Creativity inspires. Society is bettered by new ideas that provoke change and push people out of narrow perspectives. This is especially true when combating social problems. Social innovation can bring human creativity to bear on social ills. Through innovation and creativity, societies can seek out new solutions to old troubles and break down the causes that perpetuate some of our worst problems.

As with any for-profit venture, social innovation requires two ingredients. The first is investment. Innovation requires venture capital that can be used to take risks on new ideas and help them flourish. The second is committed and energetic entrepreneurs. In this case they are social entrepreneurs: individuals and groups that are committed to exploring fresh and exciting ideas and trying new directions to solve some of our biggest challenges. These challenges include urban poverty, natural disaster management, education, rural and urban drug abuse, and many others. Only through social investment that spurs innovation by committed social entrepreneurs can society hope to find solutions that really work.

Unfortunately, current funding structures available through most philanthropic bodies suffocate the creativity of social entrepreneurs, forcing them into strict guidelines and making it hard for organizations to go in innovative directions. Foundations generally have rigid grant cycles and arduous applications. They also tend to have narrow priorities, making it difficult for social entrepreneurs to recognize social needs and think creatively to address them. Therefore, there is a serious problem with a lack of funds available for social investment that can spur socially innovative initiatives. Additionally, many times entrepreneurs on the ground can identify a serious and immediate social need, but lack the ability to obtain funds immediately.

For these reasons, the Social Innovation Fund, (SIF) is attempting to contribute by meeting some of these needs in a streamlined and innovative way. The Fund will have three simple goals:

1) Provide venture capital for new and innovative social entrepreneurial ventures
2) Provide resources to confront immediate and pressing social problems which cannot wait for grant application deadline and traditional funding
3) Cut through the red tape of grant making to get funds where they need to go as soon as possible
HOW THE FUND WORKS

The Social Innovation Fund is supported by individual investors committed to supporting social innovation. Each year investors will have the opportunity to join the Fund with a contribution of $5,000 or more. The fund requires an investment commitment of one year. Each investor will be entitled to take at least 80 percent of their investment in the form of a personal tax deduction.

Over the course of the year, the Fund director, H. Luke Shaefer, draws on advice from investors and Fund advisors to make awards to organizations that meet the funding criteria of the Social Innovation Fund. No single award can exceed more than 20 percent of the entire fund budget.

At the end of each year, the Fund director reports in writing to all investors on the returns made on investment. Because this is social investment, these returns take the form of social goods including successful job training programs, effective environmental innovations, engaging school programs, and much more. This report also acts to recognize the innovative and exciting work being done by those who received the awards.

At the end of each year, Social Innovation Fund investors can review the annual report and meet with the Fund director to evaluate the social returns and the work that the Fund has invested in. As with any other investment, if they find that the Fund has made worthy returns, investors can reinvest in the Fund. If they are not completely satisfied, they can seek out other investments for their capital. In this way, the work of the Fund will stand on its own, and it will only continue from each year to the next if its work attracts and retains investors.

FUNDING GUIDELINES

The Social Innovation Fund considers making awards to a wide variety of social initiatives. By embracing innovation and creativity, the fund must seek out initiatives in very diverse areas of work. Therefore, funding guidelines are less concrete than with other philanthropic enterprises. However, there are important guidelines that the Fund will abide by each year.

- No individual awards can account for more than 20 percent of the Fund’s yearly budget
- Each award must go toward an initiative that meets a clear and important social need
- Approximately 60-70 percent of yearly awards will be focused on social investment: supporting new and exciting initiatives with early venture capital
- Approximately 30-40 percent of yearly awards will be focused on filling immediate needs that arise and cannot wait for other philanthropic funding
- Each year, at least 80 percent of awards will go to 501(c)3 nonprofit organizations. In turn, individual investors will be able to deduct from their taxes at least 80 percent of their yearly investment to the Fund
- Because the Fund’s priority is to make early social investments, the other 20 percent may be used for initiatives that have not acquired nonprofit tax status
- No award may be made to a partisan organization. The Social Innovation Fund is a strictly nonpartisan investor that seeks out solutions to problems that bridge common political divides. However, the Fund may make awards to non-partisan policy initiatives that focus on specific legislation that are identified as appropriate by the Fund Director

Social Innovation Fund, page 2