

# **The Solidarity Economy and its model in Latin America and the Caribbean**

## **The situation and responses of poor and excluded populations with a view towards holistic, solidarity-based human development**

**Humberto Ortiz Roca**  
**CEAS/CELAM**

### **I. Situation**

People affected by poverty and exclusion within the region respond to this situation through diverse economic activities, with the aim of supporting themselves and their families and contributing to their communities.

Today there are two ways in which we can define a poor person. The first definition is that of *someone who has nothing and who therefore needs to be given what they lack*. In this first case, therefore, the poor person is considered as a number or a statistic. The second definition is that of *a human person who, as a human being, has capabilities – capabilities, however, that the established order has not allowed them to develop*.

In the first case, the solutions proposed for those who are poor and excluded are *compensatory poverty relief* programmes which, in general, are aid-related and have little chance of being sustainable in the long term. In the second case the solutions put forward opt for programs which *promote human development* in order to broaden the capabilities of the poor and excluded, thus allowing them to support themselves in solidarity with their families and communities.

When it comes to the efforts made by the poor and excluded to obtain income for themselves and their families, self-employment activities as well as small and micro businesses are activities which stand out. In recent years the number of people within the Economically Active Population (EAP) engaged in these types of activities has risen significantly - the regional average has risen from 30% to 43% of the EAP in Latin American and the Caribbean. This trend is set to continue, despite the quality of this type of work being low in the majority of cases. These jobs, which are usually confined to the informal sector and which are notable for their insecurity, are often examples of underemployment<sup>1</sup>.

It is also clear that in these popular economies there are cases of individuals and their families being exploited (women, children, adolescents and the elderly). In these cases management is normally contained within a small nucleus which, in general, displays low levels of economic and entrepreneurial planning.

Despite these problematic situations it needs to be pointed out that many of these activities have potential for growth, sustainability and development in the long term.

### **II. Popular Economy, the work economy**

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<sup>1</sup> Underemployment can be defined as the situation that occurs when someone in the EAP works for more than eight hours a day and receives an income that is lower than the basic minimum wage needed to live, or when someone only works part-time and receives an income that is lower than this minimum.

The term “popular economy” refers to all economic activity carried out by those who are poor and excluded - whether it be in the production, distribution or consumer sector – in order to *satisfy their most basic needs and the needs of their families*.

From an organizational viewpoint these activities can be individual, family-based or collective<sup>2</sup>: As regards their economic role they can be carried out for survival purposes (when the income generated is less than the expenses of those concerned), subsistence purposes (when income barely covers expenses) or simple accumulation purposes (when income exceeds expenses).

As stated above, the economic rationale behind these popular economy activities is not to maximise profitability levels (on average a level of simple accumulation is only reached in 15% of cases) but simply *to satisfy the individual's most basic needs and the needs of their families*.

The Argentinean economist Jose Luis Coraggio refers to these types of activities as the *economía del trabajo*<sup>3</sup> (the work economy), as they aim at optimizing the work factor (the main element present in popular economies), and because this growth and development strategy is based on making the most of the individual's *work capacity* and that of their family (fathers, mothers, children, relatives, elderly family members etc).

For Coraggio, this broadening of the individual's work capacity and that of their family contributes to the creation of a **Work Fund** which can be measured in terms of time (working hours). The work fund is made up of the sum of the individual's work capacity and that of their family. The role of this work capacity can be to generate economic gains (as the product of dependent or independent work or income-generating activities within the domestic space) or non economic gains (time invested in housework, work done within community organizations or self-training).

Throughout this process individuals and their families try to optimize their *work fund*<sup>4</sup>.

### III. The Solidarity Economy

This popular economy or work economy is based on developing the work capacity of the individual and their family, and its aim is to satisfy their basic living needs. Often it uses forms of cooperation and solidarity as its growth and development strategy, forming what we may call the **C factor**, so called because it refers to a series of categories linked to **collective** and **cooperative** work, such as sharing (*compartir* in Spanish), **community** (*comunidad*), **confidence** (*confianza*), **communion** (*comunión*) etc.

In this sense *the solidarity economy can be understood as the work economy mobilising and optimising the C factor*. We could define the solidarity economy as the *sharing economy* (*la economía del compartir*): Sharing the workload (production) and sharing the fruits of labour (distribution and consumption)<sup>5</sup>. This solidarity economy is present in all dimensions of the economy, not only when it comes to distribution but also production.

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<sup>2</sup> Luis Razeto called these types of collective activities *organizaciones económicas populares* (popular economic organizations), Razeto, Luis, *Economía popular de solidaridad*, PET, Chile, 1987.

<sup>3</sup> Coraggio, Jose Luis, *La Economía del Trabajo*, 1985, Buenos Aires, as well as more recent texts on the work economy and local development (2001), edic, Universidad Nacional General Sarmiento, Buenos Aires, Argentina.

<sup>4</sup> In Europe there has been much reflection on the subject of time banks, for example.

<sup>5</sup> Ortiz, Humberto, *Economía popular y economía solidaria*, CEAS working document, Perú, 2002.

#### **IV. Towards another type of globalization based on the solidarity economy**

Today many changes are taking place in the world, and they are taking place GLOBALLY - that is to say, today the social processes that were previously national and regional are now GLOBAL processes.

We can therefore say that advances in communication have revolutionised the world. Thanks to satellite communication and the internet people who are separated by long distances and different languages, customs and cultures can communicate with each other, which has had both positive and negative effects<sup>6</sup>.

Today we see that ICTs have a significant role. Perhaps one of their main achievements is access to information, as today we can visit sites around the world – even libraries - via the internet. At the same time, however, we also receive all kinds of information via the internet that is morally questionable.

In the economic domain, globalization has allowed for an extremely high increase in international trade, as well as short term capital flow and speculation on the internet. Today, using a computer and in just a matter of seconds, it is possible to move millions of US dollars from one country to another, from one “Stock Market” to another. All of this has allowed for the creation of an “overgrowth” of financial capital at a global level, which seriously threatens the stability of the global system. This was clear to see during the last international financial crisis which erupted in 2008, and whose predecessor was the South East Asian crisis in 1997.

At the end of 1997 businesses in Indonesia, Hong Kong and Korea, countries which formed part of the “Asian tigers”, began to have profitability problems due to the implementation of various liberalization measures. The IMF, however, put pressure on these countries to implement these standardized measures - measures that formed part of the Washington Consensus and that would later prove to worsen the situation<sup>7</sup>.

Companies' shares prices plummeted in their countries' respective stock markets, which worried major investors to such an extent that in only a matter of days – or in some cases hours – they sold their shares and withdrew from these countries, provoking a rapid capital flight, the devaluation of these countries' currencies and a crash that later turned into a recession. Japan had to come to the rescue of some of these countries, obliged to devalue its own currency and issue loans worth millions at the same time. Even the International Monetary fund had to contribute, with loans totalling nearly \$100bn which had to come straight out of the organization's “coffers”, thus emptying them and making it impossible to lend to other countries. The effects of this crisis of “international financial speculation” – or the “Dragon Effect”, which later spread to Latin America (with the “Caipiriña Effect” in Brazil), has not been fully resolved, and there are still “Asian tiger” economies struggling to achieve sustainable stability, yet without success. Against the backdrop of this we saw the emergence of the 2008 international financial crisis, which once again stemmed from speculation on low quality financial assets and the “pyramid” system.

The current international financial crisis is characterized by an exacerbating lack of credit for consumers, low quality financial assets, the effects of investments in the

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<sup>6</sup> As Pope Benedict XVI said, “Globalization has brought us closer together, but it hasn't necessarily brought us closer to each other as brothers”

<sup>7</sup> Stiglitz, Joseph, “Globalization and it's discontents”

banking sector and the mass unravelling of mortgage loan defaults in the United States. All of this has highlighted the major insolvency of important financial systems in the developed world – an insolvency which is still yet to be resolved and which has led to the collapse of some major banks in the United States as well as the closure of General Motors and several bank nationalizations in Europe. The budgetary efforts being made are incredible – The United States, for example, has spent 800bn dollars on “bank bailouts” – and the situation of excessive debt in industrialised countries is no longer sustainable in the long term, leading to dramatic situations in countries such as Spain, Portugal and Greece, where the problems are far from being resolved. Here we see a new category of debt, that of “**Highly Indebted Rich Countries**”.

This final example is important not only due to its pertinence but also because it leads us to the theme of GLOBALIZATION linked to the ECONOMY. Indeed, although globalization isn't only about the economy (we started off talking about communication) it is also an economic theme, and many consider it to be the be-all and end-all.

One of the consequences of this neoliberal globalization, however, is that economic actors, or, more precisely, the most powerful business groups on the planet, have obtained a level of power never seen before (globalization led by multinationals). This process of economic globalization, coupled with the implementation of the NEOLIBERAL MODEL, has led to an excessive level of power being put in the hands of multinationals, including companies in the extraction industry. The latter are monopolies which get richer by the day, whilst taking advantage of the privatization processes that we see all over the world. This allows them to buy up public businesses that are in trouble for a low price before laying off staff, damaging the environment and bleeding the country dry economically.

With Neoliberalism the FREE MARKET means everything, and society as a whole should function according to this free market. Moreover, it tells us that society should be modelled on the idea of a PERFECTLY COMPETITIVE MARKET SOCIETY, and that in order to obtain this large-scale social, economic and political reforms are needed to reduce the influence of the state and its regulatory powers to an absolute minimum – and this at a time when financial and environmental regulations are so necessary.

One of the main strategic principles behind neoliberalism has been to weaken the state, or to “remove” the state from the social domain and to allow it to have minimal impact on political decision making. State budgets diminish while large multinationals gain economic and political power. Today the state seems to have handed its political power over to multinational executives.

Globalization has brought with it a new process of modernization (a kind of post-modernization we could say), mainly through use of communication technology, knowledge-based technology and road infrastructure (The IIRSA project in South America, for example) etc. However, at the same time it has also brought with it widespread poverty, extreme poverty and social exclusion, leading to violence and desperation.

Today it has been calculated that there are around 1.3 billion people (out of a total of 6 billion) who are living below the poverty line (earning less than \$1 a day) and around 800 million living in a state of extreme poverty. According to the Interamerican development Bank (IDB), the international crisis has led to an increase in the number of poor people. Social exclusion is at its highest level in the history of humanity. Today

the richest 20% of the world's population hold 87% of the wealth, while the poorest 20% don't even hold 1.8% respectively.

This social inequality also exists within individual countries. Currently, worldwide, we see around 40 "low intensity" armed conflicts. This reality has served to strengthen the arms industry, which has led to corruption. Furthermore, we are currently witnessing a worrying rise in the number of socio-environmental conflicts in Latin America and the Caribbean.

Globalization is also characterized by dramatic growth in the drugs trade (with 4 million consumers in the United States alone), which affects the political and economic stability of entire countries (Colombia, Peru, Bolivia and Ecuador) and regions (Plan Colombia).

There are two final questions we can perhaps ask ourselves regarding globalization. The first is: Has the globalization really generated development? The second is: What, in reality, is globalization?

With regards to this second question we could say that globalization and the "neoliberal model" are not one and the same. Indeed, although Neoliberalism is the main beneficiary of globalization, the former is a way of understanding and implementing the latter.

Going further still, we see that when we look at the social processes of recent years, the technological breakthroughs and even the environment, it is clear that in today's world we all need each other – nobody can say that they are completely self sufficient or totally dependent<sup>8</sup>.

This special kind of interdependence between societies at a global level is what we call GLOBALIZATION. Consciousness of this interdependence leads us to propose another type of globalization, a GLOBALIZATION BASED ON SOLIDARITY BETWEEN PEOPLE AND COMMUNITIES.

## **V. Towards a new development approach - holistic, solidarity-based human development**

Globalization puts the theme of development on the agenda. We will define our development through a process which allows individuals, groups and whole communities to improve their living conditions, regarding both the quality and longevity of their lives<sup>9</sup>.

With this very human eagerness to improve living conditions, many of the world's southern countries (or so-called "underdeveloped" countries) have tried to create diverse development models, which, for the majority, have focused on "economic development". Today we are almost convinced that development is not only economic, and that although the economy is one *dimension* of human development it is neither the sole one nor the main one.

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<sup>8</sup> Casaldáliga, "Globalization" in Agenda Latinoamericana 2002.

<sup>9</sup> In Populorum Progressio, Paul VI defines development as the path via which all people move from "less human conditions to more human conditions".

In reducing the concept of development to solely economic, certain indicators for economic development have been conceived, such as National Income (GDP) per capita, the level of industrialization and, in some cases (albeit few cases) wealth distribution between social groups within countries and regions.

A forerunner for the recent proposals for *holistic, solidarity-based human development* were the plans put forward by the ECLAC (the Economic Commission for Latin America and the Caribbean, a United Nations agency), which made the first steps towards looking beyond an “economic” view of development.

The **productive development with equality model** was launched by the ECLAC in Chile.

The ECLAC’s analysis concludes that although many countries in Latin America have succeeded in increasing GDP, few or hardly any have succeeded in distributing this income fairly within their own country. The alternative, therefore, is to improve the level of redistribution while maintaining ever-increasing GDP. This model entered into crisis not only due to the wave of recession in Latin America but also because the wealth distribution indexes (The Gini Coefficient) worsened. This model’s strategies did not touch upon the root causes of unequal distribution and redistribution.

### **Holistic, solidarity-based human development**

“(…) finding an alternative model, one of holistic, solidarity-based human development. A model based on ethics, which includes responsibility for a genuine natural and human environment. A model based on the gospel of justice, solidarity and the universal destination of goods. A model which surpasses utilitarian and individualist logic, and which does not leave ethical criteria exposed to economic and technological powers. This, therefore, means encouraging those in our rural communities to organize themselves in such a way as to obtain what they rightly demand” (Document of Aparecida, No 474-c).

Development is *holistic*, as it does not just take into account the economic dimension but all the dimensions in which the human person plays a role – this is the ultimate goal of development. As stated in Paul VI’s *Populorum Progressio*, then later in John Paul II’s *Solllicitudo Rei Sociales* and, most recently, in Benedict XVI’s *Caritas in Veritate*, we can see the full application of the concept of holistic human development in the Social Doctrine of the church during the last 40 years.

We can identify six dimensions to development (Prof. Denis Goulet<sup>10</sup>, “The ethics of development”):

- The economic dimension
- The social dimension
- The political dimension
- The cultural dimension
- The environmental dimension
- The ethical dimension

The *economic* dimension refers to variables in production and income per capita, the country, region or community’s level of industrialization and an equal distribution of wealth within the economies in question and between economies.

The social dimension focuses on having an adequate level of health, food, housing and basic services, as well as citizen participation in improving their living conditions.

The political dimension focuses on the enforcement of human rights (civil and political rights), the existence of rule of law and the enforcement of both representative and, in particular, participative democracy.

The cultural dimension of development refers to the identity of groups or communities and their customs and lores, as well as the ability to enter into dialogue with other cultures and, through this process, change their own culture.

The environmental dimension looks at responsibilities concerning our existing environment and the future of new generations, as well as achieving harmony between human beings and nature. This is done in view of creating a healthy and sustainable environment for future generations.

Finally, the ethical dimension of development focuses on what Goulet called the “full life model”. Every society has a full life model that they have the right to fulfil.

Here the first issue related to development is not to “impose” such and such concept that has been thought up by “development experts”, but to go into communities – concrete, human groups – and ask the people there what they think development is. When they explain this to us in their own words we understand their full life model and their right to fulfil it. This should be the main skill of a (proactive) development agent.

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<sup>10</sup> Denis Goulet is a Canadian Professor who recently passed away. He was a Professor at Notre Dame University in the United States and a disciple of Father Lebret. Besides being a rigorous academic (specializing in social science and philosophy) he spent much of his life among the poorest members of society. From a young age he was a labourer in North America before later living for many years within the Asian and Oceanic community as an academic. Whilst living within these communities he strived to learn about the lifestyles and cultures around him before actually “teaching”, which created in him a very special kind of simplicity and a form of analysis largely based on experience. His theory is also based on the conclusions of various international events that raised the issue of how to define a *holistic* concept of development and make it operational. Many of his papers can be found in the “Centro de Documentación de la ONG Alternativa” (the Documentation Centre of **the NGO Alternative**) in Lima and the original copies in the Notre Dame University Library and the Kellogg foundation.

This is why we say that development doesn't just come from the *grassroots* (that is to say, from a local level or from local development), but from *inside* us – in other words, if development is not born out of *the spirit of the people*, it is not genuine development<sup>11</sup>.

*Goulet suggests the idea of the “Development Flower”, which consists of imagining a flower with six petals, each petal representing one of the dimensions of holistic, human development (economic, social, political, cultural, environmental and ethical). With this image we have to draw the level of development that we have reached in each of these dimensions. If we applied this image to every country we would see that no country is “fully” developed in all of these dimensions at once. A country considered as “developed”, for example, may have high levels of development in the economic and social petals but perhaps low levels in the environmental petal, given that its wealth is based on exploitations which destroy the environment, or perhaps low levels in the ethical petal, given that its values are ranked on a scale that only refers to a superficial, consumer society or the cult of pleasure (the pursuit of hedonism, or the paradigms of the so-called “market society” – all of this is pleasure, possession and power).*

Similarly, a so-called *underdeveloped* country might display low levels economically and socially but EXTREMELY HIGH levels culturally (in many southern countries there is a cultural wealth that is highly undervalued, even by the people of those countries – in these cases their “underdevelopment” is based on a very low level of self-esteem), or ethically, through the upholding of values such as solidarity, hard work, hospitality, human treatment etc.

**Local Development.** Development starts off in local areas, where clearly defined figures meet, communicate with each other, exchange ideas and are able to grow within the six dimensions mentioned. Local development, however, is projected on a regional, national or even international and global scale<sup>12</sup>. The local dimension to development refers to territorial spaces such as provinces or regional districts, or even districts within people's own communities or small settlements within these districts. Local development implies working in the six dimensions of development based at a local level.

**Solidarity-based Development.** This shows the extent to which development is a human decision and, therefore it involves an *ethical decision*.

Achieving development is unfeasible if we only consider “competitive market” forces, and the cults of competitiveness and extreme individualism<sup>13</sup>. The development of communities, peoples and nations involves mutual help from everyone, and everybody is included regardless of race, creed or social status. The real challenge, however, is

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<sup>11</sup> This is a phrase attributed to an Augustinian scholar, Prof. Joaquín Gonzáles, who heads the “Centro de Estudios teológicos de la Amazonia” (the Amazonian Centre for Theological Studies).

<sup>12</sup> We can consider communal, district or provincial areas as being local. At a regional level we can talk about departments and groupings of departments, at a national level it is the country in its entirety. At a global level we see international relations between countries, which can also be subdivided (The Andean region, Latin America, The American continent, the world as a whole etc).

<sup>13</sup> In his encyclical “Caritas in Veritate” Pope Benedict XVI Speaks to us very clearly about the principle of gratuity and the donation economy, and in various numerals he recognizes the importance of the solidarity economy.



when we start to worry about those who have been marginalized, those who have been excluded, even, from processes or organizations of mutual aid.

In this sense solidarity-based development is mainly concertative and inclusive - not “against” but “in favour of”. Solidarity-based development views everyone – men, women, young or old – as co-participants, co-holders of responsibility when it comes to the construction of holistic, solidarity-based human development.

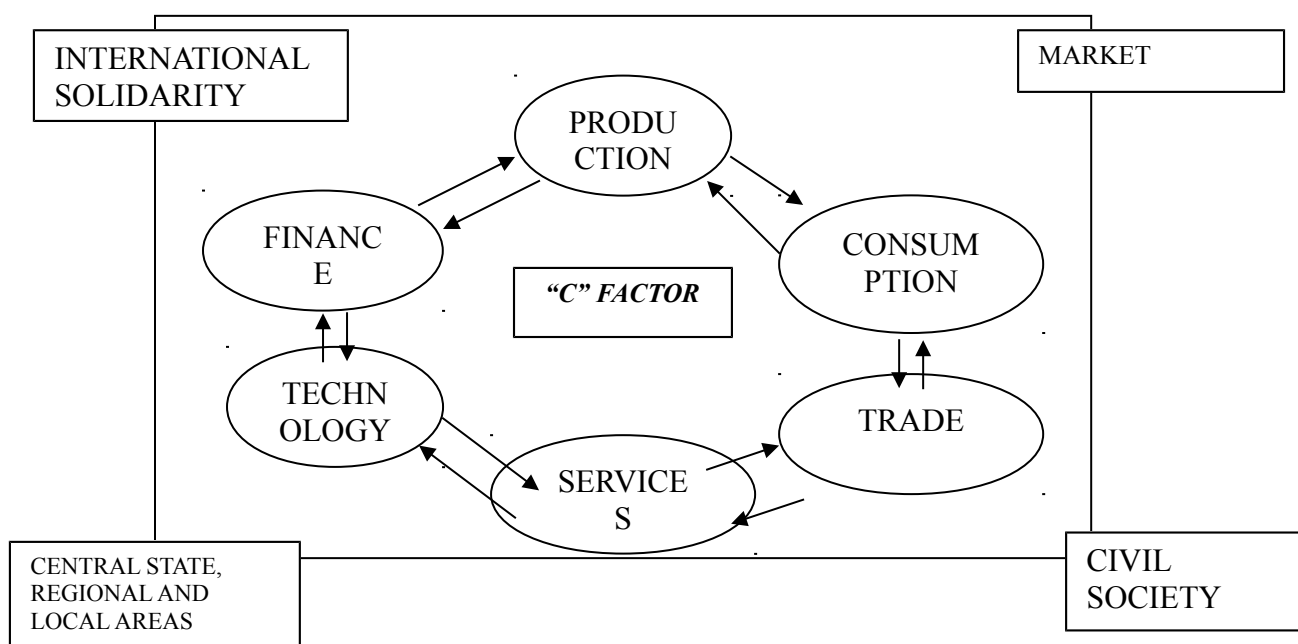
## VI. Territory as an economic space.

The popular economy, the work economy and the solidarity economy have local areas as their spaces of action - rural communities or people situated in districts or and urban provinces. This leads some people to talk about a *community economy*<sup>14</sup>. In these areas the popular economy plays a role in any of the components of the economic cycle (production, distribution and consumption, as we saw earlier).

The link between the popular economy (the work economy) and territory has paved the way for possibilities not only of survival but also of development, as these simple economies have managed to interact with economic actors in both the public and private sector. This, for example, is the case of municipalities and “mancomunidades” (municipality commonwealths).

Actors have interacted with municipalities and have made an impact on decisions regarding local development and local investment budgets<sup>15</sup>. Little by little these popular, solidarity economies are changing into an expression of *citizenship* in popular and rural sectors, representing *new forms of economic participation for the poor and excluded* and shaping their *self-development and that of their communities*.

**TABLE No. 1**



<sup>14</sup> Guay, Lorraine, Relais Femmes, Québec, 2002.

<sup>15</sup> The experiences of participative budgets in Porto Alegre (Brazil) and various local communities in Peru, for example.

**Within the territory** we can find activities related to production (productive micro businesses), trade (food market traders, street vendors etc), consumption (self-governed food, health and housing organizations), technology (vocational training centres, technology institutes, technical colleges, agricultural institutes etc), general services (maintenance, repairation, IT) or finance (savings and credit cooperatives, microfinance organizations etc). These six sectors or domains are key for local development processes.

A territorial economic circuit:

Production-consumption-trade-general services-technological services-financial services
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This is a process which has created a “mesoeconomy” in localities and territories that we can measure using the following equation, which we can call the local mesoeconomy equation:

$LI = CL + IL + NPS + RPS + MPS + X + S + M + P + T$
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Where:

LI is the level of Local Income generated (which is linked to use of the factors)

CL is consumption in the locality

IL is the investment made in the locality by both private and social economic actors

NPS is Central (National) Government Public Spending in the locality

RPS is Regional Government Public Spending in the locality

MPS is Municipal Public Spending in the locality

X are the locality’s exports destined for foreign countries

S are sales made outside of the locality

M are imports that enter the locality from other countries

P are the locality’s purchases of products produced outside of the locality

T are (non-reimbursable) money transfers which enter the locality and which originate from public or private bodies outside of the locality or from remittances

LI has a multiplying effect derived from interaction between the variables on the right hand side of the equation, and which we can describe as follows:

CL has a positive effect on LI

IL has a positive effect on LI

NPS has a positive effect on LI

RPS has a positive effect on LI

MPS has a positive effect on LI

X has a positive effect on LI

M has a negative effect on LI

P has a negative effect on LI

T has a positive effect on LI

In order to increase its growth and development potential, this *local economy* with its *economic actors* will need to enhance its local consumption (ethical consumption) and investment (responsible investment) capacity, as well as its local market, its exportation capacity, its public spending and investment for the locality (at a municipal level as well as at the level of regional, sub-national or even central government) and its rational handling of *money transfers for families*. All of this will allow for the development of a new economic circuit based on efficiency and solidarity, in order to develop a new and sustainable process of development originating from local areas.

## VII. From survival to local development (development from the local area)

Moving from a logic based on survival to one based on development involves maximizing not only microeconomic efforts (the popular economies of individuals and their families) but also mesoeconomic ones (through focusing on local development and public policies).

In order to do this, however, we need to rethink the very basis of the economy, starting with our own economic rationality, with views towards creating an economy that serves individuals, their families and their communities – an economy promoted by these same people and one that advocates justice and solidarity.

### Stages of the Popular Economy

Levels	Collectives (Popular Economy Organizations)	Family members	Individuals
Accumulation I>S	<b>C</b>		
Subsistence I=S		<b>B</b>	
Survival I<S			<b>A</b>

Where:

I= Total Income

S= Total Spending and Costs

A is an individual economic activity at the survival level

B is an economic activity at the subsistence level

C is a collective activity (Razeto calls this “popular economy organization”) within the accumulation stage.

Taken from an old classification of the popular economy by Razeto, Luis, in “La Economía Popular”, Revista Mensaje 1985, Santiago de Chile.

In this table we can see the different economic combinations and the organizational model of the popular economy. It could be said that the solidarity economy has followed a route taking us from “A” to “B” to “C”. That is to say, from individual situations of

survival towards collective situations with potential for development. The solidarity economy, therefore, is the collective and cooperative form of the popular economy.

Local development is the process of transforming local societies and economies. This helps them to overcome the hardships of poverty and exclusion and to make the most of opportunities to overcome these difficulties, thus improving living conditions for all people in the community through *concerted action based on solidarity between different local socio-economic actors* (in the public, private and social sectors). This is also done by *sustainably* making the most of existing endogen resources and by developing people's capacity to *undertake local economic and entrepreneurial activities*. This leads us towards *cooperation and the creation of an innovative environment* within the territory.

Local economic development and local development that goes beyond purely economic factors requires the most varied and appropriated technologies (Razeto), along with improvements to processes, products and management (Alburquerque)<sup>16</sup> as well as a combination of financial (economic) resources with training activities. This also requires encouraging holistic processes which include education and development (Razeto) and which can have an impact on institutional factors and public policies as part of the "macro" development model.

This involves a (macro) economic model of accumulation and a fair distribution of resources which maximizes local potential (Razeto).

### **VIII. Cooperation and social responsibility for solidarity-based development**

Holistic human development based on enhancing the economic potential of poor and excluded communities requires a concerted, responsible, solidarity-based effort on the part of all actors in the economy. Ultimately it is an appeal and an ethical commitment in favour of creating a genuinely humane economy which runs from a local level all the way up to a global level.

The real challenge for the popular economy or work economy is *developing solidarity potential and communicating this potential* to the state and the private sector.

The role of a state that advocates for development based on solidarity<sup>17</sup> involves elements such as concerted actions alongside the civil society, regulations and viewing social investment as a priority when it comes to budgets (participative budgets).

The role of private businesses is to develop genuine social responsibility centred on a code of ethics drawn up in partnership with the local community. They also need to advocate philanthropy for local development and assume responsibility for their actions, therefore accepting social evaluations based on the principle of added responsibility<sup>18</sup>.

### **IX. Conclusions**

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<sup>16</sup> Alburquerque, "Desarrollo Económico Local" (Local Economic Development), 2000, Madrid, Spain.

<sup>17</sup> Pontificio Consejo Cor Unum, Faced with World Hunger, solidarity-based development, Vatican City, 1999.

<sup>18</sup> This principle supports the idea that social responsibility should go beyond the obligations established in existing legal regulations in the country concerned.

i. Currently in Latin America and the Caribbean we see diverse forms of the popular economy (or work economy ) and solidarity economy being used in response to the need for initiatives for the poor and excluded, in view of holistic human development.

ii. These initiatives are the expression of a *new economic rationale*, one aimed at satisfying individual's basic needs and those of their families, as well as cooperating within economic units and within the local community.

iii. The domains involved (production, distribution and consumption) as well as people's potentials (survival, subsistence or simple accumulation) are both characterized by their heterogeneity.

iv. Diverse forms of interaction between social and economic actors at a local level are being developed, above all at a local government level. We see this in development and citizenship processes at a local level.

v. An important lesson that we can learn from the above is that moving away from the survival stage involves the coming together of microeconomic policies (management), local development (mesoeconomics) and global and macroeconomic policies (at bilateral and multilateral levels<sup>19</sup>), yet with a clear focus on cultural and environmental realities.

vi. These models also require the creation of social and environmental responsibility projects at a national level, in partnership with economic actors who are in favour of genuine holistic human development that is inclusive and sustainable<sup>20</sup>.

vii. In more general terms, and in view of a new society project for modern day Latin America and the Caribbean, we will need to rethink the very foundations of economics. We will need to move away from a paradigm based on *capital and competitiveness* (factors which we can scarcely relate to in reality) towards one based on *work and cooperation* (abundant factors in our societies, despite their imperfections).

viii. In summary, the aim is to promote an economy which works to serve people and which is compatible with our ecosystems.

## **X. Challenges and courses of action**

i. Promoting spaces for analysis, reflection and action-taking with regards to the situation and the potential of popular, work and solidarity economies.

ii. Enhancing these economies and societies' capacity to respond to the basic needs of individuals and their families, especially the poorest and most excluded,

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<sup>19</sup> This will also involve rethinking international cooperation for development and a reform of both financial and trade-related multilateral systems.

<sup>20</sup> Overcoming the winner/loser mentality and turning our attentions towards the greater good.

**iii.** Enhancing the diverse forms and expressions of solidarity within the economy, with the aim of creating processes offering sustainable economic development. This needs to be done while focusing on people and remaining in harmony with nature.

**iv.** Promoting locally created development processes that stem from solidarity-based interaction between economic actors, thus leading to economic and ethical value chains, the enhancement of capacities and new opportunities which support these ideas and the responsible and sustainable use of resources.

**v.** Promoting national and global policies which create a favourable climate for the development of solidarity economies in local communities. Fair trade, responsible production, ethical consumption, knowledge-sharing (technology) and solidarity-based finances must all be enhanced.

**vi.** Encouraging reflection and promoting genuine social responsibility on the part of businesses through use of a code of ethics which is drawn up in partnership with the local community and which promotes local development. Businesses must also assume responsibility for their actions, thus accepting social evaluations and compliance with the law, the principle of “added responsibility” and the furthering of holistic human development.

**vii.** Promoting spaces where previous concepts surrounding the economy in itself can be rethought. Promoting a new model which focuses on human work and solidarity-based cooperation, with the aim of creating an economy that works to serve the people.

**viii.** Promoting – through the joint-production of public policies by the civil society and the state – plans, programs and projects in favour of responsible, solidarity-based economic development aimed at transforming societies.

Lima, October 24<sup>th</sup> 2011.