Incorporation Act Issues for Revenue Generating Green Social Enterprises and NGOs Transforming into Green Social Enterprise Microfinance Institutions (MFIs) in Ontario, Canada

Kazi Abdur Rouf

Visiting Scholar, University of Toronto

Abstract. This paper explores the issues of existing social enterprise acts and the possibility to have separate incorporation acts and legal framework for the revenue generating not-for-profit green social enterprises (NPRGSEs) and for the transforming green social enterprise microfinance institutions (MFIs) in Ontario. This agenda is very important and urgent in the cutback policy era in Ontario to reduce the dependence of green social enterprises on public resources as well as to develop alternative strategies for their internal fund mobilization process. The separate Incorporation Acts for these NPRGSEs would allow them to establish partnerships among private and NPRGSEs/NGOs; would license them to collect public deposits, public savings, issue bonds and invest that money in social enterprises development in Ontario. This investment process would help NPRGSEs mobilize their internal funds as well as promote green small enterprises and serve as a community outreach in Ontario. The earnings from this internal fund mobilization process would also be used by NPRGSEs for scaling up outreach programs. In order to make these happen, this paper recommends establishing an independent ‘Green Social Enterprise Commission’ where solid green social enterprise polices and Acts would be developed and executed. The Green Social Enterprise Commission would also monitor the activities of the NPRGSEs and allow non-governmental organizations (NGOs) to transform into green social enterprises MFIs.

Key words: Charity Acts, Community Organizations (COs); Grameen Social Businesses
Micro-finance Institutions (MFIs); Grameen Shakti (renewable energy), Not-for-profit social enterprises (NPRGSEs); Non-government Organizations (NGOs); Public Wellbeing Integrated Services (PWIS); and Social Businesses; Incorporations Acts.

**Introduction:** Although the Government of Ontario and foundations in Ontario have recently encouraged the development of social enterprises in Ontario, there are no legal acts for not-for-profit revenue generating social enterprises (NPRGSEs) and for social enterprise microfinance institutions (MFI) to incorporate as revenue generating social enterprises and/or transforming NGOs into social enterprise microfinance organizations in Ontario in a way that revenue generating social enterprises could collect public deposits and savings, provide loans to micro-entrepreneurs from these resources for micro-enterprise development in Ontario.

Usually not-for-profit community organizations are registered under charity acts and these community organizations (COs) in Ontario receive funding from public agencies and foundations; however, Ontario cutback policies have compressed public funding of community organizations. As public funding did not cover full expenses of social enterprise COs, many of them started collecting revenues by charging fees for their services in addition to their fund raising programs for individual and private donors. However, those fund raising strategies involved more work for the organizations. They needed to correspond with private and individual donors, as well as organize concerts and dinner parties. In this fund raising process, these social enterprise organizations are not only suffering from tough competition in their fund raising, but also hamper their outreach social services. In this case, social enterprise COs could develop and mobilize sustainable internal funding systems by selling bonds, collecting deposits and savings from the public and invest that money in micro-enterprises. That fund mobilization process would help not only reduce social enterprises dependence on
external funding, but also help marginalized people to earn income and to eradicate poverty.

Moreover, it is found that many not-for-profit community organizations are transforming into social enterprise micro-financing institutions (MFIs) to generate revenues by collecting savings, deposits, selling bonds and investing resources/loans in micro-entrepreneurs in many countries in the world. Transformed social enterprise MFIs have been operating and serving all over the world under different institutional models depending on the country’s existing regulations. Usually they mobilize deposits from the public, but are not allowed to offer more complex financial services such as current accounts and international financial transactions. However, there are no legal acts for NPRGSEs and MFIs that allow them to mobilize deposits from the public and invest that money in micro-enterprises in Ontario. Therefore, this paper explores the possibility to have a separate incorporation act and legal framework for the not-for-profit revenue generating social enterprises and for the social enterprise microfinance institutions (MFIs).

**Types of incorporation:** In Canada, organizations (not-for-profit and for-profit) are incorporated under two broad categories: (1) business for-profit incorporation and (2) not-for-profit charity incorporation. This paper is discussing only incorporation acts for not-for-profit revenue generating social enterprises and social enterprise MFIs, and related issues in Ontario. Most common types of not-for-profit corporations are:

(a). General type - associations, professional associations, community organizations; (b) Sports and athletic organizations; (c) Social clubs such as Rotary, Lions and Optimist (d) Charities -religious agencies and other faith-based organizations.
The not-for-profit organizations incorporated as a charity are not to be carried on for gain under section 126(1). The corporation act and its regulations are available on the Service Ontario e-law website at www.e-laws.gov.on.ca. Service Ontario has a ‘Not-Not-Profit Incorporator’s Handbook’ available on the Web. This handbook precisely describes the steps of incorporation and the related acts in plain English. The charity agency incorporation registration application should be submitted to the Central Production and Verification Services Branch, Ministry of Government Services, Ontario Service. In order to learn more about the incorporation acts, the authors contacted the Central Production and Verification Services Branch, Toronto and received details from the incorporation examiners.

Methodology: The paper contains author’s own personal working experiences with incorporating social enterprises organizations in Bangladesh and in Canada. In addition, he has attended many social enterprise seminars organized by the Social Economy Centre, Toronto, Canada and Micro-credit Summits, Social Business Summits in the world. He also uses institutional ethnography text analysis in this paper.

Incorporation process for charity/not-for-profit social enterprises: The difference between a charity and another type of not-for-profit corporation is that upon dissolution a charity is required to distribute its remaining assets to other charities, not to its members whereas another type of not-for-profit corporation may distribute its assets among its members upon dissolution. For a new incorporation of an organization, the cooperators need to identify the objectives of proposed organization that can be selected from the pre-approved object clauses (not-for-profit incorporator’s handout appendix “C”). If the application for non-charitable letters patent do not contain pre-approved objects and provisions, then proposed not-for-profit contain specially drafted objectives that need approval from the of the Office of the Public Guardian and Trustee, Charitable
Property Program. After approval of the specially drafted objectives, the applicant should submit the application for incorporation of the proposed not-for-profit organization to the Service Ontario Office with due fees.

Some steps are involved before the application for incorporation of the proposed charity (not-for-profit organization) is submitted. (1) The applicants (first three Directors) need to select a name for the proposed organization and get a NUANS name search report and attach the NUANS report with the application. To get the NUANS search report, applicants should contact a NUANS Search House (Handbook appendix “G”, Search Houses).

The Regulation (O, Reg. 181) prohibits the use of some words and expressions and restricts the use of other existing agency names (section 2.10, Not-for-profit Incorporator’s Handbook, Service Ontario). The incorporators should follow those steps during the incorporating of their organization:

- **Step-1**: Determine if the objectives of the organization will be those of a charity
- **Step-2**: Select the proposed corporate name
- **Step-3**: Prepare and file the application for incorporation
- **Step-4**: Following the receipt of the Letter Patent of incorporation, organize the corporation
- **Step-5**: After incorporation, corporation complies with the reporting requirements and conducts its affairs (Source: Section 1.5, Not-for-profit Incorporator’s Handbook, Service Ontario).

**Issues that the revenue generating social enterprise institutions face:**

The revenue generating social enterprises could face many issues: incorporate under either charity act or for-profit business act, need to submit annual revenue tax reports, scream for funding, have no formal permission for selling bonds, collecting savings and deposit, allowing loans to clients. However, social
enterprises need funds to scale up their outreach programs and to develop their institutional capacities. Moreover, social enterprises like EverGreen, Eva Phoenix, Common-ground Cooperatives, Community Bonds, and MaRS, express their concern related to legal issues in their operations, maintaining records, measuring their services, dealing with the Revenue Canada in the Social Economy Centre Speaker Series Workshops, University of Toronto.

In the last three decades, the social enterprises microfinance industries have emerged in all Asian, African, Latin American, European and North American countries. Thousands of microfinance NGOs have established to provide microloans and other social services (health education, child education, adult education, environmental education (World’s Women Banking, 2002) all over the world. In Canada, social enterprises MFIs could also scale up their programs and would develop their internal financial resources if they were allowed to take public deposits. However, Charity laws do not allow them to collect public deposits because they are incorporated under Charity Acts.

The author consulted with lawyers and reviewed sources on incorporation acts in Ontario and found there is no incorporation act for the NPRGSEs and transforming NGOs into MFIs social enterprise organization registration. However, nowadays many social enterprise organizations are coming out and many ideas are being generated by many social economists and social enterprise experts. Yet, there is no social enterprise incorporation act specifically developed for incorporating NPRGSEs and transforming COs into MFIs social enterprise organizations.

Hence an incorporation act for revenue generating social enterprise and a legal framework are very important because in practice it was found that many social enterprises are incorporated under the charity act, but many of them generate revenues from their services to reduce the costs or to reduce the dependence on public funding, foundations funding and other kinds of outside sponsorship.
Through this strategy, the social enterprise organizations slowly increase revenue from their social programs in Canada. However, revenue generating not-for-profit social enterprise charity incorporated organizations need to inform/submit revenue earning statement to the Fiscal Revenue Authority about their revenue earnings. The revenue generating not-for-profit social enterprises can apply for tax exemption as well as incentives for those revenues and for issuing receipts for collecting donations from private companies and from individuals. Under the current system, these additional responsibilities are required for NPRGSEs after their incorporations.

Author’s working experience with Community Organizations in Toronto

The author immigrated to Canada in 2002 with a hope that he could use his transferable professional skills and knowledge of social enterprise micro financing in Canada in order to promote small and medium green enterprises in Canada. He has attended, visited and studied many small businesses, micro credit projects, credit unions, social enterprises, not-for profit organizations, charities, cooperatives, foundations and community economic organizations in Canada. He has also worked in different micro-credit projects, credit unions and charities to get hands-on experience from Canadian social enterprises. For example, he has worked and studied the Red Cross Canada, Woodgreen Community and Family Services, Skills for Change, Seneca International Professional Services, Career Enrichment Foundation, Access Community Services, Scarborough Storefront, Alterna Savings community micro-loans, Ottawa community loans fund, Riverdale community loans, Calmadow community loans services, Vancity, RisemeUp etc. social micro-financing programs, learned their organizational structures, plans, implementation strategies, funding models, and their monitoring devices in Canada.
The author has found that most not-for-profit organizations are providing community services to particular neighborhoods. These community organizations are involved mainly in settlement counseling services, job searching counseling, immigration counseling services, English as a Second Language (ESL) services, senior services, youth counseling services, victims rehabilitation services, HIV counseling services, and child care services. Majority new immigrants learn basic English language and literacy skills through these community agencies, community colleges, adult learning centers and continuing education centers. Moreover, community organizations provide primary information and referral services to new immigrants in their open house orientation sessions, workshops, seminars and personal consultations. However, community micro-loan funds programs’ services are few in Ontario and serve micro-entrepreneurs on a limited scale. For example, Riverdale Community Loan Funds services are limited to Riverdale neighborhood and help its residents only.

Ontario existing community organizations and their struggling for getting public funding. A few social enterprise COs earn revenues by charging fees for their services to cover some of their expenses. For example, Somalia Community Social Services charge fees for their legal services to their clients. Public donors provide seed capital/subsidies to these social enterprise programs to cover some of their initial operation costs. Many social enterprises COs are using volunteers for free to run their programs. Moreover, the author has notices that many skilled social workers receive nursing degrees/training, personal care worker training, pharmacy degrees, spa training, banking diplomas and business degrees to get employment in private sectors. Hence, retaining skilled social workers in social enterprises in order to continue and to expand social enterprise services to marginalized people through social enterprises is challenging. Social enterprises could mobilize internal resources other than charging fees for services such as issuing bonds, selling share certificates, collecting savings and deposits from public and giving loans to marginalized micro-entrepreneurs. As social
enterprises are registered under charity acts, NPRGSEs cannot be involved in such internal fund mobilization process.

Community organizations such as Toronto Family Services, Skills for Change, Learning Enrichment Foundation EverGreen Brick Fields, FoodShare, Greenwood Community Centre, North York Community Centers, Storefronts agencies and Job Start get major public funding from public agencies and public foundations. The community organizations receive public grants from governments and foundations. However, newly formed COs are struggling to get municipality funding, provincial public funding and foundations funding. Therefore, the public cutback funding policies to social programs put community organizations in a difficult position to scale up their social services and to outreach people. They are struggling to provide multiple integrated quality services to their clients because of funding constraints. Although one-stop integrated COs services such as settlement, ESL, employment counseling and skill training, provide micro-loans to micro-entrepreneurs by one organization and post-follow up services are essential, one-stop services COs are absent in Toronto.

Recently the government of Ontario and many foundations have encouraged community organizations to explore and develop community local economic opportunities for marginalized individuals. For example, Tides Canada has provided funds to Scarborough Storefront, Toronto community organization for exploring and developing local economic opportunities for Kingston Galway marginalized neighborhoods. However Tides Canada funding for Scarborough Storefront is for a limited time.

Many COs have started philanthropic fund raising. Although some of them are successful to do this through fund raising initiatives and campaigns; however, some of them are not successful. Recently many fundraising organizations have
used fund raising consulting firms and public speakers to help their fund raising. However, fund raising programs have involved costs.

Moreover, some community organizations (COs) run their programs by receiving sub-contracts from the government. Also, many COs are receiving sub-contract funds from other community organizations. For example, Islamic Social Services and Resource Associations (ISSRA) runs its senior services health and nutrition education programs by receiving sub-contract funds from WoodGreen Neighborhood Services. Instead of funding many community organizations, public funding agencies are selective when they deal with long standing community organizations. In such situations, many small innovative social emprise NGOs and charities are facing difficulties to get funding from public agencies for their new program initiatives.

**Theories and principles of Social Enterprise:** Social enterprises and social businesses are new kinds of enterprises introduced massively in the last two decades in the marketplace with the objectives of making a difference in the community by serving the marginalized people in the society. The goods and services created by social businesses are designed to provide benefits to poor people and to serve society by improving health care, cleaning the environment and enhancing educational opportunities. In principle, social business investors can get back their investment money, but without taking any dividends from the company. Profit will be plowed back into the company to expand its outreach and to improve the quality of its products and services. Here the idea is “non-loss, non-dividend company with a social objective” (Yunus, 2011).

Small green social enterprises, especially micro-financing, is a well-known tool that addresses the issues of poverty, unemployment, and environmental development in the world (Henry, 2006; Quarter, Mook, and Armstrong 2009; Self-employment Development Initiative- SEDI, 2005; and Yunus, 2010). This green social enterprise program is useful for organic food production, reinventing
local crafts, repairing, recycling, and reusing materials and revitalizing local resource utilization, local living economics, and people-centered quality development which are crucial and urgent in Canada (Henry, 2006; SEDI, 2005; Swift, Balmer & Dineeen, 2010). Although the Ottawa Community Micro-loan Fund (OCLF), Rise Asset Development, Big Carrot Toronto, and Mondragon Book Store and Café Winnipeg are examples of mini-cooperative social enterprise financing organizations in Canada that promote green social small enterprises, Canadian small social financing (micro finance institutions, MFIs) are serving small entrepreneurs on a limited scale.

Small green social enterprises, especially micro-financing, is a well-known tool that addresses the issues of poverty, unemployment, and environmental development in the world (Henry, 2006; Quarter, Mook, and Armstrong 2009; Self-employment Development Initiative - SEDI, 2005; and Yunus, 2010). This green social enterprise program is useful for organic food production, reinventing local crafts, repairing, recycling, reusing materials and revitalizing local resource utilization, local living economics, and people-centered quality development which are crucial and urgent in Canada (Henry, 2006; SEDI, 2005; Swift, Balmer & Dineeen, 2010). Although the Ottawa Community Micro-loan Fund (OCLF), Rise Asset Development, Big Carrot Toronto, and Mondragon Book Store and Café Winnipeg are examples of mini-cooperative social enterprise financing organizations in Canada that promote green social small enterprises, Canadian small social financing (micro finance institutions, MFIs) are serving small entrepreneurs at a limited scale.

**Transforming NGOs into social enterprises:** Many local community organizations felt they might ‘transform’ or convert NGOs into social enterprise microfinance institutions owned and governed by their shareholders (World’s Women Banking, 2002). The rationale of this transformation of NGOs into social
enterprise MFIs is to make these converting agencies less dependent on donor and public grants, and focus on efficient cost recovery principles.

Through the transformation process, NGOs such as Association of Social Advancement (ASA) Bangladesh, Bangladesh Rural Advancement Committee (BRAC) micro credit program; Bancosol, Caja Los Andes and Prodem in Bolivia; and Bank of Rakat Indonesia are the examples for transformations from non-regulated microfinance NGOs into regulated microfinance institutions that have allowed to see that microfinance can operate in an open market and be sustainable. Mibanco, Bancosol, Caja, and Prodem Bolivia are collecting deposits and buying and selling bonds to public. Their savings mobilization, deposit collections and micro insurance give them possibility to reduce liability concentration, diminish the financial costs of the MFIs and reduce the burden of depending on public funding. Those transformation processes have been very positive in Bangladesh, Indonesia, Latin America, Caribbean and US in terms of growth that has accelerated; operational efficiency and reducing costs that have increased, and funding structure that has become more stable and diversified (Felipe Portocarrero, 2011). About twenty-five thousands of microfinance NGOs around the world have converted to social enterprise MFIs structures (World Women’s Banking 2002).

**Personal experience in incorporating ‘Public Wellbeing Integrated Services’ in Ontario**

The author applied for incorporation of a social enterprise ‘Neighborhood Mini-Club’ in June 2012. The main intention of this proposed organization was to develop and facilitate cooperative behavior among marginalized neighborhoods and then engage them in social enterprise activities such as coaching centers, childcare centers, wastage recycling, community kitchen, community gardening, satellite fresh fruits, vegetables and food supply among seniors and neighborhood dwellers. Also, counsel club members would help how to explore and become
involved in income generating activities, how to develop and manage social enterprises and small businesses in order to reduce poverty among marginalized people in Ontario.

The examiner of the Office of the Public Guardian and Trustee, Charitable Property Program advised the author to change some of the used vocabulary (for example, social enterprise, financial literacy, social business, social economy, cooperative etc.) from the specially drafted objectives of the application for the proposed organization. The examiner comments “… a corporation that has some charitable objects and some non-charitable objects will not qualify as a charity. The reasoning behind this requirement is that a charity can pursue any one of its objects, to the exclusion of all rest, and the charity’s property would not be restricted to be applied solely for charitable purposes. Consequently, every object is required to be charitable. ‘

After several conversations and some correspondence with Public Guardian and Trustee Office, the final application was submitted to the Office of the Public Guardian and Trustee for approving of the proposed specially drafted objectives. There is no legal act for Social Enterprise Incorporation and therefore, the organization changed its name to ‘Public Wellbeing Integrated Services’ and resubmitted the application for incorporation following the Not-for-profit Organization Incorporation Charity Act. The Public Wellbeing Integrated Services was incorporated under Chary Act. However, the question is why there is no incorporation act for NPRGSEs and for MFIs in Ontario.

Post-incorporated Experience with Public Wellbeing Integrated Services (PWIS): Many costs are involved to initiate and run PWIS’s programs, services, and to conduct training and workshops. The author himself voluntarily facilitated four workshops on public health education, self-care management, environmental education, and conflict resolution workshops in collaboration with Islamic Social services and Resource Association (ISSRA) and with Nobel Institute for
Environmental Peace (NIEP) Toronto, and Interchange Community Toronto in October, November, and December 2012 after PWIS incorporation in September 2012.

However, the question is how far and how long the organization can continue to run PWIS programs as per its objectives without funding and support from donors. Fund raising for PWIS from citizens and private sectors are very tough because the organization is new. Although the PWIS is exploring funds from public agencies, from foundations and from philanthropic individual donors for running its activities; however, public cutback policies make newly formed PWIS tough for getting public funding to run charity programs. Moreover, charity organizations are facing tough competition when fund raising.

Are there possible alternative ways to develop internal fund raising for social enterprises? It is found that many MFI's transformed themselves into banks (CARD, Philippines; Nirdan, India). Moreover, Philippines, Pakistan, Nepal, Uganda, Mexico, and Venezuela have developed laws for social enterprise MFI's according to which they could collect public savings, deposits and issue bonds. These laws can serve as examples for micro credit laws in other countries as well. (Yunus, 2011). Hence such kind of laws/acts could be developed in Ontario so that micro-entrepreneurs could receive loans from social enterprise MFI's at lower interest rates. Although a few credit unions operate community micro loan programs in Ontario with 18% interest; however, community micro-financing (except Desjardin) is not a priority for credit union programs. Hence internal fund raising system for NPRGSEs and social enterprise MFI's need to be integrated in the mainstream financial system in Canada similar to the Canadian banking. The current NPRGSE's charity acts do not allow NPRGSEs and social enterprise MFI's to go for mobilizing internal fund raising. Therefore, it is urgent to develop separate legal laws where social enterprises would have independent legal space for operating their outreach programs.
The Canadian government policy makers should step-in to create separate social enterprise incorporation acts. If social enterprise MFIs and revenue generating social enterprises were legally allowed to accept public deposits, buy and sell bonds, they could immediately solve their funding problems and scale up their programs. We can find such kind of problem solution strategy in Grameen Bank. The Grameen Bank (GB) new branches have been taking public deposits since 2002. This new Grameen Bank strategy drives GB towards financial sufficiency within three years. This fund mobilizing policy helps Grameen new branches to mobilize internal funding from the community in Bangladesh. This system is working out very well in Bangladesh. Moreover, the generalization policy of the Grameen Bank law allows NGOs in Bangladesh to create formal community loan funds under the general law (Yunus, 211).

**Social Business Grameen Bank Special Audience Incorporation Act (1983)**

Grameen Bank was formed under a special Audience Act (1983) which is different from Banking Audience Acts and Charity Acts. Marginalized rural people can save money with Grameen Bank and get better savings interest than from other banks. Now many micro credit agencies in Bangladesh have allowed collecting savings and deposits and investing this money in the form of loans to micro-borrowers in Bangladesh. In this system they are free from dual liaisons with incorporation authority and Revenue Bangladesh. Moreover, Palli Karma Shuaok Foundation (PKSF), an apex body of wholesale refinance to social business MFIs. The microcredit agencies Acts and PKSF funding and technical support have contributed to flourishing social entrepreneurs in Bangladesh and reduced poverty there. The micro credit agencies (MCAs) and other social service organizations have pioneered in this positive contribution.

**Gramen Social Business agencies and their legal framework in Bangladesh**
The Grameen Bank social business organizations were formed under different strategies and incorporated under different acts as per their objectives. Some are partnerships with international private companies (Grameen Danone, Grameen Autos, Grameen Velolia- good quality drinking water supply to rural people), Grameen Eye-Care Hospital, Grameen Intel - brings information technology to the poor in health care, remittances etc. (Yunus, 2011). Grameen Shakti (energy) and Grameen Krishi (agricultural) Foundation are incorporated as social business organizations that were incorporated under social business acts in Bangladesh, not as Charity. Ontario Service could develop such kind of social enterprise incorporation acts for the social enterprise incorporations.

Grameen America Social Enterprise: Grameen America has been working in US since 2008. Within a short period of time it has had 12,500 borrowers and disbursed 55 million loans to its micro borrowers. Now every month it disburse 3 million dollars in US and its clients total savings are $1 million. The Grameen America is able to reap economics of scale, attain a massive outreach, and manage financial sustainability (reducing operation costs drastically). It is because Grameen America’s main focus is to provide massive community loan funds to marginalized people. The US Federal and Provincial Government Acts have supported its legal framework that contributes to expand its activities in different provinces like New York, California, Portland and Florida etc.

**Could Ontario make Acts for social enterprise organization?**

In Bangladesh, social business organizations, Micro-credit agencies (MCAs) are incorporated under newly formed Government regulatory body Bangladesh Microcredit Regulatory Authority (MCRA). The MCRA has developed its own Act (approved by the Legislator Audience) that allows MCAs collect savings from its clients, buy and sale bonds, provide loans to clients for businesses, charge fees for services etc. These Acts can be found on the Internet. http://www.mra.gov.bd under the following headings:
1. The Societies Registration Act, 1860 (Act XXI of 1860);
2. The Trust Act, 1882 (Act II of 1882);
3. The Voluntary Social Welfare Agencies (Registration and Control) Ordinance, 1961 (Ordinance No. XLVI of 1961);

Above discussions show that there is no direct act for NPRGSEs legal entity in Ontario. However, during last two decades huge numbers of charities have been involved in earning revenues from their services because of reducing their external funding resources since 1990s. Hence this policy paper could develop acts that would allow NPRGSEs and social enterprise MFIs to mobilize internal funds to cover their costs.

Such policy would allow Ontario NPRGSEs and social enterprise MFIs to start their internal fund mobilization. A powerful social enterprise lawyer/ expert would draft the social enterprise incorporation acts and their operational acts and would submit the draft to the Ministry of Attorney General Office for legislative approval.

If the internal fund mobilization policy would allow NPRGSEs to collect deposits and savings from public and invest this money to provide loans to micro-entrepreneurs at the rate of 10%-12%, then many social enterprises would become financially self-sufficient within few years. Through this policy practice NPRGSEs would be able to offer micro-loans to micro-borrowers cheaper than banks and credit unions do in Ontario. The acts of savings and deposit collections for NPRGSEs and social enterprise MFIs would reduce their screaming for external funding.

**Recommendations**

1. There is a need to explore and develop the legal framework- transfer mechanism from charity to the revenue generating social enterprise entity. The
framework would include the financial management and treasury operation of these social enterprises to meet the higher standards and to establish well-documented financial procedures. This legal framework would have provision for access to local capital market and would be allowed to take deposits within certain limits.

2. Recently many organizations have been involved in community/social bond buying and selling without providing securities or permission from the Securities Commission in Canada. Hence it should be proceed cautiously or otherwise it will end up fighting financial fraud.

3. It is not clear if social enterprises MFIs are charitable, private or separate entities; hence, there is a need to clear NPRGSEs acts through social enterprise regulation acts in Canada.

4. Moreover, NGOs is transforming into MFIs deposit-taking financial institutions that are absent in Canada. The legal Acts for NPRGSEs could be done by forming a Social Enterprise Commission, which would be the portfolio for NPRGSEs incorporations, by developing social enterprise Acts, governing their Acts and monitoring their activities prescribed by the legal act.

5. The NPRGSEs and social enterprise MFIs Incorporation Acts would be designed by a newly formed Social Enterprise Commission in such a way that new Acts, ancillary forms/documents and post-incorporation submissions to the authority would be easy.

6. Over the past two decades, a number of private commercial banks, credit unions, community organizations entered microfinance as retailers in Canada, but they run micro credit services in a limited scale (SEDI, 2005) in Canada. As there is no separate Acts for MFIs for collecting savings, collecting deposits and selling bonds, hence intensive public policies to MFIs for collecting savings, bonds
selling and buying are necessary. If it is risky, the government should develop mechanism that protects the depositors' savings.

There are only two options for incorporating organizations: either incorporated as a charity or as a for-profit business organization in Ontario. There is no incorporation act for the social enterprises. Hence new social enterprise Incorporation Acts are necessary. The new Incorporation Acts for NPRGSEs and transforming NGOs to MFIs could help NPRGSEs dependence on public funding and open doors for these social enterprises and their internal fund mobilization opportunities, which would help to continue and to scale up their outreach programs in Ontario.

References


