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Includi.MI: Local government and social entrepreneurship for an inclusive city

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Abstract

Includi.MI is a project aimed at strengthening local ecosystems for social innovation, with the concrete ambition to help local public authorities and social entrepreneurship to become promoters of innovative outcome-based partnership schemes.

The project consists of a mapping exercise and a tailor-made capacity building programme conveyed to civil servants and social innovators through an experimental learning method. By taking a multidisciplinary approach, Includi.MI aims at generating new relationships, knowledge, and opportunities to improve territorial cohesion and to make Milan capable of tackling new social challenges in a radically new way.

KEYWORDS: social innovation, ecosystem, public policy, capacity building

Introduction

Today the public sector is undergoing a deep transformation, in particular at the local level where often falls the first responsibility to face new social and welfare challenges (Sabatinelli & Semprebon, 2017).

This transformation, triggered also by the demand of participation coming from the civil society and by bottom-up phenomena and social innovation experiences, has among its causes the increasing complexity of solving social challenges, because of the unbalance between the scarcity of public resources, and the extent of public problems as progressive aging, increasing unemployment. At the same time, we are witnessing the rise of a new set of opportunities, ignited by the availability of new technologies on one side, and the emerging of a new variety of social entrepreneurship on the other side. Such new social entrepreneurship is hybrid, as it follows both profit and social impact (Venturi & Zandonai, 2014), and is increasingly characterised by a deeper adoption of technologies (Millard & Carpenter, 2014), which boosts the need of new forms of financial capital (Arena et al., 2018; Nicholls & Emerson, 2015).

We believe that local administrations may rely on this new form of social entrepreneurship and to some extent respond to the complexity of solving social challenges (Grimm et al., 2013) by building functional ecosystems of social innovation (Jacobides et al. 2018; Montanari et al., 2017; Visnjic et al. 2016). Practitioners and academics suggest that partnerships among the actors of the ecosystem should adopt outcome-based agreements, as Pay-by-Result (PbR) schemes and Social Impact Bonds' (SIB), which link financial disbursement to the achievement of pre-defined and measurable social outcomes, rather than to the attainment of inputs, outputs or deliverables. These schemes, currently experimented in several countries with mixed results, are supposed to align the interests of public and private actors toward superior solutions, but are evaluated cautiously (Edmiston & Nicholls, 2018; Maier & Meyer, 2017; Arena et al., 2016).

Outcome-based partnerships for social impact: threats and possible responses

While many Italian municipalities are betting on social innovation (Alulli et al., 2017) trying to scale up small experiments and find structural policies, at the end of 2017 the Government financed with 25 million Euros an outcome-based fund, the "Social Innovation Fund". Such fund, still under definition, is expected to be a great stimulus to local authorities, as it may improve efficiency, sustainability and effectiveness of public solutions to social challenges. Nevertheless, most of the analysis of current outcome-based funds point at several risks for social enterprises, social investors, and citizens, among which: perverse incentives and mission drift for social innovators, marketization of public services, high transaction costs and an excessive focus on impact measurement rather than project implementation (Edmiston & Nicholls, 2018).

Given the complex situation, Includi.MI is set to prepare public and private actors of social innovation ecosystems to work under outcome-based approaches, and to provide them with tools, competences and connections able to tackle these risks.

In order to achieve such an ambitious goal, the project identifies four main lines of action:

1. Development and strengthening of civil servants' skills aimed at: planning of pragmatic policies; definition of new instruments, such as Pay-for-Results contractual mechanisms, including Social Impact Bond; measurement of the social impact generated by suppliers and partners;
2. Development and strengthening of social innovators' skills aimed at: understanding processes and mechanisms of interaction and dialogue with the PA; measurement of social impact generated by the interventions; participation in innovative public-private collaboration schemes, based on the measurement of social impact;
3. Strengthening of the local social innovation ecosystem: emersion and connection of social innovators and of PA innovators, engagement on local challenges, identification of gaps in current social innovation policy;
4. Identification of new models for the discovery and engagement of suppliers / problem solvers for PA, aimed at increasing positive social impact: evaluation of Pay-by-Result schemes.

These lines of action reflect a multidisciplinary approach, which combines design for policy and managerial tools, which we believe may contribute to build local social innovation ecosystem and advance outcome-oriented public-private partnership for social impact (Di Dio & Mortati, 2017). Includi.MI, more generally, builds on the idea that professional skills and capabilities coming from designers have a relevant role in policies for social innovation ecosystems (Selloni & Manzini, 2016). Design tools may integrate management approaches to better align challenges and opportunities about social innovation and create a more inclusive governance system in which public administration (PA) and social

entrepreneurship, to whom the project is addressed, cooperate systematically to solve local challenges.

Structure of Includi.MI and main results

Two research groups have conjunctly worked on Includi.MI: Tiresia (PoliMi School of Management), which works on social impact ecosystems and impact finance, and Design Policy Lab (PoliMi Design Department), which is focused on design for policy. Fondazione Cariplo has funded the project for one year, and coherently with time and resources available, Includi.MI worked on few priorities and set the basis for longer-term processes.

The two main outputs of the project are a social innovation policy map, and a two-day capacity building programme.

The social innovation policy map provides the identification and critical interpretation of the main social innovation policies implemented by the Milan Municipality, and describes the map of stakeholders. The map has been drawn in collaboration with the Municipality and highlights strengths and gaps of the local ecosystem by analysing seventeen policies implemented between 2012 and 2017 by the Directorate for Urban Economy. While there are maps for social innovation in Milan (see for instance Sgaragli & Montanari, 2016), none is focused on policy instruments, and through it, the project investigates the connections among social innovators and PA innovators, and the gaps in current social innovation policy. In synthesis, the map suggests that the policy-maker adopts three main policy instruments: financial grants to social innovators, mainly organisations in their start-up phase; procurement for acceleration, incubation, co-working services, often concealing also urban regeneration goals; consultation and participation processes, targeting citizens and intermediary organisations as local associations or sharing economy actors. The first two instruments are the most developed and receive the largest part of the financial resources available for social innovation policy. None of the instruments relies on social impact measurement or experiments social impact finance schemes. At the same time, while they empower single organisations and enterprises and create innovative hubs, they are still weak at connecting systematically all actors in a functioning ecosystem and at granting a truly inclusive governance.

The capacity building programme was addressed to both PA and social innovators, which worked together for two days. The programme entailed:

- Day one - thematic deepening sessions: lectures and case study presentations by experts coming from different fields. In particular, the lectures provided examples and knowledge on new financial instruments for social entrepreneurship, as social impact bonds and Pay-for-Result scheme, and social impact measurement practices.
- Day two - design for policy experience: initial lecture to introduce the approach, followed by co-design sessions and hands-on work.

The programme may be considered innovative for at least two reasons. First, it engages representatives from both PA and social entrepreneurship active in the Milan metropolitan area and beyond, and make them work together as peers. The programme puts them on the same level and tries to overcome knowledge and cultural obstacles by focussing on common goals. Secondly, the programme combines traditional lectures with co-design sessions, based on the idea that a policy relying on partnerships for social impact should be structurally grounded on this approach.

It directly addressed the need to empower civil servants and social innovators, by developing their skills and by collaborating at new models for engaging in public-private partnerships. During the co-creation sessions, the participants worked on the identification of social innovators' needs and on some possible experimental partnerships to work on these demands.

Critical assessment and future challenges

In order to build a public-private partnership for social impact, we need to make sure that policy-makers act as “*collaborative institutional ecosystem managers*” (Foster & Iaione, 2015: 337) rather than pure regulators, and that social innovators are conscious and prepared to take co-responsibility of a policy and of common goods. Both roles are becoming hybrid, and even the traditional distinction between top-down and bottom-up approaches today is blurred, as institutional and civic actors increasingly cooperate on an intermediate level in open learning arenas with self-organizing co-management structures (Schauppenlehner-Kloyber & Penker, 2016).

Nevertheless, building such partnerships requires a long-term roadmap for a deeper transformation in civil servants’ and social innovators’ ability and willingness to cooperate as peers. A transformation that is even more relevant when partnerships are supposed to adopt outcome-based schemes, where trustful and cooperative relationships seem as relevant as technical awareness.

Includi.MI, thanks to the positive engagement of PA and social innovators, may well represent a first step in this direction.

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