

**Le financement de l'économie sociale au Québec**

**Financing social economy in Quebec**

**La financiación de la economía social en Quebec**

**Il finanziamento dell'economia sociale in Quebec**

**Die Finanzierung der Sozialwirtschaft in Quebec**

**By Claude Dorion**





# QUEBEC



| Region        | Population | GDP PIB               | Nat. GDP/capita (2013) |
|---------------|------------|-----------------------|------------------------|
| Québec        | 8.2 M      | <b>\$331 G (2014)</b> | <b>\$35,522</b>        |
|               |            | €226 G                | €24,330 G              |
| Catalunya     | 7.5 M      | €204 G                | €27,698 G              |
| Rhône Alpes   | 6.4 M      | €197 G                | €30,500 G              |
| Belgique      | 11.1 M     | €402 G                | €35,998 G              |
| Niedersachsen | 7.7 M      | €239 G                | €30,149 G              |
| Sverige       | 9.7 M      | €430 G                | €44,000 G              |
| Lombardia     | 10 M       | €336 G                | €33,600 G              |



## THE SOCIAL ECONOMY SECTOR



- The field represents at least 7,000 enterprises, 3,300 cooperatives and 3,700 NPO's
- Present in 20 distinct economic sectors
- Employ around 200,000 persons
- Annual sales of more than \$33 billion, representing approximately 8 percent of Quebec's GDP
- Higher survival rate than private SME's



# THE SOCIAL ECONOMY SECTOR



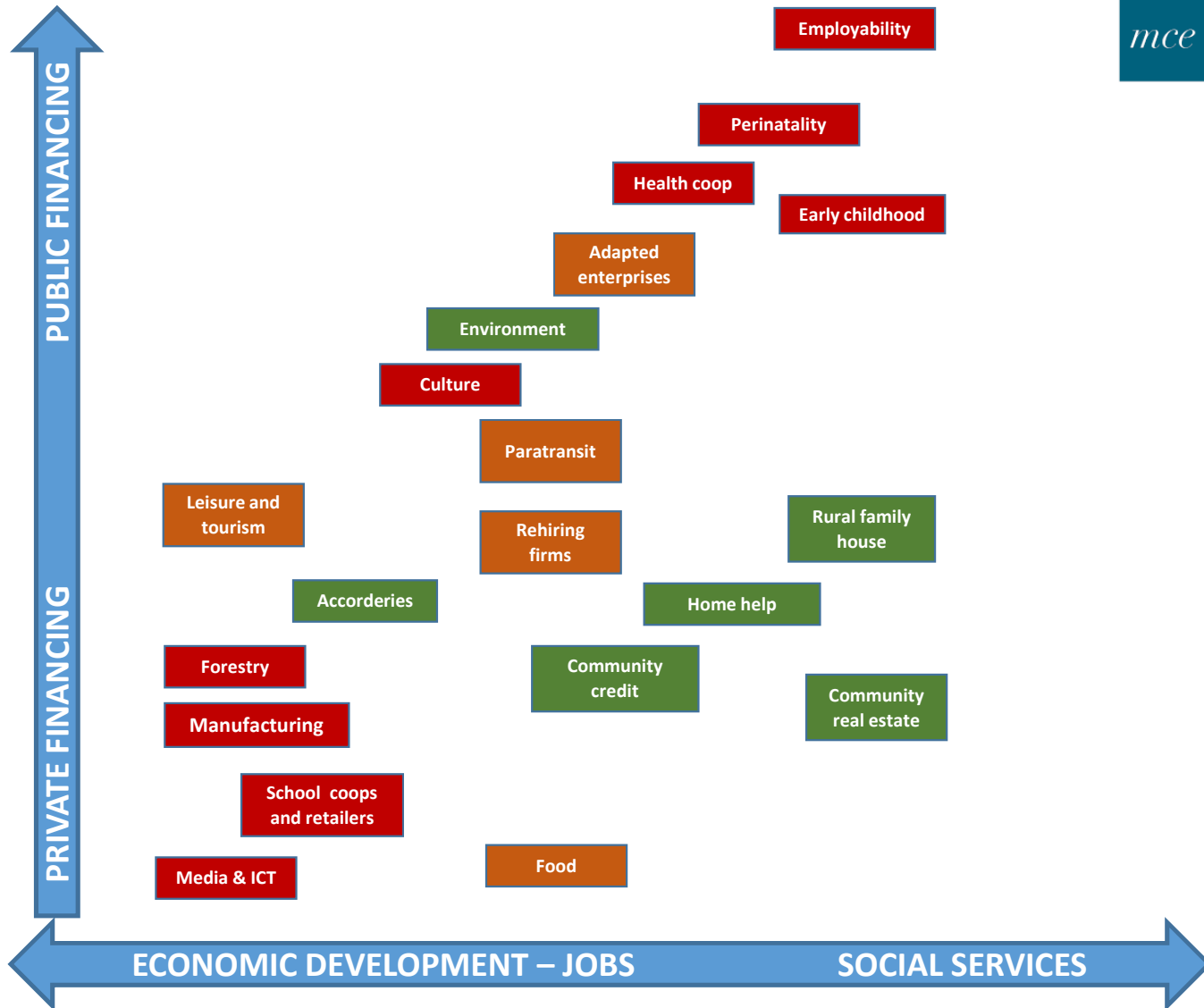
3 cooperatives  
 68,000 jobs  
 235 G \$ Assets  
 63 plants

| COOPS  | NPO |
|--|-----|
| Over 7,000 cooperatives and associations<br>130,000 jobs |     |



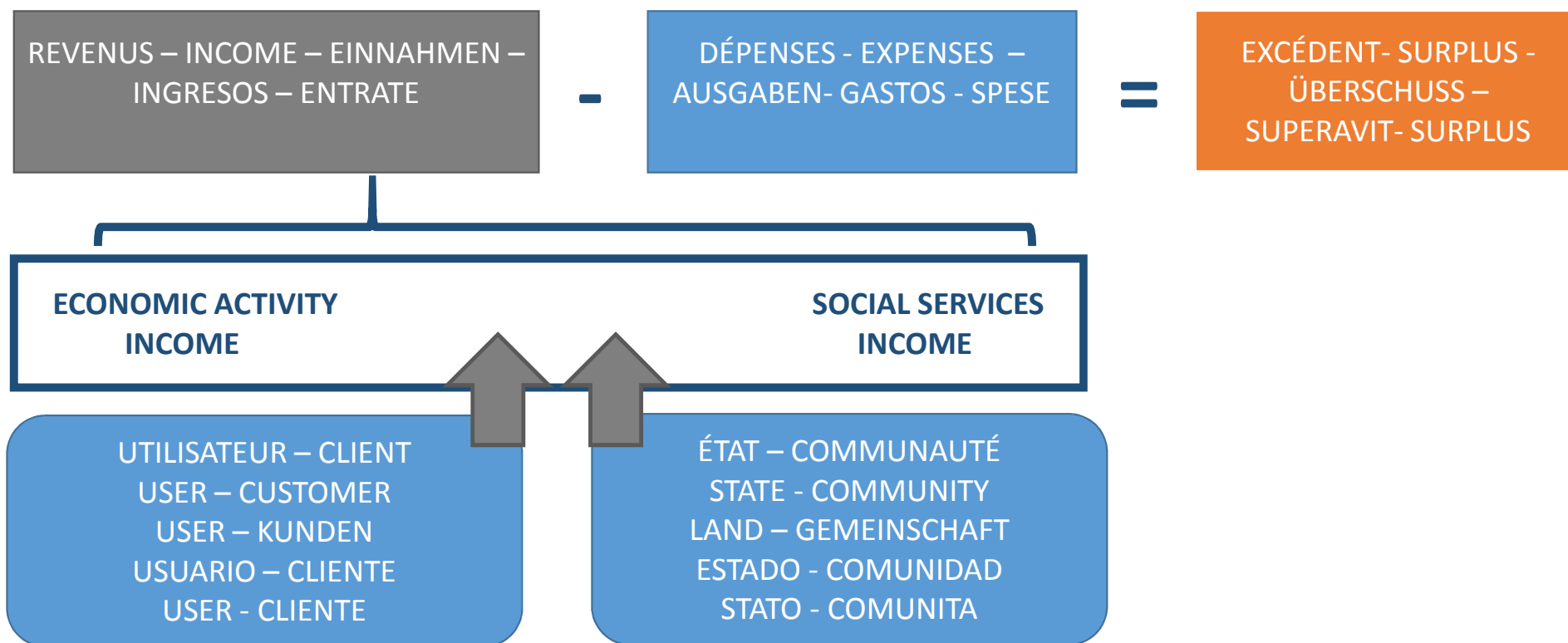
**DIVERSITY  
OF MISSION**

**DIVERSITY  
OF FINANCING**





# THE QUEBEC SOCIAL ECONOMY MODEL





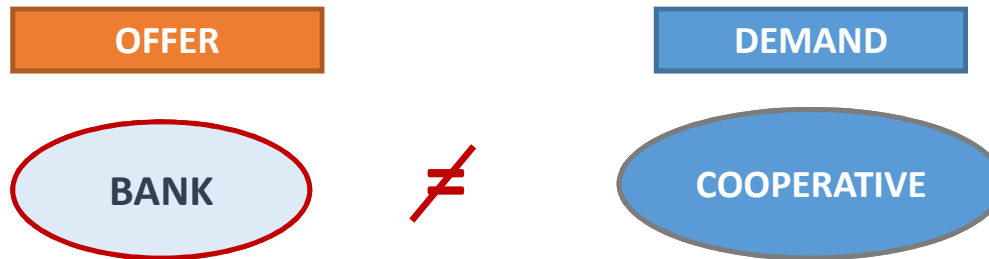
## THE QUEBEC SOCIAL ECONOMY “MODEL”



- More social economy per capita than in the rest of Canada
- Fewer charity donations and hours of volunteering
- Greater public support than in other societies
- Financial cluster’s strategic role:
  - Entrepreneurs – mixed financing structures – public structures
- Importance of technical support for enterprises



# FINANCING MARKET



- Cultural shock when faced with non-profit end goal
- Negative perception of democratic governance
- No guarantees
- Doubts on capacity to reimburse when profit is not the end goal
- Loan management costs and loan monitoring vs. amount borrowed

- Struggling cooperative
- Inappropriate management
- Deficient business plan
- Inappropriate financing application
- Lack of equity
- Difficulty presenting fair value of assets





# TOOLS



**FONDACTION**  
CSN POUR LA COOPÉRATION  
ET L'EMPLOI

**FILACTION**

**RISQ**  
RÉSEAU D'INVESTISSEMENT  
SOCIAL DU QUÉBEC

**IQ Investissement**  
Québec

OFFER



- Cultural shock attenuation
- Complementary guarantee (risk sharing)
- Complementary financial products
- Support for organizations

DEMAND

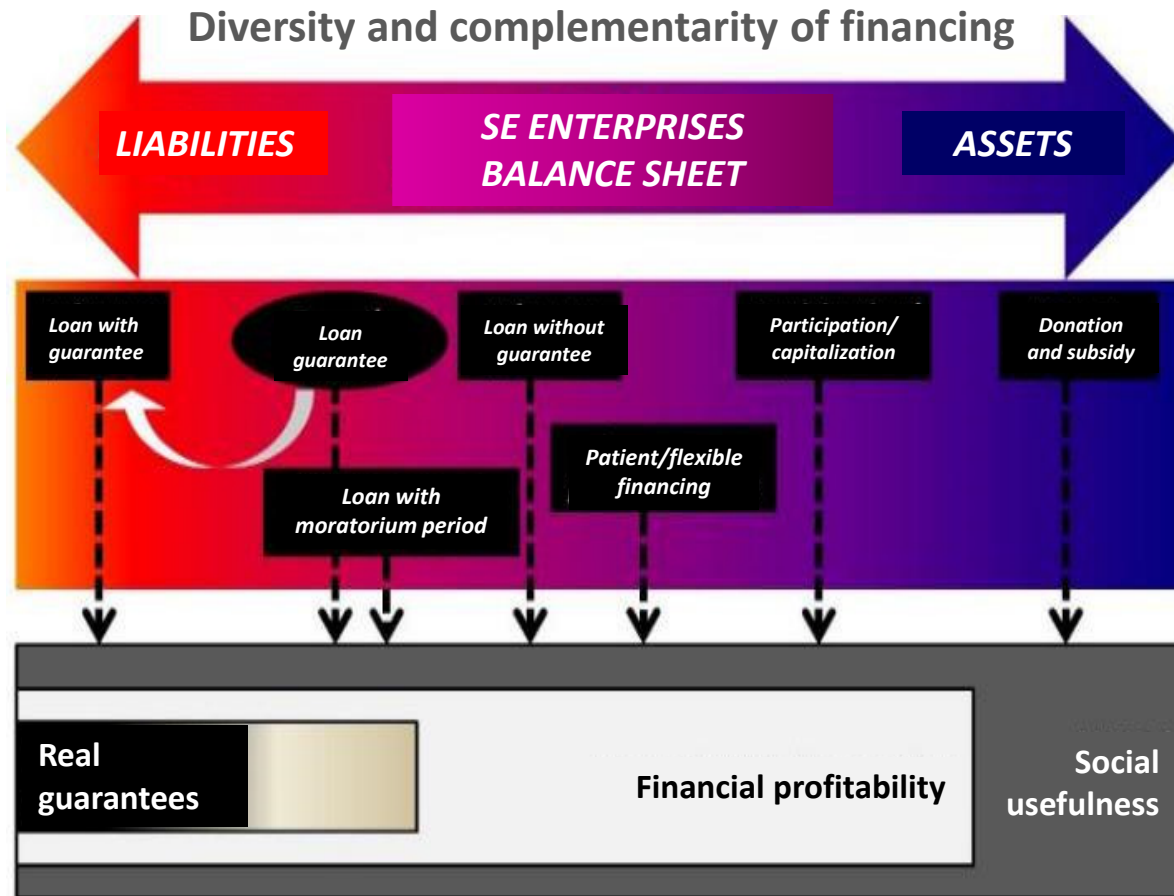


- Cooperative with corrections
- Professional management
- Well structured business plan
- Adequate financing application
- Support for managers





# SOCIAL AND SOLIDARITY ECONOMY FINANCING IN QUEBEC



Source: CECOSOL

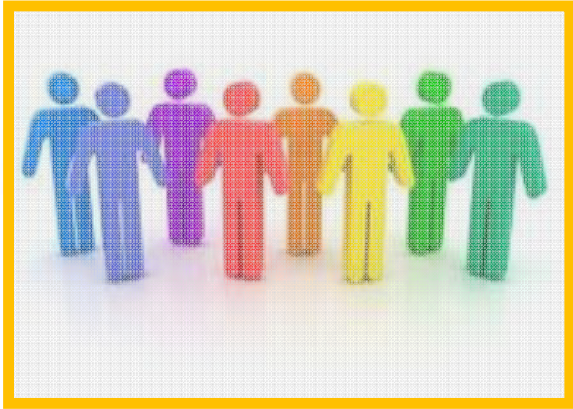


# ANALYSIS OF SOCIAL AND SOLIDARITY ECONOMY INITIATIVES IN QUEBEC

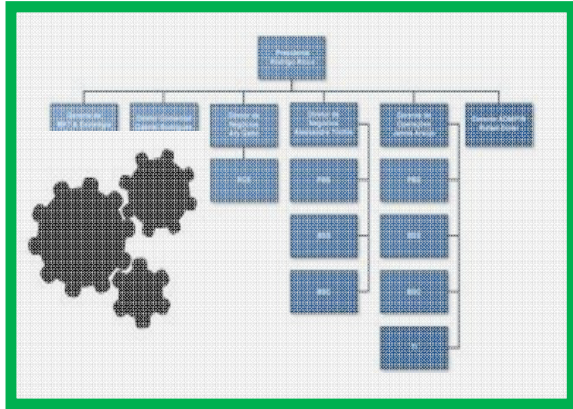


Mission  
Needs  
Governance  
Associative life  
Anchoring

“Association”



“Enterprise”



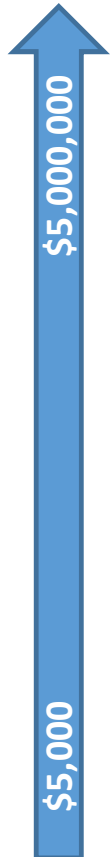
Market  
Managers  
Quality of operations  
Human resources  
Financial resources



Two balanced and complementary dimensions of a single entity



# SSE FINANCING ECOSYSTEM





A fund entirely  
dedicated to social  
economy enterprises

1997  
2013  
BALANCE  
SHEET



821 LOANS, I.E.:  
366 technical support loans  
42 start-up loans  
391 funding loans  
22 loan guarantees

+ \$20 M  
direct investments  
\$150 M  
project financing

649  
collective  
enterprises  
supported in  
Quebec

+ 1,750  
jobs created and  
4,930  
jobs preserved



3-year activities  
100 loans granted  
1,600 rehired  
persons supported

**Public investment: \$1,826,720**  
**Impact: \$1,962,873 additional  
income tax perceived**  
**Savings: \$442,858 social welfare  
saved**  
**Total effect: \$579,011 fiscal surplus**



- Funded by government contributions (Canada Economic Development and Investissement Quebec) and labour-sponsored funds (FTQ and CSN)
- Applications received and analyzed by the RISQ team and submitted to a separate investment committee for the Fiducie
- Ranging from \$50,000 to \$1.5 million, there are two types of Fiducie loans: operations and real estate

136 projects funded, \$47 M invested,  
\$311 M in projects creating 2,500 jobs



- 630 labour unions
- 669 cooperatives
- 1,137 associations
- 360 cultural organizations
- 11,754 individuals



- €550 M assets
- €470 M deposits
- €6 M surplus in 2014

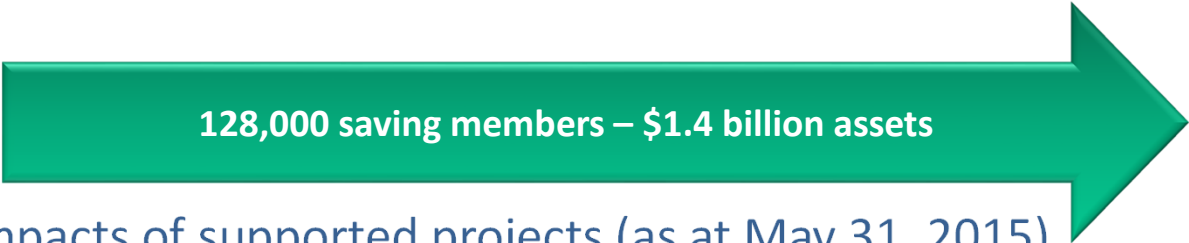




- 40% tax credit for individual investors
- Net assets reaching **\$1.6 G, €1.2 G**
- Close to **400 enterprises**, cooperatives and partner funds
- Creation or preservation of **62,000 jobs**
- Some **40 professionals**
- Over **200** experienced external **administrators** (board participation)
- **100,000 shareholders** who support Quebec's economic development



# SIGNIFICANT ECONOMIC AND FISCAL IMPACTS



- Economic impacts of supported projects (as at May 31, 2015)

**Number of enterprises** 156

**Number of jobs** 31,000

- Cost-benefit ratio by government level (2014-2015)

|   | Quebec Government | Canadian Government |
|---|-------------------|---------------------|
| Fiscal and para-fiscal income attributable to Fondation | \$82.6 M          | \$29.2 M            |
| Cost of tax credit                                      | \$48.0 M          | \$27.0 M            |
| Cost-benefit ratio                                      | 1.72              | 1.08                |



Support Québec's economic development with its financial products, stimulate investment growth and support job creation.

Offers loans and guarantees, attracts foreign investment

#### GLOBAL PERFORMANCE

- 1,2 Billion \$ of financing
- 980 financed enterprises
- 73 704 jobs created or saved
- 915 Millions of fiscal revenues
- 96 Millions \$ net result

#### SSE PERFORMANCE

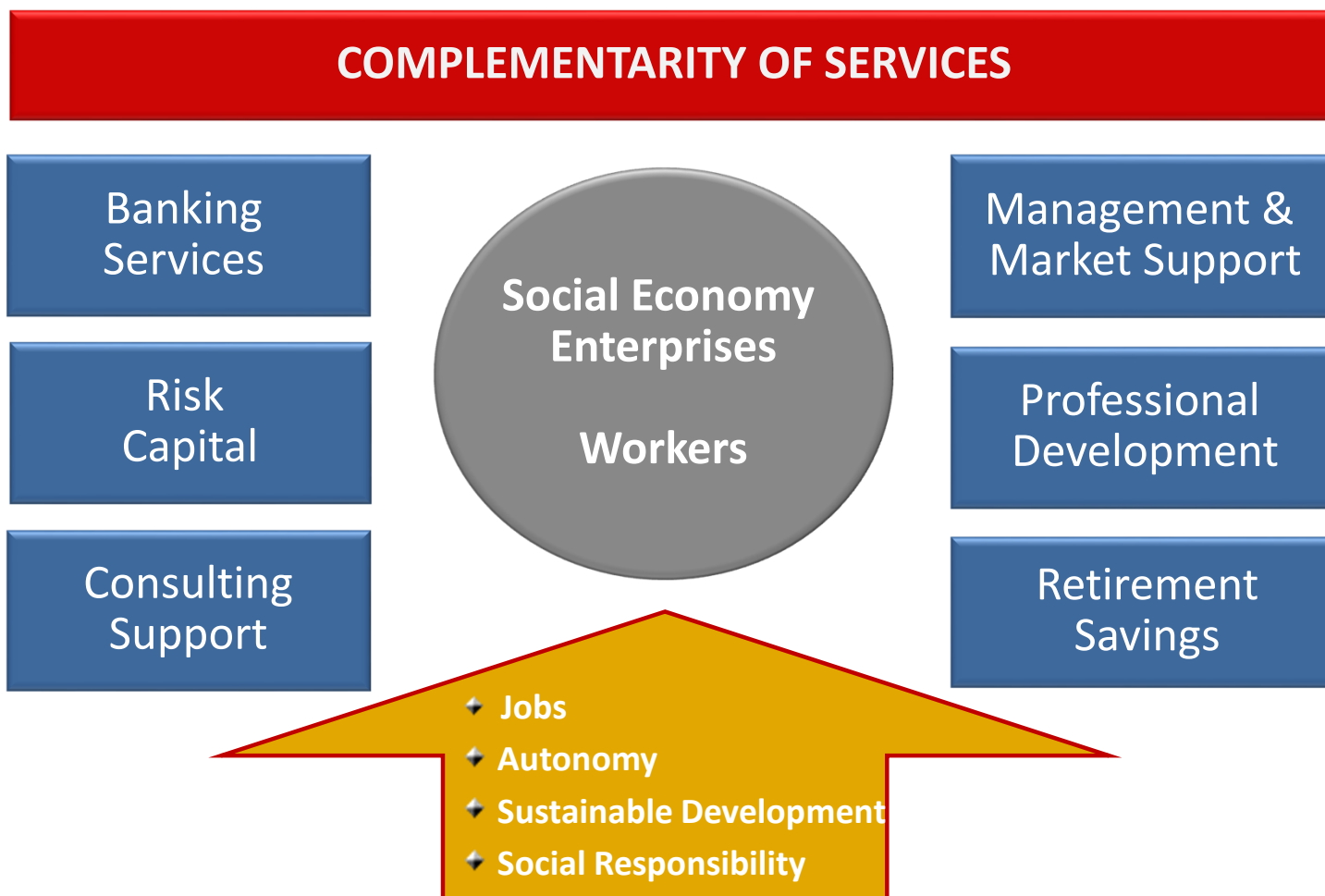
- 306 Million \$ of financing
- 482 financed enterprises
- 6 085 jobs created or saved
- Small but most profitable department



# Confédération des syndicats nationaux Network



- 9 organizations
- 150,000 members or participants
- 250 employees
- 2 billion EUR assets
- Contribution to preservation or creation of 60,000 jobs in Quebec
- 2,900 enterprises funded





## The Case of “Radio Nord”

|                 |                    |
|-----------------|--------------------|
| Equipment       | \$1,000,000        |
| Working capital | \$100,000          |
| <b>Total</b>    | <b>\$1,100,000</b> |

### Traditional financing

|                               |           |
|-------------------------------|-----------|
| Bank (50% of tangible assets) | \$500,000 |
| Members (10 x \$5,000)        | \$50,000  |
| Total                         | \$550,000 |

**Gap to be filled \$550,000**

### Solidarity economy financing

|                                   |           |
|-----------------------------------|-----------|
| CECOSOL                           | \$500,000 |
| Members (10 x \$10,000)           | \$100,000 |
| RISQ                              | \$50,000  |
| Fondaction-Filaction              | \$250,000 |
| Investissement Quebec (guarantee) | \$200,000 |

**TOTAL \$1,100,000**





# The Case of “Radio Nord”



## Member Workers

|  |     |                  |
|--|-----|------------------|
| <b>Investment in cooperative</b>         |     | <b>\$100,000</b> |
| Investment in cooperative                |     |                  |
| Retirement savings tax deduction         | 48% | \$48,000         |
| Cooperative investment plan              | 26% | \$26,000         |
| <b>Actual cost</b>                       |     | <b>\$26,000</b>  |
| <b>Tax return on investment</b>          |     | <b>\$74,000</b>  |
| Invested in Fondaction                   |     |                  |
| Retirement savings tax deduction         | 35% | \$25,900         |
| Labour sponsored fund tax credit         | 35% | \$25,900         |
| <b>Actual cost</b>                       |     | <b>\$22,200</b>  |
| <b>Tax return on investment</b>          |     | <b>\$51,800</b>  |
| <b>Total</b>                             |     |                  |
| Actual net cost of investment            |     | \$48,200         |
| Investment in cooperative social capital |     | \$100,000        |
| Investment in Fondaction                 |     | \$74,000         |
| <b>Workers’ total savings</b>            |     | <b>\$174,000</b> |

The cooperative is financed and risk is diversified



## CHALLENGES OF SSE FINANCING



- Balancing financial resources and the needs of enterprises
- Balancing member participation through sufficient capitalization, but also limiting their financial effort to their capacity
- Balancing internal financing through capitalization and external financing through borrowing
- Balancing the various forms of capitalization





## The Social Economy and the State



A support strategy, for the Quebec state, social economy is an investment, not an expense:

- Recognition of the social utility of the activity
- Surviving market reality
- Encouraging complementarity between financial products
- Duty of efficiency
- A philosophy of supporting access to services
- Temporary nature of external support
- Duty to develop long-term autonomy
- Risk, cost and return sharing amongst the various financial partners





## CONFIGURATION ORIGINALITY



- Strong social and political recognition of the social economy
- Development strategy: government financial and technical support combined with strong organization autonomy
- Importance of sectoral and territorial groupings; support from part of the labour sector
- Refusal of dual model to the benefit of by-right participation of a third sector to the economy and collective services
- A tradition of consultation and cohesion (partner governance and regulation)
- Strong connection with universities
- Diversity of institutionalization forms through pilot experiences; flexible or progressive institutionalization of innovative initiatives

