# Solidarity economy experiments in Brazil and Venezuela and the lessons for a Southern African debate on solidarity finance for informal trade

Ecumenical Service for Socioeconomic Transformation (ESSET)

P.O.Box 62098
Marshalltown, 2107

+27 8331190

+278331076
info@esset.org.za
www.esset.org.za

3/1/2012

**Written by Ibrahim Steyn, PhD candidate Sociology, University of Johannesburg**

**Research Funded by the Karibu Foundation**

THE KARIBU FOUNDATION
post@karibu.no

# Table of contents

## About ESSET

The Ecumenical Service for Socioeconomic Transformation (ESSET) is an independent ecumenical organisation that works for social and economic justice and transformation against the systematic exclusion and exploitation of the poor. In 1996 ESSET was founded and registered as a Section 21 company with a mandate of challenging the churches to be more involved in the work for socio-economic justice but also building the capacity of the same churches to do this work as desired. Instrumental in its establishment was the South African Council of Churches (SACC), and a number of other ecumenical organisations such as the Southern African Catholic Bishops' Conference (SACBC), Institute for Contextual Theology (ICT), Ecumenical Foundation of Southern Africa (EFSA), Ecumenical Advice Bureau (EAB), Christian Citizenship Department of the Methodist Church of Southern Africa and the Interdenominational Committee for Industrial Mission (ICIM).

## Mission and Vision

ESSET's vision is to realise a transformed society that promotes a just socio-economic system prioritizing the needs of the poor. Its mission is to advocate for social and economic justice by accompanying and acting in solidarity with the struggles of the poor that are acting in resistance to their marginalisation and oppression. Our mission is based on an understanding that the current economic system is premised on the basis of exclusion. As an organisation committed to socioeconomic justice, ESSET's role goes beyond mere poverty alleviation programmes that only deal with symptoms of unjust systems. Its work instead is about striving for the transformation of socio-economic processes, systems and structures that undermine the life and dignity of poor people. Further, our work is informed by the theological values of the preferential option for the poor, solidarity, democracy, respect and equality.

## ESSET's core programme

ESSET's core programme is called Accompaniment. Accompaniment is founded on the preferential option for the poor, meaning that it allows ESSET to work with people's power and respects strategies for action identified by the poor. In this way, Accompaniment enables the agency of the poor to inform ESSET's own praxis and agenda in different ways. It involves intentional journeying with the people who are already initiating and acting in resistance to the dominant forces and systems that work against them. Accompaniment consists of four main processes. These are Immersion, Facilitation of learning processes, Building Solidarity, and Documentation and Research.

## ESSET's Processes of Accompaniment

### 1. Immersion

Immersion is characterised by engagements with formations of the poor through conversations, reflections and dialogues. Engagement helps to get understanding on how the formations of the poor are being affected, to strengthen their strategies of engagement and promote and protect their rights to democracy. Of critical importance is reflection on emerging alternatives from the poor that promote their interests and demonstrate their sovereignty towards a just economy.

2. **Facilitate Learning processes**

In line with ESSET's praxis, learning processes is offered according to the specific need identified by the active formations of the poor. ESSET sees emancipatory learning as facilitated learning processes aimed at enabling critical analysis and thinking by those involved in various struggles for life and socio-economic justice.

3. **Building Solidarity**

Building solidarity entails building connections and networks amongst formations of the poor both locally, nationally and internationally. This consists of multiple strategies such as exchange visits between various formations of the poor, exchange of information and strategies, joint reflections and campaigns. This for ESSET is done in respect of people's agency and solutions to their struggles. Building solidarity also involves mobilisation of solidarity from churches & ecumenical organisations, social movements, academics and other social justice practitioners and organisations.

4. **Documentation and Transformative Research**

Lastly, ESSET sees research as a tool to serve the interests of those who suffer injustices to improve the conditions of their existence and advance their liberation processes. ESSET prefers transformative research emerging from and informed by poor people's lived experiences, knowledge and analysis. Thus ESSET does research through listening, reflection, and learning with and from struggles of the poor. This entails documenting and sharing people's struggles, analysis and stories from their actions of resistance.

**ESSET Patrons**

1. Bishop Andreas Fortuin
2. Dr N Barney Pityana
3. Dr Brigalia Bam
4. Rev Frank Chikane
5. Archbishop Buti Tlhagale
6. Archbishop Desmond Tutu
7. Dr Ulrich Duchrow

## 1. Background

From the 5th to the 7th of October, 2010, church representatives from five SADC countries, namely, South Africa, Zimbabwe, Lesotho, Swaziland and Zambia, met in Johannesburg for a dialogue on justice and informal trade. One of the main concerns of the dialogue was the ways in which informal traders in the region are being excluded from formal financial institutions and government-subsidized financial support opportunities in countries where they exist, such as South Africa. Their lack of financial support given its hugely harmful effect on productivity and earnings and therefore the livelihoods of informal traders is one of the biggest challenges facing them. To understand the magnitude of this challenge it is important to shed light on the state of the informal trading sector in Africa and the macroeconomic philosophy that underpins the operations and practices of the formal financial sector.

It is well known that the main cause of informality in Africa is the structural adjustment loans introduced and promoted in Africa by the International Monetary Fund (IMF) and the World Bank as 'curative measures'[1] for struggling post-colonial economies in the 1970s and 1980s. Recipient countries were expected to adjust their economies according to a package of economic prescriptions commonly known as the *Washington Consensus* that imposed a market-based approach to economic development in line with the basic principles of neoliberal capitalism, including minimal state intervention in the economy, maximum competition, privatization, budget cuts, high-skilled labour, entrepreneuralism, etc[2]. In South Africa, these prescriptions were contained in the government's GEAR macroeconomic policy, a home-grown structural adjustment programme. And while it might be argued that S.A. is one of the world's biggest spenders on social development *(R13.2bn on social grants alone during the 2009/10 financial year)*[3], it is one of the most unequal societies on the planet with a Gini coefficient of more than 0.5[4] *(0 corresponds with perfect equality and 1 with complete inequality).*

The desire that stems from these macroeconomic policy prescriptions for global competitiveness and foreign direct investment that would supposedly enhance levels of economic growth has created new lines of economic and social exclusion on the continent, as technological developments reordered the skills demand for labour, resulting in a large number of a country's economically active population, whose capabilities do not line up with the needs of the neoliberal market, being pushed out of the formal pole of the economy to eke out a living at the periphery. Meanwhile, in South Africa, the massive influx of cheap produced goods as a result of trade liberalisation in the 1990s virtually crippled the local manufacturing industry by the turn of the century, leading to many factory closures that

[1] Mohan, Giles, Brown, ED, Milward, Bob and Zack-Williams, Alfred (2000). *Structural Adjustment, Theory, Practice and Impacts,* New York, Routledge.
[2] Brown, Wendy (2003). 'Neoliberalism and the End of Liberal Democracy', *Theory & Event*, Vol.7 (1), pp.1-19.
[3] http://www.southafrica.info/about/social/budget2009d.htm.
[4] http://www.thepresidency.gov.za/learning/me/indicators/2009/indicators.pdf.

forced hundreds of workers into survivalist economic activities, such as street and market trade. Thus, through out the continent, working class towns, ghettos and slums erected on the fringe of the city became the dormitories of a new poor, many of which are engaged in informal trade, as neoliberal reforms translated into fewer formal employment opportunities and growing socioeconomic hardships.

Imraan Valodia and James Heintz indicate that in some African countries, such as Ghana and Mali, informal self-employment is relatively more important than wage work (Heintz and Valodia, 2008, p.9). And Winnie Mitullah observes that in Kenya own account workers or one person owned enterprises account for 70% of Micro Small Enterprises, who provide employment to 1.8 million people (Mitullah, 2003, p.2). In addition, although South Africa has a relatively smaller informal trading sector than the likes of Madagascar, Ghana and Kenya (Heintz and Valodia, 2008, p.9) 805 000 workers were engaged in informal trade by 2004 (Davies and Thurlow, 2009, p.5), making it a significant component of South Africa's informal economy. Hence, whilst informal trade will not solve the continent's poverty challenges, it is nevertheless an important source of livelihood in African countries.

However, for the benefit of the main theme of this paper, it is important that we take a closer look at the characteristics of the informal trading sector. Firstly, the informal enterprises that constitute the informal trading sector are of different sizes and types and so not all, although many, are survivalist enterprises. Thus, the idea that Very Small and Micro Enterprises (VSMEs) consist of less than 10 people (McGrath, 2005, p.2), even though it will help policy makers to track the growth of different components of the SMME sector and design more targeted interventions, is not extremely useful for understanding the complexities between different VSMEs, especially those operating in the same economic sectors. For example, the resource and productive capacities of a street or market operator and a spaza operator are not the same and therefore their needs and access to markets and services, like financial services, will be different. It is not hard to imagine that the spaza operator's sales will be higher relative to that of the street or market operator, as the former would usually cater for a designated clientele, whereas the latter depends on passing feet. Thus, the productivity and earnings of the former would be higher than that of the latter, hence, it can logically be expected that spaza operators are more likely to afford the high risk premiums of formal financial services, such as bank loans and credit, than street or market operators, in whose case it is more difficult to establish creditworthiness (Heintz and Valodia, 2008, p.23).

On the other hand, VSMEs, like bigger enterprises, are extremely gendered, meaning that relations between male and female traders are highly unequal, which not only affect the exercise of voice among informal traders, but also their access to services. For example, women are most disadvantaged by the education system in many African countries and generally lack collateral, thus, they have fewer opportunities to gain access to formal financial services than male traders. In this regard, a survey conducted by Caroline Skinner in 2002 with 507 VSMEs operating in the City of Durban found that male interviewees found it easier to open bank accounts than female interviewees[5]. Furthermore, whilst women account for higher rates of participation in the informal trading sector[6] (Skinner, 2008, p.12), their earnings are generally lower than that of male traders, which means that their share of poverty will be higher, resulting in smaller private savings. According to data by James Heintz and Imraan Valodia, male informal traders' hourly earnings were 74% and 54% the estimate of average hourly earnings compare to female traders' 63% and 43%, in Kenya and South Africa, respectively, (Heintz and Valodia, 2008, p.39). Thus, it is fair to say that female traders are more strongly affected by the glaring lack of external financial support for informal trade in African countries.

The main flaw in the formal financial sector's approach to enterprise development is that support is geared towards formalizing informal economic activities, thus, incorporating them into the competitive and profit-making logic that governs operations in the formal pole of the capitalist market economy. Furthermore, it is biased towards more stable informal enterprises that are able to produce financial statements, pledge collateral, own property, etc., as evidenced by the South African government's Transformation and Entrepreneurship[7], SMME Development Financial Assistance[8] and Cooperatives Incentive[9] Schemes. In terms of this approach, very small enterprises are expected to compete with bigger enterprises on an unequal economic and social terrain. Moreover, it is rooted in the logic of neoliberal individualism aimed at producing an army of entrepreneurs, who through buying and selling their goods and services on the so-called free market, sustain the capitalist system's principle of capital accumulation *(money-making)* for private gain. However, despite their structural and institutional dislocation from the formal pole of the capitalist market economy, the practices of VSMEs are consistent with the rule of the neoliberal market to the extent that ownership is defined by individual self-interest and buying and selling are done in accordance with the logic of competition. In this sense, their practices reproduce neoliberal individualism, hence, the question of finance should be part of a broader debate about alternatives to the current political, economic, social and cultural context of informal trade.

The concept of the solidarity or social economy provides an opening for such a debate, as it promotes a new set of economic principles that break with the individualistic and profit-

---

[5]Skinner, Caroline (2006). 'Falling through the Policy Gaps? Evidence from the Informal Economy in Durban, South Africa', *Urban Forum*, Vol.17 (2).

[6] Francie Lund indicates that women comprised 45% of all informal workers in South Africa by 2003 (Lund, 2003, p.3).

[7] The Scheme provides financial support to SMMEs owned by women, people with disabilities, youth and workers. To qualify for assistance, applicants have 'to demonstrate that their business is economically viable and financially sustainable' http://www.idc.co.za/index.php?option=com_content&view=article&id=30&Itemid=291.

[8] This Scheme is a grant available for new projects of SMMEs, who own property and machinery, amongst other. http://www.thedti.gov.za/DownloadFileAction?id=407&filename=guidelines.pdf

[9] The aim of this Scheme is to incorporate cooperatives into the government's Black Economic Empowerment Framework, thus, it seeks to bring them in line with market rules of doing business, undermining the principles of cooperative development, such as collective ownership, democratic decision-making, etc. http://www.dti.gov.za/financial_assistance/financial_incentive.jsp?id=11&subthemeid=3

hungry culture of the capitalist market economy, including social ownership, cooperation, self-organisation and participatory democracy. This paper will thus provide a framework for understanding and debating the question of finance within the context of this form of alternative economics. To this end, it will assess solidarity economy experiments in Brazil and Venezuela to identify lessons that could be learnt for a Southern African debate on solidarity finance for informal trade.

The data sources used for the paper are non-academic presentations and reports, books, journal articles, research reports, policy documents and information on the websites of government departments.

The rest of the paper is structured as follows:

- Section two defines the solidarity economy.
- Section three provides examples of solidarity economy experiments in Brazil and Venezuela.
- Section four assesses these experiments to identify lessons for a Southern African debate on solidarity finance.
- Section five recommends a list of concrete issues as entry points for this debate.

## 2. Definition of the Solidarity Economy

The term solidarity economy is often used interchangeably with social economy, and it is also referred to as the 'popular economy' (Wilpert, 2007, p.76) or as 'an economy of the people' (Fisher and Ponniah, 2003, p.95). It is a relatively new concept that first emerged at the inaugural World Social Forum, in 2001. The main defining feature of the solidarity economy is that economic activity is defined by a collective or common good, rather than individual self-interest. The productive activities of those who participate in the solidarity economy are thus aimed primarily at satisfying the social needs of a collective, which could be a specific group or a community.

It could be defined as a

'socio-economic order and new way of life that deliberately chooses serving the needs of people and ecological sustainability as the goal of economic activity rather than maximization of profits under the unfettered rule of the market. It places economic and technological development at the service of social and human development rather than the pursuit of narrow, individual self-interest'….it as 'an alternative economic model to neo-liberal capitalism. This alternative socio-economic order and new way of life inspires attitudes and behaviours with values such as sharing, co-responsibility, reciprocity (*give and take*), plurality, respect for diversity, freedom, equality, ethics, brotherhood, and sisterhood' (Solecopedia 2009).

Furthermore, ownership of the means of production is central to the solidarity economy. In the words of Arruda (2008),

'Solidarity Economy relates to a system of shared (or co-owner) ownership of goods and resources for producing and reproducing life, whose prime basis is work and not capital, whose managers share equally the power to decide what directions the initiative is to take, the goods and services to be produced or purchased, the techniques to be employed, the education and communication to be promoted, and how any surplus is to be shared' (Arruda, 2008, p.98).

Very simply put, economic activity is not for private profit maximization and competition. Instead, the economic principles of the solidarity economy are

- **co-ownership –** the equipment, goods and the income earned from sales are owned by a collective and not an individual.
- **self-management –** all decisions regarding the planning and finances of an economic activity are independently taken.
- **cooperation –** a group of individuals contribute towards the success of an economic activity.
- **participatory democracy** – everyone directly participates in the discussions and decisions on an economic activity.

Collectively, these principles democratize economic relations between those who produce and those who consume, by implication, they challenge dominant economic power relations. Moreover, they foster conscious participation that grows out of popular education about the social injustices of the capitalist economy and the importance of collectivism and solidarity as the seeds of a more humanist alternative economy. In addition, it confronts the patriachical bias towards men inherent in the sexual division of labour, fuelling discrimination against women.

It is important, though, not to overstate the potential of the solidarity economy as an alternative to the capitalist market economy, as it still operates within a capitalist framework. Marcos Arruda, for example, proposes that the chief goal of the solidarity economy is to create a new economy within the belly of the capitalist system. It is therefore more sensible to see it as both 'an alternative and complementary way' (Wilpert, 2007, p.76) to the capitalist market economy. Its ability to serve as an alternative or complementary way of organizing economic activity is depended on structural factors, such as the political context of a country. For example, in Venezuela, where state power is controlled by a left political administration, who deliberately devolves political and economic power to local communities and workers, the alternative potentiality of the solidarity economy would be more pronounced than in countries where agency in the realm of palace politics is used to advance the principles of capitalism. As a bare minimum, the solidarity economy enables social groups or popular forces that have capitalism as the main source of their social and economic misery to inflict wounds on its social body. Ethan Miller puts it this way,

'What really sustains us when factories shut down, when floodwaters rise, or when the paycheck is not enough? We often survive by self-organized relationships of care, cooperation and community' (Miller, 2006, p.13).

The solidarity economy, amongst other, comprises community-based organizations, NGOs, social movements, different types of cooperatives, such as recycling cooperatives and community services cooperatives, trade union organizations, solidarity-based savings and loan institutions, fair trade organizations, give-away shops, soup kitchens, community supported agriculture and food security and open source development.

As alluded to above, solidarity finance operates under the principles of the solidarity economy. Accordingly, Arruda (2008) defines it as 'a shared manner of saving, managing and investing people's money. It serves as an instrument for bringing greater democracy to economic relations and to the money itself involved in the social production and reproduction of solidarity economy' (Arruda 2008, p.65). Thus, it breaks with the profit motive and adopts social and ecological purposes as the first priority of investment. In addition, it enables self-managed and solidarity investment in production. The mechanisms employed by solidarity funding are not radically different from other social endeavours. They include loan co-operatives, ethical banks, co-operative insurance and pension systems, solidarity micro-credit programmes and any other kind of financial initiative based on co-operation and solidarity

(Arruda 2008: 66). What distinguishes them from other financing mechanisms is the underlying concept, namely "solidarity". Actions are guided by the goal to serve not the individual, but the group as a whole. Thus, in terms of consumption, it implies that people should take up collective responsibility for the planet's natural resources, which is at the core of sustainable development. Arruda (2008), for example, observes that

> 'Ethical consumption is nurtured by the awareness that the Earth gives and sustains life, and that there are social and ecological limits that economic activity has to respect. It stands in contrast to the patterns of excessive, unsustainable consumption of natural goods, wastefulness and massive production of refuse characteristic of the system of globalised capital' (Arruda, 2008, p.37)

Additional descriptive themes of the solidarity economy and solidarity finance include

- **networks** – the solidarity economy facilitates face-to-face interaction between producers and consumers on the production and pricing of goods. To understand the importance of this human interaction one might think of a traditional local market, where producers and consumers meet to debate and bargain with a view to agreeing on a fair exchange.
- **distribution** – the solidarity economy is a platform for the distribution of wealth to unlock the economic potential of those who live on the social margins of society without creating financial dependency on public institutions in-and-outside the state.
- **money for needs not profits** – in terms of the solidarity economy, the main goal of money is not to generate profits, fuelling unfair exchanges between buyers and sellers, but to address socioeconomic needs. In other words, in solidaritous economic activities, the purpose of goods and services (*use value*) and not profits (*surplus value*) determines prices.
- **ethics** – the solidarity economy fosters mutual care and concern and is therefore a sign of an ethical economy that is free from exploitation.
- **environmental justice** - environmental justice is inseparable from the solidarity economy. Arruda (2008) defines it as the *'fair sharing of ecological space, but also the effort to avoid environmental damage or to ensure compensation or reparation when it does occur'* (Arruda, 2008, p.33).

# 3. Solidarity economy experiments in Brazil and Venezuela

## 3.1. Brazil

Some basic facts about Brazil's solidarity economy

According to national census data for the period 2005-2007,

- Brazil has 22,000 solidarity economy enterprises, most of them worker cooperatives and micro-enterprises[10], providing employment to 1.7 million workers, and
- from this number of workers, 63% are men and 37% are women.

Andre Mance, a popular commentator on Brazil's solidarity economy disputes these figures. According to him, Brazil has 1, 250 SEE enterprises that involve 1.2 million workers[11].

The following data highlight the main products sold by solidarity enterprises, their geographical distribution, main challenges, funding options and their access to credit. It suggest that

- the majority of Brazil's SEEs are producer enterprises, 41% are operating in primary economic sectors and 10% in the manufacturing sector,
- SEEs are largely concentrated at the local (90%),
- most SEEs lack start-up capital (33%) and adequate physical infrastructure (29%),
- the majority rely on collective financing (60%), and
- a lack of technical skills (36%) and collateral (33%) are the main barriers to credit in most SEEs.

[10] Kawano, Emily (2010). 'Report from the 1st Solidarity Economy Social Forum and World Fair, Santa Maria and Port Alegre', 22-29 January, 2010, SolidarityEconomy.Net, available only at: http://www.solidarityeconomy.net/2010/03/15/solidarity-economy-vision-blossoms-in-brazil/ (Accessed 25 February, 2012).

[11] http://turbulence.org.uk/turbulence-1/solidarity-economics/

Table 1

| TYPE OF PRODUCT | Percent of total SEEs in Brazil |
|---|---|
| Agriculture, fisheries and extractive industries | 41% |
| Food & drinks | 17% |
| Handmade cloths | 17% |
| Textile and clothing | 10% |
| Other services | 7% |
| Other industrial activities | 2% |
| Collection and recycling of materials | 2% |
| Herbal and hygiene | 2% |
| Solidarity credit and finance | 1% |
| Other (production and services) | 2% |

*Source: Brazil Government - Ministry of Labour and Employment - National Secretariat for Solidarity Economy - Department of Public Works (2011, p.6)*

Table 2

| Geographical distribution of SEE % | Percent of total SEEs in Brazil |
|---|---|
| Community | 53.7% |
| Municipal | 26.3% |
| Micro-regional | 10.0 % |
| State | 6.6 % |
| National | 2.8 % |
| International | 0.6 % |

*Source: Brazil Government - Ministry of Labour and Employment - National Secretariat for Solidarity Economy - Department of Public Works (2011, p.9)*

Table 3

| MAIN CHALLENGES | Percentage of SEE's who regarded this as a challenge |
|---|---|
| Lack of working capital | 33% |
| Logistics: roads, warehouses etc. | 29% |
| Not enough customers | 24% |
| Keeping the supply (quantity and regularity) | 18% |
| Inadequate/low product price | 15% |
| Lack legal registration for marketing | 14% |
| Cannot make credit sales | 14% |

*Source: Brazil Government - Ministry of Labour and Employment - National Secretariat for Solidarity Economy - Department of Public Works (2011, p.12)*

Table 4

| Funding options for SEEs | in percentage |
|---|---|
| Co-operative Finance | 60% |
| Donations | 21% |
| Credit | 12% |
| Other | 7% |

*Source: Brazil Government - Ministry of Labour and Employment - National Secretariat for Solidarity Economy - Department of Public Works 2011: 12)*

Table 5

| Difficulties to access credit | Percentage of total SEE |
|---|---|
| Lack technical support - projects and business plans | 36% |
| Does not meet the conditions required guarantees | 31% |
| Credit conditions are incompatible | 31% |
| Lack the required documentation | 29% |

*Source: Brazil Government - Ministry of Labour and Employment - National Secretariat for*

*Solidarity Economy - Department of Public Works (2011, p.12)*

**Community banks**

One of the main solidarity economy experiments in Brazil is the establishment of community banks in response to the private ownership of capital, for example, the country's largest 10 banks control 80% of liquid assets (*assets that can be quickly converted into cash*)[12]. Community banks provide solidarity-based financial services that have as their main aim the stimulation of solidarity economy initiatives for local production, in which both producers and consumers are central economic actors. Banco Palmas is Brazil's first community bank and established in 1998, and by 2009, 47 community banks were. All of them are located in areas characterized by severe poverty and financial exclusion, including 27 in the state of Ceara, 5 in Sao Paulo, 4 in Espirito Santo, 3 in Piaui, 2 in Minas Gerais, and 1 in Mato Gross do Sul[13].

Joao Joaquim describes how the bank works[14].

*'The community itself decides to create the bank, becoming its manager and proprietor. It always acts with two credit lines: one in Real currency (R$) and another one in circulating social currency. Its credit lines stimulate the creation of local production and consumption networks and, promote the endogenous development of the area and support enterprises, as a commercialization strategy (solidarity shops, fairs, central office for commercialization etc.). The bank offers the following services: Local social currency*

- *Solidarity credit through the concession delegated by financial institutions such as Banco do Brasil*
- *Credit for financing solidarity enterprises*
- *Credit for personal and family consumption without interest*
- *Popular Solidarity credit card*
- *Opening account and account statements*
- *Deposits*
- *Invoice reception (water, electricity, telephone etc.)*
- *Subsidies and pension payments*
- *Cash withdrawals with or without credit card*

*The main distinctive features of the operations of a community bank are that interest rates are lower and are adjusted according to people's incomes, meaning that interest on loans or credit for those with low incomes will be less, credit is provided on the basis that beneficiaries will participate in local community projects and accrued income stays within the community'.*

He indicates that, according to the findings of an impact evaluation conducted on the work of Banco Palmas by the Federal University of Ceara,

- '98% of those interviewed consider that Banco Palmas has contributed positively to the development of Conjunto Palmeiras,
- 90% believe that the bank has contributed to an improvement in their quality of life,
- 26% believe that their income has increased because of the actions of the bank,
- 22% found jobs thanks to Banco Palmas, and

[12] http://www.banquepalmas.fr/IMG/pdf/Community_Banks_-_Microcredit_The_Case_of_Brazil_.pdf (accessed 29 February, 2012).
[13] Ibid, p.2
[14] Ibid, p.4

- 61% would give the bank a rating of at least 9 out of 10'[15].

**The role of incubators in the promotion and development of the Brazilian solidarity economy**

Incubators have been created in Brazilian universities, such as the Unicamp and Unisinos universities since as early as 1996, comprising students and their lecturers, to promote the principals of the solidarity economy and to provide training and educational support for solidarity economy actors, such as cooperatives and the landless workers movement. The incubation involves mutual learning between those who are part of the incubators and the solidarity economy actors, for example, seminars would be organized where cooperativists present their challenges and experiences and the incubator teams contribute to the analysis and interpretation of the former. Meanwhile, special courses have been designed on the solidarity economy for teaching in universities. Paul Singer from the University of Sao Paulo indicates that about 20 incubators existed in both public and private universities by the turn of the century[16]. Moreover, microfinance, trade and saving have been some of the main themes of the incubation aimed at creating awareness of the benefits of solidarity finance and experiments in other countries.

## 3.2. Venezuela

**Some basic facts about the Bolivarian Republic of Venezuela**

The total population of Venezuela is estimated at around 26 million people (Bruce, 2008). Recently published data on the country's socioeconomic performance paint a positive picture of the course of Venezuela's development under Hugo Chavez, since December 1998. According to data for the period 1998 to 2008,

- household level absolute poverty decreased from 21% to 7%,
- household level relative poverty decreased from 49% to 26%,
- access to water increased from 80% to 92%,
- access to sanitation increased from 62% to 82%,
- the net enrolment rates for primary education increased from 85% to 93.6%,
- the net enrolment rates for secondary education increased from 21.2% to 35.9%,
- the labour force grew from 9.7 to 12.5 million and total employment from 8.6 to 11.5 million, and
- the size of the formal and informal poles of the economy has both increased from 4.4. to 6.4 million and 4.1 to 5 million, respectively (Weisbrot et al, 2009).

The Venezuelan solidarity economy is managed by the Ministry of Popular Economy (MINEP) established in September 2006, to coordinate and implement the government's

[15] Ibid, p.2

[16] Singer, Paul (2011). Universities and the solidarity economy – Lessons of the Brazilian experience, available online at: http://www.ecosolimundo.de/wp-content/uploads/2011/10/singerenglisch.pdf (Accessed 29 March 2012).

*Mision Vuelvan*, a job creation and anti-poverty programme. In pursuance of this task, the Ministry provides financial and non-financial (i.e. skills and literacy training) support to local and national cooperatives and micro-enterprises (Navarrette, 2006).

The following is a poignant success story of the programme documented by Micheal Fox[17]:

> When Estrella Ramirez's 14-year-old son signed her up to participate in the government's free literacy program, Mission Robinson, she reluctantly agreed. Ramirez, who lives in the poor western Caracas neighborhood of Catia, lost her right arm in 1991 from an arterial thrombosis. Six years later, her husband left her, leaving her to raise her young children alone. She looked for work but couldn't find a job. "I lived locked in my house with my children, and I maintained my children sometimes selling coffee at the hospital, making lunches," she says. Three months after ramirez started the literacy program, her teacher enrolled her in the government's new cooperative job-training program, Vuelvan Caras (About Face). "I thought they wouldn't accept me or put up with me," Ramirez says. "There's discrimination. You're treated as if you are useless, a cripple." Ramirez began the year-long Vuelvan Caras industrial sewing course in spring 2004 with a group of other unemployed women from her community. Some, like Ramirez, were also offered scholarships so they could study and still care for their children. Three years later, Ramirez is a co-founder and associate of the textile cooperative, Manos Amigas (Friendly Hands). She is also, according to former cooperative president, Maria Ortiz, "one of the hardest workers" of the 15-person outfit. Ramirez formed Manos Amigas with her fellow Vuelvan Caras graduates shortly after finishing the program. They received an $80,000 zero-interest loan from the Venezuelan National Institute for Small and Medium Industry to buy 20 sewing machines and purchase their first materials. The government provided a prime location—free of charge—from which to run their cooperative, in a rundown building in downtown Caracas. They invested part of their loan in fixing up their space on the fourth floor. At Manos Amigas, members voted to work eight hours a day, five days a week, and to pay themselves minimum wage, or around $200 a month. They also receive a bonus at the end of the year, depending on the cooperative's yearly profits. As is the norm under the 2001 Venezuelan Cooperative Law, a president, secretary, and treasurer are elected yearly. The co-op holds a general assembly once a month, and decisions are made by consensus or by majority. "No one is boss, everyone is part of the team," said one member.

The government's Economic and Social Development plan for 2001-2007 suggests that the solidarity economy conjoins the production process with the 'dynamism of local communities' in the economic activities of cooperatives and micro-enterprises and therefore serves as an alternative to the private market economy (Wilpert, 2007, p.76). Venezuela's solidarity economy has four prominent segments, including cooperatives, co-managed factories and companies by workers and the state, nuclei for endogenous development and micro-enterprises (Wilpert, 2007, p.77).

It has the largest cooperative movement in Latin America, including producer cooperatives, such as agricultural, worker, garment and furniture-making co-ops, and service cooperatives, such as fishing, transport, education, food and finance co-ops. According to a survey conducted of cooperatives in Venezuela for the period 2001 to 2008 by Cooperativa Gestion Participativais (Participative Management Cooperative) in collaboration with the International Cooperative Association, the country had 60 000 active cooperatives by 2008, which is significantly higher than Brazil's 20 000 and Argentina's 10 000 (Monzant, 2011). In 2009, a year after the survey, an additional 10 000 cooperatives were legally registered without direct government support, which for Elvy Monzant is proof that Venezuelans are

[17] Fox, Michael (2007). 'Venezuela's Co-op Boom', venezuelanalysis.com, 22 May, available online at: http://venezuelanalysis.com/analysis/2393 (accessed 22 February, 2012).

yearning for an alternative economic path[18]. Professor Camila Harnecker indicates that cooperatives could have a socialist character, as they produce goods and services for the benefit of a collective while being primarily concerned with the full human development of all individuals that comprise the cooperative[19]. Interestingly, the Ministry of Popular economy piloted a social currency at the 4th School Fair for Popular Economy in 2006. School children were given printed notes called *mirandinos* named after the Venezuelan revolutionary, Francisco Miranda, with which they could buy from any of 270 government-sponsored cooperatives and, in turn, the cooperatives will then exchange the notes for real money at the MINEP[20]. Social currency is an important tool for the construction of a new economic model, as it offers new mediums of exchange and therefore serves as a means to transcend the traditional money-based economy.

Monzant attributes the growth of Venezuela's cooperative movement to the enabling environment created by the state with

- the passing of the Special Law of Cooperative Association in 2001,
- Chavez's political statements in favour of cooperative development,
- the policy to give priority to cooperatives in government contracts,
- government cooperative promotion programmes, and
- the public resources that are being distributed to communal councils who directly administer the money through communal banks, which are formed as finance cooperatives.

However, he indicates that the most successful cooperatives are those that have been created spontaneously with little government support. In section four, we will look at some of the major obstacles that undermine the success and potential of Venezuela's cooperative movement.

Industrial co-management in Venezuela by workers, usually under the stewardship of a trade union, and the state has been hailed as an important experiment of workplace democracy (Bruce, 2008). It refers to cases where workers control the production process of a factory or enterprise that has been deserted by the owner or employer with minimal assistance from the state. The most famous Venezuelan example is the Sanitarios de Maracay bathroom furniture

---

[18]Monzant, Elvy (2011). 'Diagnosis and Perspectives of the Social and Solidarity Economy of Venezuela', presentation at the First Prout Research Institute of Venezuela (PRIVEN) Global Conference, 7-9 July 2011, available online at: http://www.youmicro.com/listen/song/3619/elvy-monzant-diagnosis-and-perspectives-of-the-social-and-solidarity-economy-of-venezuela (accessed 20 February, 2012).

[19] Harnecker, Camila Pineiro (2011). 'Potentials and Risks of Cooperatives in Socialist Construction', presentation at the First Prout Research Institute of Venezuela (PRIVEN) Global Conference, 7-9 July 2011, available online at: http://www.youmicro.com/listen/song/3615/camila-pineiro-harnecker-potentials-and-risks-of-cooperatives-in-socialist-construction (accessed 20 February, 2012).

[20] Navarrette, Pablo (2006). 'Social Currency', 19 September, venezuelanalysis.com, available online at: http://venezuelanalysis.com/news/1952 (accessed 22 February, 2012).

factory occupied by 500 workers for nine months, from December 2006 to August 2007. The workers, who constituted a worker assembly, elected a factory committee of 21 members responsible for overseeing the production process and task teams of 15 members each to manage the daily running of each department of the factory (Bruce, 2008, p.100). As reward for their labour, each worker was given a top range bathroom suite worth 600 000 bolivars or 139 800 US dollars to sell where ever they could and the assembly decided to donate free bathroom equipment to dilapidated schools (Bruce, 2008, p.101). However, the Maracay example of direct workplace democracy was curtailed by divisions among workers and bureaucratic obstacles in government, which resulted in the factory being returned to its private owner.

The nuclei for endogenous *(from within*) development refer to the explosion of communal councils since the passing of the Law on Communal Councils, in April 2006, which are regarded as the engine of Venezuela's project to build twenty-first century socialism (Bruce, 2008, p.140). The councils empower local communities to plan and implement integrated develop projects according to the socioeconomic needs in each community and all their decisions are binding on local authorities (Wilpert, 2007, p.59). In the first year of the Law, approximately 16 000 communal councils were formed through out Venezuela's 335 municipalities (Wilpert, 2007, p.59), and the reported figure increased to 30 000 by 2009 (Bruce, 2009), although, the number of active councils might be much lower (Ellner, 2009).

Communal councils are formed in neighbourhood assemblies of between 200 and 400 families in urban areas and 20 plus in rural areas. The assembly is the sovereign decision-making body in a community. It elects spokespersons for the council's project teams, which correspond with the number of development priorities in each area, oversees the implementation of projects and all its decisions are binding on the local authority (Bruce, 2008, p.140). The councils receive grants from the national oil company, PDVSA, and 20% of the national and regional budgets to fund their projects (Bruce, 2009), and the money is administered by communal banks formed as finance cooperatives (Bruce, 2008, p.140). In addition to the communal banks, every council has a "social controllership" that monitors spending and an employment commission that identifies community members for remunerative positions that become available at different levels of the economy and motivates for their appointment[21].

The Fabricio Ojeda nucleus in the west of Caracas, the capital city of Venezuela, is the showcase of the Endogenous Development nuclei. The construction of the nucleus began in 2004, preceding the passing of the Law of Communal Councils. It combines many of the government's key social programmes, such as free health care and education, with economic activities, including skills and training and job creation initiatives. Bruce (2008) observes that the nucleus is equipped with a health clinic, a dental surgery, an X-ray room, a secondary

[21] Ellner, Steve (2009). 'A New Model With Rough Edges: Venezuela's Community Councils', venezuelanalysis.com, 11 June, available online at: http://venezuelanalysis.com/analysis/4512 (accessed 22 February, 2012).

school and an information centre, in addition, it has a food store, a community bakery, a canteen and shoe-and-garment making workshops, all charging 'solidarity prices' (Bruce, 2008, p.45). Those who worked in the shoe and the garment-making workshops at time of his study were graduates from the *Mision Vuelvan* programme. The main concern of the endogenous development experiment is thus the full development of poor communities into productive citizens imbued with a sense of mutual care and concern.

In addition to cooperatives, the government's micro-finance programme enables families or individuals - foreign or national - who are living in poverty to start micro-enterprises, benefitting from low or zero-interest loans that are being provided by the country's three micro-credit banks. They are Banco del Pueblo (People's Bank), Banco de la Mujer (Women's Development Bank) and the Fondo de Desarrollo Microfinanciero (Fund for Micro Finance Development). Inspired by the establishment of community banks in Brazil, these are public banks, in which the development needs of people precede the desire for profits. In addition, private banks are obliged by law 'to set aside 3% of their credit portfolio for micro-finance projects' (Wilpert, 2007, p.77). In fact, since the passing of the 2001 Banking Law, the government has been engaging in deliberate attempts to reduce private provision of microfinance and to bring the banking sector in line with its socialist strategic vision. For example, Mayela Armas, observes that in terms of the country's latest Bill on Banking sector Institutions banks 'will have to adapt to socialist plans, the banking service will be declared of public utility, and there will be fewer financial institutions'[22].

The Women's Development Bank embraces this call. It is a public financial institution established in 2001, to provide microfinance to poor women to help them organize their socioeconomic productive work and to build solidarity (Castaneda, 2011). Low-interest micro-credit loans are being provided to groups of five and more women for varies productive activities, in addition, the bank offers non-financial support, such as administrative training, personal development and family planning[23]. Nora Castaneda, founding President of the Women's Development Banks, defines the bank as a 'grassroots tool for the construction of a feminist solidarity economy'. She indicates that the objective of the bank's financial and non-financial support to women is to stimulate their active participation in socio-political and economic life while enabling them to live a healthy spiritual life[24].

---

[22] Armas, Mayela (2010). 'Venezuelan financial system to be limited to universal and microfinance banking', 16 November, Microfinance Africa, available online at: http://microfinanceafrica.net/tag/microfinance-in-venezuela/ (accessed 22 February, 2012).

[23] http://en.wikipedia.org/wiki/The_Women's_Development_Bank (accessed 3 March, 2012).

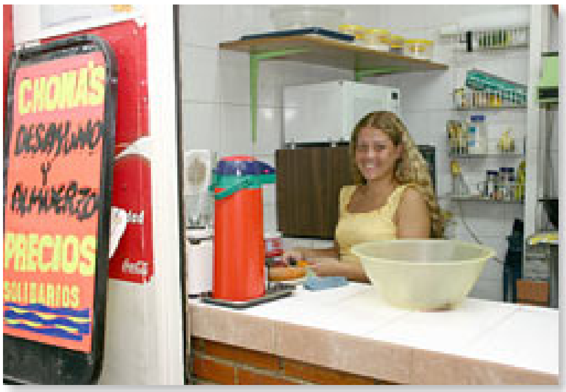
[24] Castaneda, Nora (2011). 'The Bank of Development of Women. A Grassroots Tool for the Construction of a Feminist Solidarity Economy', presentation at the First Prout Research Institute of Venezuela (PRIVEN) Global Conference, 7-9 July 2011, available online at: http://www.youmicro.com/listen/album/138/english-1st-day-july-7-2011-first-global-prout-conference-caracas-venezuela (accessed 22 February, 2012).

Coral Wynter explains how the bank works[25]:

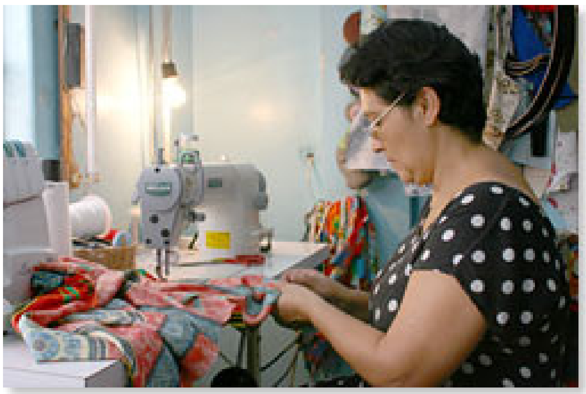
'A group of women who are living in poverty, who are neighbours, decide to hold a meeting. They contact the Women's Development Bank. They get in touch with allies, who could be the mayor, the governor or an organization for grassroots sectors. It is the duty of the bank to go to the poorest areas. The bank will let the community know what it has to offer them, while the community decides what it requires. The bank doesn't grant credits for housing or mortgages.

After the first meeting, a process of training, follow up and technical support begins. But what is taught in the workshop is what the community wants to know, perhaps how to do book-keeping, not what the bank official wants to teach or preconceived stereotype notions of economics. Women tend to forget to take into account the value of their labor power, and forget to add the cost of electricity, and don't know how to properly calculate the value of the raw materials used or the cost of cleaning. "I see now why I always lost out; it's because I didn't include the value of the kitchen gas, let alone my labor power.'

Esley Reyes co-owns a restaurant with her aunt that was started with a micro-credit loan from the bank.




Denise Obregon was able to buy a sewing machine with the micro-credit loan she received from the bank, which increased her output.



[25] Wynter, Coral (2006). 'Nora Castaneda and the Women's Development Bank of Venezuela', Green Left Weekly, 21 February, available online at: http://venezuelanalysis.com/analysis/1630 (accessed 28 February, 2012).

## 4. Assessment and lessons

Despite recent improvements, Brazil accounts for one of the world's largest share of income inequality with a stubbornly high gini-coefficient of over 0.5.[26]In 2004, 19.8 million people or 11.3% of the population was living in extreme poverty[27], which is much worse than the situation in Venezuela. The poverty characteristics of Brazil resonate with the development context of many Sub-Saharan African countries, especially South Africa, who, like Brazil, enjoys high levels of economic growth that coexist alongside massively high levels of inequality fuelled by economic globalization. Evidence by Bhorat et al (2009), for example, indicates that South Africa's gini-coefficient increased from 0.64 in 1995 to 0.72 in 2005[28], making it the most consistently unequal society in the world.

Thus, in the context of high-levels of household poverty, which undermine the ability of the poor to save, contributing to their financial marginalization, Brazil's SEEs are not only a source of income, but also encourage and promote a new solidaritous approach to financing economic activity, evidenced by the heavy reliance on cooperative finance. This collective way of mobilizing financial resources is also found in informal savings and financing experiences on the African continent, such as stokvels or rotating savings and credit associations (ROSCAs) in South Africa and the Iddir in Ethiopia[29], amongst other. Stokvels have become a popular alternative for both the urban and rural poor to the private banking sector, including saving and credit groups. There are estimated to be more than 800 000 existing stokvels in South Africa with a membership of over 2.5 million people[30]. According to a survey conducted on stokvels by African Response, the estimated value of the total number of stokvels is R44 billion and the average monthly contribution by individual members is R210.00[31].

---

[26] www.ipeadata.gov.br/Default.aspx (accessed 25 February, 2012).

[27] Garbelotti, Marco (2007). 'An Overview of the Strategy of Income Distribution in Brazil', available online at: http://www.gwu.edu/~ibi/minerva/Spring2007/Marco.Garbelotti.pdf (accessed 25 February, 2012).

[28] Bhorat, H.aroon, van der Westhuizen, Carlene & Jacobs, Toughedah (2009). 'Income and Non-income Inequality in Post-apartheid South Africa: What are the Drivers and Possible Policy Interventions', working paper 09/138, Development Policy Research Unit, UCT, available online at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1474271&http://www.google.co.za/url?sa=t&rct=j&q=bhorat%2C%20h.aroon%2C%20van%20der%20westhuizen%2C%20c.%20%26%20jacobs%2C%20t%20%282009%29&source=web&cd=1&ved=0CCIQFjAA&url=http%3A%2F%2Fpapers.ssrn.com%2Fsol3%2FDelivery.cfm%3Fabstractid%3D1474271&ei=VqFIT7OgAYWFhQfTssWBDg&usg=AFQjCNGjsMXa_VewzjdabIQkgEc_Dmi9sA&sig2=y4pfTCEENXtrLINowwm0ig (accessed 25 February, 2012).

[29] It is a grassroots insurance programme for emergency situations managed by communities or groups who share common interests, such as families, neighbourhoods, workers, etc. (Dejene, 2009).

[30] Nga, Marie-Therese (2007). 'An investigative analysis into the saving behaviour of poor households in developing countries: with specific reference to South Africa', Research report prepared in partial fulfilment of the requirement for the Degree of Masters of Economics, available online at: http://etd.uwc.ac.za/usrfiles/modules/etd/docs/etd_gen8Srv25Nme4_3201_1190379022.pdf (accessed 24 February, 2012).

[31] 'Stokvels worth R44bn', City Press, 22 November, 2011, available online at: http://m.news24.com/citypress/Business/News/Stokvels-worth-R44bn-20111122 (accessed 24 February, 2012).

Stokvels operate on the principle of *UBUNTU* or reciprocity, meaning that association is inspired by a sense of mutual care and concern for each other. Thus, the benefit of belonging to a stokvel exceeds the monetary gain, as it serves as a platform to build stocks of social capital – social networks, trust, solidarity, etc. - within a community, notwithstanding the power dynamics that complicate this process, and since most stokvel members are poor black women (Nga, 2007), it contributes to building their independence. However, whilst a stokvel is a form of cooperative to the extent that it operates on the basis of a monthly collective contribution by a group of people, the saving pot is used to satisfy individual needs; furthermore, stokvel participation is not motivated by an oppositional logic to the private banking system, thus, undermining its ability to be an instrument of solidarity finance. That said stokvels are community-based associations that are attuned to the capabilities of poor people and therefore could be grassroots conduits for a government's financial literacy and microfinance programmes, furthermore, they could be formed as finance cooperatives by informal trader organisations to pool the limited savings of their members for investment in things, such as goods and basic infrastructure.

Meanwhile, the main lesson from the Venezuelan experiments is that solidarity is not synonymous with anti-statism, in other words, solidarity finance should not be conceived as the direct opposite of micro-finance. That is, there is a difference between microcredit minimalism used as an economic strategy to contain resistance against neoliberal reforms while paving the way for financial liberalization (Weber, 2004) and microcredit - plus other financial services known as microfinance (Weber, 2004, p.359) - used as a means to redistribute wealth for collective social and economic needs. Weber (2004) argues that the first form of microcredit is a 'neoliberal safety net' aimed at mitigating the socioeconomic impact of neoliberal adjustments through entrepreneurial empowerment (Weber, 2004, p.362). On the other hand, in the case of Venezuela, we have seen the light face of microcredit that, as part of a broader programme of microfinance, stimulates people-centred development through enhancing the human capabilities of the poor, evidenced by the Ministry of Popular Economy's *Mision Vuelvan* job creation and anti-poverty programme. In other words, by prioritizing the development and enhancement of the human capital of the poor (*the skills, competencies and knowledge that are necessary for economic activity*) as a catalyst for community development, microfinance addresses both their asset and income needs while stimulating active citizen participation in the development process. In Brazil, Rosana Pontes indicates that the solidarity economy movement is engaging rigorously with the state On Its Own Terms, for example, while the national state wanted to introduce policy for the solidarity economy through the small business route, 23 states in public hearings on the solidarity economy supported an independent policy[32].

Furthermore, reducing solidarity in the realm of the economy to localism has the potential to undermine broader social struggles against systemic inequalities caused by unbridled capitalism. In fact, grassroots resistance against the harms of neoliberal capitalism is a vain

[32] 'Beyond the Social Economy – Capitalism's Crises and the Solidarity Economy Alternative', conference report of the Co-operative and Policy Alternative Center (COPAC), 26-28 October, 2011, available online at: http://www.rosalux.co.za/wp-content/uploads/2012/01/Beyond-the-Social-Economy.pdf (accessed 29 February, 2012).

attempt, if not scaled-up as part of a broader anti-capitalist campaign. Thus, it is crucial that debate about solidarity alternatives, such as solidarity finance, be linked to broader working class struggles around macroeconomic policy. This is evidenced by solidarity economy trade union-social movement alliances between Central de Trabajadores Argentinos (Central Trade Union) and the Unemployed Workers Union, in Argentina, the Central Union of Workers (CUT) and the Landless Workers Movement (MST), in Brazil, and between trade unions and community cooperatives, in Venezuela. In South Africa, an opportunity exists for establishing a similar alliance between the worker waste paper recycling cooperative of the National Union of Metal Workers of South Africa (NUMSA) and informal trader organisations in the Johannesburg area. In addition, building transnational alliances between trade unions and informal trader organisations across different Sub-Saharan African countries could be an effective political strategy for bringing informal trader concerns into the heart of the macroeconomic debate and for forging a grassroots transnational solidarity economy movement in the region.

The Venezuelan experience of microfinance is not without rough edges, though. As Elvy Monzant points out, a lack of self-finance resulting from over reliance on state resources undermine the success and viability of solidarity economy activities, such as cooperatives. He observes that of the total number of 268 000 existing cooperatives by 2008, 77% or 208 000 were inactive, turning Venezuela from being a ‘cooperative boom’ into a ‘cooperative graveyard’ (Monzant, 2011). And, as already mentioned, most of the remaining 60 000 functional cooperatives were spontaneously formed and are largely self-reliant. Meanwhile, Camila Harnecker warns against treating cooperatives as a panacea for all the economic ills of capitalism, indicating that they could easily fall into the trap of the bureaucracy while reproducing cultural hierarchies. Thus, in addition to developing a measure of self-financial reliance, political education is thus a critical tool for safeguarding the principles of collectivism, equality and democracy in cooperatives, especially in those made up of both male and female cooperativists. In addition, it stimulates conscious participation in the solidarity economy. In this regard, the lesson from both Venezuela and Brazil is that education has to do more than simply producing productive individuals and attending to their material needs, in addition, it has to cultivate an alternative political consciousness in accordance with the principles and values of the solidarity economy. Moreover, cooperatives are constantly in danger of being sucked into the profit-making logic of the capitalist market economy. In South Africa, for example, as already mentioned, government support for cooperatives is linked to their incorporation into what COPAC calls the ‘financialisation of cooperatives through Black Economic Empowerment[33]’, undermining the above principles upon which they are found and act.

[33] Ibid, p.2

## 5. Conclusion

Two important conclusions could be drawn from the above assessment and lessons from the Venezuelan and Brazilian solidarity economy experiments. Firstly, self-management and institutional support to the solidarity economy are not opposites. For example, whilst the Venezuelan state funds the activities of community councils, communities independently decide how the money will be spent through communal banks that are formed as finance cooperatives. In the case of Brazil's community banks, whilst the bank is formed as a public institution, communities determine its operations and practices. Secondly, micro-credit has both a dark and a light face. On the one hand, micro-credit minimalism serves as a neoliberal safety net aimed at managing the crises created by unbridled capitalism through entrepreneurialism. On the other hand, micro-credit could be used as a tool for redistributing wealth, in which case, it could stimulate people-centred development through enhancing the human capabilities of the poor, as evidenced by the Venezuelan Ministry of Popular Economy's Mision Vuelvan job creation and anti-poverty programme

In this context, the following list of concrete issues is being recommended as entry points for a Southern African debate on solidarity finance.

1. Regulations are needed for the informal financial sector to, amongst other; protect the poor from loan sharks. Informal financial institutions operate in close proximity to local communities and are therefore more attuned to the social needs of the poor than their formal counterparts, making them an important provider of financial assistance to the so-called 'unbanked'.

2. Statistics on the characteristics of informal trade in SADC countries are desperately needed; in addition, information on microfinance programmes should be gathered to assess how they respond to the needs of VSMEs. This information could form the basis for a regional multi-stakeholder financial sector campaign, including informal trader organisations, supporting NGOs, like COPAC and ESSET, churches and trade unions, against the high cost of private banking financial services and for the establishment of communal or community banks that provide interest free or low interest micro-finance to cooperatives and other solidarity economic activities.

3. The pros and cons of forming saving and finance cooperatives as subsidiaries of informal trader organisations are worth exploring, given their potential for fostering self-management and participatory democracy.

4. These cooperatives could be used as a vehicle for mobilizing financial and non-financial resources from the microfinance programmes of governments.

5. The exploration should be accompanied by a critical evaluation of the current strengths and weakness of informal trader organisations in the region.

6. Educational material on the solidarity economy and solidarity finance for informal traders should be developed in order to raise their consciousness of the principles and values of this form of alternative economics.

7. In addition, an annual regional Fair where informal traders could exhibit their goods could be a platform to promote the concept of solidarity economy in the region, to build international links with other solidarity economies, especially in Latin America, and to create political awareness within the region of informal trader struggles and the contribution of the informal trading sector to sustainable livelihoods.

8. Informal trader organisations should engage governments in the region on the concept of the solidarity economy with a view to demanding a dedicate ministry for it, as is the practice in several Latin American countries, i.e. Argentina, Brazil, Venezuela and Bolivia.

9. Research should be conducted to assess the costs and benefits of the barter system and a social currency for informal trading in the region.

10. Informal trader organisations should link up their struggles for the right to trade in the city with trade union campaigns for decent work.

## References


Armas, Mayela (2010). 'Venezuelan financial system to be limited to universal and microfinance banking', 16 November, Microfinance Africa, available online at: http://microfinanceafrica.net/tag/microfinance-in-venezuela/ (accessed 22 February, 2012).

Arruda, Marcos (2008). *Exchanging Visions of a responsible, plural, solidarity economy - RPSE. Alliance for a Responsible, Plural and Solidarity-based Economy (ALOE).*

Arruda, Marcos and Joana Emmerick (July 2011). *Workshop: Solidarity Economy and SolidarityFinance. Organized by Instituto de Políticas Alternativas para o Cone Sul (PACS) for the study group visit from ESSET and TARA*.

'Beyond the Social Economy – Capitalism's Crises and the Solidarity Economy Alternative', conference report of the Co-operative and Policy Alternative Center (COPAC), 26-28 October, 2011, available online at: http://www.rosalux.co.za/wp-content/uploads/2012/01/Beyond-the-Social-Economy.pdf (accessed 29 February, 2012)

Bhorat, H.aroon, van der Westhuizen, Carlene & Jacobs, Toughedah (2009). 'Income and Non-income Inequality in Post-apartheid South Africa: What are the Drivers and Possible Policy Interventions', working paper 09/138, Development Policy Research Unit, UCT, available online at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1474271&http://www.google.co.za/url?sa=t&rct=j&q=bhorat%2C%20h.aroon%2C%20van%20der%20westhuizen%2C%20c.%20%26%20jacobs%2C%20t%20%282009%29&source=web&cd=1&ved=0CCIQFjAA&url=http%3A%2F%2Fpapers.ssrn.com%2Fsol3%2FDelivery.cfm%3Fabstractid%3D1474271&ei=VqFIT7OgAYWFhQfTssWBDg&usg=AFQjCNGjsMXa_VewzjdabIQkgEc_Dmi9sA&sig2=y4pfTCEENXtrLINowwm0ig (accessed 25 February, 2012).

Brazil Government - Ministry of Labour and Employment - National Secretariat for Solidarity Economy - Department of Public Works (2011). *Potencialidades e Desafios da comercialização Solidária no Brasil. (Potential and challenges in the commercialization of the solidarity economy in Brazil). Presentation in Santa Maria July 2011 - Seminário Nacional de Pontos Fixos*.

Brown, Wendy (2003). 'Neoliberalism and the End of Liberal Democracy', *Theory & Event*, Vol.7 (1), pp.1-19.

Bruce, Iain (2008). *The real Venezuela: Making Socialism in the 21st Century*, (London, Pluto Press).

Bruce, Iain (2009). 'Participatory Budgeting in Brazil and its sequels in Venezuela: the relationship between self-organization, popular power and the institutions of the state, presentation at the Democracy Development Programme's workshop on institutional participation, 7-8 September, available online at: http://www.ddp.org.za/programme-events/civil-society/public-dialogues-fora/Workshop%20Institutional%20Participation%20in%20the%20South%20African%20Public%20Sphere.pdf/view?searchterm=workshop+on+institutiona (accessed 23 February, 2012).

Castaneda, Nora (2011). 'The Bank of Development of Women. A Grassroots Tool for the Construction of a Feminist Solidarity Economy', presentation at the First Prout Research Institute of Venezuela (PRIVEN) Global Conference, 7-9 July 2011, available online at: http://www.youmicro.com/listen/album/138/english-1st-day-july-7-2011-first-global-prout-conference-caracas-venezuela (accessed 22 February, 2012).

Davies, Rob and Thurlow, James (2009). 'Formal-informal economy linkages and unemployment in South Africa', April, available online at: http://www.econrsa.org/wkshops/cge/session2-formal-informal-economy-linkages-unemployment-south-africa.pdf (accessed 20 February, 2012).

Dejene, Solomon (2009). Exploring *iddir* Toward Developing a Contextual Theology of Ethiopia, in: Ege, Svein, Aspen, Harald, Teferra, Birhanu and Bekele, Shiferaw (eds.) *Proceedings of the 16th International Conference of Ethiopian Studies*, Trondheim.

Ellner, Steve (2009). 'A New Model With Rough Edges: Venezuela's Community Councils', venezuelanalysis.com, 11 June, available online at: http://venezuelanalysis.com/analysis/4512 (accessed 22 February, 2012).

Fisher, William and Ponniah, Thomas (2003). '*Another World is Possible', (London, Zed Books).*

Fox, Michael (2007). 'Venezuela's Co-op Boom', venezuelanalysis.com, 22 May, available online at: http://venezuelanalysis.com/analysis/2393 (accessed 22 February, 2012).

Garbelotti, Marco (2007). 'An Overview of the Strategy of Income Distribution in Brazil', available online at: http://www.gwu.edu/~ibi/minerva/Spring2007/Marco.Garbelotti.pdf (accessed 25 February, 2012).

Harnecker, Camila Pineiro (2011). 'Potentials and Risks of Cooperatives in Socialist Construction', presentation at the First Prout Research Institute of Venezuela (PRIVEN) Global Conference, 7-9 July 2011, available online at: http://www.youmicro.com/listen/song/3615/camila-pineiro-harnecker-potentials-and-risks-of-cooperatives-in-socialist-construction (accessed 20 February, 2012).

Heintz, James and Valodia, Imraan (2008). 'Informality in Africa: A Review', paper prepared for SIDA by the WIEGO Network, available online at: http://wiego.org/files/publications/files/Heintz-Valodia-Informal_Economy_Africa-2008.pdf (accessed 18 February, 2012).

http://www.idc.co.za/index.php?option=com_content&view=article&id=30&Itemid=291 (accessed 18 February, 2012).

http://www.thedti.gov.za/DownloadFileAction?id=407&filename=guidelines.pdf (accessed 18 February, 2012).

http://www.dti.gov.za/financial_assistance/financial_incentive.jsp?id=11&subthemeid=3 (accessed 18 February, 2012).

http://www.southafrica.info/about/social/budget2009d.htm (accessed 18 February, 2012).

http://www.thepresidency.gov.za/learning/me/indicators/2009/indicators.pdf (accessed 18 February, 2012.

http://en.solecopedia.org/index.php?title=Solidarity_economy (accessed 19 February, 2012)

http://www.banquepalmas.fr/IMG/pdf/Community_Banks_-_Microcredit_The_Case_of_Brazil_.pdf (accessed 29 February, 2012).

http://en.wikipedia.org/wiki/The_Women's_Development_Bank (accessed 3 March, 2012).

Lund, Francie and Nicholson, Jillian (eds.) (2003). *Chains of production, ladders of protection: social protection for workers in the informal economy,* Durban: School of Development Studies.

McGrath, Simon (2005). *Skills Development in Very Small and Micro Enterprises*, (Cape Town, HSRC Press).

Miller, Ethan (2006). 'Other Economies Are Possible!' *Dollars & Sense* 266, pp.11.

Mittullah, Winnie (2003). 'Street Vending in African Cities: A synthesis of empirical findings from Kenya, Cote D'Ivoire, Ghana, Zimbabwe, Uganda and South Africa', background Paper for the 2005 World Development Report, 16 August, available online at: http://wiego.org/publications/street-vending-african-cities-synthesis-empirical-findings-kenya-cote-d039ivoire-ghana- (accessed 19 February, 2012).

Mohan, Giles, Brown, ED, Milward, Bob and Zack-Williams, Alfred (2000). *Structural Adjustment, Theory, Practice and Impacts,* New York, Routledge.

*Desk*top Study on Alternative Micro Finance Models, Dr Dirk Haarmann of TARA (2011)

Monzant, Elvy (2011). 'Diagnosis and Perspectives of the Social and Solidarity Economy of Venezuela', presentation at the First Prout Research Institute of Venezuela (PRIVEN) Global Conference, 7-9 July 2011, available online at: http://www.youmicro.com/listen/song/3619/elvy-monzant-diagnosis-and-perspectives-of-the-social-and-solidarity-economy-of-venezuela (accessed 20 February, 2012).

Nga, Marie-Therese (2007). 'An investigative analysis into the saving behaviour of poor households in developing countries: with specific reference to South Africa', Research report prepared in partial fulfilment of the requirement for the Degree of Masters of Economics, available online at: http://etd.uwc.ac.za/usrfiles/modules/etd/docs/etd_gen8Srv25Nme4_3201_1190379022.pdf (accessed 24 February, 2012).

Navarrette, Pablo (2006). 'Social Currency', 19 September, venezuelanalysis.com, available online at: http://venezuelanalysis.com/news/1952 (accessed 22 February, 2012).

Singer, Paul (2011). Universities and the solidarity economy – Lessons of the Brazilian experience, available online at: http://www.ecosolimundo.de/wp-content/uploads/2011/10/singerenglisch.pdf (Accessed 29 March 2012).

Skinner, Caroline (2006). 'Falling through the Policy Gaps? Evidence from the Informal Economy in Durban, South Africa', *Urban Forum*, Vol.17 (2).

'Stokvels worth R44bn', City Press, 22 November, 2011, available online at: http://m.news24.com/citypress/Business/News/Stokvels-worth-R44bn-20111122 (accessed 24 February, 2012).

Weber, Heloise (2004). 'The 'New Economy' and Social Risk: Banking on the Poor?' *Review of International Political Economy,* Vol.11 (2), pp.356-386.

Weisbrot, Mark, Ray, Rebecca and Sandoval, Luis (2009). 'The Chavez Administration at 10 Years: The Economy and Social Indicators', paper prepared for the Centre for Economic and Policy Research, February, available online at: http://www.cepr.net/index.php/publications/reports/the-chavez-administration-at-10-years-the-economy-and-social-indicators/ (accessed 21 February, 2012).

Wilpert, Gregory (2007). *Changing Venezuela by taking power*, (London, Verso Books).

Wynter, Coral (2006). 'Nora Castaneda and the Women's Development Bank of Venezuela', Green Left Weekly, 21 February, available online at: http://venezuelanalysis.com/analysis/1630 (accessed 28 February, 2012).

www.ipeadata.gov.br/Default.aspx (accessed 25 February, 2012).