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## **Social and Solidarity Economy, South–South and Triangular Cooperation and Social and Solidarity Finance**

*Harmonious and Promising Connections*

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Workshop contribution prepared for

### **Social and Solidarity Finance: Tensions, Opportunities and Transformative Potential**

Organized in collaboration with the Friedrich-Ebert-Stiftung  
(FES) and the International Labour Organization (ILO)

11-12 May 2015, Geneva, Switzerland



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United Nations Research Institute for Social Development

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**The purpose of this presentation is trying to show the harmonious and promising connections between Social and Solidarity Economy, South-South and Triangular Cooperation and Social and Solidarity Finance in the construction of new paradigms of society and the promotion of territorial development.**

## **Context**

The financial crises that occurred lately have brought to light the social and environmental harms caused by the inherent instability of the financial system. Recent International Labor Organization reports indicate that the world prospects for the creation of job opportunities have become worse. Within this scenario, millions of workers in the developed and developing world are seriously underemployed, involved in survival activities of extremely low productivity (no decent work).

In the words of Guy Ryder, Director-General of the ILO (2013)<sup>1</sup>: *“An uncertain economic outlook, and the inadequacy of policy to counter this, has weakened aggregate demand, holding back investment and hiring, prolonging the labour market slump in many countries, lowering job creation and increasing unemployment duration even in some countries that previously had low unemployment and dynamic labour markets.”*

In that sense, SSE gains ground, and South-South and Triangular Cooperation is a manifestation of this among the countries and peoples of the South. One that contributes to national well-being, national and collective self-reliance, and the achievement of internationally agreed development objectives, including the Millennium Development Goals, as advised in the ILO’s South-South and Triangular Cooperation strategies. Along these lines, SSE takes on fundamental importance, as it upholds the possibility of generation of work, employment and income coming out of the solidarity-based economic enterprises.

SSE constitutes a phenomenon that is progressively expanding within the academy, in the agendas of national and international public policies and in the multilateral agencies. However, it is marked by weaknesses and challenges (Morais, 2013)<sup>2</sup>. Among these, the financial issue is central. Thus, the SSF constitutes an immensely important matter for the existence and maintenance of Social and Solidarity Economy Organizations (SSEO), especially in an economic system in which the access to financial support to these types of organizations is difficult or unfeasible (Utting, Dijk and Matheï, 2014)<sup>3</sup>. However, as noted, is still very low this contribution to the existence and maintenance of SSEO. In this sense, this work aims to reinforce the importance of moving forward on public policies that allow this aim.

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<sup>1</sup> <http://www.valor.com.br/internacional/2979176/desemprego-global-deve-piorar-novamente-em-2013-alerta-oit>

<sup>2</sup> Morais, Leandro. 2013. As políticas públicas de Economia Solidária (ESOL): avanços e limites para a inserção sociolaboral dos grupos-problema. Campinas: IE-UNICAMP (DoctoralThesis).

<sup>3</sup> Utting, Peter, Nadine van Dijk and Marie-Adélaïde Matheï. *Social and Solidarity Economy: Is There a New Economy in the Making?* Occasional Paper 10. Geneva: UNRISD, 2014. <http://www.unrisd.org/utting-et-al>

## **Social and Solidarity Economy, South-South and Triangular Cooperation and Social and Solidarity Finance: harmonious and promising connections**

Local economic and social development projects carried out by initiatives and organizations from the SSE bring as a corollary the integration between the economic and social dimensions, in addition to driving new productive behaviors within the territory, based on partnerships, cooperation, bottom-up actions, community development and generation of social capital; experiences where SSF are very important and productive, because this relationship even contributes to territorial development (Morais&Bacic, 2014)<sup>4</sup>.

Local initiatives refer to a set of knowledge, competencies, notions and principles acquired over time, which give a “sense” and “identity” to a number of practices that generate dynamic economic, political and organizational and articulation. Such experiences emerged in different local contexts and are characterized by an enriched repertoire of technical–productive practices and of economic and social organizations that are accredited as creators of new territories and ways of living (Morais& Di Meglio, 2014)<sup>5</sup>.

Some examples can be mentioned and even strengthened. These programs and actions within the South-South and Triangular Cooperation, incorporate in their goals, the ability to generate employment and income opportunities and, consequently, territorial development: a) Innovation in Public Employment and Inclusive Sustainable Growth Programmes, under the auspices of the IBAS Forum (India, Brazil, South Africa) and the Global South-South Development Expo on “Energy, Climate Change and Decent Work” held in 2012. The ILO also works in close collaboration with the countries of the IBAS Forum to promote the lessons learned coming out of initiatives like the Mahatma Gandhi National Employment Guarantee Law of India, the Brazil Family Allowance and the South-South Africa Community Work Programme; b) Programmes in the area of the green economy as the “Brazil’s Green Allowance” for transfer income and socioeconomic integration of the rural population that is in extreme poverty, Argentina’s Renewable Energy Sources, for technical and vocational training for the construction sector, the Network of Training Institutions of Central America and Caribbean, which contributes to socio-labour integration of underprivileged groups in the labour market, the “Cobitech Project” an African Programme (partnership with Kenya, Tanzania and Uganda) for integration of young people through green businesses and “My Coop”, related to agricultural cooperatives (Morais, 2014)<sup>6</sup>.

In this perspective, South-South and Triangular Cooperation takes in initiatives at social, economic, environmental, technical and political level, becoming a useful tool to involve social partners from the developing countries in the promotion of the Decent Work Agenda, through development cooperation. South-South and Triangular

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<sup>4</sup> Morais, Leandro; Bacic, Miguel Juan. *Local Development and Social and Solidarity Economy (SSE): connections with the local generation of jobs and income in Asia and in Latin America*. In: ANAIS 3rd International Conference on Social Enterprise in Asia: searching for motives, models and measurement. South Korea, Wonju, 2014.

<sup>5</sup> Morais, Leandro; Di Meglio, Roberto. *Desenvolvimento Territorial e Economia Solidária (ESOL): conexões com a geração local de trabalho e renda*. In: Revista de Desenvolvimento Econômico Territorial. Brasília: SEBRAE, 3 ed. Junho, 2014.

<sup>6</sup> Morais, Leandro. *Social and Solidarity Economy and South-South and Triangular Cooperations in Latin America and the Caribbean: contributions to Inclusive Sustainable Development*. ILO, Geneve, 2014.

Cooperation is a manifestation of solidarity among the countries and peoples of the South. South-South and Triangular Cooperation takes on different and evolving forms, including, particularly, sharing of knowledge and experience, training and technology transference and the ILO's tripartism.

All of these help it to play a significant role, because the structure of the ILO provides a useful tripartite platform for the construction of consensus and cooperation among the actors. Through South-South and Triangular Cooperation, it is possible to reach more inclusive and sustainable patterns of development, allowing to face the global crises in their different facets. Indeed, South-South and Triangular Cooperation has been an effective means to promote cooperation between trade unions and universities, for the purpose of strengthening knowledge and research capacity for intervention, in terms of policies and organizational development (Morais, 2014).

As indicated by Jürgen Schwettmann (2013), in the preface to *City-to-city and South-South and triangular cooperation*<sup>7</sup>: "Local communities offer a wealth of opportunities for innovative projects, supporting job creation and the development of sustainable enterprises". The construction and maintenance of a favorable environment for SSF requires discussion about these aspects.

SSF practices are distinguished from other forms of economic organization because they function to an idea of proximity of finances and self-management. In this context, human relations, personal contact and social mediation (based on values such as trust and solidarity) are the most important bases. SSF contribute to strengthen economies in the territories. It has a high degree of social relevance.

## Types of SSF

It is possible to consider seven main instruments:

- **Solidarity exchanges:** exchange clubs networks;
- **Cooperatives of Credit:** a way to join the household savings, often accumulated, sell household production and promote the credit for its members;
- **Ethical banks:** also known as a **social, alternative, civic, or sustainable bank**, is a bank concerned with the social and environmental impacts of its investments and loans.
- **Microfinance:** a general term to describe financial services to low-income individuals or to those who do not have access to typical banking services.
- **Community Development Banks CDB):** are created and managed by the community itself in the shape of self-management and community guarantees;
- **Social Currency:** or local currency is an instrument that circulates locally, it aims to make "money" circulate in the community or territory;
- **Solidarity Revolving Funds:** it is a methodology for financial support to productive activities characterized by voluntary commitments

### ***Banco Palmas: An example of integrating types of SSF***

A good example, in Brazil, Banco Palmas is considered the most famous and successful community bank, creator of a model that has been reapplied quite often in the country: to get an idea, today there are close to 50 similar experiences. This is a territorial development program involving micro-credit, social currencies, creation of SSE initiatives, vocational training and education for consumption. This experience emerged and developed within the community. Today, Banco Palmas also undertakes strong

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<sup>7</sup> Amorim, Anita; Martinot-Lagarde, Pierre (Coordinators), *City-to-City and South-South and Triangular Cooperation*, ILO, Geneva, 2013.

political activities in the field of micro-finances, seeking its recognition and the creation of legal frameworks and public policies on SSE.

This is an interesting experience of territorial development, resulting from the junction between the SSE and the SSF. In order to articulate this experience, three instruments were designed to be used in combination with microcredit: a “social currency” (to encourage local spending); intensive professional training (the aim is to provide the members of the community with specific professional and business skills that will help them to take advantage of microcredit loans) and a map of local production and consumption (the idea is to adjust the quantities being produced to the local demand).

Some studies estimate that 1,600 people have been trained due to the project, and 700 direct and 2,500 indirect work positions have been created. Local merchants have registered an increase of 30 to 40% in their sales, indicating the success of the program in terms of increasing circulation of local wealth within the community.

Source: <http://www.bancopalmas.org.br/>

The experience of Bank Palmas has become a reference of CDB in Brazil. It is possible to say that the Bank of Palmas created a Brazilian model of CDB, which is different from the models that are seen in other countries, as well as in Argentina (“Nuestras Huellas”)<sup>8</sup> and India (“Budat Banks”). Based on this Brazilian model and the methodology that was developed, Palmas Institute promotes experiences and reapplies the methodology of CDB in other places. Using the accumulated expertise, Palmas Institute started defining a CDB. The following characteristics were pointed:

- Property and control by the community;
- Correspondent banking;
- Social currency;
- Credit to consumption;
- Productive credit;
- Support to local enterprises of SSE

There are more than fifty other examples in Brazil, such as Banco dos Cocais, Tremembé, Paulo Freire, Casa do Sol etc. We can learn some lessons from them: a) the relation with the territory to which they belong (community, neighborhood or a small city), because it seek to simultaneously invest in the territorial or local capacity of production, of generation of services and consumption; b) the building of local networks of solidarity economic through the articulation of producers, service providers and local consumers; c) endogenous mobilization of its territory; d) close relationships and mutual trust; e) in some cases, use of local social currencies.

### ***SSF in Brazil: tensions, opportunities and transformative potential***

Concerning microcredit in Brazil, it is important to know that it is not a recent activity. The first initiatives in the field date back to 1973. However, the Brazilian microcredit activity never reached a significant scale until late in the 1990’s. Only in recent years has the Brazilian microcredit industry received a more sizeable impulse. This is due to a series of governmental measures aimed at adjusting the activity’s legal environment. This set of regulations was called “**PNMPO – Programa Nacional de Microcrédito Produtivo e Orientado**” (National Program for Oriented and Productive Microcredit<sup>9</sup>),

<sup>8</sup> <http://www.nuestrashuellas.org.ar/>

<sup>9</sup> <http://portal.mte.gov.br/pnmpo/apresentacao/>

during President "Lula" da Silva's administration in 2005, and **National Program of Microcredit - CRESCER** (GROW'S PROGRAM') - in 2011, during President Dilma Rousseff's administration (which is part of the "**Brazil Without Misery Program**"<sup>10</sup>).

Despite these changes, microcredit activities in Brazil have not yet achieved significant growth. Estimates are that fewer than 200,000 low-income Brazilian micro-entrepreneurs have access to microcredit loans, out of a total of 8 million eligible clients. The microcredit penetration rate (ratio between the actual and potential number of clients) remains steady at approximately 2%, ranging among the lowest in the world (Jayo&Pozebon, 2009)<sup>11</sup>.

Another information that show the low level of participation of SSF is that from the total of SSEO that were identified in the most recent survey conducted by SENAES, the main economic activity is production (56%), followed by consumption (20%), trade (13.3%), services (6.6%) and last, savings, credits or solidary finances (1.7%).

From the total of SSEO, 77% did not ask for credit and of these, almost half, due to the fear of running into debts. This is the "Gordian Knot" of SSE: the difficulty to participate in adequate conditions in the financial resources that are available in the society (Gaiger, 2014)<sup>12</sup>.

## **SSF, SSE and territorial development: some lessons**

1. These experiences refer to the territory to which they belong. They seek to simultaneously invest in the territorial or local capacity of production, of generation of services and of consumption. One of the conditions necessary for its creation is the endogenous mobilization of its territory. In other words, the initiative must be created in response to an intrinsic desire of the community;
2. Their main goal and commitment is the construction of local networks of solidarity economies through the articulation of producers, service providers and local consumers;
3. In terms of their operation, four basic traits characterize these experiences: their resources are coordinated and managed by a community-based organization; microcredit lines for production and local consumption are used in order to provide fair interest rates in order to generate income and work throughout the community; loan granting and collection are based on neighborhood relations and on solidarity, imposing a control that is much more social than economic; they establish alternative instruments to stimulate domestic consumption, such as - local credit cards and local social currencies;
4. SSF is important, but should be articulated to a wide range of technical advisory with territorial basis ("service's basis") as well as directed public policies (of "State" and not only "government policy") and an "entrepreneur ecosystem" (Bacic, 2014)<sup>13</sup>;

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<sup>10</sup> <http://www.mds.gov.br/falemds/perguntas-frequentes/superacao-da-extrema-pobreza%20inclusao-produtiva-urbana/programa-crescer>

<sup>11</sup> JAYO, M.; POZZEBON, M. Microcredit and Innovative Local Development in Fortaleza, Brazil: The Case of Banco Palmas. *Canadian Journal of Regional Science/Revue canadienne des sciences régionales*, XXXII: 1 (Spring/printemps 2009), 115-128

<sup>12</sup> GAIGER, L. (Org). *A Economia Solidária no Brasil: uma análise de dados nacionais*. Editora OIKOS, 2014

<sup>13</sup> BACIC, Miguel Juan. Da oportunidade de pensar no desenvolvimento de um ecossistema empreendedor para os empreendimentos de economia solidária em América Latina. In: *International*

## **But.....We need more!**

It is important to discuss, especially in a workshop like this, how to improve these practices and also to think of public policies that might give further support and protection.

It is necessary:

1. To build and maintain the confidence of the community: the acceptance and legitimacy of these practices;
2. To face the lack of a legal framework and public policies to foster SSF practices, complicating the management and sustainability of the bank, particularly in terms of raising funds for loans and training in order to obtain backing and achieve the circulation of social currencies;
3. Further discussion about the Solidarity Revolving Funds: where a community is responsible for the management of local resources, bringing back the practice of alternative finances rooted in the popular organizations, where the interests and the solidarity woven into the social relations, inside and outside the productive groups in the form of social capital, turn into means of income generation.
4. Possibility of a South-South Community Bank or a South-South Revolving Fund and a bank of experiences in the region, in order to assess, analyze, learn, face the challenges and expand opportunities.