

DESIGNING INDICATORS FOR THE SOLIDARITY ECONOMY¹

I. Introduction

The search for a methodology that helps us build a vision of society from the perspective of the social groups involved in the solidarity economy, with their local, regional or national viewpoints, can not be substituted by a set of indicators. The indicators would become a record without specific users that could hardly orient actions or decisions, the major objectives of sustainability indicators. The absence of an “explicit and socially constructed vision” is a major deficit in this proposal. But as suggested by Marcos Arruda, if we make an attempt to search for indicators that make visible the progress and activities of the solidarity economy and its contributions to sustainable development, they could also be useful in supporting a vision and dialogue with the different levels of government (and international organizations). It is indeed possible to develop a set of indicators to evaluate progress, actions and specificities of the solidarity economy. The main challenge is to ensure that these indicators reflect the results of participatory evaluations that strengthen the internal dynamics of the groups and their negotiating abilities with external agents.

II. Merging sustainability and the solidarity economy

The construction of sustainable societies presents us with major challenges, especially if that model is to be based on social justice and on attaining an ecological balance between peoples’ needs and activities and the carrying capacity of the ecosystem supporting them². Another challenge is to make visible the contributions the solidarity economy (SE) has made. A large diversity of local and regional developments of SE alternatives integrating ethical codes and strengthening relations within communities is taking place in different parts of the world. They are also protecting their collective identities and improving their local control. The strengthening of social and productive structures to guarantee equitable opportunities for all, without exclusions and following the principles of environmental sustainability have allowed the emergence of multiple nodes that are improving the quality of life often in confrontation with neo-liberal politics pervasively dominating public life. Their recognition as relevant social alternatives has provoked different reactions by governments, including some highly positive ones such as the recent creation of a Secretary (at the level of Ministry and Vice-Ministry) of Solidarity Economy and a legislative framework to promote the solidarity economy, in Brazil, for example. Often, government policies have used the solidarity economy as a palliative to mitigate the impacts of economic liberalization. An extensive review of SE conceptual approaches and experiences has been prepared by P. Guerra (2002).

The development of the SE in different countries and regions show a multiplicity of undertakings that effectively resolve major failures in the access to goods and services by poor communities. They place cooperation and solidarity and local development as central pivots for their actions. Some of these undertakings transcend the local space and integrate with local and regional networks, that themselves also form with larger tertiary level national or international organizations. Many of these initiatives have been labelled as “informal” or micro-enterprises, for they present low levels of financial investments and cannot compare with large external investment projects that change the pattern of production and offer to create new employment

1 Discussion paper prepared by Bernardo Reyes, Ecological Economics Program, Institute for Political Ecology, Santiago, Chile, for the Indicators Workshop meeting in Dakar, November, 2005.

2 A thorough review of sustainability indicator approaches and methods can be found in Hans Michael van Bellen “*Indicadores de Sustentabilidade. Uma Análise Comparativa*”. 2005. FGV Editores, RJ, Brazil.

while taking control over the natural resources and the territory. Yet, the systematization of solidarity and popular economy projects undertaken by the PACs (Community Alternative Projects) in Brazil reflect their outstanding contributions to the collective well-being³.

It is clear that from a broader perspective, the lack of instruments to maintain good records and evaluation tools on the contributions made by the solidarity economy to the social, environmental and economic development is undervalued by government and financial institutions. They are seen only as “social mitigation strategies”, “survival strategies” or “poverty alleviation” measures. Of course not all of these collective initiatives have the desire to change the productive and cultural identities of the territory, nor change the consumption patterns. Instead, they are aimed at building greater conviviality while strengthening the self management and cooperation capacities in the community. They do seek the “bright opportunities” that globalization and modernity bring into the poor local communities in giving away control over their resources and territory. The nature of these “barefoot economies” and “human scale development” initiatives, as described by Max Neef (1986) is to protect and manage in a sustainable fashion local resources while strengthening the local productive identities. They go unnoticed by the media and are often unable to exert political pressure to obtain greater economic and political advantages. It is not rare then, that the SE is undervalued in its contribution to the development, sustainability and democratization of the economic system.

The solidarity economy is a practice whereby the workers and small producers of the world build an economy based on the appraisal of labour and the use value of the goods (produced by themselves) that leads to a reduction in the average labour shift. It also seeks to increase control over the natural resources by the workers and producers, who through associations and self-management build a national development perspective as an alternative to capitalism (P. Singer, 2009).

“The solidarity economy” is a special and distinctive way of developing the economy whose characteristics are considered an alternative to the prevalent capitalist system and state owned modes of production. In the spheres of production, “factor C” is expressed as cooperation in the workplace, the shared use of knowledge and information to promote social creativity. It is also the adoption of collective decision-making that helps to reduce conflict and costs. In short, an attempt to help the development of the individual involved in productive and self-management community activities. (P. Guerra, 2002)

III. The expanding nature of the solidarity economy

The number of activities of the solidarity economy with a high international profile has been growing. They are portrayed with their new values of cooperation and reciprocity among people to overcome the dominant drive of markets and globalization oriented towards accumulation of economic and political power. The emergence of “ethical banking” in different continents, is another phenomena that builds on early experiences of microfinance in support of the SE. Often, as reflected by many authors and studies (see Alsina, 2002, Yunus, 2001, Guerra, 2002) its existence and expansion is limited by scarcity of financial and technological resources. Yet, solidarity finance is recognized as an essential component of the SE. The consolidation of solidarity markets through different forms of fair trade is also expanding in geographical coverage as well as in the number of goods and services (larger volumes of transactions and sales), increasing the public profile of this “alternative economy”. Yet the SE as a framework for fair trade and ethical banking is still poorly debated and not broadly recognized.

3 See “20 Years of Solidarity an Popular Economy”. Caritas Brazil, 2004

The creation of solidarity markets promoting fair prices, solidarity finance, ethical banking along with the association-based processes of thousand of cooperatives around the world provide the evidence of the construction of “Another Better World”. In this context the networks that articulate this production, innovation, creativity, are nodes that strengthen associations and control over the territory facilitating the flow of information and exchange of experiences. These networks highlight the otherwise isolated experiences promoting the creation and recognition of popular as well as ancestral knowledge, often ignored by the modernizing trends of market economy. These networks also show local, regional and international level of interactions, facilitating the integration of experiences while enhancing their political impact.

It is precisely the public profile of solidarity economy initiatives promoting greater sustainability in the management of communities and greater social control over the resources and productive processes that has sparked a growing number of meetings, debates and workshops to understand its contributions and challenges. The progress has been systematized through many workshops, international debates and internet forums, as well as at the open debates at the World Social Forum. Yet, there is still a pending task to design a comprehensive set of indicators to signal the progress of “alternatives” and the construction of new concepts of wealth.

IV. The search for Indicators of Solidarity Economy and Sustainable Societies.

Sustainability indicators should integrate several dimensions and scales: macro, meso and micro level, as well as time dimensions. They should also help to indicate progress to attain greater equity and participation in decision-making, local control and management of resources, and ecological sustainability. In the process of construction of alternatives to globalization, it is important to develop indicators that can synthesize the trends and progress made. Without a time frame that can register the evolution of current trends it would not be possible to verify if in the future those trends would consolidate or weaken at the macro or local level. It is precisely for these reasons that this proposal presents several categories that can help to synthesize and orient the action and dialogue between alternative globalization actors, and between these actors and governments.

1. **The ecological sustainability and the carrying capacity of the territory.** A central aspect of sustainability is associated with the well being of ecosystems that support all human activities as reflected in the “carrying capacity”⁴. This capacity is based on the primary production of the ecosystems and their abilities to capture energy and transform it into biomass while maintaining recycling processes for the energy and materials in the system. Even though humans can overcome the limitations of the “carrying capacity” of ecosystems by importing the energy and materials from other regions, the accumulation of waste can become hazardous and public health risks, and the imports, a new form of dependency. As the ecosystem becomes exhausted by resource demands beyond its regeneration capacity, it diminishes its output, generating chronic ecological and economic deficits. Since the ecological sustainability supports the social, economic and cultural dimension of the people in a given territory, its erosion enhances poverty. Hence, the relevance of evaluating and tracking to what extent the demand of resources has increased or diminished over time. The resource demand is influenced by the

⁴ All living organisms in the ecosystems, including human beings, require energy and nutrients, water and soil, oxygen and other materials to survive and evolve. Yet the consumption is genetically defined for all organisms except for humans, whose consumption is based on his/her life style. In the long run it is the photosynthetic capacity of the region that would define the carrying capacity of the region and will be the limiting factor for human activities. The carrying capacity is defined as the number of a given species or organism that can be sustained by the bio-productivity of the region.

pattern of production and consumption of the population inhabiting a given territory. The markets also exert their influence on the extraction activities impinging upon the carrying capacity and rate of renewal of natural resources. Past and current trends make visible the opportunities or limitations to maintain a certain style of life for present and future generations. One integrated approach to measure the bio-productive areas used to satisfy a given consumption pattern is the “Ecological Footprint” whose calculation have made visible the increasing global ecological deficit , and its regional and local repercussions⁵.

The Ecological Footprint calculations have demonstrated that in the last decade humanity is using all of the carrying capacity of the earth and has even created a deficit that is visible through the loss of biodiversity, soil erosion and climate change among other ecological imbalances. In fact the industrialized countries with high rates of resource consumption, such as Germany, The Netherlands, United States, United Kingdom and Japan have serious ecological deficit as their ecological footprints are much larger than the bio-capacity or carrying capacity of their territory.

The ecological deficit of industrialized economies

Country	Bio-capacity in hectares/per capita	Ecological Footprint In ha/per capita	Deficit
Germany	4.7	1.9	- 2.9
United States	9.5	5.4	- 4.6
The Netherlands	4.7	0.8	- 3.9
United Kingdom	5.4	1.5	-3.9
Japan	4.3	0.8	-2.5

The countries selected maintain their life style by importing resources and energy from other territories and regions, as is the case with the majority of “developed nations”. On the other hand many of the so called “underdeveloped countries” or “in transition” are well endowed with natural resources to satisfy all the needs of their population. This is reflected for example in the ecological footprint analysis of Brazil and Bolivia. The EF for Brazil is 2.2 ha/inhabitant and that of Bolivia is 1.2 ha/inhabitant. Yet the two countries have a carrying capacity that can easily accommodate their present and future generations for they have 10.2 ha/inhabitant for Brazil and 15.6 ha/inhabitant for Bolivia. Obviously, these are two very rich countries in terms of bio-productive soil capable of attending to the present and future needs of their populations in the next 30 to 50 years.

The adoption of this bio-physical indicator as a tool to evaluate the environmental sustainability and its use in planning and negotiating process is of major importance, not only because it has been increasingly recognized and adopted internationally, but also since it provides tangible physical evidence of the increasing inequalities in resource appropriation which are usually hidden by other more popular indicators such the GDP. It is precisely the ecological deficit that is one of the driving forces in the demand for greater freedom for foreign corporate investors, strengthening the rate of resource extraction and globalization through global markets.

It would be extremely difficult for a community or a territory to design a successful strategy for solidarity economy if the resource base and its supporting ecosystem are not adequately considered or are seriously eroded or forced beyond its carrying capacity. If the ecological deficit is very serious, the population in those territories would only be able to overcome the deficit by solidarity actions or compensations from another

⁵ For a comprehensive set of documents and reports on the “Ecological Footprint” see www.footprintnetwork.org

territory providing investments to recover the damaged resources or by reducing the population and resource demand to allow for ecological recovery. Ecological social catastrophes are extremely common in many semi-arid and arid regions where resources are exhausted and its population can barely move beyond the most basic subsistence level. Ecological des-equilibriums also affect the water supply in broad areas. Specifically, fresh water accessibility is already becoming a major difficulty for over 1.3 billion people in the world. Privatization of water services and corporate control over key water resources may increase rather than reduce these dramatic figures.

2. **The Human Development Index (HDI)** is an instrument for dialogue. The development of human capacities is influenced by a large array of factors that determine exposure to risk and scarcity, creating vulnerabilities or enhancing potentialities. The United Nations has played a key role in promoting the use of the HDI⁶ as an international and national indicator to assess the opportunities for human development. Its calculation makes visible the progress made in access to health services, education and income within and between countries. Although this is a “traditional” indicator that does not question the underlying values of the traditional development model, nor the neo-liberal policies, it does help governments and international agencies to focus on compensatory policies for the most disadvantaged populations with the lowest HDI. It also portrays the enormous gaps between rich and poor countries.

The HDI integrates parameters of a very different nature and scale, such as per capita and income redistribution, the level of formal education attained, and the life expectancy for a population in a given territory. The HDI has been widely used by the United Nations system to promote and argue for compensatory and pro-poor public policies. Its adoption by the solidarity economy can facilitate the dialogue with policy and decision makers while helping to make visible the growing gaps and disparities between the better off in society and the poor and disadvantaged as central actors in the solidarity economy.

3. **Trends and evolution in the solidarity economy.** The SE also needs to develop its own set of indicators to evaluate in a social and culturally pertinent manner its trends and perspectives. This requires the development of tools to show the different levels of integration of its proposals, the accumulated knowledge and its capacity to influence and negotiate with the state government.
 - a) *Solidarity economy networks* reflect processes of integration and enhancement of knowledge and experiences of the SE at the local, regional, national and international level. Some of them have a presence and negotiating capacity at each one of those levels. For example, the Network of Solidarity Economy in Brazil is present in 20 states of the country and is actively promoting activities that raise the profile and visibility of its transforming agenda locally as well as nationally. The level of integration is also reflected in the growing links with initiatives beyond its own frontiers, such as the “Solidarity Economy Fair of Mercosur” in Santa Maria, Rio Grande do Sul, and its role in the World Social Forum or other regional initiatives in Latin America.. It is possible to measure and evaluate *the progression of these networks towards greater links and integration of civil society*, even if this does not precisely measure its capacity to influence the formation of public policy. Indicators that can show the integration and development of these networks is a concrete possibility through tools currently used in qualitative evaluation

6 For a detailed explanation on the methodology of the Human Development Index see <http://hdr.undp.org/reports/global/2005/>

methodologies. The evaluation criteria will have to be defined around a vision and the functions and objectives these networks have established.

“The current state of knowledge on organizational management, as currently understood, has favoured the “inter-organizational” approach that characterizes a theoretical work or even well-elaborated ideological projects, which are often not convincingly put into practice, such as the Agenda 21 Forum or Corporate Social Responsibility. It is also reflected in empirical work with promising results such as Community Tourism, Participatory Strategic Planning (PSP)/ Strategic Organizational Management for Sustainable Development (SiGOS), Economy of Communion (EdC) and Fair Trade, all of which often lack a clear organizational model integrating the sustainability challenge holistically. It is even unclear if some of the currently successful experiences will have long term sustainability due to their organizational fragility without emphasis on inter-organizational aspects. Often many legitimate and joint association projects survive on state subsidies or international cooperation backing channeled through NGOs, or assistance from research and academic units. The compensatory policies in economically undemocratic societies (with poor economic redistribution), independently of whether they are politically democratic - as is the case in many countries in Latin America - should be thought of as proposals linked to projects for attaining administrative and economic sustainability. This is critical for them to survive, at least initially, the capitalist dynamics and the market economy, so that in a second stage, they have the possibility of creating their own dynamics” (Sampaio, 2005).

- b) **Creation of knowledge and programmes for capacity building.** There is much evidence of the growing accumulation of research results, training and educational programmes at local, regional and national level. This emerging expertise could be high-lighted to enhance the process of knowledge integration for improving the analytical and proposal-making capacities of the SE. There are some networks that have long been working in the field of SE, as in the case of Universidad Unitrabalho, a Network of Universities doing research on SE; the Institute for Alternative Policies for the Southern Cone (Instituto de Políticas Alternativas para el Cono Sur -PACS), and many more whose reflection and analysis is oriented towards the consolidation and expansion of the SE. In this area there is also a need for the design of indicators to measure the progress in accumulating know how and relevant knowledge and stimulating learning communities.

It is important to highlight in the decision-making process the knowledge accumulated by those that inhabit the locality (territory) or those that will be subject to the consequences of the actions planned – as observed in the community-based productive arrangements – and not only include the technical views of experts. Traditional and tacit knowledge are the types of knowledge that are not made visible by individual or organizational actions when they are reviewed or analyzed from the utilitarian and market economic perspective. In fact, under this light they are often said to be “irrational”. *Tacit knowledge, also known as extra-rational* is, however, difficult to validate from a rational perspective. It is knowledge that is shared in the locality through the symbolisms of local knowledge. They exist in the wider and deeper conscience as characteristics that are exclusively human. Tacit knowledge exists within the realm of social groupings sharing the same territory with subjectively recognized patterns of thinking, conduct, actions and collective behavior. It is knowledge with a strong socio-cultural and territorial emphasis. When it is transformed into a collective mode of production (knowledge), it transforms itself into traditional or local wisdom, it takes on its cultural and territorially productive dimension. Apprentices, for example, work with their

masters and capture their knowledge through observation, imitation and practice, this is considered as local knowledge. It is almost axiomatic that a good craft-person, or good innovator, is the one that has experience (Sampaio, 2005). A major challenge then for the development of indicators is to highlight the contribution of the SE to strengthening tacit knowledge as reflected in community-based productive arrangements.

- c) **The socio-administrative capacities of the solidarity economy**, is portrayed by a set of *political actions* oriented to improve the negotiating capacity of the communities involved to a greater or lesser extent in the SE (also known as inter-organizational vector). On the other hand *ethical action* portrays the progress and delays in the construction of a philosophy of life that can integrate solidarity and the common goods as central values for the community and society at large. There is also, a *technical action*, associated with the social effectiveness of administrative and economic actions as reflected in projects and programs that generate well-being in the communities and other extra-organizational positive impacts (beyond the specific group involved). *In fact, extra-organization means to give preference to the surroundings where the organization is located.* Up until recently, the dimension of socio-administrative sustainability has been rarely elaborated on or evaluated. Its analysis is central to avoid the traditionally liberal approach towards efficiency, efficacy and effectiveness when evaluating social innovation and community development strategies.

The implementation of these principles of the SE, suggest that the management of enterprises, public organizations, NGOs, as well as the inter-organizational management, that is the institutional arrangement that conduct these three types of organizations, should be conducted on extra-organizational criteria. This means the integration of social demands emerging from the territory in which the institution is installed, that is, from the territory to the organization. The institutional rationality should be oriented by its social consequences, favouring the socio-economic-environmental dimensions (sustainability) to correct the mistakes of institutions that privilege only the intra-organizational criteria, based on an economic rationality of only organizational consequences.

It is realistic to think of productive processes and their respective results with demands for a certain ethical performance, even for capitalist undertakings, and much more so then for emerging socio-environmental management systems where people are not moved only by personal interest, personal development and selfishness.

- d) **The effectiveness of organizations or inter-organizations** is reached when the decision-making process recognizes the consequences of its acts in the community (including the workers of an enterprise), favouring the workers not only for their economic dimension, but also as consumers, and for their socio-environmental dimension, that is, as citizens. From that perspective, the organizational decision-making process, based on effectiveness, should consider the direct or indirect participation of the social actors that will undergo the consequences of such actions as their principal strategy. To become part of decision-making as an option becomes meaningful when it integrates a commitment to, or a social responsibility towards, transformation towards the desired ideals.
- e) **The local space in the construction of the SE and sustainability.** It is in the local realm where the contributions towards sustainability made by the SE can be verified

more easily. It is possible to integrate all aspects associated with the environmental, social, cultural and wealth distribution. Indicators that show the progress, stagnation or failures in attaining greater autonomy, self-management, territorial control, and better environmental quality, all together can demonstrate the social effectiveness of SE propositions and experiences. As explained earlier, the local productive arrangements also contribute to greater competitiveness and socio-cultural resilience (capacity to recover from different impacts affecting them) in the context of more integrated micro-initiatives.

- f) **The institutional responses of the State**, which are reflected in plans , programmes, strategies and institutional arrangements in response to the demands and achievements of the SE and the other processes of integration and development of markets, as in the case of the Secretary (at Ministry level) of Solidarity Economy in Brazil, or the creation of the Ministry of Popular Economy in Venezuela, etc. The indicators should portray the progress made at the institutional and governmental level in response to progress made and demands from the SE in order to consolidate and expands its gains.

 - g) **Representations and progress towards greater association** in the construction of the SE. The identification of common needs or collective action is an intrinsic characteristic of the SE. The World Social Forum and the Regional and National Forums partly reflect on the collective political action and mobilizing power of the SE in order to strengthen the cooperation and unity of the movement. Hence, it makes sense to build indicators around the evolution and efficacy of the cooperative experiences as seen in diverse forms of trade coops, housing coops, health and education coops, solidarity finance and micro-credit coops, etc. Of special interest are the indicators for cooperation experiences with the processes of social and political transformation and mobilization within the alternative globalization movement.
4. This is however, not a minor issue, as the character of associations, and the explicit purpose of cooperative effort, may not be oriented towards transforming the system, but aimed at achieving better integration into the national or international markets with no specific social or political purpose other than the well-being of its members.

 5. **The internationalization of the Solidarity Economy.** The development of extra-national initiatives of confrontation and validation vis a vis the globalized economy shows substantial progress. There is also an accumulation of experiences on the formation of fair trade and solidarity store networks, along with the emergence of ethical banks, microfinance schemes for the SE, accreditation or certification system to regulate fair trade, etc. All of them are examples of a sustained progress and expansion towards the construction of alternative economies and of greater social and economic sustainability. Yet, the records and indicators portraying the advance are very poorly developed and systematized and are barely visible as trends, even less as future projections. Although some organizations provide data on the potential expansion of fair trade markets, by itself this data does not represent a sustainability indicator for the SE. Similarly, the lending rates of ethical banks, without previous evaluation of its effect on the community well-being where the recipients live, are not considered sufficient.

Fair trade has well established records of its economic transaction. There are good records of the volumes of coffee traded under the brands of fair trade in the last decades, for example. However, the impact of fair trade on the conditions and sustainability of the communities providing the commodities has been poorly assessed.

In some areas to track progress is not easy due to the great number of non-monetary transactions and exchanges operating in subsistence economies characterized by small producers involved in fair trade. The lack of records and rigour in the classification of transactions do not allow for evaluations of monetary and non-monetary contributions made by the SE to the collective well-being. Although the indicators of ethical banking, fair trade, number of products traded, number of organizations, stores, and networks involved in SE show the increasing activity and visibility of attempts to strengthen an alternative economy, they do not portray the sustainability of the process. It is precisely in this field where the greatest challenges can be found. The visibility of the institutions and their transactions validates the opportunities for improving the negotiating capacity of the networks and in turn, how they support in a sustainable manner the social processes for enhancing the SE.

Although the above proposal and categories are not exhaustive, they are aimed at stimulating a debate around the means to evaluate the progress made towards integrating SE experiences and proposals. Comments, critics and contributions are all welcome in order to develop analytical tools and a vision that can guide the design of indicators for the SE and orient our actions and improve our proposals.

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