

# Regional Policy Frameworks of Social Solidarity Economy in South America

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#### ABSTRACT

This paper looks at how the Social Solidarity Economy (SSE) discourse has been deployed at the regional level by UNASUR and MERCOSUR and the implications of these new policy frameworks for the advancement of SSE practices. Though civil society groups have presented SSE as a new economic paradigm, regional policy frameworks implement it as an add-on or compliment to dominant capitalist economies. This happens in two key ways: 1.) The SSE sector and cooperatives in particular are cast as drivers of regional integration and socioeconomic policy, however limited involvement in major integration projects represent missed opportunities for SSE to be mainstreamed; and 2.) Though SSE policy is portrayed as a kind of intervention that combines social and economic policies, implementation almost exclusively by ministers of social development means that SSE is institutionally limited to the realm of poverty eradication not restructuring of the dominant economy. SSE is also fiscally dependent on those dominant industries, which ultimately does not reverse or challenge the ongoing process of economic centralization in key sectors.

#### LIST OF ACRONYMS

- AECID Agencia Española de Cooperación Internacional para el Desarrollo.

  Spanish International Cooperation Agency for Development
- AIN Auditoría Interna de la Nación. Office of National Internal Auditing
- ALADI Asociación Latinoamericana de Integración. The Latin American Association for Integration
- ALBA Alianza Bolivariana para América. Bolivarian Alliance of the Americas
- BNDES Banco Nacional de Desenvolvimento Econômico e Social. National Economic and Social Development Bank
- BRICS Brazil, Russia, India, China, South Africa
- CAN Comunidad Andina. The Andean Community
- CELAC Comunidad de Estados Latinoamericanos y Caribeños. Community of Latin American and Caribbean States
- CONPACOOP Confederación Paraguaya de Cooperativas. The Paraguayan Confederation of Cooperatives
- COOPERAR Confederación Cooperativa de la República Argentina. The Argentine Cooperative Confederation
- COSIPLAN Consejo Suramericano de Infraestructura y Planeamiento. Infrastructure and Planning Council
- CPESS Centros de Promoción de la Economía Social y Solidaria. Centers for the Promotion of Social and Solidarity Economy
- CSDS Consejo Suramericano del Desarrollo Social. South American Council on Social Development
- CUDECOOP Confederación Uruguaya de Cooperativas. The Uruguayan Confederation of Cooperatives
- DENACOOP Departamento de Cooperativismo e Associativismo Rural.

  Department of Rural Cooperativism and Associativism
- FAO the Food and Agriculture Organization
- FCES Foro Consultivo Económico-Social. Economic-Social Consultative Forum
- FOCEM Fondo de Convergencia Estructural del MERCOSUR. MERCOSUR Structural Convergence Fund
- GIP Grupo de Integración Productiva. Group on Productive Integration
- GRESP *Grupo Red de Economía Solidaria de Perú*. The Network Group of Solidarity Economies of Peru
- IIRSA Iniciativa para la Integración de la Infraestructura Regional Suramericana. Initiative for the Integration of the Regional Infrastructure in South America
- ILO International Labor Organization
- INACOOP Instituto Nacional de Cooperativismo. National Institute of Cooperativism
- INAES Instituto Nacional de Asociativismo y Economía Social. National Institute of Associativism and Social Economy in the Ministry of Social Development

INCOOP - *Instituto Nacional de Cooperativismo*. National Institute of Cooperativism

ISM - Instituto Social de MERCOSUR. MERCOSUR Social Institute

MERCOSUR - Mercado Comun del Sur. Common Southern Market

MIDES - Ministerio de Desarrollo Social. Ministry of Social Development

OAS - the Organization of American States

OCB - Organização das Cooperativas Brasileiras. the Organization of Brazilian Cooperatives

ON - Oficina de Negocios. Business Office

PANES - *Programas de Atención a la Emergencia Social*. Programs for Attention to Social Emergency

RECM - Reunión Espacializada de Cooperativas de MERCOSUR. The Special Council of MERCOSUR Cooperatives

RELACC - Red Latinoamericana de Comercialización Comunitaria. The Latin American Network for Community-based Marketing

RILESS - Red de Investigadores Latinoamericanos de Economia Social y Solidaria. Network of Latin American Researchers of Social and Solidarity Economy

RIPESS - Red Intercontinental de Promoci´øn de Economia Social y Solidaria.

The Intercontinental Network for the promotion of Social and Solidarity Economies

RMADS - Reunión de Ministros y Autoridades de Desarrollo Social. Council of MERCOSUR Ministers and Social Development Authorities

SENAES - Secretaria Nacional de Economia Solidaria. The National Secretariat of Solidarity Economy

SSE - Social and Solidarity Economy

UN - The United Nations

UNASUR - Unión de Naciones Suramericanas. Union of South American Nations.

UNDP - The United Nations Development Program

UNICAFES - União Nacional das Cooperativas da Agricultura Familiar e Economia Solidária. The National Union of Family Farm Cooperatives and Solidarity Economy

UNISOL - Central de Cooperativas e Emprendimientos Solidarios. Center for Cooperatives and Solidarity Enterprise

### Introduction

The financial and ecological crises have exposed the limits of the dominant conceptions of development that underpinned the neoliberal hegemonic order and shaped globalization processes with more intensity since the 1990s. In South America, the failure of the neoliberal experiment resulted in sweeping socio-political transformations in national polities where the state was recaptured as a legitimate instrument for development and citizenship rights (Argentina, Bolivia, Brazil, Ecuador, Uruguay and Venezuela). At the core of calls for alternative economic models is a concern with the social injustice caused by unchecked capitalist development. In this context, ideas that seek alternatives to market-based development are well received in current policy debates. This is the case of social development and social solidarity economy (SSE). In recent years several governments have set up national institutions and policies to promote this agenda.

A renewed drive for regional integration has also been a key feature of the transformations carried out by popular progressive governments in the aftermath of the crisis of neoliberalism. The creation of UNASUR, the expanded membership of MERCOSUR with the incorporation of Venezuela and its greater political character beyond its market integration orientation, the Bolivarian Alliance for the Americas (ALBA), and the creation of Council of Latin American and Caribbean States (CELAC) are indicative of emerging forms of postneoliberal regionalism (Riggirozzi and Tussie 2012, Rodríguez-Garavito, Barrett and Chávez 2008). Unlike regional integration under the hegemonic mantle of the Washington consensus, current regionalism seeks diplomatic decision-making procedures in cases of internal as well as extra regional conflicts. Likewise, it also pursues political cooperation in an increasingly broad range of policy issues.

Governments are taking up the SSE agenda as part of region-building efforts. MERCOSUR and UNASUR have begun to incorporate SSE discourse into their agendas and frame organizations like cooperatives as drivers of integration, specifically in frontier zones. The Southern Market (MERCOSUR) is the leading space for the regionalization of the SSE agenda while Union of South American Nations (UNASUR) has only recently adopted it as another goal for policy coordination in addition to defense, infrastructure, energy, health and others.

The construction of regional policy frameworks of SSE is far from being a linear and uncontested process. One of the core points of contention is the scope of

the SSE agenda and the policy strategies that can be articulated through a regional platform.

One view sees SSE as a means to create more socially inclusive forms of capitalist development. The creation of a common SSE language and experimentation with policy options of SSE generate new institutional and political capacities but also a sense of common regional identity. This perspective is consistent with the leadership of popular leftist governments - notably from Argentina, Brazil, Ecuador and Venezuela - in attaining unprecedented levels of cohesive regional governance in South America with the aim of building a regional political bloc. It is also inscribed in ongoing efforts to develop autonomous regional instruments, such as a South American Development Bank.

The scope of the SSE agenda in each country is nonetheless conditioned by the particular configuration of ideological orientations of member states, political economy conditions and arrangement of socio-economic actors at play. Where Chile, Peru, and Colombia seek integration into globalization through exportled market strategies based on extractive sectors, other countries such as Brazil, Argentina and Uruguay (and to some extent Ecuador, Venezuela and Paraguay) pursue a more balanced approach that seeks economic diversification of production and an active role of the state in development policies. The margins to advance substantive SSE agendas at the regional levels are related to such cleavages. SSE is therefore one of the discursive policy spaces where a debate on region-building takes place in the context of postneoliberalism.

Another view conceives of SSE as a political opportunity to leverage support for the creation of new economic paradigms beyond capitalism. The current regional context is favorable for the advancement of more horizontal forms of economic and social relations that challenge capitalist organizing. The alignment of progressive governments in support of socially inclusive policies and regional integration is unprecedented in Latin America. Likewise, the crisis of neoliberal hegemony, manifested in the political disarray facing Europe and the uncertainty that social turmoil may lead to uncertain outcomes, creates conditions to explore different agendas that can be implemented both nationally and regionally. This is interpreted by advocates of SSE as a unique historical conjuncture.

The aspiration of this more ambitious SSE perspective also understands that

there are structural constraints to how much a SSE agenda can effectively change the economy. Despite the transformation attained in some countries - in terms of the expansion of citizenship rights through employment generation, access to health and education public services, political representation - there is also continued reliance on concentrated economic sectors, which have in many cases become consolidated further. This is the case of extractive industries and agri-business (Manzanal, 2007) as well as of the some manufacturing and construction sectors in Brazil. These played a key role in sustaining economic growth (Stewart, 2011; Baer, 2008: 1), enabling countries to successfully withstand and mitigate the impacts of the global economic crisis. The increased standing of these economic sectors also set limits to the transformative potential of current progressive governments, which social actors committed to alternative forms of economic organizing aspire to overcome.

This understanding of SSE as a new paradigm threatens centers of existing economic power and therefore the advancement of this political agenda is likely to come up against strong resistance from those interest groups and/or get watered down in the policy-making process to a point that it does not in fact present such a threat. Here, SSE is not seen as a closed agenda but as a dynamic process of social movement construction; a discourse coalition that exploits the contradictions of ongoing national processes in South America and regional agendas aiming at the construction of a new economic paradigm.

The lack of precise definitions apparent in the SSE regional policy framework leaves space for a set of competing discourses where political, economic and social actors' expectations and influence converge and contest each other. In the context of this debate, this paper looks at how the SSE discourse has been deployed at the regional level and the implications of these new policy frameworks for the advancement of SSE practices. How are these different formulations and expectations of the SSE agenda being implemented in the construction of regional policy frameworks in South America? Moreover, is this particular shift in policy discourse using the language of SSE civil society as it was originally intended or has the policy-making process diluted its meaning and presented it as a mere compliment to the dominant modes of production that continue to concentrate wealth and power?

The main claim is that in the regional policy framework, as it is currently being implemented, SSE is an add-on or compliment to dominant capitalist economies. This happens in two key ways: 1.) The SSE sector and cooperatives

in particular are cast as drivers of regional integration and socio-economic policy, however limited involvement in major integration projects represent missed opportunities for SSE to be mainstreamed; and 2.) Though SSE policy is portrayed as a kind of intervention that combines social and economic policies, implementation almost exclusively by ministers of social development or newly created ministries means that SSE is institutionally limited to the realm of poverty eradication not restructuring of the dominant economy. SSE is also fiscally dependent on those dominant industries, which ultimately does not reverse or challenge the ongoing process of economic centralization in key sectors.

The argument is organized as follows. First the historical and cultural foundations upon which these policy shifts build are briefly outlined. Then, the regional policy framework is explored looking specifically at key SSE programs advanced by UNASUR and MERCOSUR, how they are implemented and their role in the regional integration agenda. Finally some key tensions and their implications for the future of the SSE sector are reviewed.

# Origins of SSE perspective

Alternative economic models and solidarity-based exchange are not new to Latin America. Non-capitalist labor practices in South America, based on reciprocity and solidarity, date back to pre-Colombian times. Many of these ancient principles have been framed under the concept of buen vivir which has been incorporated in the new constitutions of Bolivia and Ecuador and which provide a policy space for the articulation of indigenous movements with policy debates and struggles (Gudynas 2011; Huanacuni Mamani 2010). Although the Spanish conquest imposed a more exploitative market-driven set of labor relations that stifled indigenous cultural norms, these manifestations of solidarity in labor relations still exist in much of South America today. The beginning of the 20<sup>th</sup> century also saw the mix of European ideas with indigenous notions of collectivity facilitate the growth of the South America cooperative movement (Fox, 2010), which has proven to be a central figure in the SSE movement. SSE is the latest crystallization of different strategies of survival and resistances of social groups that have historically been excluded from mainstream economic "development". Despite this colonial history, the common language and deeper cultural ties between Spain and Latin America have also more recently facilitated exchanges of information, money, and people in this field.

Currently the SSE field encompasses practitioners and promoters of a wide range of civil society groups in areas as varied as researchers, NGOs, coffee growers, bakers, hotel workers, rural and urban social movements, organic farmers, graphic designers and water service providers. This plurality reflects on the different practices that are framed as SSE, which includes various forms of cooperative production, ethical consumption, time banking, microcredit instruments and sustainable development practices, among others.

While deeply rooted in local realities many organizations that advocate SSE practices are forging transnational coalitions to disseminate information, coordinate advocacy activities to help mainstream SSE perspectives in policy debates. Transnational SSE advocacy networks active in Latin America include the Network of Latin American Researchers of Social and Solidarity Economy (RILESS); the Intercontinental Network for the promotion of Social and Solidarity Economies (RIPESS); the Social and Solidarity MERCOSUR Program, the Latin American Network for Community-based Marketing (RELACC); the Network Group of Solidarity Economies of Peru (GRESP); and countless others at the local and national levels have been central in driving the SSE (as a new paradigm) agenda forward.

Different grassroots groups mobilized around the issue of solidarity economy in an international forum that gathered for the first time at the meeting for the globalization of solidarity in Lima in 1997. There, SSE was defined as "all economic activities and practices with a social finality, which contribute to build a new economic paradigm". The proposal of SSE spearheaded by civil society groups in the Lima Declaration implies advocating for the replacement of the current dominant economic paradigm.

The SSE movement has reached international status as a transnational discourse and political change in South America has enabled some SSE practices to be incorporated in national and regional policy frameworks. As the next section discusses, the emerging regional policy frameworks for SSE selectively incorporate some of the practices of this broad field. The criteria for selection of what constitutes adequate regional SSE practices are dependent on the specific power relations that define the scope of regional-building.

# SSE Regional Policy Frameworks: Social development and missed opportunities for integration

<sup>&</sup>lt;sup>3</sup> See http://www.ripess.org/about-us/?lang=en accessed Feb. 6, 2013.

As South America reels from the effects of decades of neoliberal policy, regional policy responses have insisted on a model of development that includes not just economic growth, but social and cultural progress as well. This socially oriented development trajectory can be seen throughout the region and as a point of convergence for post-neoliberal regional integration efforts. Only MERCOSUR and UNASUR however have developed policy frameworks that use SSE language. Certainly many of the social policy platforms of the other regional governance organizations affect the SSE sector, each in different ways. However, a full analysis of each is beyond the scope of this paper. The intention here is to understand specifically how SSE policy discourses are deployed and implemented by MERCOSUR and UNASUR, the impacts and the potential challenges raised. What becomes clear is that institutionally MERCOSUR and UNASUR treat SSE programs largely as social policy rather than economic policy; and that SSE, especially cooperative enterprises feature prominently as key drivers of regional integration, yet are left out of major regionalization projects.

Many policy analysts present social policy and/or social development as a process opposed to or as a reaction to economic policy (Mkandawire, 2001; Hall and Midgley, 2004; World Bank, 2005; cited in Kanbur, 2006: 3) where "the emphasis is on adding-on new sectoral policies to help those adversely affected, not to reconsider the design of macroeconomic policies and the organisation of the policy process." (Elson, 2002: 1). An alternative approach proposes to "mainstream social issues into macroeconomic policy...aiming to change and transform the dominant paradigms and the balance of socioeconomic forces" (Elson, 2002: 1). These differing perspectives of how social policy is implemented reflect the cleavages in the SSE policy debate. Civil society organizations conceptually propose SSE as a way of to reorganizing or transforming economies SO that social needs are prioritized "mainstreamed". However, institutionally the SSE agenda has been "added-on" and resides almost exclusively in ministries of social development or newly added ministries as a strategy of poverty eradication. This has meant that larger, regional economic and productive plans spearheaded by ministries of finance and the economy have thus far not incorporated an SSE agenda.

Social and economic policy objectives can be hard to tease apart, but two of the major differences between them are the populations they intend to serve and the methods—or institutional channels—by which such policies are implemented. Regional SSE policy frameworks indeed propose a mix of economic and social policy goals, however the implementation method by way of social development ministries and targeting of marginalized communities, places it firmly in the realm of social policy. Because of this, the SSE agenda is not well positioned to change mainstream economic policy as originally imagined by civil society groups.

A reaction to the negative consequences of neoliberal economic policy has fueled the institutionalization of social policy agendas among international institutions throughout Latin America and globally including the Organization of American States (OAS)<sup>4</sup>, The Andean Community (CAN)<sup>5</sup>, The Latin American Association for Integration (ALADI) (Quina, 2010: 9), the Community of Latin American and Caribbean States (CELAC) (El Diario, 2013), the United Nations (UN) and its various governing bodies like the Food and Agriculture Organization (FAO), and the International Labor Organization (ILO).

#### UNASUR

Though attention to social inclusion and alternative business models have increased at the regional level in the past decade, a specifically SSE discourse is only apparent in UNASUR and MERCOSUR policy. A focus on social development within UNASUR was institutionalized in 2009 with the formation of the South American Council on Social Development (CSDS). The work of the CSDS is carried out by the ministers of social development of member countries organized into four working groups that deal with different social issues: Food security and the fight against hunger and malnutrition; social and solidarity economy; protection and promotion of social security; and Instruments of cooperation. Argentina and Paraguay are responsible for leading the SSE working group.

In comparison to the policy framework proposed by MERCOSUR to address the SSE sector, the work of UNASUR is less developed. The SSE working group has so far proposed a mix of social and economic policy goals: to create a SSE practitioner database; develop communication plan to visibilize SSE sector; host knowledge exchanges and trainings; develop evaluation processes, <sup>6</sup> promote financial inclusion, develop productive projects and infrastructure in frontier zones, create spaces for commercialization of products, increase the quality and scale of production. <sup>7</sup> However UNASUR has placed notable emphasis

<sup>&</sup>lt;sup>4</sup> See http://www.oas.org/consejo/GENERAL%20ASSEMBLY/Resoluciones-Declaraciones.asp accessed Feb. 2, 2013.

<sup>&</sup>lt;sup>5</sup> See http://www.comunidadandina.org/Upload/20111019173140libro\_cescan.pdf accessed Feb. 2, 2013.

<sup>&</sup>lt;sup>6</sup> See http://www.midis.gob.pe/unasur/files2/acta.pdf accessed Feb. 5, 2013

<sup>&</sup>lt;sup>7</sup> See http://www.midis.gob.pe/unasur/filesCSDS/AnexoV.pdf accessed Feb. 5, 2013

on poverty eradication, something SSE is seen as tool to achieve<sup>8</sup> and policy implementation channels are primarily social development agencies targeting poverty and excluded communities. Moreover, poor attendance of UNASUR's the last meeting of heads of state in Lima in Nov. 2012 (President Fernandez de Kirchner of Argentina sent a representative in her place, as did President Rousseff of Brazil, Chavez of Venezuela and Morales of Bolivia), combined with the suspension of Paraguay after the coup in 2012, may have stalled progress on the SSE agenda. The impacts of the incorporation of SSE into UNASUR's policy framework, therefore remains to be seen.

This contrasts with the relatively greater progress reached in other UNASUR councils, in particular the Infrastructure and Planning Council (COSIPLAN) with the incorporation of the Initiative for the Integration of the Regional Infrastructure in South America (IIRSA) to regionally coordinate and promote policies of infrastructure development in the areas of transformation energy and communications. However, the CSDS is disconnected from COSIPLAN and the SSE agenda has not figured into this project. There are sharp asymmetries in this process with respect to the contracting of engineering companies for large infrastructure works in roads and hydro-electrical power plants. The majority of contracted works are Brazilian companies (Petrobrás, Vale, Odebrecht, Camargo Corrêa and Andrade Gutierrez), which are being promoted by the Brazilian state through its National Economic and Social Development Bank (BNDES). BNDES serves as an instrument to support transnationalization of Brazilian business interests in South America (Iglecias 2011, 141). Infrastructure integration could serve as another driver for the regionalization of an SSE agenda. This would require rebalancing the equation of the distribution of costs and benefits of infrastructure integration according to geographical but also socio-economic criteria.

## **MERCOSUR**

SSE discourse is articulated by a variety of organizations within MERCOSUR, but here are two main bodies developing a regional policy platform that specifically address the SSE sector. These are the MERCOSUR Social Institute (ISM) and the Special Council of MERCOSUR Cooperatives (RECM). ISM in particular presents SSE programs as part of a broader social development agenda that has been visible within the MERCOSUR policy framework since the formation of the Council of MERCOSUR Ministers and Social Development Authorities (RMADS) in 2000 (Varillas, 2012: 10). RECM on the other hand has

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<sup>&</sup>lt;sup>8</sup> See http://www.midis.gob.pe/unasur/files2/acta.pdf accessed Mar. 10, 2013

been an important protagonist organization for the SSE agenda that promotes cooperative enterprises as viable engines of economic and social development, but it has had to fight to be heard outside of social policy institutions. Both ISM and RECM frame SSE as a means of facilitating regional productive integration, but involvement with the Group on Productive Integration (GIP), which oversees broader integration initiatives across a variety of sectors has been limited.

The ISM, established in 2007 under the institutional umbrella of MERCOSUR Social, submitted a project called Social and Solidarity Economy for Regional Integration the goal of which is "the social inclusion of families in situations of socio-economic, employment, or productive vulnerability in frontier areas"9 (ISM, 2013, translated by the authors). Key components of this program include the construction of centers for the promotion of social and solidarity economy (Centros de Promoción de la Economía Social y Solidaria, CPESS) and the support of local initiatives that develop the economic, social, environmental and cultural value chains in frontier zones, where poverty and social vulnerability are prevalent. The pilot for this project, called Social Economy of the Frontier was started in Uruguay in 2007 10 and administered by the Uruguayan Ministry of Social Development (MIDES) in collaboration with the MERCOSUR Structural Convergence Fund (FOCEM) and the United Nations Development Program (UNDP). The next phase that involves Argentina, Uruguay, Brazil and Paraguay has been submitted and approved by the RMDAS and is awaiting funding approval from FOCEM<sup>11</sup> (ISM, 2013).

The main goal of the pilot Social Economy of the Frontier program in Uruguay was to strengthen frontier communities with social economy projects (MIDES, 2007: 2). However, the support for solidarity enterprises offered was not very developed. The program proposal states that the program intends to offer "technical and economic support for small enterprises, *preferably* associative, to set up small "micro-regional" networks of commercial exchange at the frontier and better understand these micro-regional markets (MIDES, 2007: 9. Emphasis added). A clear definition of social economy is missing, and only a *preferred* requirement of participation. The independent program evaluation reveals that the number of individually run enterprises actually increased over the course of the program and only 4.2% of the participants engaged in

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<sup>&</sup>lt;sup>9</sup> See http://ismercosur.org/proyectos/economia-social-y-solidaria/ accessed Feb. 2, 2013.

<sup>10</sup> See

http://www.mercosur.int/focem/archivo.php?a=1e2d291e2bdc2122dc1e212e3226302620262c2b2230eb22202c2b2c2a261edc302c20261e29dc2122dc232f2c2b31222f1eea2d21231e0bc&x=9e9e03d&y=13130b1 accessed Feb. 3, 2013.

<sup>&</sup>lt;sup>11</sup> See http://ismercosur.org/proyectos/economia-social-y-solidaria/ accessed Feb. 2, 2013.

commerce across the border with Argentina or Brazil (Moreno, et. al., 2011: 29), offering minimal prospects for productive integration. This project in Uruguay deployed SSE as a poverty eradication program, not a wide spread shift in production strategy. Thus, it was executed as social policy under the umbrella of the national Programs for Attention to Social Emergency (Programas de Atención a la Emergencia Social, PANES) (Created in 2005 by law, N 17.866)<sup>12</sup> and the target population was individuals living in poverty, and participants living above the national poverty line could not surpass 30% of total participants (Moreno, et. al., 2011: 5). The projected reach of the program targeted 400 households, approximately 1,700 individuals, and the creation of 100 productive enterprises (MIDES, 2007). Ultimately only 65 projects were funded (Moreno, et. al., 2011: 19). In addition to the direct funding that was channeled to the local level, frontier communities also benefited from the number of workshops, seminars and events organized by the Spanish International Cooperation Agency for Development (AECID) and MIDES to promote SSE and the cooperative movement. However, the evaluators report that participation was minimal and attendees were confused as to the objective of these events, thinking they would provide access to new customers rather than opportunities for training or information exchange (Moreno, et. al., 2011: 9).

RECM, set up in 2001, is the other MERCOSUR body involved in SSE promotion in frontier zones, although its key focus since its inception has been the promotion of the cooperative movement in general. Its organizational strength is unparalleled by any other SSE representative body and has therefore anchored much of the MERCOSUR SSE policy framework around cooperatives. RECM has consistently presented cooperatives as drivers of social and economic development, but its position at the policy-making table has been hard fought and has only recently begun to be seen as a consultant on policy. In collaboration with AECID, this council of government institutions and autonomous cooperative associations developed a program in 2008 based on six lines of work: capacity building and institutional development; incorporation of gender analysis into MERCOSUR; environment; productive integration and social economy; local, rural and frontier zone development in the region; and health (AECID, 2009: 7). The objective of the productive integration and social economy work area is to "promote cooperative movements in the Southern Cone as instruments of social inclusion, decent work creation and as actors in the development and deepening of MERCOSUR" (Martinez, 2011: 10, translation

<sup>&</sup>lt;sup>12</sup> See <a href="http://www.mides.gub.uy/innovaportal/file/2193/1/focem\_2007\_proy10\_oficial\_proyecto.pdf">http://www.mides.gub.uy/innovaportal/file/2193/1/focem\_2007\_proy10\_oficial\_proyecto.pdf</a> accessed Feb. 5, 2013

by authors). And although it is a separate work area, frontier zones emerge again as targeted for poverty eradication and regionalization efforts. Numerous conferences, seminars and workshops have been organized to exchange ideas and experiences about the role of cooperatives and SSE in regional integration.

The members of the RECM council, unlike the other programs examined above, do provide a mix of economic and social policy implementation channels, and the bulk of programs promoted by this group attempt to bolster mainstream support for cooperatives in the region. On the council there are a total of six government institutions, five of which are dedicated to cooperatives or social economy and one that is part of the Uruguayan Ministry of economy and finance. Also, the Brazilian Department of Cooperativism and Rural Associativism is part of the Ministry of Agriculture and the Secretariat of Social Economy is part of the same country's Ministry of Labor.<sup>13</sup>

Since 1998 the cooperative movement in MERCOSUR countries, represented by their respective national confederations (CUDECOOP in Uruguay, CONPACOOP in Paraguay, COOPERAR in Argentina, and OCB in Brazil), has been involved in the process of integration via their participation in another representative body for civil society groups, the Economic-Social Consultative Forum of MERCOSUR (Foro Consultivo Económico-Social, FCES). <sup>14</sup> As a result of their persistent presence in policy-making forums as well as their role in economic and social development - through their work in the areas of food production, banking systems, public service, insurance, housing and health - the cooperative movement is now being recognized as a key consultant for MERCOSUR. According to AECID,

In these new times of integration, MERCOSUR has an outstanding debt: integrate the cooperative movement in its real dimension and potential into national policy so that it can collaborate in the transformation that this integration requires. The culture of consulting only the private sector and unions is still maintained, and only in the last two years has the cooperative movement has begun to be taken into consideration as a key actor to be consulted and which can contribute [to MERCOSUR policy-making] (AECID, 2009:34).

These advances by cooperative groups may be one of the reasons why the SSE policy framework of MERCOSUR is significantly more developed than that of UNASUR. The SSE regional policy framework has emerged in line with a

<sup>&</sup>lt;sup>13</sup> See <a href="http://www.mercosur.coop/?page\_id=175">http://www.mercosur.coop/?page\_id=175</a> accessed Mar. 20, 2013

<sup>&</sup>lt;sup>14</sup> See http://www.mercosur.coop/?page\_id=430 accessed Feb. 7, 2013.

changing political climate for cooperatives in the region. In many ways MERCOSUR has given the cooperative movement a seat at the regional policy-making table that it has never been afforded and which does not exist in other similar institutions like the Andean Community (CAN). According to the National Institute of Social Economy in Argentina (INAES), cooperatives and self-managed enterprises represent 10% of the country's GDP and involve some 10 million Argentine workers (REAS, 2012). The table below provides figures detailing the number of cooperative enterprises and corresponding affiliates that make up the cooperative movement of MERCOSUR in 2009 - even though Chile is an associated member of MERCOSUR and Venezuela in 2009 had yet not acquired full membership status into the sub-regional bloc.

# Cooperative movement in MERCOSUR\*

Country	Number of cooperatives		Number of members		
Argentina		12,760	9,392,713		
Brazil	OCB	7,682	7,887,707		
	SENALES	2,115	_		
	UNICAFES	1,090	_		
Paraguay	1,121		998,000		
Uruguay	1,543		1,000,000		
Chile		2,314	1,180,692		
Venezuela		254,529	1,968,897		

<sup>\*</sup> Statistics from 2009 for cooperatives organized in labor and economic representation systems Source: (AECID, 2009: 31)

Not just cooperatives, national governments of the MERCOSUR member countries have also shown themselves to be important drivers behind the SSE agenda. As part of this evolving trajectory of social development ideas national governments have begun to incorporate SSE enterprises (primarily cooperatives) into government institutions to address inequality and unmet social needs. Argentina created the National Institute of Associativism and Social Economy (INAES) in 2000 (Decree 721, 9/1/2000)<sup>15</sup>, while Paraguay's Law 2.157 established the National Institute of Cooperativism (INCOOP) in 2003.<sup>16</sup> The National Institute of Cooperativism (INACOOP) in Uruguay was formed in 2008 (via the General Cooperative Law 18.407)<sup>17</sup> and Chile established its National Cooperative Department in 2003 (General Cooperative Law 3539).<sup>18</sup> Brazil created the National Secretariat of Solidarity Economy in 2003, and while

<sup>&</sup>lt;sup>15</sup>See http://www.inaes.gob.ar/es/Normativas/decretos.asp accessed on Feb. 1, 2013.

<sup>&</sup>lt;sup>16</sup> See http://www.incoop.gov.py/v1/?page\_id=118 accessed on Feb. 1, 2013.

<sup>&</sup>lt;sup>17</sup> See <a href="http://inacoop.org.uy/index.php?option=com\_content&view=article&id=10&Itemid=2">http://inacoop.org.uy/index.php?option=com\_content&view=article&id=10&Itemid=2</a> accessed Feb. 1, 2013.

<sup>&</sup>lt;sup>18</sup> See http://www.sbif.cl/sbifweb/internet/archivos/ley\_3539.pdf accessed Feb. 2, 2013.

Venezuela set up the National Superintendency of Cooperatives as early as 1967, in 2001 the Cooperatives Law and Chavez's leadership gave renewed support and emphasis to the sector (Chaguaceda, 2011: 32). Moreover, Ecuador passed the Organic Law on Popular and Solidarity Economy and on the Popular and Solidarity Financial Sector in 2011, which establishes a National Institute on Popular and Solidarity Economy. <sup>19</sup> While Bolivia's institutionalization of specifically SSE organizations in the state apparatus is not as far along as its neighbors, the presidency of Evo Morales has taken a political stand against neoliberal market-based development in favor of the more socially and environmentally focused model of el *buen vivir*.

The exchange of ideas, funding and leadership that advance the SSE agenda in South America is a process that is multi-directional between local and regional groups, national governments, and inter-governmental organizations. The purpose and definition of SSE is therefore contested and dynamic. In its current articulation, the SSE regional policy framework clearly puts emphasis on the cooperative sector, despite the fact that the SSE encompasses many other types of organizations. SSE is a difficult concept to clearly define, and cooperatives are a tangible policy target that also happens to have a strong presence in South America. Given the newness of this SSE regional framework, it is a logical place to begin directing policy towards. However, the danger for the civil society groups promoting SSE as defined in the Lima Declaration is that organizations like MERCOSUR and UNASUR will support cooperatives as merely a fringe sector, and ignore the other types of SSE enterprises and the deeper political project of overcoming the dominant capitalist modes of production.

Like with UNASUR, treating SSE primarily as social policy also constitutes a missing opportunity for the SSE agenda. The MERCOSUR productive integration agenda seeks the creation of integrated production chains across all member countries (Porta 2007). As it is currently laid out there is room to develop linkages between this integration agenda and a coordinated policy of suppliers to such production chains, which could include cooperatives, in addition to small and medium-sized enterprises. This did not go unnoticed by RECM, which in 2009 petitioned the Group on Productive Integration (GIP) to let them participate in meetings and debate. Meeting documents show RECM's attendance at one meeting in 2010 (MERCOSUR, 2010) and 2 years later, again initiated by RECM, an attempt to outline a strategic partnership between the

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<sup>&</sup>lt;sup>19</sup> See <a href="http://www.desarrollosocial.gob.ec/wp-content/uploads/downloads/2012/07/1\_ley\_y\_reglamento\_EPS.pdf">http://www.desarrollosocial.gob.ec/wp-content/uploads/downloads/2012/07/1\_ley\_y\_reglamento\_EPS.pdf</a> accessed Feb. 1, 2013.

two bodies (RECM, 2012). Despite this minimal progress, current productive projects discussed by GIP do not target cooperatives or other parts of the SSE sector. The recent incorporation of Venezuela as a full member of MERCOSUR may result in greater political support for the regionalization of the SSE agenda in this bloc. There is perhaps room for SSE to enter as a smaller agenda subordinated to the intersectoral process, in the energy sector for example, where public oil companies lead the way (Petrobras, PDVSA, YPF, ANCAP). Perhaps because of difficulty forging an alliance with GIP, RECM has developed its own parallel productive integration program. As part of the project for the Promotion of MERCOSUR Cooperatives (PROCOOPSUR) launched in 2010 in order to help national governments advance pro-cooperative policy and support for the cooperative movement, RECM founded the Business Office (ON), which has proposed integration plans for cooperative production chains including, wool, wheat, organic sugar, yerba mate, tourism and recyclables. 20 The two pillars of this work are commercial support and the development of productive networks in frontier zones.

In contrast to the very new UNASUR SSE policy framework, MERCOSUR's programs are quite institutionalized, many of which are aimed at promoting regional integration through targeted social programs in international border areas and contribute to reduce asymmetries in levels of socioeconomic development between regions in the MERCOSUR area. The main achievement in the case of MERCOSUR is the articulation at a regional level of mechanisms of support of cooperatives in tandem with efforts at the national level. The main shortcomings are the lack of integration with core economic policy-making bodies, limiting much of this work to marginal sectors.

# Challenges to the SSE agenda

A key challenge to advancing a coherent and meaningful SSE policy framework is funding (Gomes, et. al., 2011). Though RECM has proposed the creation of a fund for the promotion of cooperatives (RECM, 2012), currently programs are largely funded by states and international development programs like AECID, and they do not promote capacity building or reliance on self-generated alternative finance practices. In this respect the scope of transformation does not move beyond the reproduction of relations of dependency from public support mechanisms. A more ambitious SSE agenda seeks to attain greater levels of autonomy of marginalized sectors.

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<sup>&</sup>lt;sup>20</sup> See http://www.mercosur.coop/documentos/2012/DOCUMENTO%20NOVIEMBRE%202012.pdf accessed Mar. 20, 2013.

UNASUR has also begun discussing an important counterpart to solidarity-based enterprises: the financial system that supports this sector, something that is currently lacking (Schaposnik, 2009: 11). In response to the growing crisis of the global financial system, as early as 2006 the late president Chavez began pushing an agenda for a new financial architecture in Latin America, with "the creation of a development bank of a new type (Banco del Sur)" (TNI, 2011: 6).

The Banco del Sur identifies as its objectives, "to finance social and economic development" and "support projects destined to promote key areas of the economy, reduce poverty and exclusion, favor a process of South American integration, and create funds for social solidarity and emergency" (Banco del Sur, 2007, cited in Schaposnik, 2009: 4).

Like the rest of UNASUR's policy framework around SSE, much remains to be seen in order to evaluate the Banco del Sur's ability to support the SSE sector. However, the negotiation process around the development of this new financial architecture in the region has highlighted some tensions in regards to financing SSE enterprises. What has been criticized as a closed door negotiating style, which leaves social movements out of the debate over where the bank's money will be invested and how such decisions will be made sparked numerous open letters to the bank from social movements expressing these concerns <sup>21</sup> (Schaposnik, 2009: 5).

Pedro Paez, former Plenipotentiary Ambassador for the Ecuadorian Government on the New International Financial Architecture and Chair of the Ecuadorian Presidential Technical Commission for the design of a New Regional Financial Architecture - Banco del Sur warns, "If the process of designing and constructing the bank turns into something decided by a group of technocrats holding discussions behind closed doors, there is an enormous risk that the initial transforming spirit that was present in the launch of the Banco del Sur and the New regional Financial Architecture will be lost" (TNI, 2011: 14). This risk in fact threatens the entire SSE agenda. As this paper has demonstrated, so far the meaning of SSE has been translated from civil society demands into regional policy in a way that severely compromises its transformative spirit.

Another development that may impact the future of the bank is the recent establishment of a new BRICS development bank. The nature of Brazil's involvement in both, and the relationship between the two banks may affect

<sup>&</sup>lt;sup>21</sup> See http://www.cadtm.org accessed Feb. 7, 2013.

the financial support for the SSE sector since these banks rely largely on funding from member states.

The origin of the financial resources for Banco del Sur as well as UNASUR and MERCOSUR bodies is indeed source of tension. There is fiscal dependence on sectors whose growth has taken place in conflict with the SSE practices. This creates a conundrum, since the regionalization of a SSE policy requires state financial support, which currently is largely derived from these sectors. The Banco del Sur, along with FOCEM, and RECM are funded by contributions from member states in amounts proportional to GDP (Schaposnik, 2009: 4). Largescale agro-industry and mining developments (Manzanal, 2007), and to some extent concentrated manufacturing (in Brazil) (Baer, 2008: 1) are currently some of the most dynamic sectors driving the Brazilian and Argentine economies (the two largest donors). In Argentina, for example, soy exports are taxed 35%, providing an important income to the state. One therefore has to wonder how much of the funding offered up to these regional organizations for SSE programming is coming from taxes taken from the very sectors of the dominant economy that are threatened by the growth of SSE initiatives. To gradually scale back dependence on the taxes from extractive industries while scaling up support for and from SSE enterprise is indeed a delicate balancing act, no doubt fraught with political challenges.

Finally, the fact that SSE regional policy frameworks do not appear to be challenging dominant modes of production ultimately leaves the future of SSE initiatives vulnerable to competition with and/or displacement by larger economic interests. Economic recovery from crises caused by neoliberal reforms in many South American nations has for at least the past decade relied largely on these large-scale natural resource-based industries (Stewart, 2011). For example, over half of the cultivated land in Argentina is dedicated to large-scale soy production, 99% of which is transgenic and exported—an economy of scale, which favors large corporate actors. Though rapid expansion of this sector has already caused violent evictions and displaced small farmers and solidarity based producers, the national agro-food strategic plan for 2010-2020 is to expand soy by 20% (Aranda, 2011).

So far the emerging SSE policy framework does nothing to confront the consequences of the expansion of these industries on the SSE sector. This poses a challenge to the successful realization of an SSE agenda in as much as small producers are pushed aside through market mechanisms, policies and even through illegal and at times violent practices.

### **Conclusions**

A focus on social development and integration is driving the SSE agenda regionally and can be interpreted as part of a broader political transition into a post-neoliberal development model. However, as this paper has argued, current SSE regional policy frameworks do not provide the necessary mechanisms to challenge centers of power or restructure the dominant economy. Cooperatives are particularly strong actors, but the SSE sector has still not significantly engaged with centers of economic policy and production, and the SSE sector is treated as a policy "add-on". In order for SSE to be mainstreamed into large-scale productive integration projects the nature of integration would necessarily have to change, and powerful economic interests would have to be challenged. It is unclear that regional policy frameworks are capable of or ever intend to pose such a challenge despite the fact that using SSE to compliment dominant capitalist economies runs counter to the demands of civil society organizations.

The lack of definitions allows this ambiguity to persist and the difficulty of reaching consensus among diverse member states complicates this process. This leaves the SSE sector vulnerable in the future, as simply promoting SSE does not protect these initiatives from displacement by natural resource-based industries with whom many already compete for finite resources like land and water. An effective SSE regional policy framework must grapple with this tension at some point and seek to develop alternative funding sources that do not rely on the same dominant industries that a transformative SSE agenda seeks to overcome.

# **APPENDIX I**

Governance Body	SSE Program/Key Institutional Channels	Financial Resources	Proposed Objectives of Policy Implementation	Beneficiaries/ target population	Missed Integration opportunities
UNASUR - South American Council on Social Development (CSDS)	SSE Working Group <sup>22</sup> :  Argentina - Ministry of Social Development, Ministry of Foreign Relations and Culture  Peru - Ministry of Development and Social Inclusion, Peruvian Embassy in Argentina  Bolivia - Bolivian Embassy in Argentina  Ecuador - National Institute of Popular and Solidarity Economy, Ministry Coordinator of Social Development  Guyana - Ministry of Work, Human Services and Social Security  Uruguay - Ministry of Social Development  Venezuela - Ministry of Popular Communal Power and	Common Initiatives Fund (Fondo de Iniciativas Comunes): total budget for 2012-13 = US\$2,050,000 of which US\$233,333 is allocated to the CSDS <sup>23</sup>	Create a SSE practitioner database; develop communication plan to visibilize SSE sector; host knowledge exchanges and trainings; develop evaluation processes, <sup>24</sup> financial inclusion, development of productive projects and infrastructure in frontier zones, create spaces for commercialization of products, increase the quality and scale	Frontier areas, populations in poverty	COSIPLAN - IIRSA
MERCOSUR Social Institute (ISM)	Social Protection  Social and Solidarity Economy for Regional Integration - Uruguay Pilot Program, 2007-2009  Uruguayan Ministry of Social Development (MIDES)	FOCEM (US\$ 1,399,800); UNDP (US\$ 20,000); MIDES (US\$ 251,595)	of production. 25  Training, information exchanges, microcredit loans, construction of centers for the promotion of social and solidarity economy; develop the economic, social, environmental and cultural value chains	Frontier areas, populations in poverty	Productive Integration Plan

Refers to participants in the 2<sup>nd</sup> meeting of the SSE Workgroup, CSDS UNASUR, in Buenos Aires, Sept. 2012. See <a href="http://www.midis.gob.pe/unasur/files2/anexol.pdf">http://www.midis.gob.pe/unasur/files2/anexol.pdf</a>
See <a href="http://www.midis.gob.pe/unasur/files2/acta.pdf">http://www.midis.gob.pe/unasur/files2/acta.pdf</a>

Special Meeting	Program MERCOSUR:	Total funding for	Work groups include	Regional	Productive
on MERCOSUR	Collaboration between AECID and RECM whose	this program from	productive	cooperative	Integration Plan
Cooperatives	members include, <sup>26</sup>	2008-2011 was 5	integration and social	movement	and articulation
(RECM)		million euros from	economy; local, rural		with the GIP
(**==***)	Argentina - National Institute of Associativism and	AECID (AECID,	and frontier zone		
	Social Economy in the Ministry of Social Development	2009: 21), but	development in the		
	(Instituto Nacional de Asociativismo y Economía Social,	according to a	region; aiming to		
	INAES); and the Argentine Cooperative Confederation	representative of	promote cooperative		
	(Confederación Cooperativa de la República Argentina,	the MERCOSUR-	movements in the		
	COOPERAR)	AECID cooperation	Southern Cone as		
		program in	instruments of social		
	Brazil - Department of Rural Cooperativism and	Uruguay, in Oct.	inclusion, decent		
	Associativism, in the Ministry of Agriculture and	2011 only 35% of	work creation and as		
	Fishing (Departamento de Cooperativismo e	project had been	actors in the		
	Associativismo Rural, DENACOOP); the National	executed and only	development and		
	Secretariat of Solidarity Economy, in the Ministry of	150,000 euros had	deepening of		
	Labor (Secretaria Nacional de Economia Solidaria,	been disbursed	MERCOSUR.		
	SENAES); the Organization of Brazilian Cooperatives	(Martinez, 2011).			
	(Organização das Cooperativas Brasileiras, OCB);				
	Center for Cooperatives and Solidarity Enterprise				
	(Central de Cooperativas e Emprendimientos				
	Solidarios, UNISOL); and the National Union of Family				
	Farm Cooperatives and Solidarity Economy (União				
	Nacional das Cooperativas da Agricultura Familiar e				
	Economia Solidária, UNICAFES)				
	David music. National leaditude of Cooperativisms				
	Paraguay - National Institute of Cooperativism				
	(Instituto Nacional de Cooperativismo, INCOOP); and				
	the Paraguayan Confederation of Cooperatives (Confederación Paraguaya de Cooperativas,				
	CONPACOOP)				
	CONTACOOT)				
	Uruguay - National Institute of Cooperativism				
	(Instituto Nacional de Cooperativismo, INACOOP); the				
	Office of National Internal Auditing (Auditoría Interna				
	de la Nación, AIN); and the Uruguayan Confederation				
	of Cooperatives (Confederación Uruguaya de				
	Cooperativas, CUDECOOP).				
L	1	L	L	I	

<sup>&</sup>lt;sup>26</sup> See <a href="http://www.mercosur.coop/?page\_id=175">http://www.mercosur.coop/?page\_id=175</a>

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