

Solidarity-based financing in Quebec: issues and perspectives

Speakers

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Values of the social economy

The four tenets of a social economy are:

- Collective assumption of responsibilities
- Democratic decision-making process
- Primacy of people over capital
- Production of goods and services with a social objective

Economic impact

Social economy businesses in Quebec represent:

- 6,254 organizations and cooperatives
- 65,028 people who work there
- 4.3 billion dollars in annual business figures

These figures exclude the Mouvement Desjardins, mutuels, the two larger agricultural cooperatives, worker coops as well as community organizations that have no commercial activity.

Social impact

- Social integration through work for disabled persons or persons who have no other possibility to obtain employment otherwise;
- Social recognition related to work and an improved quality of life for persons who formerly benefited from income security;
- Reduction of environmental costs concerning waste management;
- Possibility for a certain number of semi-autonomous persons to stay home thanks to household assistance services.

Presentation of the big provincial networks

Two provincial networks:

Chantier de l'économie sociale

Conseil de la coopération du Québec

One labour organization:

Comité sectoriel de main d'œuvre en économie sociale et action communautaire

One research organization:

Alliances de recherche universités-communautés

Territorial networks

- Centre local de développement (CLD)
- Corporation de développement économique communautaire (CDEC)
- Corporation de développement communautaire (CDC)
- Société d'aide au développement des collectivités (SADC)

Sectorial networks

Organizations

Businesses that are adapted to the needs of disabled persons, job insertion programs, recreational centres, technical resource groups, social economy businesses for household assistance, child care centres, etc.

Cooperatives

Sectorial federations that support work cooperatives from various fields such as education, funeral, food, housing, forest, cable distribution and domestic services.

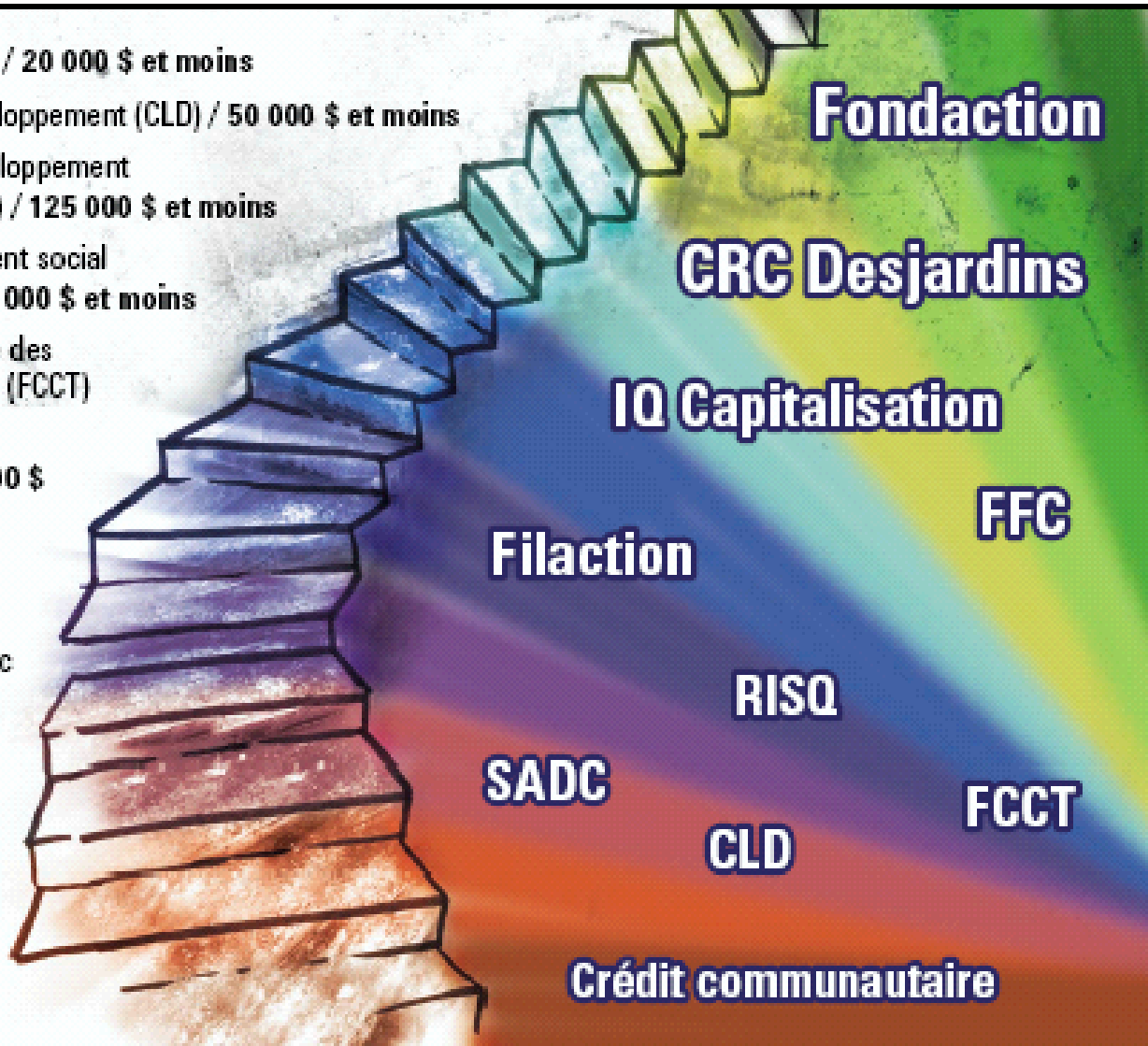
A definition of solidarity-based financing

Solidarity-based financing proposes a revised relationship with money by conciliating initiative and solidarity within the economy.

Governed by the ultimate objective of social utility, it contributes to developing communities and to strengthening social cohesion.

The stairway of solidarity-based financing

- Crédit communautaire / 20 000 \$ et moins
- Centre locaux de développement (CLD) / 50 000 \$ et moins
- Société d'aide au développement des collectivités (SADC) / 125 000 \$ et moins
- Réseau d'investissement social du Québec (RISQ) / 50 000 \$ et moins
- Fédération canadienne des coopératives de travail (FCCT) 25 à 150 000 \$
- Filaction / 50 à 150 000 \$
- Fonds de financement coopératif (FFC) 100 à 250 000 \$
- Investissement-Québec Capitalisation (IQ) 25 à 500 000 \$
- Capital régional et coopératif Desjardins (CRC) 200 000 \$ et plus
- Fondation 250 000 \$ et plus



Local funds (CLD-SADC-SOLIDE)

These organizations are the first-line partners for entrepreneurs within the communities.

They are endowed with development capital allowing them to support the start-up and development of businesses.

Community credit (goals)

- Create sustainable and good quality jobs all the while responding to the social, economic and cultural needs of the community;
- Allow persons who are without work and who experience financial instability to obtain financing for an individual and collective business project or for self-employment;
- Reinsert persons who are excluded from the economic, social, cultural and political life of their collectivity;
- Fight poverty by contributing to the revitalization of disadvantaged territories.

Community credit

Results for 2004-2005

- **More than one thousand projects have been analyzed**
- **600 entrepreneurs are accompanied for approximately 20,000 hours**
- **470 jobs created and sustained in total**
- **Average success rate of 80%**
- **\$590,000 in loans are currently being paid off**
- **\$3,710,000 in loans accorded in total, 93% of which will be paid off**

Community credit

The **Réseau québécois du crédit communautaire** (RQCC) has twenty members:

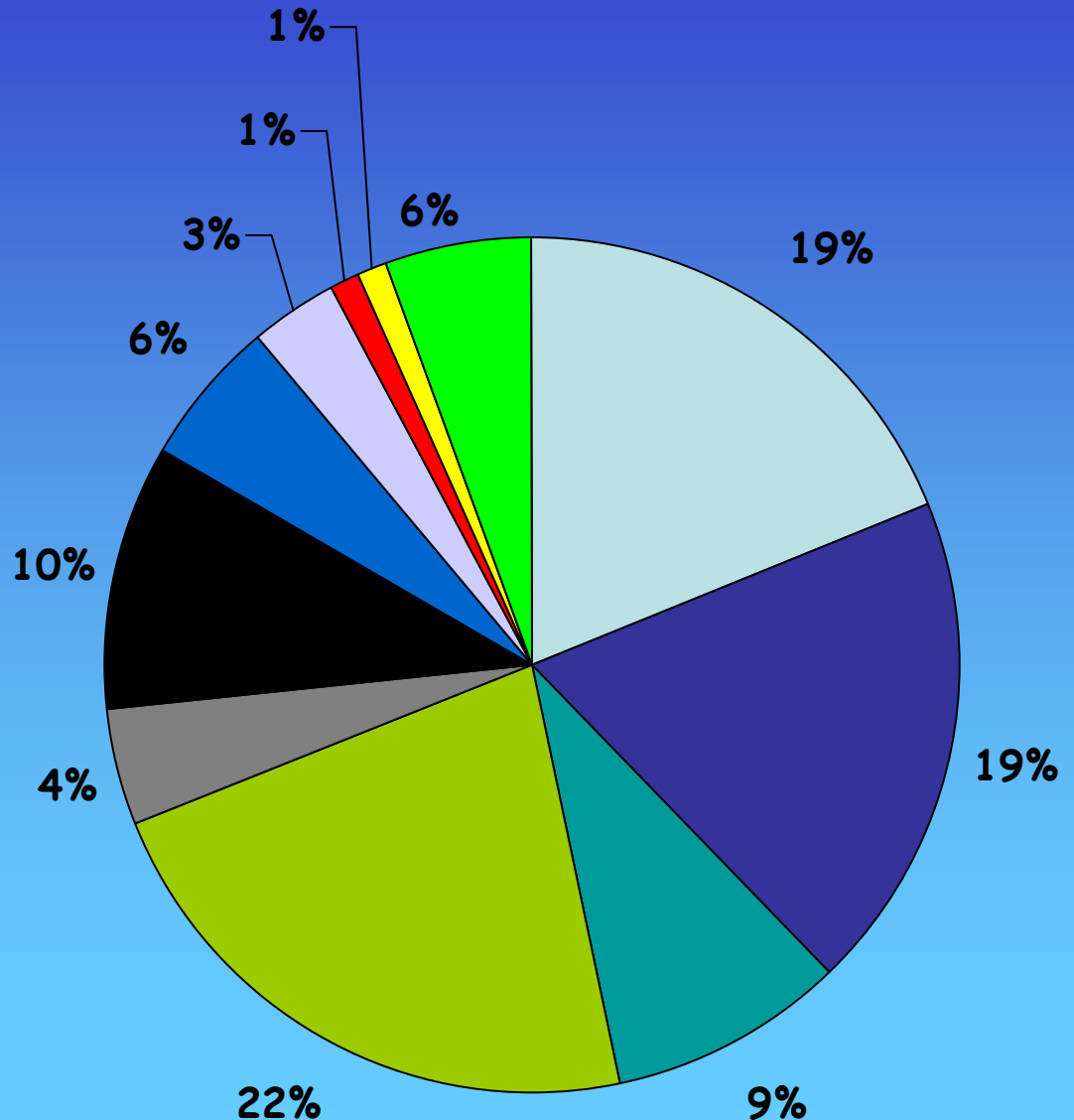
- Nine (9) loan funds
- Ten (10) lending circles

Community credits function similarly to microcredits, a development strategy that is recognized worldwide and practiced on all continents.



Capitalization / Funds and circles (April 2005)

- NPO
- Private and individual
- Financial institution
- Religious community
- CAE funds
- Filaction/RISQ
- Exterior funds
- Social economy
- Member/Workshop
- CLD
- Unions



Community credit

The Quebec network of community credit

- brings together organizations specialized in risk capital
- offers two types of services: microcredit and close accompaniment for persons and groups of persons excluded from traditional financing networks.
- These services will promote the realization of activities that generate economic revenue.



A FUND FOR SOCIAL ECONOMY BUSINESSES



**TOGETHER, LET'S TAKE ON THE
RISK OF BUSINESS IN A
DIFFERENT WAY**

Our mission

Make accessible a financing that is adapted to the reality of social economy businesses

Promote the development of collective and sustainable businesses that are socially profitable and economically viable such that quality jobs are created throughout all of Quebec.

The governance of the RISQ

A private fund constituted as a non-profit organization that is underwritten by:

- big companies from the private sector
- the Quebec government

RISQ is managed by a board of directors composed of representatives of underwriters and of the social economy milieu.

Fields of intervention

For business start-ups, expansions and restructurings

- ⇒ Technical assistance
- ⇒ Capitalization loans

For the development of the sector

- ⇒ Research and development
- ⇒ Strategic alliances

FILACTION

FILACTION provides businesses and microcredit funds of Quebec with a part of the funding required for reaching their economic and social development goals.

FILACTION results from a double partnership with *FONDACTION*. Its invested capital comes from *FONDACTION*.

FILACTION finances projects that require investments ranging between \$50,000 and \$150,000.



The Fonds de financement coopératif (FFC)

The Fonds de financement coopératif is the result of a partnership between *FONDACTION CSN* and the social investment network of Quebec. It is one of the many tools for socially responsible financing.

As thus, the Fonds de financement coopératif invests amounts ranging between \$100,000 and \$250,000 in cooperatives or other social economy businesses.



Investissement Québec

Whatever their nature or stage of development, **Investissement Québec** helps collective, cooperative and non-profit businesses to realize their projects by offering them financial products adapted to their needs.

They can thus have a better access to the financing offered by the financial institutions or even improve their equity such as to present a more balanced financial structure.



Le Mouvement Desjardins

Desjardins is the biggest cooperative financial group in Canada and the sixth largest banking institution in the country.

- 100 billion dollars in assets
- 5.5 million members

Desjardins is also among the best capitalized financial group. The main credit bureaus give it ratings that are comparable with those of the best-performing Canadian banks.



Caisse d'économie solidaire Desjardins (CÉCOSOL)

Founded in 1971, **La Caisse d'économie solidaire Desjardins** offers innovative products such as solidarity-based savings, solidarity-based capital, loan solidarity and a support program for housing cooperatives.

Recognized as a financial institution that operates within the social and solidarity-based economy in Quebec, it works particularly within cooperative, community, cultural and union networks.



Capital régional et coopératif Desjardins

Founded by an initiative of the Mouvement Desjardins in 2001, Capital régional et coopératif **Desjardins** is a public corporation managed by Desjardins capital de risque.

Its main mission is to mobilize development capital by means of initial public offerings and to inject these funds into cooperatives and businesses. As thus, Capital régional et coopératif Desjardins promotes the economic development of all regions of Quebec.



Insurance trusts

Chantier de l'économie sociale

This new tool complements the offer currently available to the partners of solidarity-based financing in Quebec.

RISQ contributes its expertise to the project by assuming the management of investments.

Patient capital - *infrastructure*

Acquisition, construction and/or renovation of property holdings

Patient capital - *operation*

Working capital, need for equity with the goal of balancing the financial structure.

FONDACTION

Created in 1996, **FONDACTION**, the CSN development fund for cooperation and employment, is part of a network of institutions implemented by the Confédération des syndicats nationaux (CSN).

The collection of retirement savings and investments constitute the two main sectors of its activity.

FONDACTION favours investments ranging between 1 and 3 million dollars. However, it will also make interventions starting at \$250,000.



Research & development

Alliances de recherche universités-communautés Économie sociale (ARUC-ÉS)

The ARUC-ÉS has a partnership infrastructure in that it allows practitioners and researchers to work together on the generation of knowledge for the development of the social economy.

To do this, the ARUC:

- creates networks of researchers and practitioners, (Chantiers d'activités partenariales, CAP)
- generates knowledge that is useful for the development of collectivities
- promotes knowledge-sharing by disseminating knowledge

The members of the ARUC-ÉS

Four universities in Quebec.

Université du Québec à Montréal
Université du Québec en Outaouais
Université du Québec à Chicoutimi
Concordia University

Six main partners

Chantier de l'économie sociale
Confédération des syndicats nationaux
Fédération des travailleurs et travailleuses du Québec
FONDACTION-CSN
Fonds de solidarité FTQ
Réseau d'investissement social du Québec (RISQ)

Some twenty sectorial partners that are specialized in the social economy

CAP - solidarity-based financing

Phase I - 2004-2005

1. Development of secondary markets
2. Analysis of criteria of ethical investing
3. Study of innovative experiences to support solidarity-based investment

Phase II - 2005-2006

1. Development of public financing policies
2. Analysis of links between the social economy and solidarity-based financing
3. Study of accounting principles of social economy businesses

Research & development

Guide for Analyzing Social Economy Businesses

Under the leadership of the RISQ, participants of solidarity-based financing have collaborated to create the first *Guide for Analyzing Social Economy Businesses*.

The guide aims to transmit the expertise that has been developed over many years.

The reference tool is aimed at:

- financial analysts
- support escorts of collective projects

The guide is available in French and English.

The authors of the guide

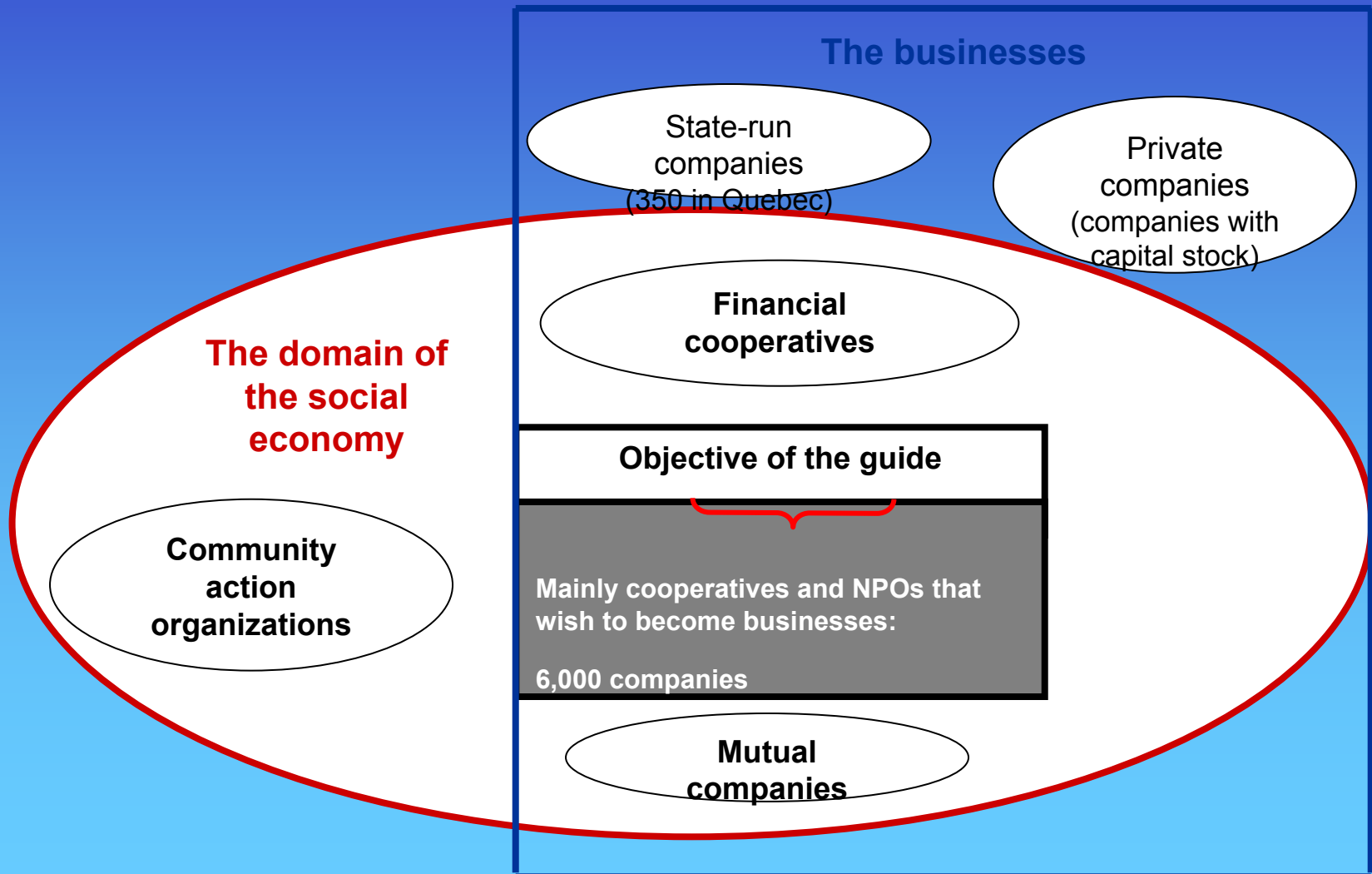
- Caisse d'économie solidaire Desjardins (Cecosol)
- Fondation
- Filaction
- Fonds de financement coopératif
- RISQ
- Investissement Québec
- Direction des coopératives du Ministère du développement économique, de l'Innovation et de l'Exportation

Participants in the production of the guide:

- **MCE Conseils**
- **Agence Pythagore**

Scope of the analysis

Guide for Analyzing Social Economy Businesses



Association

Company

Mission

determines

Product-
activity-
market

Associative
vitality

*Social
economy
business*

Operations

Democratic
management
process

Human
resources

Anchor point

determines

Financial
resources

Means of realizing the mission

Long-term viability

The guide aims to offer an approach and tools that allow analysts to:

- recognize the characteristics of social economy businesses;
- identify the main risk factors and elements of success for this type of business;
- use this framework to evaluate the business in a way that is adapted and representative of its mission, activities and ownership structure.

... and allows analysts to:

- better interpret the financial statements that they receive;
- make the necessary rectifications to establish a real portrait of the financial situation of the analyzed business;
- deduce therefrom the conditions of its economic viability and social profitability.

The guide also allows to well interpret the role of financial capital

Risk capital (own funds)

- Fondation
- Fonds de financement coopératif
- Filaction
- RISQ

Access to loans

- CECOSOL
- FICT
- Community credit
- Cooperative funds

Development capital (local, regional, sectorial)

- Local funds (CLD-SADC)
- Regional funds
- FAQDD
- Foundations

Government programs

- Investissement Québec (capitalization guarantees coop-npo)
- Sustainable development, environment (waste management)
- Emploi Québec (labour)
- Health (household assistance)
- Family (CPE)

Research & development

"Display panel"

The documented and structured "display panel" allows to:

- anticipate obstacles (alerts, flashing signals)
- guide the business onto the right track with the best possible visibility (management indicators) for reaching their destination (respect of goals).

These periodic control elements must include three types of information:

- financial aspects
- operational aspects
- aspects of democratic life

Issues and challenges of solidarity-based financing in Quebec

- Basic funding for solidarity-based financial networks
- Public policies that promote solidarity-based savings
- Availability and accessibility to patient capital
- Accompaniment and follow-up of investments, thus of businesses
- Recognition of the social profitability
- Democratic governance and a balance between the social and economic mission
- Training and education for citizen participation

The forces of solidarity-based financing in Quebec

- Networking among the partners
- Consensus-building and complementarity of actions
- Research & development
- Training of support escorts and promoters
- Participation in the development of communities and in the strengthening of the social cohesion
- Accessibility to the accompaniment allowing to realize the start-up and development of businesses.