

The Role of a Social Innovation Fund

You may or may not be aware that the government appointed a Forum on Philanthropy and Fundraising last June to consider ways in which philanthropy and strategic charitable giving could be stimulated in Ireland. Minister Phil Hogan appointed members from within the philanthropy and fundraising worlds, as well as civil servants from relevant department (including those that benefit from philanthropy in their briefs) with an independent Chair, Frank Flannery.

The Forum on Philanthropy reported to the Government in December, making four recommendations for action, one of which included creating a National Social Innovation Fund. That is why I am here to speak to you today.

So what is a National Social Innovation Fund and why would we want one?

National Social Innovation Funds have been created in a number of different countries with great success so far. These include in Europe – Scotland, Serbia and Finland, as well as the more well known one in the USA. What they do and how they do it vary considerably.

In Scotland, “Inspiring Scotland” was created as a joint venture between a foundation (Lloyds TSB Foundation) and the government, and it targets exclusively child and youth programmes that reduce the effects of disadvantage. Operating as a charity, entirely separate from government, they have had considerable success so far. In the first half of 2010, £3.7 million of government grants was leveraged by philanthropy with the effect that 1,311 young people who were not in school, work or gainful activities got back in.

The Serbian Social Innovation Fund has focused on increasing the coverage of social services, increasing its coverage from 12 to 100 local authority areas with €7 million of government funding.

The Obama Administration in the USA created several social innovation funds, targeting different sectors, and based in different departments. These include the i3 Fund, targeting education, which secured \$140 million of private funding to increase the level of educational attainment in public schools (not private schools!), while the smaller Social Innovation Fund targeted 3 sectors - specific health issues, economic activity in disadvantaged areas, and disadvantaged children & young people. This fund secured just \$50 million from government but managed to triple it with private matching funding from philanthropy. These funds were directed at voluntary organisations with innovations that addressed the fund’s objectives, could demonstrate that they could deliver the outcomes they promised, and could raise the matching funds (3:1 in this case).

What about Ireland’s National Social Innovation Fund?

Our National Social Innovation Fund was approved by Cabinet as part of the recommendations from the Forum on Philanthropy and Fundraising just two weeks ago. As such, it is just moving towards implementation and so the details of its design have not yet been agreed.

The purpose of a national social innovation fund is to

- Stimulate the development and growth of social innovations through provision of growth capital at targeted stages of development
- This capital is leveraged between government and private philanthropy, this is likely to be 1:1
- We expect the government to put up a fund of €10 million as a starting point, which can then be matched by philanthropy. We believe that if it is successful more state funds could flow on the same basis.
- The Fund can support social or other innovations in targeted sectors at specified stage of development, for example early stage or growth stage
- The Fund can also stimulate philanthropic giving by offering excellent leverage through matching state funds, and by offering an opportunity to invest in innovations that benefit Ireland in a way that is managed. It is investment-like philanthropy, with a focus on defined social returns.
- A National Social Innovation Fund will also of course create jobs, which are likely to be Irish jobs, and are often dispersed around the country.

Our National Social Innovation Fund has been approved at a high level and can now move to the design stage for implementation. A number of decisions have not yet been made regarding how it will work operationally. These include

- Will it target specific sectors?
- What stage of development will it support?
- How will it work at a practical level?

An interim Board will be appointed to hire the Management Team and oversee the design and set-up stage.

I think this is a really exciting development for Ireland, for Ireland's social enterprises and for Ireland's voluntary sector as a whole. It is also an exciting development for Ireland's philanthropic sector and for business, providing an opportunity for the first time for businesses or business people to invest philanthropically in the same way that they invest in business – to invest in innovations that bring efficiencies and effective solutions to social and other problems we face today, with a focus on defined returns in social capital.

Thank you.