



FONDS D'INVESTISSEMENT
SOLIDAIRE INTERNATIONAL
DU QUÉBEC

APPLICATION GUIDE

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THE *FISIQ*'s OBJECTIVES

The mission of the Quebec International Solidarity Investment Fund (*FISIQ*) 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 *FISIQ* 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 *FISIQ* 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 **FISIQ** 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 **FISIQ** 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 **FISIQ** may intervene at different stages of development of a business or 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 a production business under restructuring may be considered. Financing organizations under restructuring are excluded.

3. Selection criteria

The **FISIQ** 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 **FISIQ** 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 **FISIQ** 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 **FISIQ** 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 **FISIQ** 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 **FISIQ** 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 **FISIQ'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 **FISIQ** will carry out its financial transactions in Canadian dollars.

7. Investment horizon

The **FISIQ** 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

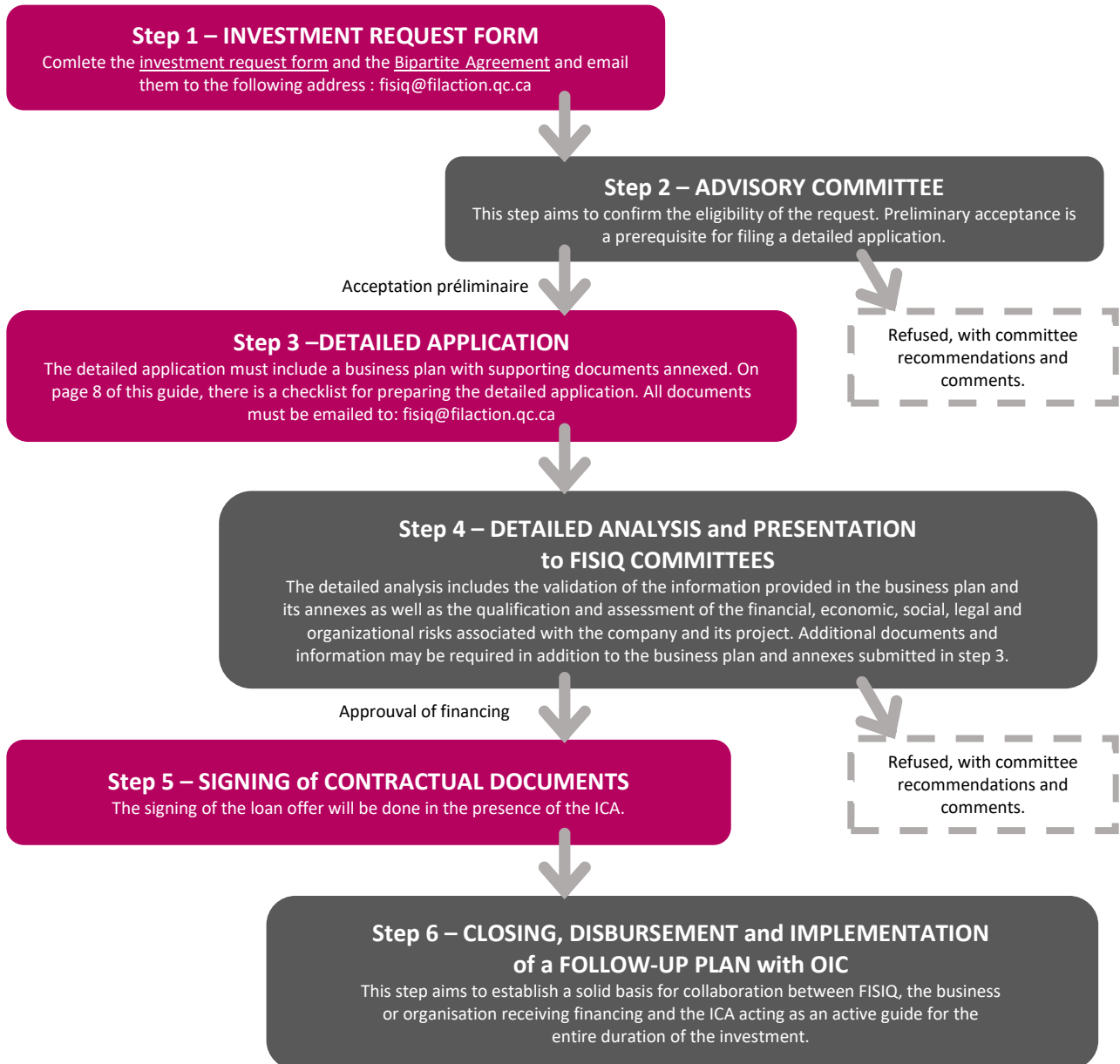
The **FISIQ** offers competitive pricing adapted to the businesses, microcredit organizations and socio-economic and regulatory environments in which it invests. The analysis fee charged when a project is accepted represents 1% of the value of the financing granted.

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 **FISIQ** 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



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 organisations (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