

choosing an area where he or she is likely to be successful is more important than picking an area because it is large.

The structure of the Office of Vice President will flow from his or her particular role and focus. Key staff members should include the chief of staff, deputy chief of staff, counsel, domestic policy advisor, national security advisor, national economic advisor, communications director, and scheduler. Beyond that, the exact offices and the number of staff in each will depend upon the vice president's focus. The office may, for example, have more staff dedicated to national security or legislative affairs if those are particular focal points for the vice president.

Staffing will require some tradeoffs due to the small size of the Office of the Vice President's budget. The vice president's chief of staff needs to carefully orchestrate the office's budget, which comes from the Senate and the White House office, and make the most of legitimate mechanisms for building a sufficiently large staff. As part of this, there needs to be a routine and transparent process for assigning White House fellows, detailees, agency representatives, and others to the Office of the Vice President. His staff can also enlist a cross-cabinet group of key policy experts to support and advise their work, as, for example, Vice President Gore did on telecommunications.

The vice president's transition staff should also take advantage of all opportunities to obtain information from the outgoing administration as part of the transition so he or she learns as much as possible about the context in which he or she will be working.

A New Office of Social Entrepreneurship

MICHELE JOLIN

The new president will take office with ambitious goals to solve our nation's most urgent social problems, but he will be operating in a climate with limited tolerance for new government spending or government-only solutions. The new president has a historic opportunity to turn to leading social entrepreneurs and the non-profit sector to help develop and implement effective solutions.

By creating a new White House Office of Social Entrepreneurship, the 44th president can support these new actors and ideas through policy tools, spurring greater innovation, creativity, and success in the non-profit sector. The non-profit sector in the United States has become an increasingly important and vital third sector of the economy, with over 1.5 million nonprofits accounting for more than \$1 trillion in revenues annually.¹ Non-profit organizations employed roughly 9.4 million people in 2004, or approximately 7.2 percent of the U.S. economy—more than the number of people employed by the financial services sector.²

Non-profit organizations have stepped in to fill gaps where the government and private sector have been unable to provide adequate services and support, particularly in areas such as education, economic development, and access to health care. Non-profit organizations are the leading source of innovation in some areas, such as school reform, and many of their efforts are more effective and more innovative than what is being done by either government or the private sector.

Within this vital and growing non-profit sector, “social entrepreneurs”³—individuals who have developed system-changing solutions to solve serious social problems—are playing a unique role. Leading social entrepreneurs such as Geoffrey Canada of Harlem Children’s Zone, which provides comprehensive support to low-income children in New York’s toughest neighborhoods, and Nobel Prize-winning Muhammad Yunus of the Grameen Bank, which is the world’s most famous microlender, have developed innovative models that are reorienting the way philanthropists, the private sector, and—increasingly—policymakers address intractable problems.

Fostering Non-Profit Growth and Innovation

Despite the non-profit sector’s growth and the success of these social entrepreneurs, the next president can do more to support this work. At the most basic level, social entrepreneurs offer the new president and his administration examples of successful approaches that government should be using to tackle problems. Government support for and investment in models developed by nonprofits is not new: the non-profit sector has been a laboratory to test what works for governments at all levels since the 1960s.

Services provided by the non-profit sector are not a substitute for adequately funded health care, social services, education, and other vital government programs. But the non-profit sector can be a source of innovation and experimen-

tation, and serve as a testing ground for these new ideas. The federal government has adapted a number of successful non-profit approaches into full-scale programs. City Year's national service successes led to AmeriCorps, for example, and a federal appropriation expanded YouthBuild into a national government program in 1993.

To fundamentally address these problems on the scale and scope required, the new administration will need to focus both on replicating successful individual programs and reorienting the government's relationship toward the non-profit sector to create a better climate for innovation. The federal government should play a defined and limited role in developing this policy effort without creating a new bureaucracy that runs counter to the culture of social innovation and entrepreneurship. It should remain flexible in its approach, using both policy tools that can adapt to changing circumstances and new evidence about what works. The federal government should not pick specific "winners" in the non-profit sector; it should invest in a range of solutions designed to meet national goals. Government investments should not replace current funding streams; they should fill important gaps and catalyze funding by foundations, the private sector, and individuals.

In short, the new president needs to focus on creating a policy environment that over the long term fosters new entrepreneurship, improves nonprofits' access to growth capital, and removes outdated tax and regulatory barriers to innovation.

Access to capital is a key factor limiting the ability of most successful nonprofits to spread and grow. The total number of non-profit organizations has doubled in the last 25 years, but only a small number have actually grown to the size or scale needed to have a significant effect on a national or international scale. A recent analysis by the Bridgespan Group found that of the more than 200,000 nonprofits created in the United States since 1970, only 144 have reached over \$50 million in annual revenue.⁴

Unlike for-profit capital markets, there is not a natural and reliable source of capital for high-performing nonprofits or social entrepreneurs who are ready to expand their reach. Traditional foundations and other philanthropists often have restrictions on the number of years or the types of organizations they can fund over time. Not all nonprofits should grow significantly, but the federal government can act as a source of capital in instances where a social entrepreneurial model has shown concrete results and has the infrastructure and plan to support expansion. Federal funding can be used to catalyze investments by the private and philanthropic sectors.

Funding constraints also mean that many nonprofits cannot devote enough time or resources to evaluate the success of their particular approach or conduct research to better understand underlying problems. The problems are often complicated, and too many nonprofits lack adequate tools to evaluate their impact. Nonprofits must have access to high-quality data to inform appropriate investments and support good management decisions. The federal government can fund independent research and evaluation and provide a multidisciplinary team of analysts to better understand effective solutions.

Outdated legal, regulatory, or tax regimes also can constrain innovation and results in the non-profit sector, especially in instances where the line between the non-profit and for-profit sectors has blurred. Business entrepreneurs are increasingly using for-profit investments to produce greater social good, especially in the areas of micro enterprise, health care, and the environment. Pierre Omidyar, founder of online auction house eBay, created a private equity fund to expand the use of microloans and encourage the development of a commercial equity market to serve global microfinance institutions. The federal government needs to identify, catalogue, and remove outdated tax and other rules that likely constrain innovation and limit other kinds of hybrid for-profit investments with a social purpose.

The Office of Social Entrepreneurship

The new president should create a White House Office of Social Entrepreneurship to coordinate the reorganization of the federal government and its resources. This office will use the president's platform to highlight the importance of relying on social entrepreneurs and nonprofits to solve social problems, in many cases in partnership with the government or the private sector. The OSE will also give social entrepreneurs and other non-profit leaders a greater voice in the public policy debates of the day by being part of the White House domestic and economic policymaking processes. It should work closely with the Office of Faith-Based and Community Initiatives to ensure that faith-based organizations have access to resources to support the growth and spread of their work.

The OSE should develop tools to ensure that all relevant federal agencies will direct government resources toward scaling proven solutions in the social sector. It should also lead the creation of a series of "Grow What Works Funds" in key agencies, such as the Department of Education, which would invest in social entrepreneurial models that have demonstrated concrete results.

The office could also work to establish an “Impact Fund,” housed at the Corporation for National Service, that would provide federal dollars for nonprofits to collect data on and better evaluate their success.

The OSE also should catalyze larger-scale, multi-sector problem solving by creating an annual multimillion-dollar “prize” for developing the most creative, sustainable, and high-impact solution to a defined social challenge. This prize, which could be run out of an agency such as the Department of Treasury, would encourage cross-sector partnerships and create enormous publicity and energy around solving a social problem while limiting direct government involvement or bureaucracy.

The OSE also would explore ways to eliminate barriers to innovation in the tax code by identifying appropriate changes to the current corporate structure and tax treatment of 501(c)(3) organizations’ provisions. The office would explore possible revisions to the tax code to reward partnerships between nonprofits and businesses, and increase charitable giving that would help successful nonprofits grow. The office should identify and advocate for the elimination of regulatory barriers to success in various sectors, especially education, health care, and housing.

The White House Office of Social Entrepreneurship, in addition to these large-scale changes, should undertake smaller, daily efforts to boost innovative nonprofits. It could, for example, raise the profile of successful problem-solvers through a weekly “Changemakers” announcement or award, issued by the president to highlight the work of inspiring, effective social entrepreneurs, faith-based organizations, and leaders in the non-profit or philanthropic world. It could host an annual White House Social Entrepreneurship and Social Innovation Conference, and several targeted workshops around the country, designed to highlight successful programs and best practices.

The OSE also should coordinate with the Corporation for National and Community Service’s Commission on Cross-Sector Solutions to America’s Problems, which would be made up of non-profit, philanthropic, and corporate social responsibility leaders, as well as representatives from key agencies. The commission will advise the president on policy issues directly affecting the non-profit sector’s competitiveness. The OSE also should coordinate with the Corporation for National and Community Service on finding ways that national service can leverage the work of social entrepreneurs and build the capacity of social entrepreneurs and others in the non-profit sector.

On the global level, the OSE should work with the U.S. Agency for International Development to create an Innovation Investment Fund to support new

social-sector actors and ideas in the global development field such as the Acumen Fund, which provides growth funding for successful economic development projects, or the Grameen Bank. It also could help large, successful U.S. nonprofits replicate ideas in countries around the world, helping connect innovators and ideas. One of the most powerful American exports over the next decade could be successful ideas for social change demonstrated by leaders in the U.S. non-profit sector. Last year, for instance, Teach for America responded to the growing demand for international replication of its model by creating Teach for All, which will provide advice and support for local adaptations of TFA.

Office of Faith-Based and Community Initiatives

SHAUN CASEY

President George W. Bush established the White House Office of Faith-Based and Community Initiatives with an executive order in January 2001. Despite its lofty rhetoric and noble goals, the office has been widely considered a failure by supporters and critics on both ends of the ideological spectrum.

The Faith-Based Office's activities and events have been in large part symbolic and political, designed to win political support from conservative clergy. The domestic poverty-fighting mission of the office was largely ignored; the Bush administration claims it has distributed over \$2 billion to faith-based organizations, but this number simply counts the funds that were already being distributed to these groups. There was no new federal government money devoted to faith-based organizations.

Many faith-based organizations, moreover, lacked the technical capacity to apply for and manage federal grant funding, and there was no systematic analysis of faith-based grantees' effectiveness. The Bush administration also made no effort to protect the important separation between church and state that draws a bright line between direct service, poverty-fighting program funds