

Opinion of the European Economic and Social Committee on the 'Social Economy in Latin America'

(2012/C 143/06)

Rapporteur: **Mr CABRA DE LUNA**

On 18 January 2011 the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on the

Social Economy in Latin America.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 24 January 2012.

At its 478th plenary session, held on 22 and 23 February 2012 (meeting of 22 February), the European Economic and Social Committee adopted the following opinion by 141 votes to 3 with 4 abstentions.

1. Conclusions and recommendations

1.1 The present opinion sets out to examine the Social Economy (SE) of Latin America (LA), an organised sector of civil society which has generally been excluded from the EU's cooperation activities. In doing so, it will take account of the diversity in Latin America and acknowledge the differences between our two regions. Therefore, whilst other terms are possible, for the purposes of this opinion it is considered most appropriate to use the term Social and Solidarity Economy (SSE).

1.2 In its Resolution 47/90, the UN declared the first Saturday of July of each year International Day of Cooperatives and in its Resolution 64/136 declared 2012 International Year of Cooperatives. The ILO has on various occasions (in particular in its Resolution 193) recognised the positive aspects of cooperatives and the SSE. The IMF and the World Bank have also expressed their interest in this sector. Furthermore, the EU has repeatedly recognised the importance of cooperatives and the SE, as have Mercosur and other Latin American institutions, and the EIB participates in projects with Latin American SSE companies. This opinion takes the same view.

1.3 The opinion also aims to serve as the basis for the work of the EESC in preparing its 7th Meeting of EU-Latin America civil society organisations, to be held in Santiago de Chile in 2012. It is proposed that representatives of the SSE in LA and the EU be invited to take part in both the preparatory work and the meeting, in order to study the content of this opinion by means of a constructive dialogue. It is also proposed that the 7th Meeting express an opinion on the results of this dialogue. The EESC notes that the SSE in LA provides solutions for serious situations of social and economic inequality and violations of fundamental rights. It is a key instrument in the fight for decent work and for overcoming socioeconomic informality, and is vital to local development and social cohesion processes. The SSE encourages economic democracy and plurality. It is therefore considered a priority to promote all of these capacities and effects, thus helping to bring about a necessary change within the production model.

1.4 Co-existence and cooperation between the different tendencies of the SSE in LA is considered very useful. On the one hand, we must ensure that the SSE of a more entrepreneurial nature pursues objectives based on the principles of solidarity, without prioritising increased profits, and taking a greater part in achieving general well-being. On the other hand, the section of the SSE most focussed on social-political transformation must understand that companies need to be efficient and to obtain profits, creating networks enabling them to survive on the market. The SSE must not therefore place itself within the economy of poverty, but rather in a context of changing behaviour, bringing together development, economic efficiency and social justice in order to eradicate asymmetries of all kinds.

1.5 The SSE in LA suffers from fundamental problems which hinder its development: a lack of social and institutional visibility is one of the most serious. One of the reasons for this is the lack of rigorous measurement and quantification processes, preventing its dimensions and significant social effects from being assessed. Greater action is urgently required concerning the production of internationally approved statistics in the countries of Latin America, involving the cooperation of international bodies such as CEPAL, ACI-Américas, Fundibes, Cicopa and Ciriéc. The lack of an institutional presence for its representative organisations is also a serious problem which must be resolved by means of its recognition by the public administration and other social actors as a partner in the consultative institutions for social and economic policies. Economic and social councils and other bodies for social participation are another useful instrument for the involvement of SSE organisations.

1.6 With some notable exceptions, the lack of integrated and participatory public policies in relation to the SSE is a major obstacle to its consolidation and development. It is crucial to move beyond proposals based simply on direct economic aid without conditions, by fostering actions aimed at resolving the problem of its funding sources. Structural policies of general interest should be implemented, which include decisions in relation to legislation, together with the development of

education for innovation and of occupational skills, including in universities. The SSE's involvement in the development of social protection through health systems managed together with users must be enhanced. True State policies must be strengthened, with the aim of ensuring that continuity is not lost each time governments change.

1.7 If they cooperate, trade unions and other social players, including the SSE, can play a key role in developing institutional systems to combat legal irregularities and fraud resulting from the informal economy and the appearance of bogus self-employed workers. This would also help to guarantee decent work and universal, high quality public services and boost capacity-building initiatives.

1.8 The considerations and proposals contained in this opinion should be incorporated into an EU international cooperation policy towards LA in relation to the SSE. Cooperation projects must be established with the aim of setting up viable SSE enterprises to act as agents for social cohesion, local development, plurality, economic democracy and the widespread formalisation of the economy and of work. The SSE must be treated as a priority in EU cooperation with a view to promoting the consolidation of networks to act as agents in the implementation of economic cooperation and co-development policies. Cooperation projects in the field of the SSE should encourage coordination between players and networks, avoiding fragmentation and overlaps: it is essential to achieve initiatives that are more internationally-oriented and strategic in nature.

1.9 Moreover, during these times of global crisis, business and trade relations must be strengthened between the SSE in the EU and LA. Good SSE practices in LA could serve as examples to follow. It is particularly important for trade agreements signed with Latin American countries to promote the development of small and medium-sized enterprises and micro-enterprises and, specifically, of the SSE.

2. Social Economy in Latin America

2.1 A two-fold approach

2.1.1 This opinion's approach to the SE in LA is based on two inescapable factors: firstly, the real social differences between the EU and LA, and secondly, the fact that LA is not a homogenous area. This analysis therefore takes full account of this diversity. It also seeks to identify common areas which make cooperation possible on an equal footing and takes account of the transformations under way in both regions⁽¹⁾.

⁽¹⁾ Document COM(2009) 647 on the EU 2020 strategy. OJ C 347, 18.12.2010, p. 48–54 on *Promotion of socio-economic aspects in EU-Latin America relations*.

2.1.2 The two terms most frequently used in Latin America are "Social Economy" and "Solidarity Economy". The latter is used in a more generalised way, with conflicting views regarding its meaning (the concept of "Popular Economy", for example). The term SE has become established in Europe and refers to a concept with clear entrepreneurial undertones which plays a role within the system as an alternative and different way of doing things and does not see "profit-making" as a problem in itself. The crucial question here is how to distribute the surplus obtained, since the business activities of the SE must be competitive and generate profits. There is broad consensus in the EU regarding the term SE and its meaning⁽²⁾. In Latin America there are differing interpretations.

2.1.3 Over recent years, particularly as a result of political and economic changes in Latin America, the term Social and Solidarity Economy (SSE) has commonly been used to refer to this sector⁽³⁾. We propose that this term be used in relation to Latin America.

2.1.4 We can point out firstly that the SSE is entirely made up of bodies of a private nature, created to meet personal and social needs and not to serve the interests of capital investors. In Latin America, the situation in terms of the SSE differs from one country to another, although certain models clearly exist in all of them. On the basis of these common aspects, we can perhaps reach an inclusive interpretation of the concept of the SSE in Latin America. The SSE in Latin America is essentially made up of cooperatives, mutual associations, foundations, associations, worker cooperatives, social solidarity organisations, civic groupings and micro-enterprises of different types. These companies and bodies are founded upon solidarity and corporate social responsibility. The majority of them operate on the market, but sometimes they create special markets (e.g. fair trade) in which principles other than competition apply.

2.1.5 SSE organisations and companies differ from public and private companies, but they also produce goods and services. SSE companies need not therefore be exclusively or essentially charitable bodies, and nor need they be entirely non-profit-making. Making profits is necessary. The crucial issue is how to distribute the benefits of the activity, which are not measured solely in terms of financial profitability and the benefits they generate for their members and the community as a whole, but also in terms of the added social value they provide.

⁽²⁾ EESC opinion INT/447, OJ C 318, 23.12.2009, p. 22–28, on *Variety of forms of companies*. "The Toia report" INI/2008/2250/. EESC opinion on the promotion of cooperative societies in Europe (OJ C 234, 22.9.2005). EESC opinion on the Social Economy and the Single Market (OJ C 117, 26.4.2000). The recent Spanish Law on the Social Economy of 2011.

⁽³⁾ For example, the ILO uses this term in the recent 2010 reader drawn up by the International Training Centre (ITC-ILO) on *Social and solidarity economy: building a common understanding*.

2.2 Dimensions and measurement

2.2.1 One of the great problems hindering the development of the Latin American SSE is the difficulty of systematising information on this sector, a problem which exacerbates its social invisibility. The true impact of the SSE must be identified, not just guessed at. In the absence of measurements, it is very difficult to identify its true social importance and how it differs from other kinds of enterprise in terms of the impact of its economic, social and solidarity activities. The same is urged for the sector in Europe: statistical recognition; the creation of reliable public registers; satellite accounts for each institutional sector and area of activity, all with a view to achieving greater visibility⁽⁴⁾.

2.3 SSE organisations

2.3.1 As in many EU countries, the priority in LA is also to resolve the SSE's lack of sufficiently consolidated, integrated and effective representation. Although much progress has been made, the representative structures of the different categories of the SSE must be organised in a pyramid fashion, in a bottom-up, sectoral and territorial manner, while preventing fragmentation, competition between them and corporatism. Given the proximity of these organisations to local and regional authorities, they can readily be seen as a focus for social provision and for innovation with the capacity to respond to the most serious socio-economic problems.

2.3.2 When SSE organisations⁽⁵⁾ acquire the recognition they need to give them a genuine capacity for discussion and negotiation, they consolidate areas of influence to create synergies in relation to capacity-building, business efficiency, corporate social responsibility, new management models, combating bad practices and ultimately greater effectiveness within the economic system.

⁽⁴⁾ There are no accurate statistics in Latin America, but studies carried out by FUNDIBES in 2009 provisionally suggest that there are more than 700 000 SSE organisations, around 14 million members. Moreover, the scale of the informal economic sector's presence throughout the region makes it extremely difficult to quantify precisely or even approximately. According to the ICA, Latin America is the fastest growing region in terms of new cooperatives and members (2009). Inacoop (Uruguay) gives some figures for 2008: 1 164 cooperatives, 907 698 active partners, with an annual production worth 1,708 billion dollars (3.2% of total production), 27 449 workers. Again in relation to 2008: Argentina: 12 760 cooperatives and 9 392 713 members; 4 166 mutual societies with 4 997 067 members; 289 460 workers (source: INAES). Chile: 1 152 cooperatives and 1 178 688 members; 536 mutual societies (source: Fundibes). Colombia: 8 533 cooperatives and 139 703 members; 273 mutual societies and 4 758 members (source: Confecoop). Guatemala: 841 cooperatives and 1 225 359 members (various sources). Paraguay: 453 cooperatives and 1 110 000 members (source: Fundibes). For Brazil, see footnote 9. There are also studies indicating that the SSE is strong in the face of the crisis. However, all of these data and assessments are intuitive and approximate rather than verifiable.

⁽⁵⁾ Examples of representative bodies: CONFECOOP (Colombia), CONACOOOP (Costa Rica), CONFECOOP (Guatemala), CONPACOOOP (Paraguay), Honduran Confederation of Cooperatives, OCB (Brazil), CONACOOOP (Dominican Republic), CUDECOOP (Uruguay), Mexican Council of Solidarity Economy Companies and COSUCOOOP (Mexico). At international level, bodies include ACI-Américas and Cicopa.

2.4 Public policies

2.4.1 One of the tasks yet to be resolved by the SSE is how to create agreements and alliances with public authorities on the basis of mutual respect and independence. Public policies are therefore one of the priority concerns and objectives of the SSE in Latin America. Policies based essentially on direct economic aid without conditions are sources which are not controlled and which are unpredictable, and they may become a tool for pressure and manipulation. Policies which are purely palliative or merely provide assistance promote bad practices.

2.4.2 Integrated and participatory policies must be promoted which are in line with the essential aims of the SSE and of governments with an interest in the SSE's capacity to mobilise community resources in the market in order to achieve general benefits with innovative solutions to complex problems. Public administrations and SSE organisations undoubtedly share social objectives in terms of meeting people's urgent needs⁽⁶⁾.

2.4.3 Access to funding is an endemic problem for the SSE, seriously hindering its development. The SSE is primarily financed by the contributions of its members and promoters, and not by capital from third-party speculators. Meanwhile, it makes broad use of practices which benefit the general interest. Public action is generally scarce and is not sufficient to create regular funding channels by means of legal reforms and macro-economic measures which are appropriate for the SSE. There must be State policies which include the SSE in the general planning of the economy, policies on the funding of the industry to provide new capital, with the enhancement of risk capital, funding for economic participation by workers and members, support for the creation of business groups, and promotion of SSE involvement in public procurement. Measures which constitute unjustified obstacles to the development of the financial bodies of the SSE, such as ethical banking and microfinancing, must be reformulated as a matter of urgency.

2.4.4 The majority of States lack clear policy action lines which produce programmes that are coordinated in terms of their various levels, competences and administrative structures, in order to institutionalise the SSE and treat it in an inter-sectoral manner. Administrative procedures are not sufficiently flexible and there is no effective harmonisation at State and supranational level in relation to the promotion and support of the SSE. There is an absence of public policies to prevent the destruction of small social enterprises and the local solidarity-based production fabric, as well as of employment training and

⁽⁶⁾ Public institutions for the SSE: Infocoop (Costa Rica), Dansocial (Colombia), Incoop (Paraguay), INAES (Argentina), SENAES (Brazil), Inacoop (Uruguay) and Insafocoop (El Salvador).

business management policies, particularly at municipal level⁽⁷⁾ and of policies to update the legislative frameworks for the various configurations of the SSE. We would place particular emphasis on the need to implement public policies on education (ILO Recommendation 193, 2002) geared towards the SSE. Public administrations, including universities, and the SSE have not made sufficient efforts to work together.

2.5 Economic development in Latin America and the role of the SSE

2.5.1 Equitable economic growth and development

2.5.1.1 Latin America is developing favourably in terms of conventional growth, though there are variations between countries. Unfortunately, however, this growth is taking place in a context of enormous social inequality, with mass and stagnated unemployment in certain social sectors, generalised employment precariousness and pockets of social exclusion and poverty. Nevertheless, the restoration of a "proactive State", aware of this unsustainable social duality⁽⁸⁾ appears to encourage more equitable growth and respect for the environment.

2.5.1.2 The contribution of a consolidated SSE in LA to managing development focuses on resolving serious situations of poverty, inequality, exclusion, the informal economy, human exploitation, lack of social cohesion, business relocation and ultimately creating a fairer distribution of income and wealth, thus helping to bring about a necessary change within the production model. This is where the SSE comes in, providing social welfare services and, in relation to other sectors, offering comparative advantages in terms of efficiency in the allocation and production of preferential social goods and services. Its capacity to reach broad sectors of the population, in areas normally distant from economic centres and centres of power, makes it ideal for achieving fairer development.

2.5.2 The informal economy and social rights

2.5.2.1 The informal economy is an immense issue in Latin America, as it is in certain parts of the EU, in which work and economic activities take place in the total or partial absence of

social protection or respect for the legislation in force. Unemployment, underemployment and poor quality working conditions, violate the ILO's declarations on decent work⁽⁹⁾. This is a serious problem. A direct link has been found between informal employment or underemployment and poverty rates, and this is endemic amongst women, young people, indigenous people, people of African origin and people with disabilities, both in terms of employment informality and in terms of unequal pay and conditions. In contrast, alongside other players, the SSE is an effective tool for combating informality, as it legalises the situation of people and enterprises and providing them with social protection. It also helps to prevent the emergence of practices promoting the self-interested outsourcing of low-quality public services lacking performance guarantees and of low quality, thereby undermining the social protection of beneficiaries. If they cooperate, trade unions and other social players, including the SSE, can play a key role in developing institutional systems to combat legal irregularities and fraud resulting from the informal economy and the appearance of bogus self-employed workers. This would also help to guarantee decent work and universal, high quality public services and boost capacity-building initiatives.

2.5.2.2 The ILO acknowledges the role played by the SSE, since the values and principles on which its enterprises are based include respect for fundamental principles and rights at work⁽¹⁰⁾. It has shown that it can extend social protection services to people and consumers who are not covered by fiscal social security systems, and that it can help to correct imbalances in the labour market and ensure equal treatment.

2.5.2.3 There are many informal groups of self-employed people in the SSE who are unable to obtain employment training, funding or official recognition. Links based on reciprocity and trust between small-scale producers or craftspeople could create formalisation processes via SSE enterprises since, for example, non-member producers have practically no means for accessing the formal market. The SSE's involvement in the development of social protection through health systems managed together with users must be enhanced. It is crucial to eradicate any possible informality within the SSE itself.

⁽⁷⁾ As indicated for SMEs in EESC Opinion REX/180 (15.2.2006), OJ C 88, 11.4.2006, p. 85–93 on *Relations with Mexico*.

⁽⁸⁾ According to data from CEPAL more than half the population (350 million people) are beneath the poverty line and 22 million children have to work in order to survive. It is worth highlighting the measures adopted in the last decade by the Brazilian governments enabling millions to escape situations of extreme poverty. The SSE in Brazil has contributed to these achievements via the national department for the social economy (SENAES) and the strategy of its head, Prof. Paul Singer, who recently stated that the SSE needs to have more money and market share and to be better known.

⁽⁹⁾ According to the Solidarity Economy Map of Brazil, there are 22 000 enterprises in that country, a third of which are informal (www.fbes.org.br). See also EESC Opinion REX/232, OJ C 256, 27.10.2007, p. 138–143, on *EU-Central America relations*. EESC Opinion SOC/250, OJ C 93, 27.4.2007, p. 38–41, on *Promoting decent work for all* and the Working Document of 12.10.2009 on *Strategies for maintaining and creating jobs, particularly for women and young people* of the Euro-Latin American Parliamentary Assembly.

⁽¹⁰⁾ The Reader 2011 "Social and Solidarity Economy: Our common road towards Decent Work", at <http://socialeconomy.itcilo.org/en/2011-readers>. Also in connection with point 3.2 of the present opinion.

2.5.3 Local development and social cohesion

2.5.3.1 The aim of establishing minimum levels of social cohesion is considered essential to any approach to development⁽¹¹⁾. Local governments are coming to realise the importance of supporting SSE entrepreneurs in order to revitalise rural and urban communities. These enterprises create local jobs and their profits circulate locally and accumulate for the purposes of local reinvestment. This ensures primary processes of social cohesion with local control of investments, products and services, and circulation of profits for mobilisation within the local and regional economy, helping to stabilise the economy.

2.5.3.2 The SSE shows a capacity to create and extend entrepreneurial culture and fabric and to link economic activity to local production needs. The SSE stimulates locally-generated development processes in rural areas, the revitalisation of industrial areas in decline and the regeneration of run-down urban spaces, thereby resolving serious regional imbalances without keeping to a single local development model, but rather enabling different methods to function in parallel according to regions' social and economic needs.

2.5.3.3 The SSE facilitates regional autonomy by attaching particular importance to civil society when determining the development model for the area and controlling the development of growth and structural change processes. Agricultural cooperatives are an essential element in these processes. Social cohesion policies must focus on the local (rural and urban) in order to guarantee basic social services, infrastructures and education. The SSE is essential to this task.

2.5.4 Economic democracy and plurality

2.5.4.1 The SSE is not a marginal sector, but rather an institutional element of the economic system, coexisting with the public and private sectors. It therefore creates economic plurality, providing a counterbalance for the other two. The SSE contributes to sustainable development, promotes the voluntary sector and seeks to enhance equal opportunities through its educational promotion systems. It is essential to achieving social stability, the sustainability of economic growth, the redistribution of income and the implementation of economic alternatives.

⁽¹¹⁾ For example, the many relevant documents include: EESC: 6th meeting of EU-Latin America organised civil society, 2010. ECLAC working documents for the Ibero-American Summit of Heads of State and Government in Santiago de Chile, 2007. EESC REX/257, OJ C 100, 30.4.2009, p. 93–99, on *EU/Brazil relations*. EESC REX/232, OJ C 256, 27.10.2007, p. 138–143, on *EU/Central America relations*. EESC: EU/Central America Association Agreement. EU/LA Guadalajara Summit. EESC: 4th meeting of EU/LA and Caribbean organised civil society, 2006. EESC REX/210, OJ C 309, 16.12.2006, p. 81–90, on *EU/Andean Community relations*. EESC REX/180, OJ C 88, 11.4.2006, p. 85–93, on *EU/Mexico relations*. EESC REX/135, OJ C 110, 30.4.2004 p. 40–54 on the *Americas Free Trade Agreement*. CESE REX/13 (OJ C 169, 16.6.1999). Of particular relevance is CESE REX /152, OJ C 110, 30.4.2004, p. 55–71, on *Social cohesion in Latin America and the Caribbean*.

2.5.4.2 The SSE provides an ongoing education in democracy and citizenship, by operating on the basis of the principle of democracy and people's participation in decision-making regarding their economic processes. It builds social fabric and its capacity to contribute successfully to conflict resolution and in favour of peace and social justice make it a crucial element of the economic and social system in Latin America. These capacities must be promoted.

3. International SSE cooperation

3.1 The need for cooperation

3.1.1 The SSEs of the EU and of Latin America are based on similar principles and practices, and their points in common could therefore help encourage cooperation between the two regions both in terms of sustainable development and trade and business exchanges.

3.1.2 To reiterate a point that the EESC has made on other occasions, it would stress the need for trade agreements signed with LA countries to promote the development of small and medium-sized companies and micro-enterprises and, specifically, of the SSE⁽¹²⁾.

3.2 Networks

3.2.1 Networks made up of representative bodies of the SSE, social enterprises and information, quantification, innovation and university training centres can create platforms which work to overcome the major shortcomings identified. The EU can be particularly useful when it comes to achieving these aims, though measures must not be geared exclusively towards the countries or regions with the lowest incomes, but also towards the emerging ones with average incomes, which need to consolidate their social cohesion and equitable growth. Basing an SSE on reliable networks would help to identify the most urgent needs and the most effective projects, making the EU's international cooperation more selective. EU action to create networks between the LA and other developing regions (Africa, Asia, etc.) based on the SSE can be of crucial importance⁽¹³⁾.

3.3 Development Cooperation and Co-development in the SSE

3.3.1 The EU can tackle cooperation through the implementation of **SSE Business Plans for Sustainable Development**⁽¹⁴⁾ with the participation of committed Latin

⁽¹²⁾ CESE REX/277, OJ C 347, 18.12.2010, p. 48–54, on the *Promotion of socio-economic aspects in EU-Latin America relations*. See also the positions adopted by the EESC on the various trade agreements with countries of the region.

⁽¹³⁾ In this context, it is necessary to take into account the role that China is playing at global level and its importance as a strategic partner. There are major networks in LA such as Red del Sur (Mercosur); Unisol (Brazil) and the FIDES fund (Mexico).

⁽¹⁴⁾ The link between the SSE and environmental sustainability is one of its distinguishing features. See Chapter 9 of the document cited in footnote 10 to this opinion, regarding "green jobs". Also OJ C 48, 15.2.2011, p. 14–20 and OJ C 48, 15.2.2011, p. 65–71.

American governments and the cooperation of SSE organisations from both continents, establishing guidance programmes and technical assistance for entrepreneurs within the context of active employment policies. The EU will thus be seen as having more than simply a business interest in Latin America.

4. 2012 as a turning point: UN International Year of Cooperatives; 7th Meeting of EU-Latin America organised civil society

4.1 In its General Assembly Resolution (64/136), the UN declared 2012 to be International Year of Cooperatives. The

important statements in the Resolution, stressing cooperatives' contribution to economic and social development throughout the world, include a call for them to be actively promoted in particular during 2012. This opinion supports the content of that Resolution in all respects and agrees with its proposals.

4.2 Also in 2012, the **7th Meeting of EU-Latin America organised civil society** is to take place. In the context of this meeting and its preparatory meetings, working sessions will be held on the content of this opinion with representatives of the SSE, LA and the EU, aimed at reaching consensus on the recommendations to be contained in the final document.

Brussels, 22 February 2012.

*The President
of the European Economic and Social Committee*
Staffan NILSSON
