



FONDS D'INVESTISSEMENT
SOLIDAIRE INTERNATIONAL
DU QUÉBEC

APPLICATION GUIDE

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THE QISIF'S OBJECTIVES

The mission of the Quebec International Solidarity Investment Fund is to promote access to the financial resources and techniques necessary for social, economic, equitable and sustainable development and the promotion of women in Southern communities.

Propose a tool to achieve sustainable development for collective businesses in the South, community self-reliance, the economic empowerment of women and young people as well as a stimulus for local financing structures.

Foster dialogue between social economy/solidarity-based organizations of the South and local lenders in their community by sharing financing, risk and returns with them.

The QISIF will broaden the available cooperation in partnership with Quebec ICAs that are involved in the initiatives in conjunction with and under the framework of their normal technical cooperation programs with NGOs in the South.

It will take into account factors such as social justice, environmental sustainability and responsible economic performance in its actions and in choosing the projects it will support.

The QISIF intends to support young and female entrepreneurs in developing communities who are taking charge of their future. It will be a private tool, without co-financing and guarantees.

To support the action of members of the AQOCI, this tool will coordinate its actions with those of ICAs in both the North and South in order to strengthen the impact of international cooperation and solidarity.

INVESTMENT POLICY SUMMARY

1. Target organizations

The **Quebec International Solidarity Investment Fund** may invest in any local, independent organization carrying on business in countries of the South where Quebec members of the AQOCI are engaged in international cooperation, regardless the business sector. It pays particular attention to applications that involve collective businesses, producer organizations and local financial institutions in the countries in question, and in particular microfinance funds. The Quebec International Solidarity Investment Fund aims to support income-generating activities that are socially responsible and favours businesses meeting one or more of the following criteria:

a. Producer organizations

- Organizations of agricultural or urban producers;
- Small and medium-sized businesses that have reached a certain level of development;
- Collective production or production marketing organizations under the effective control of producer members.

b. Local funding organizations

- Local funding institutions that support the funding of production and income-generating activities whose commercial, social and ethical practices comply with the Fund's objectives.

2. Eligible projects

The **Quebec International Solidarity Investment Fund** may intervene at different stages of development of the businesses and local financial institutions in which it invests, including:

- ▶ Crop financing (purchase of seeds and fertilizer);
- ▶ Acquisition of production equipment;
- ▶ Development or expansion.

Eligible projects do not include start-ups but production businesses that are under receivership may be considered. Financing organizations that are under receivership are excluded.

3. Selection criteria

The **Quebec International Solidarity Investment Fund** intervenes exclusively in countries of the South in which members of the AQOCI are active. It invests in economically viable local collective or private businesses or financial institutions that offer a reasonable potential return on invested capital in proportion to perceived risks and whose activities have a proven social impact. The **Quebec International Solidarity Investment Fund** generally applies the following selection standards to projects that meet these criteria:

For applications from businesses

- ▶ Competence and ethics of the management team;
- ▶ Work organization and staff expertise;
- ▶ Quality of operations and production management;
- ▶ Potential growth of economic activities;
- ▶ Product quality and price-market fit;
- ▶ Development prospects in the target market(s);
- ▶ Financial situation and potential profit.

Plus the following specific criteria for collective businesses

- ▶ Quality of democratic life;
- ▶ Quality of management of collective interest mission;
- ▶ Potential for developing socially beneficial activities;
- ▶ Social relevance recognized by local partners and lenders.

For applications from local funding institutions

- ▶ Quality of support staff, including staff involved in running the local institution;
- ▶ Staff expertise in terms of advice and credit risk assessment;
- ▶ Partnerships with key players in regional economic development;
- ▶ Participation in national networks of development-focussed financial institutions;
- ▶ Presence of management practices and tools considered adequate in the sector;
- ▶ Financial mobilization of the community in terms of capitalization, according to a minimum ratio determined by the Board of Directors;
- ▶ Social responsibility toward customers;
- ▶ Prevention of excess debt;
- ▶ Price transparency;
- ▶ Ethical collection practices;
- ▶ Complaint processing mechanisms;
- ▶ Ethical conduct by staff;
- ▶ Data privacy;
- ▶ Social responsibility toward employees;
- ▶ Social responsibility toward the community;
- ▶ Environmental responsibility;
- ▶ Management of social performance.

For all funding applications

- ▶ Social considerations in the organization's mission statement or target clientele;
- ▶ Portrait of the clientele;
- ▶ Presence of development goals;
- ▶ Compatibility with the Fund's sustainable development objectives;
- ▶ Compatibility with the Fund's wealth creation and sharing objectives;
- ▶ Compatibility with the Fund's gender equality objectives.

In addition, to reduce the level of risk involved in its investments in all types of businesses, the **Quebec International Solidarity Investment Fund** seeks diversification in both the business sectors and the geographic regions in which it intervenes as well as the size of its investment.

4. Minimum and maximum investment amounts

The **Quebec International Solidarity Investment Fund** generally invests from \$20,000 to \$900,000 in the same organization, up to a maximum of 10% of its total capitalization in each case. It generally aims for an average of \$400,000 per transaction and \$100,000 for projects involving women or young entrepreneurs.

5. Types of financing offered

As part of its investing activities, the **Quebec International Solidarity Investment Fund** intervenes primarily in the form of:

Loan guarantee

Guarantee representing 10% to 50% of financing granted by a local financial institution, with equitable sharing of any losses that may be incurred.

Secured loan

Loan guaranteed by equipment, product inventory or accounts receivable.

Equity loan

Unsecured loan including a performance bonus that could include up to a 24-month moratorium on the repayment of principal.

Secured loan that could include up to a 24-month moratorium on the repayment of principal.

Co-financing

Loan financing shared with a local financial institution on equal guarantee conditions in proportion to the share of the loan.

Equity investment

Exceptionally, the **Quebec International Solidarity Investment Fund** may make equity investments in local financing organizations as permitted by law in the countries in question and according to accepted governance principles.

- ▶ Acquisition of common or preferred shares of private businesses;
- ▶ Acquisition of common or preferred shares of cooperatives.

The **Quebec International Solidarity Investment Fund's** equity interests will always be minority, representing from 10% to 20% of the capital stock or share capital issued by the business.

Any form of relevant financing according to the specific needs of the business

Short- or long-term interim financing, direct purchase of movable or immovable property, bridge financing while financial arrangements are being finalized and any other relevant form.

6. Functional currency

The **Quebec International Solidarity Investment Fund** will carry out its financial transactions in Canadian dollars.

7. Investment horizon

The **Quebec International Solidarity Investment Fund** plans its investments over a 3-month to 7-year horizon. For certain exceptional transactions, shorter periods are possible (from a few weeks to 2 years).

8. Pricing

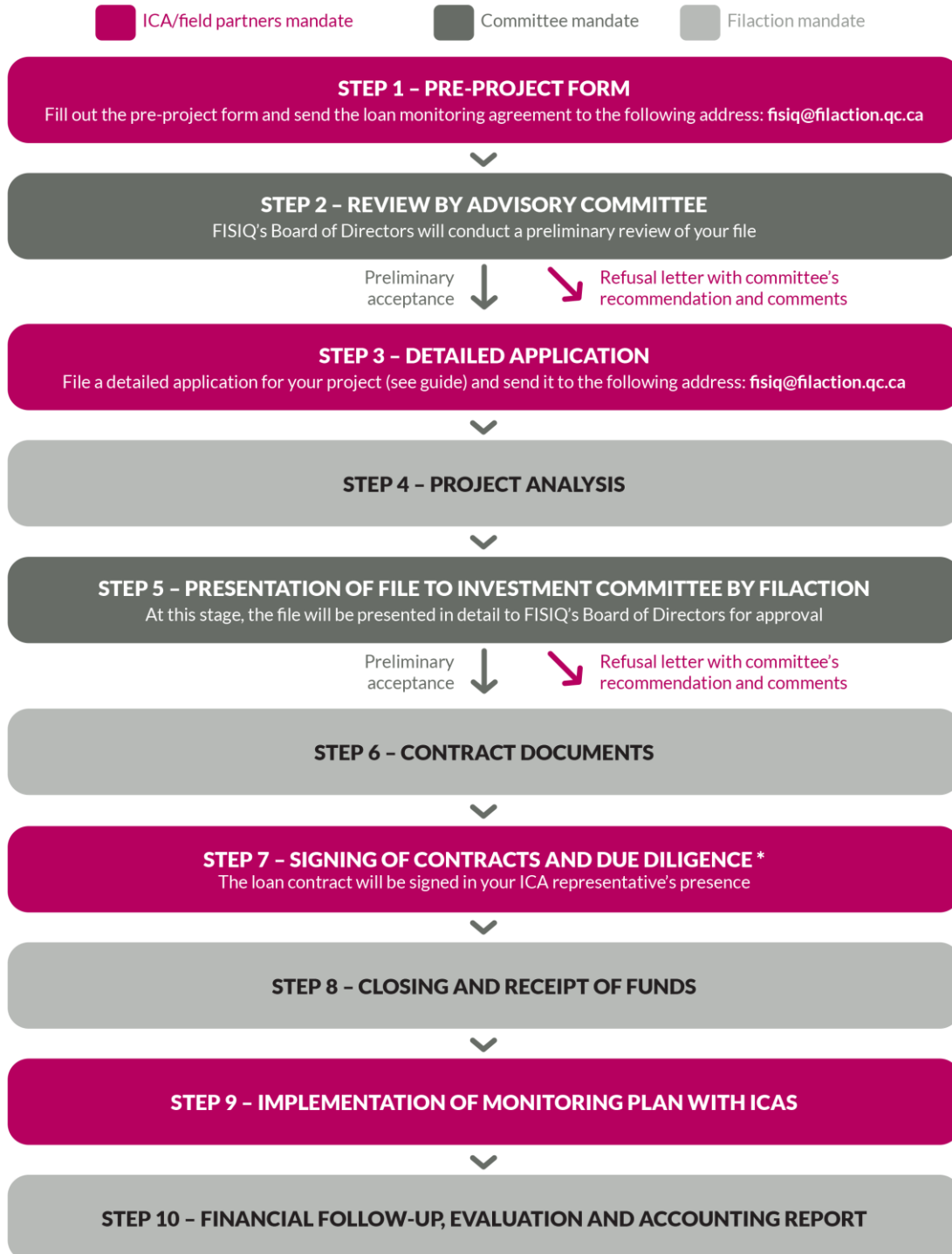
The **Quebec International Solidarity Investment Fund** offers competitive pricing adapted to the businesses, microcredit organizations and socio-economic and regulatory environments in which it invests. The analysis fee charged when a project is accepted represents 1% of the value of the financing granted.

Pricing specific to each investment is established based on a price grid that is revised periodically by the Board of Directors.

9. Conditions

In addition to the usual conditions related to the different forms of financing offered, the **Quebec International Solidarity Investment Fund** may require specific conditions such as participation on the Board of Directors, as necessary and where the size of the investment warrants.

HOW AN APPLICATION IS PROCESSED



* Validation of various aspects used to analyse the file, assess the risk, determine pricing and make an investment decision. This includes financial, economic, social, legal and organizational aspects of the business.

PRELIMINARY FORM

PRELIMINARY FORM

| GENERAL INFORMATION | | | |
|-------------------------------------|-----------------------------------|-----|-------------------------------|
| Organization's name | | | |
| Organization's contact info. | | | |
| Name of entrepreneurs | | | |
| Country | | | |
| Target areas | Geographic area covered | | |
| Date founded | | | |
| End of fiscal year | | | |
| No. of current jobs | Women | Men | Youth (included in women/men) |
| No. of jobs created after project | Women | Men | Youth (included in women/men) |
| Legal status | Cooperative, NPO, private company | | |
| Business sector | | | |
| Organization's level of development | Growth, development, expansion | | |
| Amount applied for | | | |
| ICA supporting the application | | | |
| ICA representative | | | |
| ICA contact info. | | | |

| INFORMATION ABOUT THE PROJECT | |
|--|---|
| Organization's profile | The history, the context, the socio-economic aspects, the issues at the local level, the actors present, etc. |
| Project description | Summary of the project - This is an introduction; it is advisable to write it last. |
| Purpose of application | Why apply for a loan? What prompted them to make this request? The funding will be used for what and how? |
| Background of ICA / organization partnership | Dates, projects implemented jointly, relevance of these projects in relation to the request for this funding, overall results achieved. |

| TOTAL COST OF PROJECT AND SOURCES OF FINANCING | | | | |
|--|----------------|----------------------|----------------|---|
| Funds required | Amount (\$CAN) | Sources of financing | Amount (\$CAN) | % |
| | \$ | | \$ | % |
| | \$ | | \$ | % |
| | \$ | | \$ | % |
| | \$ | | \$ | % |
| | \$ | | \$ | % |
| | \$ | | \$ | % |
| | \$ | | \$ | % |
| | \$ | | \$ | % |
| TOTAL | \$ | TOTAL | \$ | |

ANALYSIS SUMMARY

| Profile & Background | |
|--|--|
| Mission | What is the mission of the company? |
| Anchor, strategic or national partnerships, partnership with ICA, financial institutions | Description of strategic partnerships and relationships with the community. State of play on financial partners and the reinvestment capacity of the community. Presence of the community on the board. How does the project fit into local development priorities? Is it consistent with the development of the economic sector? Who are your local financial partners (name them)? |

| Organizational vitality & decision-making | |
|---|--|
| Board of Directors | The number of directors, their seniority, their profile |
| Governance | Composition of governance (men, women, young people), board participation rate, circulation of information, frequency of boards, transparency of decisions, number of women on board |
| Relationship between shareholders/members/directors/collaborators | How long have they known each other? Have they ever worked or developed a project together? Is there a shareholders agreement? Complementarity? |

| Impacts & benefits of the project | |
|--|---|
| Impacts and benefits | Specify the impacts and benefits of the project and environmental benefits, depending on the mission of the fund. |
| How does this project include and involve women? | Demonstration of the inclusion of women or the relevance of this project for women. |

CLIENTELE

| | |
|-------------------------------|--|
| Goods and services | Description of the main products or services offered. |
| Market and competition | Customers - Market (all the clients that it chooses to serve among the potential clients of a given region) - Distribution - Marketing - Competition (relationship between producers, retail traders competing for a clientele) |
| Competitive advantage | Description of benefits on the identified competition, market share, strategies deployed. |

FINANCIAL DATA

| Results * as at / (dd/mm) | Actual (year) | Expected (year) | Expected (year) |
|---------------------------|---------------|-----------------|-----------------|
| Income | \$ | \$ | \$ |
| Cost of goods sold | \$ | \$ | \$ |
| Gross profit | \$ | \$ | \$ |
| Administrative costs | \$ | \$ | \$ |
| Cost of sales | \$ | \$ | \$ |
| Financial charges | \$ | \$ | \$ |
| Amortization | \$ | \$ | \$ |
| Net profit | \$ | \$ | \$ |

| Balance sheet * as at / (dd/mm) | Actual (year) | Expected (year) | Expected (year) |
|-------------------------------------|---------------|-----------------|-----------------|
| Short-term assets | \$ | \$ | \$ |
| Fixed assets | \$ | \$ | \$ |
| Total assets | \$ | \$ | \$ |
| Short-term liabilities | \$ | \$ | \$ |
| Bank loan | \$ | \$ | \$ |
| Shareholder advance | \$ | \$ | \$ |
| Total liabilities | \$ | \$ | \$ |
| Equity | \$ | \$ | \$ |
| Retained earnings | \$ | \$ | \$ |
| Total liabilities and assets | \$ | \$ | \$ |

**As of the latest available financial statements*

ADVISORY BOARD

Project accepted

Project refused

| | |
|---|--|
| Committee's comments and recommendations | |
|---|--|

SUBMITTING A DETAILED APPLICATION

The organization must provide the ICA with the following data and information:

1. Project description

Presentation of background, context, issues, team, governance, products, clientele, market, production methods and purpose of the application, i.e. what the funds will be used for.

If a business plan is available, it must be submitted in this section.

For a sample business plan: <https://www.bdc.ca/> *Top left box*
[Entrepreneur's toolkit – Templates and business guides - Business plan template](#)

2. Relevance of the project

It is important to describe how the project improves the status of women, the economic conditions of the community and/or the positive impact it will have on the environment.

3. Strategic partnerships

Describe the organization's important partnerships, such as local financial institutions, associations, international cooperation agencies (ICAs), etc.

4. 3-year financial forecast

The financial forecasts must include a cash flow budget, a projected balance sheet and a projected statement of income and expenses for the next three (3) years.

5. Relevant documentation

Any other relevant documents (contracts, leases, agreements, etc.)

CHECKLIST (in some cases, if documentation is available to the organization)

- Recent in-house interim balance sheet and income statement
- Year-end balance sheets and income statements for the past 2 years
- Certificate of constitution (articles and general by-laws)
- Shareholders' agreement
- Copy of leases or property title
- 3-year projected financial statements
- Copy of industry-specific operating permits
- Prior municipal tax account (in the case of a purchase)
- Contracts, letters of intent – customer list
- List of assets to be purchased
- Copy of commercial lease
- Copy of municipal business tax account
- Proof of environmental compliance, where applicable
- Personal balance of shareholders or partners
- Curriculum vitae of managers

ACCOUNTING DEFINITIONS

Expenses: cash outflow in return for the provision of a service, equivalent to a charge.

Disbursements, progressive disbursements: an amount of money paid by a business to meet its obligations. Disbursements are progressive when the obligation is paid in more than one instalment (ex.: a payment on order and balance on delivery)

Capital expenditures: cash outflow in return for the acquisition of an asset with a useful life that exceeds its first use.

Capitalization of operating losses (pre-opening): expenses incurred to start up production of goods or a service before the business opens that are spread over more than one fiscal year.

Book value: amount attributed to an item in the accounting books or financial statements. This applies to both expenses and capital property.

Market value: amount used to determine the value of a transaction for a service, asset, etc.

Amortization (depreciation): an asset's loss of value following its use. For a given fiscal year, amortization corresponds to the amount arising from the systematic allocation of the acquisition cost of an asset less its residual value over its expected useful life.

Retained earnings: amount of earnings remaining after the business has paid all its direct and indirect costs, taxes and shareholder dividends.

Cost of goods sold (COGS): sum of all direct costs associated with the manufacturing of a product.

Provision for replacement: provisions set up to replace capital property. The amount of the provision should be calculated such that the charge is spread throughout the useful life of the asset to be replaced.

Decline in value: amount recorded to adjust the book value of an asset downward to its market value.

Non-recoverable costs: a cost that has been incurred and cannot be recovered. Non-recoverable costs are not taken into account in future decisions since they will be the same regardless what decision is made.