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Social financing, social economy: Chantier de l'Économie Sociale Trust, Montreal

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Context

For several years, managers of social economy enterprises have been expressing the need to have access to financial products other than traditional grants and loans, while at the same time asking how best to maintain their business capital over the long term. They deemed that new products which kept their social mission in mind would be needed. At the request of the Chantier de l'Économie Sociale Trust, a study on these issues was initiated by the Community–University Research Alliance (CURA) on the social economy. A working group gathered key players in the social economy sector and university researchers interested in the question of financing within this sector. The initiative began with several meetings of social economy researchers and practitioners, with the goal of developing a new funding mechanism that would more effectively support the development of social economy enterprises.

Prior to this, in 2003, a research partnership group for financing the social economy finance (known as the Chantier d'activité partenariale Financement (CAP)) was created within the social economy CURA. The group's goal was to bring together university researchers and social economy practitioners in order to undertake activities such as research, colloquia and seminars on the topic of financing the social economy. The group on social finance was added to the list of thematic research partnership streams found within CURA. Other streams included local and regional development, social and solidarity tourism, housing, social services, international relations and unions. All the thematic research partnership areas bring together practitioners and researchers interested in that particular stream. Each group is co-coordinated by a researcher and a practitioner. Practitioners typically represent a network or federation of organizations.

The CAP Financement undertook several research activities, including research to support the creation of a financial tool that would supply risk capital to social economy enterprises. This research looked at three issues:

- respond to the funding needs of social economy enterprises;
- create an intermediary between public and private investment funds and social economy enterprises;

- convince other financing bodies that this new mechanism would benefit the community and, especially, would not harm any existing organization. (Gruet, forthcoming)

Generally, social economy enterprises that want to expand, penetrate new markets or acquire real estate are faced with financial limitations. Traditional lenders – banks, credit unions, government agencies – are not responsive to the needs of social economy enterprises. Also, the terms offered by these lenders far surpass the ability of the enterprises to repay. Finding a solution to this problem would greatly facilitate the development of social economy enterprises in Quebec.

The social economy CURA was funded via a five-year research grant from the Social Sciences and Humanities Research Council's CURA programme. The CAP project did not require any special funding. The seminars and working group meetings were funded from the amounts allocated to the different CAPs under the social economy CURA.

Organization/structure

CAP was coordinated by a researcher and a social economy practitioner. The members of the working group selected the research themes and questions to be addressed in seminars. Funds allocated to activities were jointly determined by group members, both researchers and practitioners. Members decided to organize meetings with key players in the world of social economy financing, in Quebec and elsewhere in Canada, as well as in the United States.

CAP Financement meetings and seminars related to the Chantier de l'Économie Sociale Trust (Fiducie du Chantier de l'économie sociale, hereafter referred to as the Fiducie) project, took place in 2003 and 2004. This was the first time these researchers and practitioners had come together to research the development of the financial sector of the social economy. Individual practitioners and researchers had worked together previously, or had participated in the same colloquia and seminars, but this was the first time they had decided to meet regularly to consider themes linked to financing the social economy.

The method consisted of assembling academic as well as professional expertise to create a research locus from which would emerge research projects or self-directed training opportunities (e.g., colloquia, seminars). The method employed revolved around the needs identified by the practitioners. Based on the identified needs, research was undertaken to assess current knowledge of a specific problem, question or issue, undertaken collaboratively by researchers and practitioners. Participation was ongoing and cut across the different stages of the research. Knowledge mobilization activities were also undertaken collaboratively.

This method, termed the *co-construction of knowledge*, differs greatly from traditional knowledge transfer methods by supporting the involvement of partners in academic and community settings throughout the research. Ultimately, the research project becomes a common project shared by both the researchers and the practitioners. This method greatly facilitates knowledge mobilization

by practitioners because, throughout the process, they can immediately use the results of the research.

Concretely, the work of the CAP Financement began in February 2003, and since its inception has included researchers from UQAM and Concordia University. Organizations interested in social economy financing also participated. These organizations included the Chantier de l'Économie Sociale Trust, the Réseau d'investissement social du Québec Fondation (RISQ), regional community economic development corporations, Filaction, the Caisse d'économie solidaire and the Réseau québécois de crédit communautaire.

To organize its work, CAP Financement established committees on specific sub-themes: financing, social accounting, pension funds. In tandem with the work of the CAP Financement, discussions took place with political participants regarding the establishment of a long-term financial tool for the social economy.

This research partnership model was employed because it allows for an adequate response to practical problems or questions. It enables research focused on the key issues for the practitioners and allows for the integration of the expertise of both university researchers and practitioners. The approach to working together remained the same throughout the project.

Activities

Researchers and practitioners alike identified resource people to invite to meetings and seminars. Based on relationships with key players, resource people were approached by the members of the working group. The flow of activity was decided jointly by the co-coordinators. The goal was to identify a financing vehicle that would ensure the availability of *patient* capital for social economy enterprises. Patient capital refers to loans made with no repayment for fifteen years. The objectives remained the same over the life of the project.

- 2003–04: meetings were held by the CAP Financement and in other forums to brainstorm about developing a vehicle that could fill the need for long-term financing for social economy enterprises.
- 2003–04: meetings were held with representatives of the federal government to discuss public policy options for supporting the development and financing of social economy enterprises in Canada.
- 2004: a public policy statement, and an allocation of funding, supporting the social economy, was made in the context of the federal government's 2004 budget.
- 2005, April: as a result of funding made available through the federal government's social economy initiative, a Quebec-wide competition was held for the implementation and management of a patient capital fund for the social economy sector.
- 2005, summer: the Chantier de l'Économie Sociale Trust won the competition in Quebec.
- 2006, November: the Chantier de l'Économie Sociale Trust or Fiducie was established.

Outcomes

The outcomes provided tools to the Chantier in meetings with federal government officials on the implementation of public policies to support the social economy. When the federal government launched the Quebec-wide competition for the establishment and management of a capital fund for social economy enterprises in April 2005, the Chantier, based on the deliberations and reports of the CAP Financement and on meetings with different funding partners from Quebec, was in a position to respond to the federal government's call for proposals.

Today, the Fiducie holds \$CAN52.8 million in funds, from the following sources:

- \$22.8 million from Economic Development Canada, government of Canada (EDC Canada);
- \$12 million from the Fonds de solidarité of the Federation des travailleurs et travailleuses du Québec (FTQ);
- \$8 million from the Fondation of the Confédération des syndicats nationaux (CSN);
- \$10 million from the government of Quebec.

The Fiducie provides 'patient' capital loans with zero payments for fifteen years; these loans range from \$50,000 to \$1.5 million. At 1 December 2009, an amount of \$10.2 million had been loaned to thirty-eight social economy enterprises from different regions of Quebec. These investments of the Fiducie would leverage a total \$65 million in investments and support the creation and preservation of 1,063 jobs.

In terms of theory, the project consolidated existing knowledge on social financing in Quebec. This profile of social financing identified the strengths and weaknesses of existing financial devices; the development of this expertise was crucial in the conception and development of the Fiducie.

On the political front, the possibility of the federal government's commitment to creating a fund dedicated to social economy enterprises was a Canadian first. Prior to this, little had been done at the federal public policy level to recognize the financial needs of the social economy sector. It is important to note that, in Quebec, progress was already under way, as the provincial government had developed a mechanism to support the capital risk funds of the major labour union federations. Support for the Fiducie allowed for the extension of this model.

Establishment of the Fiducie also raised questions and prompted reflection on the governance model to be used. Which governance structure could satisfy the different funders' expectations of transparency without diluting the fundamental role of the l'Économie Sociale in the establishment and development of the Fiducie? The creation of this new financing tool also had an impact on other social economy funders. Each one had to review its own position in the field of financing.

The work of CAP Financement also provided lobbying tools. The establishment of the Fiducie is one example of the success of this approach. In addition,

the various partners of the CAP Financement decided, upon conclusion of work with the CURA on the social economy in December 2009, to create an association that would unite the different organizations that finance Quebec's social economy enterprises. This association would accord a special place to university researchers, who could join as associate members. Research and review projects would now be pursued under the banner of this association, called CAP Finance, le réseau de la finance solidaire et responsable. The CAP Financement's work strengthened links between researchers and practitioners. This strengthening is evidenced by the establishment of the permanent association referred to above.

Outcomes, in terms of preservation of existing jobs and creation of new jobs, are well established. Nevertheless, the creation of the Fiducie remains a recent development, making it difficult to paint a precise picture of the economic and social impact. Politically, the Fiducie supports Quebec's social innovation system, developed around the social economy.