

# Primer on Rural Philanthropy Trends

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# A Primer on Rural Philanthropy Trends

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## What is Rural Philanthropy?

There are several definitions of rural; for the purpose of this report rural is defined by Statistics Canada's Rural and Small Town Canada definition: the population living in towns and municipalities outside the commuting zone of larger urban centres (population > 10,000) (du Plessis, Beshiri, Bollman, & Clemenson, 2001). Rural Canada has experienced decades of change; factors influencing change include economic restructuring, mobility of rural residents, and the dismantling of rural institutions (Gibson, Barrett, & Vodden, 2014). As these changes take place, communities manage the implications, and as a result there is an increasing need to understand the role philanthropic organizations have in supporting and revitalizing rural communities (Gibson et al., 2014).

There are a number of organizations and activities defined as philanthropic, this working paper will focus on community foundations. Community foundations are registered charitable organizations with the Canada Revenue Agency (CRA). They are defined as "an organization established to manage a community endowment fund, the income of which is distributed to charities within a community" (CRA, 2013). Community foundations are vital for supporting local initiatives through facilitation and financial support (Community Foundations of Canada, 2018). There are 191 community foundations in Canada, collectively holding combined assets of \$5.2 billion, providing more than 90% of Canadian communities with access to a foundation (Community Foundations of Canada, 2018).

Defining a rural foundation is difficult, as foundations may have a CRA registered address in an urban centre while servicing rural communities. This working paper will focus on Canadian community foundations in order to assess trends in rural philanthropy and the role foundations play in enhancing community sustainability, developing rural resilience, and supporting community revitalization.

## Emerging Trends & Impacts on Regional Development

Community foundations across Canada are diverse in their size, the communities' they represent, the assets they hold, and their missions. As community dynamics change, foundations are changing. The following are three emerging trends in the philanthropic sector:

- Impact Investments
- Regional Collaboration
- Social Innovation

### Impact Investment

Community foundations manage philanthropic donations in order to fulfill a place-based mission. As rural communities grapple with change and fiscal constraints, there is a developing trend among community foundations and other philanthropic organizations to open new forms of financing in order to leverage local capital (MaRs, 2010). Foundations across Canada have begun to investigate ways in which their dollars can best serve their communities in today's market (Community Foundations of Canada, 2018). One opportunity foundations are pursuing is impact investing. Impact investing is defined as investments made with the intention of generating positive, measurable social and environmental impacts, alongside a financial return (Global Impact Investing Network, 2018).

There has been increased interest in utilizing impact investments as a way to further achieve foundations' missions. As a result, Purpose Capital, Community Foundations of Canada, and Philanthropic Foundations of Canada have prepared the *Impact Investing Guidebook for Foundations*. The guidebook outlines the ways in which foundations can utilize investments to complement their grant-making with loans, addresses the challenges associated with endeavoring into impact investments, and highlights cases of successful investment strategies (*Impact Investment Guidebook for Foundations*, 2017).

### Regional Collaboration

Local and regional non-profit organizations are adept at channeling resources, are responsive to their community needs, and are able to leverage local knowledge and relationships. (Bradford and Baldwin, 2018). Although many non-profits already collaborate, formally or informally, there is an opportunity to build formalized geographical networks that convene, collaborate, raise awareness, and engage in policy at the regional level (Arundel, 2018).

In addition to regional collaboration among the philanthropic sector, there are increasing opportunities for collaboration outside of the sector, with like-minded organizations. The 2015 report, *Better Together*, discusses the benefits of charity and non-charity partnerships including benefits to the charities, community, non-charities, funders, and the charitable sector. Three opportunities where partnerships are a potential strategy are: grassroots and community development projects, pilot projects and prototypes, and emerging groups gaining experience (Main, 2015). Opportunities to partner with non-charities, within specific geographic spaces, could prove beneficial for many community and regional foundations, especially those which are small or experience fluctuations in funding. There are policy barriers that prohibit collaboration between the non-profit and private sector, which must be navigated in order to successfully establish partnerships (Lorinc, 2018).

Regional collaboration, formal or informal, takes trust, shared values, and good timing (Arundel, 2018). While collaboration may not be easy or necessary for every foundation or organization, it can provide the philanthropic sector opportunities to strengthen their network, participate in policy, and effectively communicate collective missions.

## Social Innovation

As communities face complex issues, traditional funding and programming mechanisms may no longer be most effective. The 2018 report, *Inclusive Innovation- New Ideas and New Partnerships for Stronger Communities* discusses the changing nature of the social sector in Canada. With the increase in collaboration across the social sector, organizations across Canada are pooling resources, launching collaborative measures, and strengthening their communities (*Inclusive Innovation- New ideas and new partnerships for stronger communities*, n.d.). With the federal government's commitment to develop a Social Innovation and Social finance strategy, there is an unprecedented opportunity for organizations to re-imagine economic growth and social inclusion and bring about socially innovative strategies. *Unpacking the Social Innovation Strategies of Canadian Foundations* (Pue & Breznitz, 2017) discusses 14 social innovation tactics foundations are using:

1. Funding entrepreneurial individuals
2. Providing training to entrepreneurial individuals
3. Offering early financing to charities and social enterprises
4. Providing capacity-building support to aid charities and social enterprises in implementing a new idea
5. Offering financing to new or small charities and social enterprises so they can scale up existing programs
6. Capacity-building support to new or small charities
7. Training in social innovation methodologies

8. Social innovation challenges
9. Funding established charitable organizations to try new approaches
10. Funding for research
11. Identifying a desired social change and dispersing funds to achieve change
12. Running a project in house with the intent of it becoming an independent organization
13. Convening multi-stakeholder discussions on intractable social problems
14. Using cohorts to strengthen communities of practice

Social innovation is not new, and many foundations may not recognize they are employing any of these tactics. With the release of the federal Social Innovation and Social Finance strategy, now is a good time for organizations to assess what innovative strategies they are employing and what potential there is to further develop a social innovations strategy.

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## Place-Based Endowments in the Canadian Periphery

Place-Based Endowments in the Canadian Periphery research initiatives is a multi-year research initiative examining wealth, place-based development, and investing in rural Canada. Peripheral communities are sites of wealth, fuelling the Canadian economy through natural resource industries since confederation. Although the periphery is a source of wealth, over the past thirty years this wealth has largely been redirected out of rural regions to larger urban centres. These domestic issues are exacerbated by processes of globalization, which facilitate the hyper-mobility of finance. Finance is no longer tied to place. Finance has become ‘disembedded’ with increasing interconnections and advancements in Internet technologies, leading to emerging patterns of uneven development across the Canadian periphery.

A counterbalance to these trends is the emergence of philanthropic organizations in Canada that have been exploring and implementing place-based collective endowments as a response to re-embedding finance in local areas. Under the federal *Charities Act*, philanthropic organizations (such as community foundations and trusts) can collect money to invest in place-based collective endowments. The funds collected are under the guidance of local actors, who also prioritize how to spend interest generated from the endowment. These philanthropic organizations organize around place and people’s connection to place. These organizations are starting to understand their potential impact on the local development. Yet little research has been conducted on philanthropy in rural Canada.

In light of the ‘retreat from the periphery’ and the hyper-mobility of money, this research will examine place-based collective endowments as a mechanism to facilitate revitalization in peripheral regions from theoretical, public policy, and local development perspectives.

This research initiative involves researchers at Grenfell Campus, Memorial University, Simon Fraser University, and the University of Guelph. Further information on this research initiative can be obtained at [www.ruraldev.ca/place-based-endowments-in-the-periphery/](http://www.ruraldev.ca/place-based-endowments-in-the-periphery/). The project has been financially supported by the Social Sciences and Humanities Research Council of Canada.

