

Social and Solidarity Finance Results and Outlook

Report of the
Community-University Research Alliance in
Social Economy (CURA-SE) on Finance

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I- Purpose of Study

- At the beginning of 2006, members of CURA-SE on finance establish a methodology to gather data on the development of solidarity finance and development capital for the Summit on the Social and Solidarity Economy, 10 years after the Summit on the Economy and Employment in 1996
 - ❖ The Committee “*Investir solidairement*” was formed to meet a series of objectives:
 1. develop a portrait of solidarity investment actors and their commitment in the social economy in Quebec
 2. provide a portrait of the evolution and the regional distribution of this commitment
 3. identify the issues and challenges for solidarity finance

II- Methodology

- Development of a questionnaire transmitted to **solidarity finance and capital development actors**
 - ❖ The majority had been previously identified during a study conducted in 2004
 - Local development centres (CLDs)
 - RISQ (Réseau d'investissement social du Québec)
 - Caisse d'économie solidaire Desjardins (credit union)
 - Fondation (Labour-sponsored funds investment tool)
 - FilAction (Labour-sponsored funds investment tool)
 - Fonds de solidarité FTQ (SOLIDEQ and Solim, Solim II)
 - The community credit Quebec network (RQCC)
 - Investment fund for women entrepreneurship
 - Montreal Investment Fund (FIM)
 - Cooperative Financing Funds (Fonds de financement coopératif-Filaction)
 - Community Economic Development Corporations

Methodology (cont'nd)

- ❑ We identified investment/finance tools dedicated to social economy businesses and community economic development projects
- ❑ We used the results of our questionnaire plus data collected by the Ministry of Economic development, Innovation and Export for all of the local development centres for 1998-2004
- ❑ We used data provided by the ACLDQ (the association of local economic development centers across Québec)

III- Key Findings

□ Quebec financial sector has changed significantly since 1996

- ❖ Several new actors and a wide range of new financial instruments have emerged
 - RISQ (1997), Quebec Community Credit Network (2000), Filaction (2001), la FIDUCIE du Chantier de l'économie sociale (loan of 10 M\$ from Investissement Québec and donation of 22.8 M\$ from Federal Government and investment partners – the two labour solidarity funds)
- ❖ These new actors increased access to already existing social/solidarity finance provided by the Caisse d'économie Solidaire Desjardins (credit cooperatives created in the 1970's by the trade union movement), the Fonds de solidarité FTQ and Fondation and a government participant : Investissement Québec

Key Findings (cont'nd)

- ❑ Capital régional et coopératif Desjardins, established in 2001, also contributed to the capitalization of certain large cooperatives
 - ❖ These solidarity finance and development capital actors are distinguished from conventional banks and the venture capital market by their socio-economic objectives

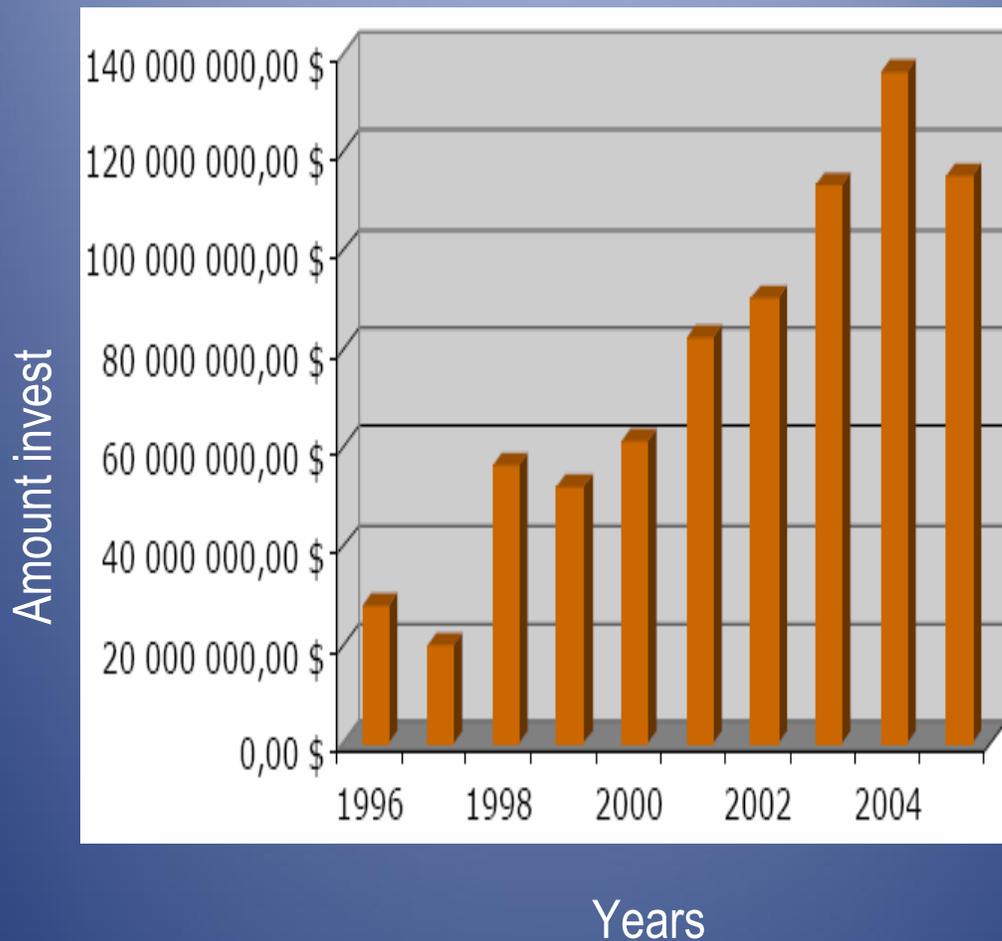
Key Findings (cont'nd)

Evolution of investment in social economy since 1996

Years	Amount invest
1996	27 800 000,00 \$
1997	20 049 998,00 \$
1998	56 113 321,00 \$
1999	52 312 804,00 \$
2000	61 246 758,10 \$
2001	82 535 643,41 \$
2002	90 596 730,00 \$
2003	113 127 492,76 \$
2004	136 381 535,00 \$
2005	114 999 693,00 \$
Total	755 163 975,27 \$

Key Findings (cont'nd)

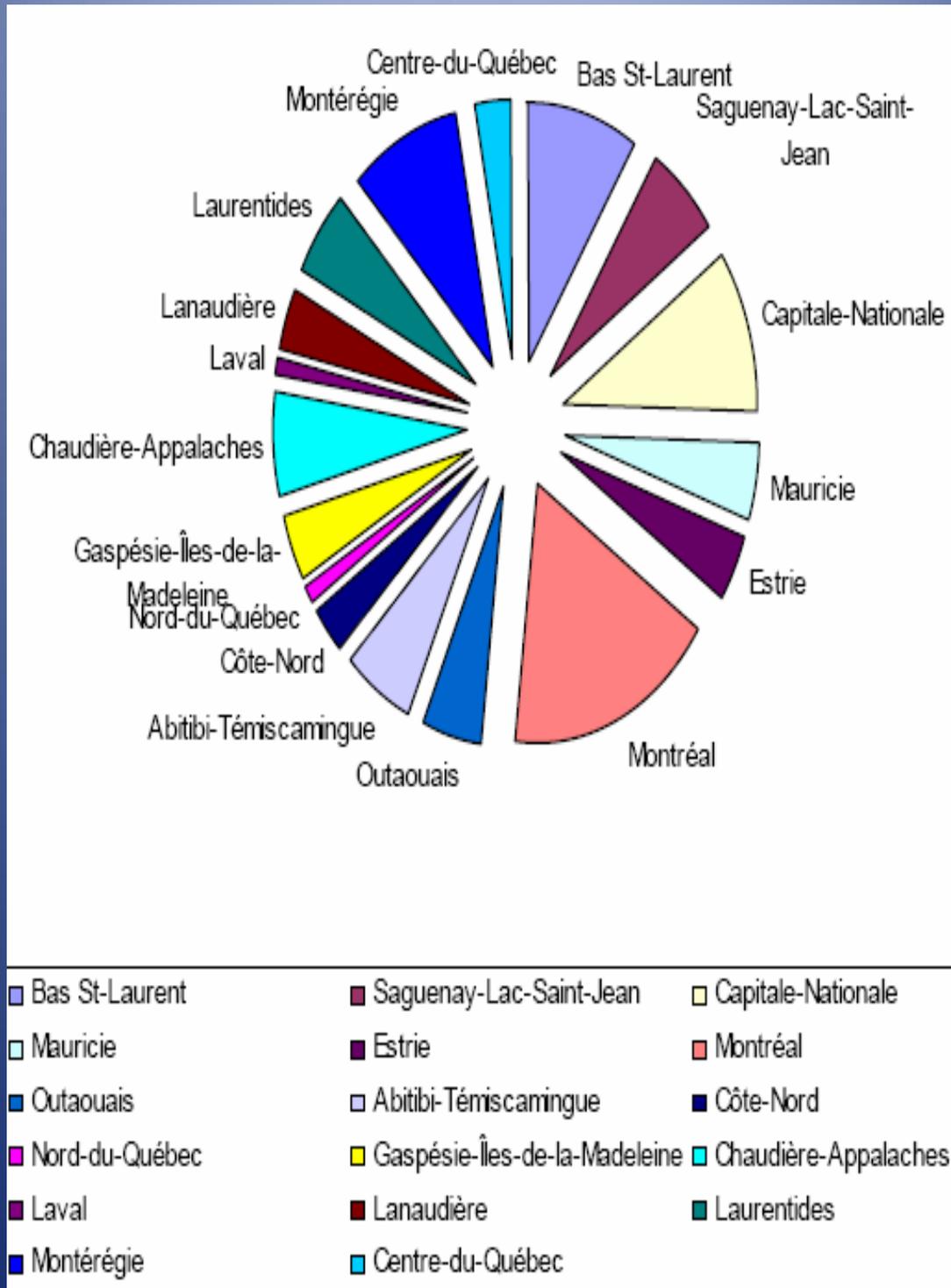
Evolution of investment in social economy since 1996 in Quebec



Note: local development centres data for 2005 are not available

Key Findings (cont'nd)

Distribution of social economy projects supported by CLDs by region
1998-2004 period



IV- Summary

- ❑ The evolution of development capital and solidarity finance in Quebec is a history of invention, innovation, creation, daring and commitment
 - ❖ It confronts barriers with innovation
- ❑ In Quebec, actors are innovating with new financial products to invest jointly and to go beyond debt instruments/products
 - ❖ Creation of quasi-equity or patient capital that reflects the needs for long term capital (la FIDUCIE)
 - ❖ Building an integrated financial market that recognizes the diversity of financial/capital needs of social economy enterprises and organizations

Summary (cont'd)

CURA Partnership Research Results (questionnaires/interviews)

1. Data on solidarity finance (community based local funds) and development capital was collected in 2004
 2. Data on the solidarity finance were collected in 2006
 3. Data on “indirect” investment (placement) was collected in 2007
- Synthesis of this research in 2009
 - Forthcoming monograph *La finance responsable au Québec. Portrait, enjeux et défis d'une finance au service d'un développement durable et solidaire*
 - several research papers
 - Creation of the first formal network of solidarity finance in Quebec to be launched in December 2009

Summary (cont'nd)

□ We were able to identify components of socially responsible finance

	Forms	Activities	Actors
Responsible (indirect investment) placement	screening (exclusive or inclusive) and selection of the very best in the industry	investments in the financial markets that use exclusion or inclusion filters	Ethical funds, foundations, religious communities
	ESG analysis and actionnarial commitment	analysis on the basis of criteria ESG; holders of assets based on the role of shareholder to change business practices	Asset managers, pension funds, religious communities, certain ethical funds
Responsible (direct) Investment	development capital	Venture capital distinguished by its socio-economic objectives, such as the creation of employment, local and regional development and environment	Investment organizations governed by the associative actors
	solidarity finance	funding for community economic development and social economy enterprises	Micro-credit organizations , financial cooperatives or hybrid financing fund

V- Policy

Implications/Recommendations

- ❑ Development of a formal solidarity finance network
 - ❖ Increased visibility; increased accessibility to finance
 - ❖ Training of professionals in social economy finance
 - ❖ Innovation and development of new financial products
- ❑ Consolidate and expand investment in solidarity financial intermediaries
 - ❖ From savers
 - ❖ From development capital
 - ❖ From institutional investors

Policy Implications/Recommendations (cont'nd)

- Promote public policies to facilitate the financing of collective enterprises
 - ❖ Government support for development capital and solidarity finance (direct injection of funds; guarantees; fiscal measures; legislation)
 - ❖ Modify existing laws for pension funds, foundations to facilitate socially responsible finance initiatives in the social economy