia	46.3	25 Colombia	43.3	25 Malaysia	44.3	25 Argentina	59.1	25 South Korea	46.7
26 South Africa	45.7	26 Spain	41.7	26 Chile	43.8	26 Israel	58.8	26 Spain	46.2
27 Kenya	45.4	27 Costa Rica	38.3	27 Uruguay	42.8	27 Switzerland	58.4	27 Costa Rica	46.1
28 Spain	44.8	28 Thailand	37.7	28 India	41.9	28 Thailand	57.8	28 India	45.1
29 Costa Rica	44.0	=29 Argentina	36.7	29 Brazil	41.3	29 Indonesia	57.4	29 Saudi Arabia	43.2
30 Russia	41.4	=29 Mexico	36.7	30 Mexico	39.8	30 Belgium	55.1	=30 Chile	43.1
31 Argentina	40.3	31 South Africa	35.2	31 South Africa	38.4	31 Iceland	55.0	=30 Malaysia	43.1
32 Mexico	40.2	32 India	34.7	=32 Portugal	38.2	=32 Costa Rica	54.9	=30 Poland	43.1
33 Thailand	40.1	33 Ireland	33.8	=32 Russia	38.2	=32 Malaysia	54.9	33 Ghana	42.6
34 India	39.5	34 Kenya	33.7	34 China	37.5	=34 France	54.0	34 Nigeria	42.4
35 Uruguay	39.2	35 Turkey	30.9	=35 Kenya	36.9	=34 Poland	54.0	35 Argentina	41.4
36 Brazil	37.4	36 Uruguay	30.0	=35 Turkey	36.9	36 China	53.9	36 Paraguay	41.1
37 Indonesia	36.8	37 Indonesia	29.9	37 Argentina	34.0	37 Spain	52.3	37 Mexico	40.9
38 Turkey	36.2	38 China	29.2	38 Ghana	31.9	38 Paraguay	51.9	38 Japan	40.4
39 Ghana	34.9	39 Brazil	28.8	39 Nigeria	28.5	39 Italy	51.4	39 Uruguay	37.6
40 China	33.8	40 Bangladesh	27.9	40 Bangladesh	27.7	40 Mexico	50.5	40 Brazil	35.4
41 Nigeria	33.0	41 Ghana	23.3	41 Saudi Arabia	27.3	41 Russia	46.3	41 Bangladesh	33.6
42 Bangladesh	30.6	=42 Nigeria	21.3	42 Thailand	25.1	42 South Korea	45.9	42 Colombia	33.4
43 Saudi Arabia	30.2	=42 Paraguay	21.3	43 Indonesia	18.4	43 Japan	44.8	43 Russia	29.2
44 Paraguay	28.1	44 Philippines	15.4	44 Paraguay	15.1	44 India	43.4	44 Turkey	24.5
45 Philippines	27.6	45 Saudi Arabia	13.7	45 Philippines	13.4	45 Bangladesh	39.3	45 China	24.0

Appendix: 2. Rankings by income High income

(GNI per capital of US\$12,000 or more)

OVERALL SCORE		POLICY AND INSTITUTIONAL FRAMEWORK		FINANCING		ENTEPRENEURSH	SOCIETY		
Rank Country	Score	Rank Country	Score	Rank Country	Score	Rank Country	Score	Rank Country	Score
1 United States	80.3	1 United Kingdom	86.6	1 Canada	82.0	1 United States	81.4	1 Iceland	88.3
2 United Kingdom	79.1	2 United States	84.6	2 United States	80.4	2 Finland	79.4	2 Denmark	83.9
3 Canada	77.1	3 France	79.6	3 Belgium	77.9	3 New Zealand	75.9	3 Ireland	83.7
4 Denmark	74.1	4 Canada	77.9	4 Denmark	75.6	4 United Kingdom	75.1	4 Norway	81.6
5 Belgium	71.5	5 South Korea	74.2	5 United Kingdom	75.1	5 Ireland	74.3	5 New Zealand	80.9
6 New Zealand	69.4	6 Belgium	70.1	6 Ireland	73.4	6 Switzerland	72.5	6 Netherlands	74.3
7 Germany	69.3	7 Germany	69.2	7 Australia	72.9	7 Netherlands	72.3	7 Australia	74.2
8 Sweden	69.0	8 Denmark	67.2	8 New Zealand	70.1	8 Norway	72.2	8 Canada	74.1
9 France	68.6	9 Chile	65.4	9 Sweden	69.3	9 Denmark	72.0	9 Sweden	71.2
10 Switzerland	66.0	10 Italy	64.2	10 Switzerland	69.0	10 Germany	68.4	10 Switzerland	69.2
11 South Korea	65.7	11 Sweden	63.3	11 Germany	67.8	11 Sweden	68.1	11 United States	68.4
12 Finland	64.7	12 New Zealand	58.8	12 Finland	66.2	=12 Chile	67.2	12 Belgium	68.0
13 Australia	63.5	13 Poland	56.7	13 France	61.9	=12 Uruguay	67.2	13 Finland	66.8
14 Norway	62.7	14 Switzerland	55.8	14 Israel	59.5	14 Canada	66.2	14 United Kingdom	64.9
15 Iceland	62.3	15 Portugal	53.8	15 South Korea	59.4	15 Australia	64.3	15 Germany	61.1
16 Ireland	60.3	=16 Finland	52.1	16 Norway	56.0	16 Portugal	62.1	16 Israel	57.6
=17 Italy	60.2	=16 Iceland	52.1	17 Italy	54.1	17 Iceland	61.2	17 Portugal	56.6
=17 Netherlands	60.2	=16 Israel	52.1	18 Netherlands	52.9	18 Argentina	60.2	18 Italy	50.4
19 Chile	59.1	=19 Australia	49.2	=19 Iceland	51.4	19 Japan	59.7	19 France	50.0
20 Israel	58.3	=19 Norway	49.2	=19 Poland	51.4	20 Belgium	59.5	20 South Korea	46.7
21 Poland	56.0	21 Japan	49.1	21 Japan	47.3	21 Israel	58.3	21 Spain	46.2
22 Portugal	55.3	22 Netherlands	47.2	22 Spain	44.8	=22 Saudi Arabia	57.1	22 Saudi Arabia	43.2
23 Japan	52.5	23 Russia	46.3	23 Chile	43.8	=22 South Korea	57.1	=23 Chile	43.1
24 Spain	49.4	24 Spain	41.7	24 Uruguay	42.8	24 Spain	56.4	=23 Poland	43.1
=25 Argentina	44.6	25 Argentina	36.7	=25 Portugal	38.2	25 France	55.2	25 Argentina	41.4
=25 Russia	44.6	26 Ireland	33.8	=25 Russia	38.2	26 Poland	54.4	26 Japan	40.4
27 Uruguay	44.0	27 Uruguay	30.0	27 Argentina	34.0	27 Italy	50.7	27 Uruguay	37.6
28 Saudi Arabia	33.5	28 Saudi Arabia	13.7	28 Saudi Arabia	27.3	28 Russia	40.1	28 Russia	29.2

Middle income

(GNI per capital between US\$4,000 and US\$12,000)

INST		POLICY AND INSTITUTIONAL FRAMEWORK		FINANCING		ENTEPRENEURSHIP		SOCIETY	
Rank Country	Score	Rank Country	Score	Rank Country	Score	Rank Country	Score	Rank Country	Score
1 South Africa	50.8	1 Malaysia	48.3	1 Colombia	53.5	1 Malaysia	68.3	1 South Africa	61.6
2 Malaysia	49.5	2 Colombia	43.3	2 Costa Rica	46.2	2 Turkey	66.8	2 Thailand	49.7
3 Colombia	48.7	3 South Africa	41.8	3 South Africa	45.5	3 South Africa	65.2	3 Costa Rica	46.1
4 Costa Rica	47.4	4 Costa Rica	38.3	4 Malaysia	44.3	4 Mexico	56.4	4 Malaysia	43.1
5 Mexico	44.8	5 Thailand	37.7	5 Brazil	41.3	5 Colombia	55.7	5 Paraguay	41.1
6 Thailand	43.1	6 Mexico	36.7	6 Mexico	39.8	6 Costa Rica	55.1	6 Mexico	40.9
7 Turkey	40.9	7 Turkey	30.9	7 China	37.5	7 Thailand	52.9	7 Brazil	35.4
8 China	38.0	8 China	29.2	8 Turkey	36.9	8 Brazil	51.3	8 Colombia	33.4
9 Brazil	37.0	9 Brazil	28.8	9 Thailand	25.1	9 China	50.9	9 Turkey	24.5
10 Paraguay	31.7	10 Paraguay	21.3	10 Paraguay	15.1	10 Paraguay	47.1	10 China	24.0

Low income (GNI per capital below US\$4,000)

1		POLICY AND INSTITUTIONAL FRAMEWORK		FINANCING		ENTEPRENEURS	SOCIETY		
Rank Country	Score	Rank Country	Score	Rank Country	Score	Rank Country	Score	Rank Country	Score
1 Kenya	47.0	1 India	34.7	1 India	41.9	1 Kenya	67.2	1 Kenya	64.0
2 India	43.9	2 Kenya	33.7	2 Kenya	36.9	2 Ghana	55.4	2 Indonesia	58.9
3 Indonesia	39.5	3 Indonesia	29.9	3 Ghana	31.9	3 Philippines	55.3	3 Philippines	47.1
4 Ghana	37.0	4 Bangladesh	27.9	4 Nigeria	28.5	4 Nigeria	53.8	4 India	45.1
5 Nigeria	33.2	5 Ghana	23.3	5 Bangladesh	27.7	5 India	52.9	5 Ghana	42.6
6 Bangladesh	32.6	6 Nigeria	21.3	6 Indonesia	18.4	6 Indonesia	50.7	6 Nigeria	42.4
7 Philippines	31.4	7 Philippines	15.4	7 Philippines	13.4	7 Bangladesh	27.2	7 Bangladesh	33.6



The Social Innovation Index 2016 assesses the policy and business environment that enables social innovation. The Index covers 45 countries in the developed and developing world. The Index scores countries across four categories – Policy and Institutional Framework, Financing, Entrepreneurship and Society. The indicators fall into two broad categories:

• Quantitative indicators: Seven of the Index's 17 indicators are based on quantitative data – for example, total public social expenditure as a percentage of GDP

• Qualitative indicators: 10 of the indicators are qualitative assessments of a country's environment for social innovation, for example, "Existence of a national policy on social innovation" which is assessed on a scale of 0-2, where 0=no policy exists and 2=clear policy on social innovation exists

Data sources

The Economist Intelligence Unit's research team collected data for the Index from May 2016 to June 2016. Wherever possible, publicly available data from official sources are used for the latest available year. The qualitative indicator scores were informed by publicly available information (such as government policies and reviews), and country expert interviews. Qualitative indicators scored by The Economist Intelligence Unit are often presented on an integer scale of 1-5 (where 1=worst, 5=best).

Indicator scores are normalised and then aggregated across categories to enable an overall comparison. To make data comparable, we normalised the data on the basis of:

Normalised x = (x - Min(x)) / (Max(x) - Min(x))

where Min(x) and Max(x) are, respectively, the lowest and highest values in the 45 countries for any given indicator. The normalised value is then transformed into a positive number on a scale of 0-100. This was similarly done for quantitative indicators where a high value indicates a better environment that supports social innovation.

Categories and weights

The EIU research team assigned category and indicator weights after consultations with internal analysts and external social innovation experts. We assessed 17 indicators across four thematic categories: Policy and Institutional Framework, Financing, Entrepreneurship and Society.

The Policy and Institutional Framework category is allocated a weighting of 44.4% of the Index. This category is the most heavily weighted of the four categories, underlining the importance of a stable environment and government commitment to enabling social innovation. The Financing category is allocated a weighting of 22.2% of the Index. The category assesses the availability of financing to support the growth of social enterprises, social entrepreneurs and other socially innovative businesses. Our research finds that a strong and well-articulated government policy and availability of financing mechanisms are most important in building in an enabling environment.

The Entrepreneurship category is allocated 15% of the Index. The indicators in this category assess entrepreneurial, innovative and risk-taking values of a country. The final category – Society – is allocated 18.3% of the Index. This category assesses the strength of a civil society and values that indicate cultural norms such as volunteerism and trust found to be important in supporting social innovation.

The following table provides a brief description of indicators, data and weights:

Indicator	Unit	Year	Source	Weight	Description
Policy and institutional framework				44.4%	
Existence of national policy on social innovation	EIU rating	2015	EIU analysis	25%	The existence of a government-led national policy to encourage social innovation. 2=A government strategy on promoting social innovation or entrepreneurship exists. 0=No such strategy exists.
Social innovation research and impact	EIU rating	2015	EIU analysis	20%	The existence of government-led data collection and policy needs to support social innovation. 3=The government regularly collects information on social enterprises and social entrepreneurs with data made public. 0=No such research exists.
Legal framework for social enterprises	EIU rating	2015	EIU analysis	20%	The existence of specific regulatory frameworks for social enterprises, social entrepreneurs and other social innovation businesses. 2=Legal frameworks exist and widely used. 0=No such frameworks exist.
Effectiveness of system in policy implementation	EIU rating	2015	EIU Business Environment Ratings	20%	The effectiveness of policy implementation and execution rating scores countries. 5=very high. 1=very low.
Rule of law	EIU rating	2015	EIU Business Environment Ratings	15%	Transparency and fairness of legal system. 5=very high/fair. 1=very low/unfair.
Financing				22.2%	
Availability of government financing to promote social innovation	EIU rating	2015	EIU analysis	50%	The availability and ease of use of financing mechanisms such as social innovation funds, government grants, social impact bonds and business incubators. 7=All mechanisms available and easy to access. 0=None exist.
Ease of getting credit	Score	2015	World Bank	25%	Measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. 12=very high. 0=non-existent
Total public social expenditure	% of GDP	2013, or latest available	International Labour Organisation	25%	Government social expenditure in the form of cash benefits, direct in-kind provision of goods and services, and tax breaks with social purposes as a percentage of country's GDP.

Indicator	Unit	Year	Source	Weight	Description
Entrepreneurship				15%	
Risk-taking mindset	% of 18-64 population	2015, or latest available	Global Entrepreneurship Monitor	25%	Population aged 18-64 with positive perceived opportunities who indicate that fear of failure would prevent them from setting up a business.
Citizen's attitude towards entrepreneurship	% of 18-64 population	2015, or latest available	Global Entrepreneurship Monitor	25%	Population aged 18-64 who agree with the statement that in their country, most people consider starting a business as a desirable career choice.
Ease of starting a business	EIU rating	2015	EIU Business Environment Ratings	25%	Levels of regulation involved in setting up new private businesses. 5=very high. 1=very low.
Development of clusters	Rating	2015	World Economic Forum	25%	The extent to which there are well-developed and deep clusters (geographic concentrations of firms, suppliers, producers of related products and services, and specialised institutions in a particular field. 7=widespread in many fields. 1=nonexistent.
Society				18.3%	
Culture of volunteerism	% of population	2015	Charities Aid Foundation	20%	Measures the average percentage of people in each country who donate money, volunteer or help a stranger.
Political participation	EIU rating	2015	EIU Business Environment Ratings	20%	Willingness of citizens to participate in public debate, elect representatives and join political parties. 10=high participation. 0=lowest participation.
Civil society engagement	% of population	2014, or latest available	World Values Survey, European Social Survey	20%	Proportion of respondents who are members (active or inactive) of a humanitarian or charitable organization.
Trust in society	% of population	2014, or latest available	World Values Survey, European Social Survey, Latinobarómetro, Global Barometer Study	20%	Proportion of respondents who answered "most people can be trusted".
Press freedom	Index score	2016	Reporters Without Borders	20%	Level of freedom available to journalists based on results of World Press Freedom Index. 100=best, 0=worst.

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