



WORKBOOK UNIT 3:

Explore Innovations



Unit Description:

The goal of Unit 3 is to build participants' knowledge of advanced fundraising techniques and new financing models that have recently emerged within the international cooperation sector.

Unit 3 has two sections. The first section looks at Advanced Fundraising Techniques through Change the Game Academy's Module 12; and the second section is Canadian content. The first section expands on module 2, 'Fundraising Techniques,' and presents to participants 11 additional fundraising techniques, including social enterprises, social and green bonds, and subsidiary profit-making enterprises to name a few. The Canadian content examines the innovative and social finance market in Canada, including opportunities and challenges.



SECTION	LEARNING OBJECTIVES
Change the Game Academy	Identify alternative funding models and see examples of how they work
	Reflect on promising practices and challenges
	Assess which models are most suitable for their organization now and in the future
	Build their confidence to use alternative funding models
Canadian content	Explain the necessity for innovative finance in the international cooperation sector
	Explain the basic premise of innovative finance
	Reflect on opportunities and challenges of innovative finance in the Canadian context

Links to Training Content:

Change the Game Academy: [*Advanced Techniques for Local Fundraising*](#)

Canadian Content: [*Spur Change Resource Library*](#)

UNIT 3 EXERCISE:

Re-visit your ranking of advanced fundraising techniques

Change the Game Academy Module 12 described a number of advanced fundraising techniques, and asked that you rank each, from 1 to 5, based on their suitability for your organization; 1 being not suitable and 5 being very suitable.

After learning more about earned revenue and innovative finance within the Canadian regulatory framework, re-visit your ranking of each technique. Are there any rankings you would change now that you've gone through the Canadian content for Unit 3A?

What are some questions that came up for you? Are there any techniques you feel are missing? Please add these to the table below, under the 'reflections/questions' column, so you can refer to them when thinking through your own fundraising strategy.

Please complete the table below:

FUNDRAISING TECHNIQUE	CHANGE THE GAME ACADEMY RANKING (1-5)	REVISED RANKING (IF APPLICABLE)	REFLECTIONS/ QUESTIONS
Consultancy services			
Asset building			
Membership fees			
Social enterprise			
Microcredit/microfinance			
Subsidiary profit-making enterprise			
Incubation			
Private sector funding			
Social and green bonds			
Crowdfunding			
Fiscal sponsorship			

MODEL	LEGAL CONSIDERATIONS	RELEVANT LEGISLATION	CHARACTERISTICS	EXAMPLES
Charity	<ul style="list-style-type: none"> • Must be established and operated exclusively for charitable purposes • Must register with the CRA for income tax purposes to be designated as a charitable organization, public foundation, private foundation • The only model that can issue official donation receipts for income tax purposes • Has a disbursement quota • Exempt from income tax 	Income Tax Act	<ul style="list-style-type: none"> • Need to be established for public benefit • Can run a 'related business,' however this is narrowly defined by the CRA • Can create and maintain control over a separate, taxable corporation, but needs to pay income tax <p>***Can reduce this tax through charitable donation credits to parent charity or a qualified donee, up to CRA's annual gift limit</p>	<p>Daily Bread Food Bank</p> <p>Gatineau Health Foundation</p> <p>Horizon Housing Society</p>
Non-profit organization	<ul style="list-style-type: none"> • Structure is a non-profit corporation • Generally, exempt from income tax • Can be established and operated for any purpose, except profit • Does not register with the CRA and therefore does not receive a designation • Does not have a disbursement quota 	Not-for profit Corporations Act	<ul style="list-style-type: none"> • Revenue is obtained through earned income and government grants (not eligible for charitable donations) • Have a broader range of 'allowable' activities/purposes, including social purposes, as compared to charities • Can earn a profit, however the conditions in which the CRA allows this are very strict • CRA guidance unclear as to whether NPOs can create and maintain control over separate, taxable corporations 	<p>Plan International Canada</p> <p>Ontario Association of the Deaf</p>
Co-operative	<ul style="list-style-type: none"> • Structure is a 'co-operative' • Owned and democratically run by its members • Not exempt from income tax 	Incorporate under a specific co-operative act, at provincial, territorial, or federal level	<ul style="list-style-type: none"> • Can raise capital through shares and loans • Must re-invest any income surplus to benefit its members or the broader community 	<p>MEC</p> <p>Agropur</p> <p>Desjardins</p>

MODEL	LEGAL CONSIDERATIONS	RELEVANT LEGISLATION	CHARACTERISTICS	EXAMPLES
Community Contribution Company (C3)/ Community Interest Company (CIC)	<ul style="list-style-type: none"> Structured as a Community Enterprise or Community Owned Organization Not exempt from income tax 	<p>Not well articulated in policy, legislation, or governance at the Federal level</p> <p>C3: Established through an amendment in the British Columbia Business Corporations Act (2012)</p> <p>CIC: Introduced through the Nova Scotia Community Interest Company Act (2021)</p>	<ul style="list-style-type: none"> Run as a corporation (i.e., taxed at regular corporate rates and can issue shares to stakeholders) Characterized by an 'asset lock,' a 40% cap on dividends paid to investors, with remainder going towards social causes or towards a qualified donee Has a social mission, however this mission is not regulated by the State or an NGO-regulating body A potential model for charities/ non-profits who are interested to set up for-profit affiliates 	<p>Buy Social Canada CCC Ltd.</p> <p>Open Door Ventures CCC Ltd.</p> <p>World Housing CCC Inc.</p>
First Nation Businesses	<ul style="list-style-type: none"> Can be structured as non-profit corporation; for-profit corporation; partnership; Unincorporated business Tax exemptions as result of treaty rights 	Canada Business Corporations Act	<ul style="list-style-type: none"> Incorporated and owned by First Nations communities Profits used to develop community resources (social purpose) 	KLUTERRA Membertou
Businesses with a Social Mission	<ul style="list-style-type: none"> Can be structured as a for-profit corporation; partnership; Unincorporated business; Community Interest Company; Community Contribution Company Not exempt from income tax 	Canada Business Corporations Act	<ul style="list-style-type: none"> A traditional, for-profit business (sole-proprietorship or publicly traded corporation) Has a clearly articulated social mission 	Blue Cross Canadian Tire Johnston Group

Figure 1: Social Enterprise Models in Canada

UNIT 3 RESOURCES CITED

Government of Canada. (November 8, 2022). About the Social Finance Fund. ESDC programs and policy development. Retrieved from <https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/social-finance-fund.html>

Government of Canada. (March 31, 2003). What is a Related Business? Policies and Guidance. Retrieved from <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/policy-statement-019-what-a-related-business.html>

Imagine Canada. (August 2020). Are Charities Ready for Social Finance? Retrieved from <https://www.imaginecanada.ca/en/charities-social-finance-report-download>

Lasby, David. (2013). Earned Income-Generating Activities Among Canadian Charities. Imagine Canada's Sector Monitor. Retrieved from http://sectorsource.ca/sites/default/files/resources/ic-research/earned-income-report-en_2013.pdf

MaRS Centre for Impact Investing. (September 2014). Mobilizing Private Capital for Public Good. Retrieved from https://www.marsdd.com/wp-content/uploads/2014/09/MaRS-National_Advisory_Board_Report_EN.pdf

McMurtry, JJ, et al. (2015). Social Enterprise in Canada: Context, Models, and Institutions. Retrieved from <https://sprott.carleton.ca/scse/wp-content/uploads/Canada-national-McMurtry-et-al.pdf>

OECD. Executive Summary. Retrieved from <https://www.oecd-ilibrary.org/sites/e3c30a9a-en/index.html?itemId=/content/publication/e3c30a9a-en>

World Bank Group. (November 2021). A Changing Landscape. Retrieved from <https://thedocs.worldbank.org/en/doc/9eb18daf0e574a0f106a6c74d7a1439e-0060012021/original/A-Changing-Landscape-Trends-in-Official-Financial-Flows-and-the-Aid-Architecture-November-2021.pdf>



LEARN MORE! (ENGLISH)

Canadian Forum for Impact Investment and Development's (CAFFID) website

Common Approach to Impact Measurement website

Community Contribution Companies in BC

Convergence's website

FinDev Canada

Globe and Mail Article on C3 Companies

Guidance on Annual Gift Limit

Innovative Financing for International Development Panel - YouTube

Innovative Financing Pilot Programs

Social Enterprise in Quebec

Social Finance

LEARN MORE! (FRENCH)

Entreprise sociale en Québec

Finance sociale

FinDev Canada

L'Approche commune

Les programmes de financement novateurs du Canada

Ligne 34900 – Dons



UNIT 3: GLOSSARY

Blended Finance (Convergence): A structuring approach, that involves the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development

Development, Impact or Social Bonds (Convergence): An investment instrument/model, whereby a government, or in some cases an aid or charitable organization, commits to repay the “bond investors,” with a return up to 5-7 years later, if the program’s service provider delivers on pre-agreed outcomes

Impact Investing (Canadian Forum for Impact Investment and Development): An investment approach, whereby investments are made into companies, organizations, and funds, which generate social and environmental impact alongside financial return. Impact investors can participate in blended finance structures.

Innovative Finance (Government of Canada): Financial structures and mechanisms that mobilize, govern, or distribute funds beyond traditional donor-country ODA. Many of the mechanisms involve multifaceted partnerships with new actors.

Limited Partnership (Cornell Law School): A partnership with two or more partners, one of whom is a general partner that oversees and runs the business with unlimited liability, and limited partners that don’t manage the business and are liable up to the amount of their investment

Loan guarantee (The World Bank): Intended to provide risk mitigation to commercial lenders with respect to debt service payment defaults caused directly or indirectly by government failure to meet specific payment and/or performance obligations arising from contract, law or regulation

Official Development Assistance (OECD): Government aid that promotes and specifically targets the economic development and welfare of developing countries

Program Related Investments (CRA): Investments with the aim of advancing a charity’s stated charitable purpose(s) and can take the form of loans, loan guarantees, share purchases, property leases

UNIT 3: GLOSSARY (CONTINUED)

Results-Based Financing (OECD): A blended-finance archetype or structure which involves a mechanism through which a funder is willing to make payments to an agent who assumes responsibility for achieving pre-defined results. Results are defined in advance and funding is only released upon the achievement of these results that are verified independently.

Social Economy (Social Economy Act): The production of goods and services by non-profit associations, mutual societies, and cooperatives, and by a set of guiding principles these organizations should follow

Social Economy Enterprise (Social Economy Act): An enterprise whose activities consist, inter alia, in the commercialization or exchange of goods or services, and which is operated, in accordance with the principles set out in the first paragraph, by a cooperative, a mutual society or an association endowed with legal personality.

Social Enterprise (Canadian Task Force on Social Finance, 2010): Social enterprise is generally understood to mean any organization or activity that uses the market-oriented production and sale of goods and/or services to pursue a public benefit mission.

Social Finance (Imagine Canada): Social finance is an investment that delivers a measurable social, cultural, and/or environmental impact as well as a financial return for the investor(s).

Subsidiary (BDC): A legal entity controlled by another legal entity.



