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Opinion: A Wasted Opportunity for Foundations and Government



President Obama

By Pablo Eisenberg

Last week's announcement that five large foundations plan to add a total of [\\$45-million](#) to the federal government's Social Innovation Fund has stirred much excitement in nonprofit circles.

So did the news that a coalition of 20 other foundations had pledged to spend nearly an additional [\\$5-million](#) to heighten the impact of the fund and share the lessons learned among nonprofit groups.

Why such a fuss about a relatively small amount of philanthropic money? It must be that many in the nonprofit world were pleased to see a gesture that solidifies the partnership between the federal government and foundations. But the Obama administration could do much more to help the nonprofit world in these tough financial times than soliciting the nearly \$50-million in matching money.

The Social Innovation Fund is now in the process of selecting 7 to 10 foundations that will award money to nonprofit groups with solid track records and can serve as models to spread good ideas. The foundations as well as the nonprofit groups they support are expected to come up with their own matching funds. Those requirements mean that the government's \$50-million is supposed to be matched with a total of \$150-million from private sources.

The program is at the heart of the Obama administration's efforts to encourage nonprofit innovation and strengthen high-performance organizations. It also appears to be an attempt to attract more foundation money for nonprofit activities.

One can question, however, the seriousness with which the administration is pursuing these goals. The \$50-million the federal government has provided to the Social Innovation Fund, after all, is a drop in the bucket, even though it just attracted nearly \$50-million last week.



Richard White/Chronicle of Philanthropy

Given the matching requirements the Social Innovation Fund has already imposed on recipients of federal aid, why are these foundations offering the money now? Does this mean that the fund was not really expecting many of its grantees to come up with the required matching money?

A more serious question is whether the Social Innovation Fund will really meet the needs of the nonprofit world.

Although the White House and the Social Innovation Fund state that they want to support nonprofit groups that are “hidden gems,” ones that are entrepreneurial innovators, its leaders’ rhetoric suggests that the fund will focus primarily on fairly large, fairly safe nonprofit organizations that can generate good publicity. Administration leaders have not been talking about supporting strong neighborhood, advocacy, organizing or watchdog groups—the, types of activist organizations that can make a real difference at the local and regional levels.

Nor are small, grass-roots social, housing, and health-services groups, which are so crucial to a local community’s well-being, likely to be recipients of the fund’s bounty.

In some sense, the Social Innovation Fund is a diversion from the true, sometimes desperate needs of nonprofit organizations throughout the country, especially small organizations and groups in regions like the South and Southwest that have been grossly underfinanced by grant makers.

Foundations should be focusing on this bigger issue and realigning their priorities to meet those needs. Another \$50-million of private money to support a government effort that is already limited in scope by its federal financing is neither smart nor strategic.

If the president is serious about persuading foundations to give more money to support nonprofit organizations, he should use the bully pulpit to pressure foundations to increase their grant making. Better yet, the administration could urge Congress to increase the minimum amount foundations are legally required to spend annually from 5 percent to 6 percent in grants, a measure that would add at least \$10-billion a year to nonprofit coffers.

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