

The Co-construction of Solidarity Finance in Quebec: a Systemic Approach

What distinguishes the Quebec experience in financing the social economy is that the suppliers and users of capital have collaborated to design financial instruments, to expand the demand for the products and services of the social economy and to advise the government about supportive policy, programs, and legislation. Instead of making isolated adjustments to the mainstream economy for the good of social enterprise, in Quebec actors from the private sector, government, and civil society are co-constructing an arena of economic exchange in which the public good is pre-eminent - the social economy.

Multi-stakeholder institutional spaces are vital to identify the financial/capital needs of social economy enterprises, develop financial instruments to meet these needs, and design financing opportunities in which many different types of investor can collaborate.

ACTORS INVOLVED

Federal and provincial governments have created enabling tools for solidarity finance. They have contributed to the growth of the sector through fiscal measures (ex: federal and provincial tax credits to encourage private investment in the *Fonds de solidarité* and in *Fondaction*), through legislation (ex: the provincial law enabling *Investissement Québec* to invest in non-profit organisations) and through direct injections of capital, whether these be grants (ex: the federal government's capitalisation of the *Fiducie du Chantier de l'économie sociale* and the provincial government's capitalisation of the *Réseau d'investissement du Québec*) or investments (ex: the provincial government's investment in the *Fiducie du Chantier de l'économie sociale*).

CAP Finance, a network of existing solidarity finance institutions established in December 2009, aims to promote and develop solidarity finance and development capital, to develop professional expertise and networking and to promote responsible investment by the public at large and by stakeholders. Its members are:

- The two largest of Quebec's labour solidarity funds:
 - the *Fonds de solidarité*;
 - *Fondaction*;
- The *Caisse d'économie solidaire Desjardins* (a cooperative financial institution specialised in solidarity finance);
- The *Réseau québécois du crédit communautaire* (a network of micro finance organizations);
- *Filaction* (local development funds);
- The *Réseau d'investissement social du Québec* (RISQ);
- The *Fiducie du Chantier de l'économie sociale*.

Economic development corporations (CDECs), **local development centers** (CLD) and the *Sociétés d'aide au développement des collectivités* (SADC and CAE) that exist across Quebec. These organisations, which include representatives of public institutions and civil society, provide one-stop access points throughout the province where social economy enterprises can access mixed financing and support.

Co-construction integrates the financial needs of social economy enterprises into strategies of local and regional development. It works against pure “market logic,” whereby buyers & sellers meet only in the marketplace, whether for investment capital or for goods & services

The *Chantier de l'économie sociale*, a network of networks in the social economy. Because of its broad membership, which includes many sectors of activity of the social economy as well as social movements, the Chantier has established a multi-stakeholder institutional space that increases the sector's capacity to identify the needs of the social economy and to develop enabling tools.

IMPACT

Formalizing the solidarity finance network increases its capacity to develop common tools and to promote better understanding and training on solidarity finance while maintaining the autonomy of each institution.

Networking and/or the federation of intermediaries contributes to harmonizing measurement and evaluation tools (metrics). It permits to move into hybrid, long-term capital investment tools and provides the guarantees necessary to create incentives for potential investors.

More importantly, it dispels the myth that this is an “alternative” and marginal financial sector.

As a result of these developments, the Fiducie is exploring the possibility of creating a secondary market in which social enterprises and investors can meet in order to build a stronger sector while providing returns on investors' capital. The original research was being financed by the Government of Québec and is being carried out by the Chantier de l'économie sociale and its members.

AUTHORS—COLLABORATORS—SOURCES

Text based on the article *Financing the Social Economy in Québec*, by Margie Mendell, makingwaves volume 20, number 3, Canadian Center for Community Renewal, 2009

For more information: <http://capfinance.ca>

