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ECUADOR

**THE SOCIAL AND SOLIDARITY
ECONOMY IN ECUADOR:
OPPORTUNITIES AND CHALLENGES**

**SARA CALVO AND ANDRES MORALES
JULY 2013**

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ABSTRACT

Although increasing attention has been paid in recent years to the importance of the social and solidarity economy in Latin America, there has been little written specifically about the Andean region. This study contributes to this knowledge gap through an exploration of the social and solidarity economy model in Ecuador. The research offers insight into the historical factors that have contributed to the development of the social and solidarity economy and identifies the different institutional environments in which the sector operates highlighting the opportunities and challenges that exist.

Key words

Social and solidarity economy; Ecuador; institutional environment

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INTRODUCTION

In recent years, multiple global crises have led to an increased interest in the social and solidarity economy (SSE). Some consider the SSE to be a viable alternative to capitalism and an opportunity for the term 'economy' to develop new social and moral connotations (UNRISD, 2013). In Latin America, the social and solidarity discourse, deployed with increasing intensity since the 1990s, refers to a model of political and economic development based on principles of solidarity, participation, cooperation and reciprocity, as opposed to neoliberal approaches and economic models centred on self-interest, profit maximisation and consumerism (Razeto, 2000; Coraggio, 2011).

Several terms have been used in Latin America to record a growing number of collective practices; social economy, solidarity economy, popular economy, popular and solidarity economy, alternative economy, plural economy, social enterprise, social entrepreneurship (Coraggio, 2011). However, there is no consensus on the terminology used to refer to these practices (Álvarez, 2006). This paper has used the term 'social and solidarity economy' as the authors consider that the term best encapsulates the different collective practices that have been taken place in the Andean region since Amerindian times (Álvarez, 2006).

Moreover, it is important to highlight the role of the 'popular' economy in the Latin American context (Coraggio, 2011; Razeto, 2000). The popular economy (economía popular in Spanish) can be traced back to the 1980s in Latin America (Razeto; 1984; Coraggio, 1994, Nuñez, 1996). The popular economy recognizes informal individual and family- based initiatives, micro and small economic practices, unions of producers, associations and cooperatives developed by popular groups (Hillenkamp et al. 2013). These initiatives that include SSE practices (associations and cooperatives) demonstrate evidence of heterogeneous forms of labor control, proposing a new approach to practices of production, financing, exchange and consumption outside the public and the private capitalist sectors (Hillenkamp et al. 2013).

The SSE embraces both older and newer types of organizations and enterprises. Examples include cooperatives, mutual associations, NGOs engaged in income generating activities, women's self-help groups, fair trade organizations and networks and other associations of the popular economy (Coraggio, 2011). The SSE can be seen as a set of practices which aim to secure the presence of three economic principles (market, redistribution, reciprocity) in concrete human economies. As Laville (2013:1) stated "Economy is not one natural thing; it is always plural and socially constructed. Polanyi taught us it is a mistake to see the economy as independent from society, as a self-regulating market.

He insisted on the presence of different economic principles (market, redistribution, reciprocity) in concrete human economies". Yet, there is limited research on the SSE landscape in the Andean context. The aim of this paper is therefore to address this knowledge gap and gain greater insights about the SSE in Ecuador. With this goal in mind, the paper is divided into three sections. The first examines the history of collective practices in the Andean region. The second section examines the historical factors promoting and shaping the development of the SSE in Ecuador. The third sector explores the current institutional environment and its impact upon the development of SSE initiatives. The paper concludes by discussing the opportunities and challenges of the SSE in the Ecuadorian context.

COLLECTIVE PRACTICES IN THE ANDES



The history of collective practices in the Andean region can be traced back to the Amerindians communities (Quechua, Chanka, Aymara, Chimú, Incas). For instance, the name Minga (also spelled Minca or Minka) comes from the indigenous Quechua language and describes the collective effort of community residents to help one another during time of need or crisis (Gleghorn, 2013). Nowadays, it could be a minga to build a new school, to complete the harvest, or even to find a lost child (Murillo, 2009). A minga can only be carried out after deliberation and consultation with the people. A successful minga requires full consensus and its legitimacy, thus emanates from the base (Schmitt, 2010). There are other collective activities that have been practiced in the Andean Region since Inca Times (Romero, 2001). The Ayni (also spelled Ayniy or Aini) is a traditional familiar form of mutual help still practiced by indigenous communities (ayllu). Another example is the term Mita which refers to work carried out for the State, such as road works, the construction of temples or irrigated areas (Mutuberry and Chiroque, 2011).

Buen Vivir (which can be translated as ‘Good Living’) is a Spanish term used in Latin America to describe ‘alternatives’ to development focusing on the good life in a broad sense (Gudynas, 2011b; Villalba, 2013). Buen Vivir emerged from Latin American indigenous traditions; Sumak Kawsay in Quechua language and Suma Qamaña in Aymara (Acosta, 2013; Walsh, 2010). It is a communitarian view of wellbeing based on reciprocity and complementarity, highlighting the role that natural and cultural resources can play in reinforcing indigenous identity and culture. It involves not only human beings, but also the natural environment (Huanacuni, 2010; Albó, 2009; Giovannini, 2014).

The importance of the natural environment is evident within Quechua indigenous communities. They used the term ‘Pachamama’ (which can be translated as ‘mother earth’) to refer not only to world’s natural environment, but the universe in general (Cobey, 2012).

From the fifteenth century onwards, the Andean region has suffered bloodshed and invasion (Spanish colonization) as well as the stigmatization of indigenous groups, their traditions and practices (Hooker, 2005; Behrman et al. 2003). Over the years, traditional Andean cultural values have gradually shifted from the communal to the individual, shaping a new identity based upon Western values and ideologies. Following the independence of the Andean countries in the early 19th century, modern forms of production began to be utilized, fundamentally changing the nature of the communal working for good. Traditional close-knit relations have been displaced in modern cities encouraging an individualistic society (Tonnies, 2001 [1887]).

Although one may argue that there are many similarities in the way that Andean economic development has “taken off”, with a shared history of collective practices, Spanish colonialism, the Great Colombia (1819- 1831), and contemporary Western economic influences shaping the region; there are also many cultural and historical differences and idiosyncrasies specific to each country that have shaped the development of SSEs in different ways.

HISTORICAL FACTORS SHAPING THE DEVELOPMENT OF THE SSE



Ecuador is a lower-middle income economy based on oil extraction, agriculture production and commerce. It is characterized by high levels of poverty, inequality and the existence of a significant number of indigenous people (the estimate is 10 to 20 percent) (UNDP, 2008). Since the 1980s, the lack of response from the market and inadequate service provision from the Ecuadorian Government resulted in the birth of local collective activities and community associations offering a wide range of products including traditional hats, crafts and agricultural products (Seligson, 2011). To give financial support to their operations they have established mutuels, building societies and credit unions (Seligson, 2011). Although there has been history of collective financing initiatives since the Liberal Revolution took place in 1895, thaws a significant increase in the late 1990s as a result of the economic crisis in Ecuador (1999) and the adoption of the dollar as the official currency, leaving Ecuador with a huge debt (Jordan, 2012).

Examples of these initiatives include Salinerito (an organisation based in a town named Salinas de Guaranda), Sinchi Sacha ('Powerful Jungle' in Quechua) and Camari ('Gift' in Quechua) (Dávalos, 2012). These organisations have expanded significantly over the years and work with fair-trade principles to guarantee a safe and healthy working environment for producers. In turn this fosters sustainable economic growth in the region and benefits marginalized communities, mainly indigenous groups and peasants across the country. The development of the SSE in Ecuador could not have been possible without the active support of national and international NGOs, some of them religious affiliated organizations. For example, FEPP (El Fondo Ecuatoriano Populorum Progressio) was established in 1970 to enhance the participation of citizens in the decision-making process surrounding SSE initiatives. The FEPP operated in 23 of the 24 provinces in Ecuador, reaching over 500,000 people (Dávalos, 2012).

This seems to back up the claims made in Kerlin's study (2010), that grassroots nonprofit organizations, international aid and the weak response of governments to social crises have led to a blossoming of SSE initiatives in developing countries.

THE CURRENT INSTITUTIONAL ENVIRONMENT IN ECUADOR

After recurrent periods of political instability, highly dynamic social mobilization led mainly by the indigenous movement, tensions surrounding failed neo-liberal policies and a persistent increase in poverty levels, Ecuador elected a new President of Ecuador (Rafael Correa) in 2006 and a constituent assembly was elected to rewrite the constitution of the country (UNDP, 2008; Scarlato, 2012). Rafael Correa has been a vocal critic of neo-liberal approaches and an eloquent advocate of the SSE, which has been incorporated in the 2008 Constitution in Montecristi within the Manabí region (Becker, 2011). The 2008 Ecuadorian Constitution promotes: a) the search for the good life and the common good; b) the priority of labor over capital and collective interests over the individual c) fair trade, ethical and responsible consumption: d) gender equity e) respect for cultural identity, f) social and environmental responsibility, g) solidarity and accountability, and h) equitable distribution of surplus and solidarity (Coraggio, 2013). This Constitution demands significant changes to the existing economic system, highlighting the role of nature and incorporating rights for the first time in the legislative history of the country (for example, the water cannot be privatized) (Coraggio, 2013). This approach is based on what has been called the twenty-first century 'new-socialism', seeking to increase state regulation and power but in a democratic way that does not hinder innovation or personal choice (Kennemore and Weeks, 2011).

The 'Buen Vivir' policy that was incorporated within the 2008 Constitution is grounded in indigenous concepts arising from the Quechua term 'Sumak Kawsay' (Buen Vivir). The 'Buen Vivir' policy in Ecuador is one of the most developed and innovative policies in the world, affirming the concept of solidarity, deep rooted in the Andean culture, as opposed to the neoliberal logic of market competition (Scarlato, 2012).

Within the Buen Vivir Policy, the Ecuadorian Government has designed the National Plan for Good Living 2009-2013 (Plan Nacional para el Buen Vivir) to develop strategies to enhance the popular and solidarity economy (PSE) practices. The Ecuadorian Government has used the term ‘popular and solidarity economy’ to refer to the SSE. The PSE represents around 64% of the economy in Ecuador (Coraggio, 2013). The Government has published the Popular and Solidarity Economy Law with the aim of supporting organisations that produce goods, services and knowledge and who pursue economic and social aims. It also recognizes informal, micro and small economic practices developed by popular groups (Coraggio, 2013). The Ecuadorian Government states that the PSE is not an economy of poor to poor but a new affordable option that fits within the new economic model. Article 283 of the Constitution of the Republic states that the social and economic system is comprised of organisations that have solidarity initiatives (cooperatives, associations and the community sector) and the popular economy (informal businesses such as street markets, craft workshops, self-employed, family businesses) (Coraggio, 2013).

Moreover, the Ecuadorian Government has developed a wide range of initiatives to support these economic practices, such as the establishment of the National Institute for the Popular and Solidarity Economy (Instituto Nacional de Economía Popular y Solidaria or IEPS) within the Social Inclusion Ministry (Ministerio de Inclusión Social or MIES), and the National Corporation for Popular Finance (Corporación Nacional de Finanzas Populares or CONAFIPS). IEPS was established in 2010 as a public entity attached to the Ministry of State in charge of the economic and social inclusion plans, programs and projects related to the PSE. Around 28 million dollars have been spent within the IEPS to support a wide range of popular and solidarity economy practices (Maya, 2013).

CONAFIPS was set up by the Ecuadorian Government in 2008 to ensure that organizations are able to access independent credit, regardless of size or individual resources. The Government has spent around 300 million dollars to guarantee that CONAFIPS provides adequate financial resources to the poorest of the population to encourage popular and solidarity initiative start-ups (Maya, 2013). In 2012, a technical institution by the name of SEPS (Superintendencia de Economía Popular y Solidaria) was established to supervise and control the popular and solidarity economy and to seek the development, stability, strength and smooth operation of the financial sector.

OPPORTUNITIES AND CHALLENGES

It is notable from this study that the concept of the SSE has existed in some form in Ecuador -from Amerindian times onwards, but has really taken off since the late 1990s, when a wide range of organisations with solidarity principles emerged as a result of a lack of response from the market and inadequate state service provision. It is also important to highlight the important role of non-profit organizations (some of them religious affiliated organizations) and international aid, which has been crucial for the development of the SSE in Ecuador. Yet, while the historical development of the SSE in these countries is similar, distinct differences have emerged within the sector today. The 'traditional' collective practices that have been taking place since the 1980s remain popular but have gained the explicit support of the Ecuadorian Government in recent years. In Ecuador, with its left-wing ideology, the SSE is seen as an alternative to capitalism and an opportunity for the political transformation of the economic system.

The current government stresses the importance of a modern economy based on 'Buen Vivir' principles. Priority is given to the institutionalisation of the popular and solidarity economy (as mandated by the constitution) to pursue collective forms and practices.

President Rafael Correa has received considerable criticism from policy makers, academics and indigenous groups in regards to the effectiveness of his 'Buen Vivir' agenda. While conservative critics have claimed that the 'Buen Vivir' policies are simply 'indigenist' demands that encourage idleness and will take Ecuador backwards; indigenous communities and academics have stated that the modern and urban manifestations of 'Buen Vivir' contrast with the world-view of indigenous people and do not represent what 'Sumak Kawsay' means that rejects growth as a means of development (Villalba, 2013). Many believe that 'Buen Vivir' will occur only when natural resources are respected or nationalized in Ecuador. Critics have pointed out that Ecuador still remains highly reliant upon mineral resource extraction for development, and that indigenous territories continue to be affected by mining operations such as the one in the Yasuní National Park inside the Ecuadorian Amazon (Fileccia et al. 2013).

Other critics have highlighted that, although the state clearly plays an important role in promoting the SSE in Ecuador, there needs to be greater integration of state and SSE in order to develop a coherent policy framework, create open discourse, and encourage more inclusive participation. These particular challenges relate to the lack of interaction between non-governmental groups and the state. Some civil society actors believe that the SSE has been monopolized by state agencies who fail to tolerate any form of criticism and cut short dialogues with citizens. Others have claimed that there is a need to explore the implementation, follow-up and evaluation of the 'Buen Vivir' policy in practice (Fileccia et al. 2013). Moreover, they have suggested that the 'Buen Vivir' is an evolving project and the goal of a plurinational state remains far from being achieved. Another criticism has been linked to the terminology used in Ecuador to refer to SSE initiatives. Several academics and practitioners have suggested that the Ecuadorian Government has incorporated the term 'popular and solidarity economy' within the Constitution and National Plan without making clear distinctions between the 'popular' and the 'solidarity' economy, pointing out that not all organisations within the popular economy have collective and solidarity principles.

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Living in Minca is not an organisation like others; we are a platform that supports social enterprise and social economy practices worldwide. We travel around the world (Minca Nomads) visiting social enterprises and supporting 'invisible' social entrepreneurs.

Based on our experience, we produce mini-documentaries (Minca TV) and conduct research (Minca Think Tank), seeking to understand the broader context of development taking into account the historical factors that have shaped these social enterprise and social economy initiatives.

We also provide educational, training and consultancy courses (Minca Eduka) for NGOs, schools, universities, local communities, potential/current social entrepreneurs, as we strongly believe education is the most powerful weapon for changing the world to operate in a more social and environmentally friendly way.

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