Policy Brief

Developing An Ecosystem of Social Finance: Québec's Experience

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One cannot easily overlook the issue of transferability of context specific innovations across jurisdictions, even within the same country. This is true in Canada, where the social economy in Québec is unique among provinces. Having said that, it continues to play an influential role in developing the social economy across Canada. The same is trueabroad. Québec's social economy is referred to as a "model" for other jurisdictions around the world. It has certainly-influenced the development of the Seoul social economy and today, Québec is also learning from the Seoul-experience as it continues to evolve. Therefore, differences in institutional contexts must be kept in mind when-engaging in comparative analysis or in assessing the transferability of experiences from one context to another. It is-for this reason that this policy brief includes a short synthesis of the institutional specificity of Québec's social-economy to assess what lessons can be shared and adapted. There are several transferable practices and-approaches that have been key to the development of the social economy in Québec which merit emphasis, as they-underlie the success of the social economy to design enabling tools for social economy enterprises in all sectors and-in all phases of their life cycle.

This policy brief focuses on social finance, a vital enabling tool, assuring that social economy enterprises have access-to capital. The need for capital is met by several social finance institutions in Québec that distinguish their activities-from mainstream finance institutions by their commitment to societal benefit. At the heart of social finance are the-same processes that have shaped the history of Québec's social economy. These include collaborative and-democratic decision making, the mobilization of social movements, especially the labour movement, the active-participation of government in facilitating institutional innovations in social finance, and an ongoing process of coconstruction-of public policy. The collaboration between social finance actors, institutions and government, enables-greater financing capacity to meet the need for capital. Together they constitute a tightly woven social finance-ecosystem, represented by CAP Finance, a social finance network. This policy brief briefly refers to a few milestones-in social finance. More detailed information is available in the many sources that are provided in the bibliography.-This policy brief will also include three briefly summarized case studies of innovation in social finance in Québec.-Social finance in Quebec is a process of innovation, involving several stakeholders, including government as an active-partner. As we finalize this policy brief, new engagements by the Government of Quebec have been announced.

C.I.T.I.E.S.
INNOVATION AND KNOWLEDGE TRANSFER ON THE SOCIAL AND SOLIDARITY ECONOMY

In Québec, social finance, also referred to as "responsible investment" Includes following[1]

Solidarity finance refers to the financing of community economic development and social economy enterprises. Governed by local stakeholders to ensure the achievement of its objectives, it takes the form of interest loans with or without guarantees, but it also involves rebuilding the social capital of communities.
Development capital uses venture capital instruments but differs from traditional venture capital in its socioeconomic objectives. It invests in projects with social missions that generate financial return. Development capital increasingly invests in social economy enterprises, often in partnership with solidarity finance actors.
In this policy brief, social finance refers primarily to **solidarity finance**. However, **development capital**institutions are increasingly investing in the social economy, often blurring this distinction.

	2006	2010	2013	2016
Responsible Investment (Social Finance)	4,294	12,665	11,086	14,048
Development Capital	3,907	12,191	10,469	13,236
Solidarity Finance	387	474	617	812

Table 1: Growth of Social Finance between 2006-2016, million $[2]

A Brief Overview of Key Historical Moments in the Social Economy.

Quadripartite Summit on the Economy and Employment: A Critical juncture for the Social Economy

Québec has several distinctive characteristics that provided fertile ground for the development of its social economy. A long history of the cooperative movement and credit unions were foundational in its development. Aspirations of a majority francophone population and the provincial government for greater autonomy, the strong presence of the state in economic development, and a tradition of dialogue between government, unions, and employers all shaped the history of the social economy in Québec. Its recent history has been marked by its success in addressing the acute challenges of increasing employment without worsening an accumulated deficit in the mid 1990s. The fiscal and employment crisis of the Québec economy was a watershed moment for the social economy. We briefly review this important period.

In October 1996, Premier Lucien Bouchard, the prime minister of Québec at the time, convened a summit on the economy and employment calling upon government, employers, trade unions, community organizations and social movements to discuss how to address the dilemma of an urgent need to increase employment without worsening the fiscal deficit. This was the first time that community organizations and social movements were convened to such a summit, which, in the past, included the labour movement, employers and government. Pressure came from two directions: The Women's March Against Poverty in 1995, and a confidential brief that Standard and Poor's would downgrade the credit rating of Québec. It was clear to Premier Bouchard that increasing public spending on social programs in conventional ways would not be possible. The Women's March called for investment in "social infrastructure" to reduce poverty. Increased spending to meet this need was not feasible, according to government. Creative solutions were required.

1. www.capfinance.ca/portrait-de-la-fsr/
2. All the statistics as of 2016 hereafter is based on IREC (2016) and Mendell (2017)

A Conference on the Social and Economic Future of Québec several months prior to the Summit, created task forces to propose new strategies to boost employment without increased public spending. The objectives of these task forces were to recommend strategies to:1) create jobs and new enterprises; 2) promote regional development and urban revitalization and 3) develop the social economy. This third objective marks a turning point in the history of the social economy in Quebec. The task force dedicated to developing the social economy, presented several innovative solutions to create new jobs while responding to needs not met by the market, nor by the public sector. It identified 20 social economy projects that would create 20,000 jobs in two years including urgently needed social services such as childcare, perinatal services, home care, social housing and programs for workforce integration and local development. In fact, it exceeded these objectives. This success led to the creation of an independent non-profit organization in 1999 to continue to promote and develop the social economy. The Chantier de l'économie sociale, a network of networks, is now a non-profit organization representing all all social economy actors. Its members include sectoral networks, social movements and local development intermediaries.

Critical to the development of the social economy has been the creation of social finance tools and institutions. The Réseau d'Investissement social du Québec (RISQ; Québec Social Investment Network) was established in 1997 to provide loans up to $50,000 for social economy enterprises. Initial capital was provided by government and the private sector. RISQ also provides technical support to these enterprises. In 2007, the Chantier created the Fiducie du Chantier de l'économie sociale (Fiducie; the Chantier Social Economy Trust), a patient capital (quasi-equity) fund capitalized by both the federal and provincial governments, and two labour solidarity funds, Fondaction CSN (CSN ActionFund) and the Fonds de Solidarité FTQ (FTQ Solidarity Fund) to meet the needs for the long-term investment in social economy enterprises. The two levels of government chose different means of financial support. A subsidy by the federal government lemembers of the federationveraged an investment by the Government of Québec. This is an example of how government can participate in financial innovation to meet societal goals. Government subsidization is more common; investment by government was and remains rare. This established an important precedent, demonstrating the capacity of government to intervene in a variety of ways, expanding the usual “repertoire” of public policy measures. By investing in the Fiducie, the government became a partner in this initiative[3].

Governance and Co-Construction of Public Policy: Deliberative democratic decision making

A distinctive characteristic of the Québec model is the design of the public policies. The enabling policy environment for the social economy is the result of an ongoing process of co-construction and collaboration between government and the various sectoral networks, social movements and local intermediaries that are represented by the Chantier. A coherent policy framework based on a culture of deliberative decision making and democratic governance may be the most difficult element to replicate in other contexts with a different institutional culture and history, but it still pertinent as it demonstrates the importance of process in policy formation. Collective decision making and stakeholder participation in the process enables government to achieve results. Moreover, the co-construction of public policy is increasingly recognized in many jurisdictions as an effective means to achieve socio-economic objectives today. That said, the tradition of top-down centralized decision-making and program funding still remains dominant in many cases. This is an important discussion that must be pursued.

A Classification of Social finance initiatives, Tools and Institutions: A brief synthesis

- **Community-based funds**

Community-based funds refer to small loan

3. The Fiducie is one of the case studies presented at the end of this policy brief.

circles and local funds created by civil society organisations. Le Réseau québécois du crédit communautaire (RQCC; the Network of Québec Community Credit Funds) represents community-based funds including loan circles, small micro-credit organizations and loan funds across Quebec that provide loans between $500 and $2,000. Larger loan funds, such as the Montréal Community Loan Association (MCLA) will lend up to a maximum $20,000. The mission of community-based funds is to serve a marginalized population denied access to conventional loans. Community-based funds either provide individual loans and/or work in close partnership with other social finance actors/institutions to structure larger investments. As such, these community-based funds act as an important leverage for further funding. They also collaborate with government, at times either through direct financial support or indirect support through employment promotion programs. In Québec, unlike elsewhere, many community-based funds were established in close collaboration with the local development organizations to provide financial opportunities for initiatives embedded in local development strategies.

- **Co-operative Funds**

Beginning as a small local credit union at the beginning of the 19th century, today the Mouvement Desjardins (Desjardins Group), a large federation of many independent institutions, is a major international financial institution. It has played a fundamental role in the development of the social economy in Quebec and in particular in the creation of social finance tools. We highlight two examples of credit unions and cooperative funds in Quebec that include enabling public policy measures for collective enterprises in Quebec.

The Caisse d'économie solidaire Desjardins (formerly the Caisse d'économie Desjardins des travailleurs et travailleuses) was created in 1971 by the labour movement. Its mission is to contribute to social justice and solidarity by supporting collective and social enterprise and the cooperative movement. The Caisse d'économie solidaire Desjardins provides guaranteed loans to social economy enterprises and organizations. With other social finance actors, the Caisse contributes to the financial structuring of social economy enterprises across Quebec. It also partners with government in combining subsidies, investments and scholarships/grants to emergent collective enterprises. We include this as another illustration of innovative public policy that is generative, in which government provides credit enhancement for new initiatives thereby enabled to secure more funding. For example, a small government subsidy of $10,000 for a new social economy initiative leverages the capacity for an enterprise to seek an additional loan of $10,000 from a financial institution to which the Caisse adds a $3000 scholarship/grant. In Montreal, twenty such scholarships are awarded to new initiatives each year. This program is now extended to other regions in Quebec. These are modest sums, but we include this as an example of partnership between the private sector, the social economy and government. Credit enhancement by government is an important policy measure for financial leveraging.

Since it was established by unionized workers affiliated with the CSN (Confédération des syndicats nationaux; Confederation of National Unions) and because it is dedicated to the social economy, this Caisse is distinct from other members of the federation[4]. In 2016, total assets of the Caisse were $831 million; it invested a total of $513 million in collective enterprises and social housing as well as $5 million in private enterprises. The second example, Capital régional et coopérative Desjardins (CRCD; Desjardins Capital for Local and Co-Operative Development), was created in 2001 by the Mouvement Desjardins to promote employment in Québec. CRCD is not a member of the federation but a fund managed by Desjardins Capital, with other partners. CRCD does not invest exclusively in the social economy, but its founding mission prioritizes cooperatives and local development. In 2006, this was formalized in the 'Act Constituting Capital Régional Et Coopératif Desjardins', obliging CRCD to invest at least 60% in Québec co-operatives or organizations promoting local development. Investors in the CRCD fund are eligible for a 40 % provincial tax credit, but they must invest for at least 7 years[5]. CRCD's investments include

4. Mendell (2017)
5. http://capitalregional.com/en/presouscription-20171002/

Capital croissance PME S.E.C. (SME Growth Capital) for small and medium enterprises, Innovatech S.E.C. for businesses with innovative technology, and Société en commandite Essor et Coopération, to capitalize co-operatives. CRCD and its partner funds have contributed to the growth of 417 companies, cooperatives and funds across Québec, investing a total of approximately $1 billion. As of 2016, it has created or maintained 71,300 jobs.

- **Labour Solidarity Funds**

The FTQ (Fédération des travailleurs et travailleuses du Québec; Quebec Federation of Labour) established the first unioncontrolled investment fund, Fonds de Solidarité FTQ in 1983 to create and maintain employment. Inspired by the successful management of Fonds de Solidarité FTQ, the CSN (Confédération des syndicats nationaux) established the second labour solidarity fund, Fondaction CSN pour la cooperation et l'emploi (CSN ActionFund for cooperation and employment) in 1995. The original mission of labour solidarity funds was to create and maintain employment in Québec and to generate competitive returns on investment in these funds by workers. Since their creation, their performance and competitive returns have attracted investors throughout the province of Quebec, in addition to its worker members. Because they do not invest exclusively in social economy enterprises but pursue socio-economic and environmental objectives, Fondaction CSN and Fonds de Solidarité FTQ are classified as development capital. However, as investment in the social economy has proven to be low-risk and offer stable returns, an increasing proportion of these funds are invested in the social economy, often blurring the distinction between development capital and solidarity finance.

In 1991, the Fonds de Solidarité FTQ participated in the creation of the Fonds d'Investissement de Montréal (FIM; Montréal Investment Fund) for social housing. In 2007, Fondaction CSN and Fonds de Solidarité FTQ invested $8 million and $12 million respectively to create the Fiducie, the first patient capital fund for the social economy[6]. In 2016, total assets of the Fonds de Solidarité FTQ were $12.2 billion; it invested $7.6 billion in 2,636 enterprises, creating or maintaining 187,414 jobs. Total assets of Fondaction CSN in 2016 were $1.5 billion. It has invested $1 billion in SMEs, directly supporting 365 SMEs and complementary funds. Fondaction CSN has created or maintained 32,103 jobs.

Over the years, both labour solidarity funds have established local, regional and sectoral funds, contributing extensively to the financial architecture of Quebec and to regional and local development and job creation. Many of these funds now invest in the social economy, most often with other partners, including government[7].

- **Hybrid funds**

Hybrid funds in Québec refer to those that are financed by several partners, including government and the private sector, but managed by civil society organizations[8]. RISQ, Fiducie, Fonds INNOGEC (Le Fonds d'innovation pour la gouvernance et la gestion des entreprises collectives; the Innovation Fund for Governance and Management of Collective Enterprises) are examples of hybrid funds with multi-sectoral participation.

RISQ was created in 1997 by the Chantier in partnership with the Québec government and private investors to support social economy initiatives identified at the 1996 summit. The Québec government invested $4 million out of the initial capital of $7.3 million. RISQ was the first fund entirely dedicated to financing social economy enterprises. From 1997 to 2015, RISQ provided pre-start-up loans and capitalization of $23.1 million for 556 projects and created or maintained 8,432 jobs. In 2016, the Government of Quebec invested $5 million in RISQ and contributed a non-repayable subsidy of $5 million.

The Fiducie du Chantier de l'économie sociale (Chantier Social Economy Trust) was created in 2007 to meet the need for long-term capital for social economy enterprises. An initial subsidy of $22.8 million leveraged investment by the two labour solidarity funds and the Government of Quebec. The Fonds de Solidarité FTQ and Fondaction CSN invested $12 million and $8 million respectively; the

6. This is but one example of how social finance actors collaborate to respond to the needs of new investment tools. Other contributors were federal and provincial governments, as noted earlier in this paper.
7. Detail on these funds can be found in several of the references cites in the bibliography especially in Mendell (2017) powerpoint presentation
8. Mendell (2004)

Initiatives	Mission & Contribution of Labour sector
Responsible Investment (Social Finance)	Unionized workers established this co-operative fund. Its mission is to contribute to social solidarity and social justice by supporting the development of collective enterprise, social entrepreneurship and collective action.
Fonds de Solidarité FTQ (FTQ Solidarity Fund) (1983) Fondaction CSN (CSN ActionFund) (1995)	Labour solidarity funds with the mission to maintain and increase employment and promote local and regional economic development in Quebec are increasingly investing in the social economy in partnership with various social economy funds

Table 2: Contributions by trade unions to social finance

Government of Quebec invested $10 million. This is an important illustration of the commitment by the labour movement and two levels of government (federal and provincial) to the social economy. It is another important illustration of the importance credit enhancement by the federal (national) government mitigating risk for further investors, including the Government of Quebec. Different levels of government can play complementary roles, as was the case in the initial capitalization of the Fiducie. The investment by the Government of Quebec had a still greater impact. By distinguishing itself as a partner, as a co-investor, government raises the awareness of and confidence in the social economy.

The Fiducie provides patient capital or quasi-equity ranging from $50,000 to $1.5 million, repayable in 15 years. Only interest payments are made throughout the 15-year term of the investment; the principal is repaid at the end. The Fiducie invests in start-up, expansion, consolidation as well as in improvement and/or adaptation of goods and services produced by social economy enterprises. It also invests in real estate. Since 2007, it has invested $49 million in 192 projects and has created 3,183 jobs. Government investment in the Fiducie confirms its confidence in the potential of social economy enterprises and, therefore, the ability of the Fiducie to generate stable financial returns.

- **CAP Finance: Platform for collaboration in social finance**

The creation of CAP Finance, a network of "socially responsible finance" in Quebec (development capital and solidarity finance) in 2010, formalized a long-standing relationship between its founding members[9]. A key and distinguishing feature of social finance in Quebec has been its history of collaboration. Social finance institutions and organizations, including solidarity finance, development capital and state funds have frequently worked together in structuring finance for social economy enterprises. They have several collective projects, including the publication of a Portrait of Socially Responsible Finance across Quebec every four years and most recently, the publication of the second edition of the Guide for The Analysis of Social Economy Enterprises, an invaluable tool for financial analysts assessing social economy initiatives seeking funding.

Formalizing this collaboration was important to demonstrate the collective capacity of these financial actors to contribute to the socio-economic wellbeing in Quebec. CAP Finance provides an institutional space for dialogue, knowledge mobilization and collective representation, fully respecting the autonomy of each of its members who share a commitment to economic democracy, promote public awareness of social finance and influence the financial sector to become socially responsible10.

Building a network of social finance organizations is important for: 1) the development of professional expertise in social finance; 2) collective action to influence government policy and the practices

9. See Éditions Vie Économique (EVE) vo l4, no 3. The entire issue is dedicated to CAP Finance
10. Founding members of CAP Finance are signatories of a Charter outlining its mission and mandate. See Charte de Cap Finance, 2010. capfinance.ca
11. Mendell (2016)

of conventional finance: and 3) creating a community of practice. For Seoul stakeholders who wish to learn from the Québec experience, the role of CAP Finance as a platform for collaboration is an essential element in developing a social finance ecosystem.

- **Private Funds**

Private sector businesses, foundations, and some high net wealth individuals also contribute to social finance. Following the Summit in 1996, the Fonds d'Investissement de Montréal (FIM; Montréal Investment Fund) for the purchase and renovation of real estate for cooperative and non-profit housing, was founded by architect and philanthropist Phyllis Lambert, along with the broad participation of the private sector. The initial fund mobilized the Fonds de Solidarité FTQ ($2.5 million), the Desjardins Credit Union Federation of Montréal and western Québec ($1.25 million), the National Bank of Canada ($400,000), the Royal Bank of Canada ($400,000), Hydro-Québec ($400,000), and Claridge Investments Ltd. ($100,000). As the fund for social housing proved to be low-risk and profitable, more private sector businesses are joining: Bombardier, a leading manufacturer of aircraft and rail, and the McConnell Family Foundation, have also invested in FIM. Since 1997, the FIM has enabled the renovation of 31 apartment buildings in the social housing sector[11].

- **State Funds**

Investissement Québec (IQ) is a state-owned public corporation to finance various enterprises in Québec. In 2001, it created La Financière du Québec (Québec Financier), a subsidiary that provide loans and loan guarantees to collective enterprises. The guarantees provided by IQ is an important credit enhancement tool, reducing risk for other investors. Currently, IQ has two major programs for the capitalization of the social economy, Capitalisation des Entreprises de l'économie sociale (CAES), and a support program for the collective recovery of enterprises. CAES, IQ invests a minimum of $50,000 in long-term financing (up to 25 years). Only non-profit organizations, cooperatives, federations or confederations of cooperatives are admissible to this program. IQ plays a unique role as a public institution that partners with social finance and development capital to invest in collective enterprises. The returns to government can be invested in new initiatives, generating significant multiplier effects.

- **Policy measures enabling the social economy**

Since the Quiet Revolution in the 1960's, the Québec government has played a very active and interventionist role. High levels of government spending on welfare, an active role played by state-state-owned enterprises and a state-led development strategy have characterized the role of the Quebec state. What distinguishes Québec from other developmental states is that it developed a tradition of "concertation" or multi-stakeholder dialogue, for many years with business and labour and with the social economy since 1996. Despite the severe consequences of the austerity measures introduced by the current government and a commitment to roll back the state, the process of co-construction of public policy with social economy actors has continued. Among important policy measures, in particular, the adoption of framework legislation in 2013, government has collaborated with social economy organizations in creating enabling investment tools and continues to provide overall policy support that correspond with new and evolving needs. This is distinct from the models of other countries and practices of 'public service outsourcing' in the promotion of the social economy and/or social enterprise.

As stated earlier, tax credits have played a significant role in developing social finance in Quebec. Investors in the two labour solidarity funds, Fondaction CSN, and Fonds de Solidarité FTQ are eligible for 20% and 15% provincial tax credits respectively and a further 15% federal tax credit. A second tax credit is applied for those holding provincially registered retirement savings plan that vary according to individual marginal tax rates. Together, these can represent between 58% and 83% on the amount contributed. For investors in CRCD, the tax credit rate is 40%. (see above)

12. This is limited thus far but we have reason to believe this will grow as investments are sought that offer stable returns and

ROLE OF EACH SECTOR IN DEVELOPMENT OF SOCIAL FINANCE

Social Economy Actors

Organizations, Enterprises, Social Movement, Community Movement, Socio-economic development intermediaries

- **Mobilization** of actors in the social economy and community organizations
- Formation of networks, participation in policy making (Chantier, CAP Finance)

Big Co-operatives and Private Sector

- **Investment** of co-operative funds: CRCD, Caisse d'économie solidaire
- **Investment** of the private sector businesses and foundations[12].

Government

- **Direct financial support: Subsidy; Investment**
- **Fiscal policy**: Tax credits; including combining these with retirement plans, for example
- **Credit Enhancement**: Loan Guarantees
- **Integrated coherent policy infrastructure**
  - Five-year action plan for social economy (2008-2014; 2015-2020)
  - Framework Legislation for the social economy (unanimously passed in 2013)

Labour movement

- **Investment by union-controlled funds in social economy**
- **Consolidating the value of economy democracy**

Research

- **Research Partnership** between social economy actors and academic institutions
- Social finance has had the support and collaboration of the research community (e.g. **CAP Finance**)

While these roles are listed separately, they are, in fact, integrated into the social economy ecosystem embedded in processes of dialogue, "concertation" and co-construction.

DESIGNING SERVICES FOR SOCIAL ECONOMY ENTERPRISES

#CASE 1: RISQ's philosophy on evaluation

The approach of RISQ to the evaluation process is different from conventional financial institutions. For RISQ, evaluation is not to reject but to improve the feasibility of a business plan. The interaction between analysts at RISQ and their clients reflects this commitment since many questions are asked to better understand the nature of the proposed project to be able to reinforce the business plan with recommendations.

This process has a significant impact on the acceptance of a project and on finding additional investors. RISQ is frequently on the frontline in creating a consortium of interested investors. The organization's catalytic effect on investors is possible because RISQ is recognized as effective in reducing risk and increasing the growth potential of a project. A recent survey showed that every $1 invested by RISQ generated further investment of $5 to $26. The average is $13. RISQ never finances more than $ 50,000 of a project and prefers to focus on long term involvement and smaller projects. Its emphasis on the social value of the project does not in any way compromise financial viability. Quite the contrary. But to ensure risk mitigation and to safeguard its objectives, RISQ accompanies projects and reassures other potential investors. RISQ has built a great deal of trust among clients and investors and continues to contribute significantly to the growth of the social economy in Quebec.

In 2017, RISQ published a second edition of the Guide for The Analysis of Social Economy Enterprises, together with the CAP Finance. It is providing training sessions to analysts in social finance organizations across Québec, to transfer knowledge and help them build their expertise.

#CASE 2: Complementary approach of Fiducie du Chantier de l'économie sociale

As previously noted, social economy enterprises often require longer term investment. The Fiducie functions as an intermediary between investors who seek lower risk and social economy enterprises that need a longer period of time to repay the principal. It invests in working capital and the purchase of durable assets such as the acquisition or construction of real estate assets. The Fiducie designs its financial products to complement existing ones, based on the needs of social economy enterprises, not met by the market. Its provision of patient capital up to 15 years leverages additional investment. Since 2007, the Fiducie has invested a total of $ 49million in 192 projects, generating further investments of $337 million. It has created or maintained 3,183 jobs.

A partnership with the PUSH Fund, an investment fund created by the student association at Concordia University in Montreal is a recent example of a social economy initiative supported by the Fiducie. In response to the lack of affordable student housing in Montreal, the Concordia Student Association held a referendum asking students to support the creation of an investment fund to build student cooperative housing. With a majority in favour, they agreed to invest $1.85 million of capital accumulated over the years by a student levy in this new fund. The housing project would be developed by UTILE, a non-profit real estate enterprise dedicated to cooperative student housing.

Additional investors were needed to realize the first housing project. Following a careful evaluation of the project – its feasibility; business plan; financial model - the Fiducie agreed to invest an additional $1.5 million. The initial investment by the PUSH Fund and the Fiducie leveraged an additional $3 million from the federal government through the Central Mortgage and Housing Corporation and a $500,000 subsidy from the City of Montréal. The McConnell Foundation is also investing in this project which is receiving widespread support. While the initial investment is dedicated to a housing cooperative for Concordia students, the commitment of its student association and UTILE is to build similar housing projects for students across Quebec. In fact, interest has been generated outside Quebec as well, to replicate this model and, in particular, its collaborative process.

This is a very useful illustration of how initiatives that respond to demonstrated needs, in this case the need for affordable cooperative student housing, give rise to financial innovation and partnerships between a student association, solidarity finance, two levels of government and a private foundation. It illustrates the alignment of demand and supply that underlies the development of social finance in Quebec.

#CASE 3: Community Bonds

Community bonds and crowd funding are recent innovations in social finance in Quebec, though they have a long history (municipal bonds, love money, for example). Community bonds not only mobilize finance, but also offer investment opportunities to citizens wishing to allocate some savings in collective initiatives that generate social, environmental and economic return.

Four community bonds were recently launched in Montreal. We provide one example. The Cinéma du parc is a social economy cinema in Montreal wishing to renovate two movie theatre rooms. To meet a $500,000 budget, they decided to issue $ 100,000 in community bonds. In fact, the issue was soon over-subscribed, raising $150,000. These bonds would be reimbursed in 5 years. A very effective communications strategy mobilized the community; many of the bond purchasers are regular clients of this cinema. This project could have been funded by other financial instruments, but by utilizing the community bond, it successfully involved the members of the community, making them co-owners of the project. All four community bond issues benefitted from the guidance of TIESS (Territoires innovantes en économie sociale et solidaire), a knowledge transfer organization that is contributing to innovations in social finance and to accelerating the growth of the social economy across sectors and regions. It has published an excellent guide to community bonds that will greatly assist those social economy enterprises wishing to launch a bond to complement other sources of finance. The involvement of the community raises the visibility and awareness of the social economy.

Inspirations from Québec experience for Seoul Social Economy

01 Coherent policy framework based on deliberative dialogue with stakeholders:

Co-construction of public policy Successful development of the social economy in Québec has been largely attributed to deliberative dialogue, and the co-construction of public policy. A coherent and integrated policy framework, characterizes the social economy in Quebec. How to achieve deliberative dialogue depends heavily on the recognition by government that it is in their interest to work closely with social economy actors. Likewise, it is in their interest to understand the linkages across sectors that require institutional innovation. This means transcending the silo approach that characterizes most public institutions. It is necessary to design spaces for cross-sectoral deliberative dialogue. As well, policy coherence is often lacking between municipal, regional (provincial) and national levels of government. In Quebec, the ability to work across sectors has been largely at the provincial level. Municipal government can create such spaces but with limited resources, they capacity is limited, for the time being. While there is openness at the federal (national) level, it remains a challenge.

02 Complementary approach in financial support for social economy enterprises

Both the financial support of the government and social finance organizations are designed to meet the specificities of the social economy.

The creation of micro credit/loans responded to the inability of marginalized populations to access credit; RISQ was established to provide investment capital otherwise unavailable to social economy enterprises. The need for patient capital was met by the Fiducie, calling for the creation (invention) of a long-term investment product that did not involve the purchase of equity in the enterprises (share capital). These are innovations that are customized for the needs of the social economy.

And most important, they align the demand for investment tools/products with the supply created to meet these needs. This is in sharp contrast with current trends to create new forms of social finance and impact investing that are largely supply driven and risk misalignment with needs and/or under-utilization.

03 Specific Policy measures

(a) Tax incentives have played an important role in social finance in Quebec, especially in labour solidarity funds which have benefitted greatly because of attractive tax benefits that accrue to investors.

(b) Credit enhancement Loan/investment guarantees by government mitigate the risk for potential investors. Investissement Québec offers such guarantees for investment in non-profit enterprises. Recently, RISQ created a fund to mitigate the risk of payment default by enterprises. Foundations may wish to play this role by offering guarantees to complement their growing presence in impact investment. Base funding (subsidy) by government also leverages investment, reducing perceived risk by potential investors.

04 Mobilization of support from the labour movement

In Québec, the labour movement has been very important in the development of the social economy, especially in recent years when it has become increasingly evident that investing in collective enterprises generates stable returns. This follows from the earlier reticence by the labour movement's risk assessment of collective enterprises and the myth that these enterprises were marginal and potentially not viable. As well, there was concern that new sectors in the social economy, particularly those providing services, would displace secure, well-paid public sector jobs. These views are no longer held. The labour movement is a key partner in social finance and the development of the social economy.

05 Formation of a network – CAP Finance

CAP Finance is a valuable platform for collaboration between social finance organizations enhancing its public profile and given visibility to the diversity of actors in this market, ranging from small communitybased funds to the large labour solidarity funds and cooperative funds and those in between. Investissement Québec (Government of Quebec) is also a member of CAP Finance, illustrating its role as partner and coinvestor. There is no substitute for this collaboration. Its collective professional expertise and influence on policy and practice is invaluable. Speaking with one voice strengthens the entire sector without in any way compromising the autonomy of each of its members.

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Authors' note to readers: We strongly recommend interested readers to use this policy brief with Mendell (2017) in the list of reference, which is downloadable from www.cities-ess.org

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