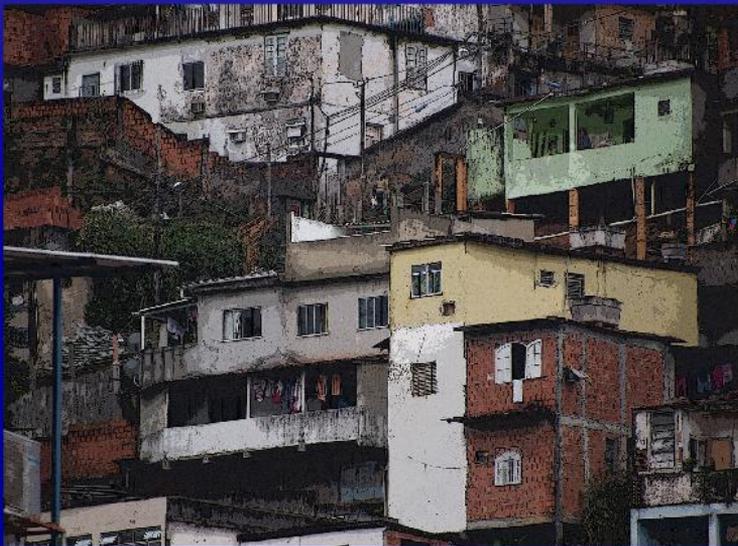


# Solidarity Economy - A chance for Southern Africa

An introduction to the concept and  
practical experiences from Brazil



*by Claudia & Dirk Haarmann*



# ***Solidarity Economy – A chance for Southern Africa***

**An introduction to the concept and practical  
experiences from Brazil<sup>1</sup>**

**October 2011**

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**ISBN 978-99916-842-6-0**

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<sup>1</sup> This research project has been made possible through the funding of ELM, VELKD, Misereor and the Karibu Foundation. The financial support is hereby gratefully acknowledged. We would also like to thank Herbert Jauch for his crucial comments and proof reading.

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# Abbreviations

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BIG	Basic Income Grant
COPAC	Co-operative and Policy Alternative Center
EES / SEE	Empreendimento Econômico Solidário / Solidarity Economy Enterprise
ELM	Evangelisch-Lutherisches Missionswerk in Niedersachsen
ESSET	Ecumenical Service for Socio - Economic Transformation
GEAR	Growth, Employment and Redistribution Strategy
IMS	Instituto Marista de Solidariedade / The Marist Solidarity Institute
LUCSA	Lutheran Communion in Southern Africa
PACS	Instituto de Políticas Alternativas para o Cone Sul / Institute of Alternative Policies for the Southern Cone of Latin America
SEE	Solidarity Economy Enterprise
SRM	Self-regulating markets
TARA	Theological Institute for Advocacy and Research in Africa, Lutheran Communion in Southern Africa (LUCSA)
VELKD	Vereinigte Evangelisch-Lutherische Kirche Deutschlands

## Introduction

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This study explores the concept of solidarity economy as an alternative development and economic model to the current profit-orientated capitalist one. The aim is to outline the basic principles of the concept as well as to learn from practical examples, mainly from Brazil, where a sizeable number of people practically engage in solidarity economy and have managed to create sustainable livelihoods.

The idea for this study emanated from a workshop by informal traders from Southern Africa hosted by ESSET in October 2010. The informal traders related that the current economic system is dehumanising and systematically excluding, disadvantaging and marginalising them. They are forced to compete in a cut-throat market with little or no access to financial services and support. The conference concluded that the root cause of the problems of the informal traders was in fact the current economic system in its totality with profit maximisation and competition as its core values.

ESSET approached TARA to compile a study to look at solidarity economy as an alternative model. The study included an exposure visit together with representatives of the informal traders to Brazil to learn more about the concept and to see how it works in practise.

While explored and practised in other parts of the world, until now the concept of solidarity economy has not been widely discussed in Southern Africa and is little known. This study tries to start filling this gap by providing a basis for engaging with the concept in the context of Southern Africa. Given the very limited scope and time for this study, it cannot give an implementation guide for an alternative economic model – but aims, through practical examples and lessons, to contribute towards a debate around a more human, just, sustainable and ecological economy in Southern Africa.

## Section 1: Problem statement

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**"Watch it. You can kiss reconciliation and forgiveness goodbye, unless the gap between the rich and the poor - the haves and the have-nots - is narrowed, and narrowed quickly and dramatically." Desmond Tutu 2004**

*"Watch it. You can kiss reconciliation and forgiveness goodbye, unless the gap between the rich and the poor - the haves and the have-nots - is narrowed, and narrowed quickly and dramatically."* (Tutu 2004: 10)

Due to its history of colonialism and apartheid, Southern Africa is characterized by high income inequality, mass-poverty and extreme rates of unemployment. While the democratically elected governments promised to redress these injustices and to put economic empowerment on top of their agendas, for the majority of the people, little, if any change, has been achieved.

The latest publication by the National Planning Commission of South Africa states that:

*"There has been much debate about whether South Africa experienced job-creating or jobless growth since the mid 1990s. The evidence weighs in heavily towards job-creating growth, as measured by positive employment expansion and by falling rates of unemployment. Between 1997 and 2008, for every 1 percent growth in GDP, employment expanded by 0.6 to 0.7 percent."* (National Planning Commission South Africa 2011: 10)

However, the report notes that:

*"Average per capita incomes grew by only 1.2 percent per annum over the 50 year period from 1960 to 2010, and by 2 percent annually between 2001 and 2010, dampened recently by the economic downturn."* (National Planning Commission South Africa 2011: 8)

The diagnostic overview by the South African Government then openly concedes that:

*"The continued social and economic exclusion of millions of South Africans, reflected in high levels of*

## Section 1: Problem statement

*poverty and inequality, is our biggest challenge. [...] The share of the poorest 40 percent of the population in national income has remained largely stable at about 6 or 7 percent, but the composition of this income has changed quite dramatically. The contribution of wage income and remittances to household income fell, and was replaced by social grants, accounting for about 2 percent of GDP. South Africa is a highly unequal country. This was true for much of the past century and remains so today. [...] "(National Planning Commission South Africa 2011: 9 and 11)*

In other countries of the region, there is not even a debate about a slight improvement or decline, but only about the extent of the decline. For example, the situation in Namibia presents itself as follows:

According to the latest statistics of Government, the unemployment figures have risen to over 51% in 2008 (Ministry of Labour and Social Welfare 2010) an increase of 13% within the last 2 years. Malnutrition of children under the age of five stands at 30%, which is regarded as very high by international standards (Cullinan 2010). Despite increasing expenditure in the Government's health sector, maternal deaths have doubled in the last fourteen years and currently stand at 449 per 100,000 births (Cullinan 2010). Taking the crude international poverty line of US\$ 1 a day, over 60% of the population is poor (Haarmann and Haarmann 2005: 34)<sup>2</sup>. This situation is worsened by a high HIV prevalence rate of about 20%, and despite the availability of a Government-financed treatment programme, HIV has been the major cause of deaths in Namibia since 1995.

These indicators give an idea of the poverty and hardship experienced by the majority of people in Namibia. At the same time the Gini-coefficient, measuring income inequality, is one of the highest in the world. According to the 2010 UNDP Development Report (UNDP 2010:

**According to the latest statistics of Government, the unemployment figures in Namibia have risen to over 51% in 2008.**

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2 The research used the US\$ 1 poverty line for easy comparison. Ravillon et al suggested a new poverty line as "mean poverty line of the poverty lines found in the 15 poorest countries in terms of consumption per day". This poverty line is \$1.25 a day in 2005 Ravallion, Chen and Sangraula (2008).

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154) Namibia's coefficient of 0.743<sup>3</sup> is the worst in the world. The Gini-coefficient indicates that the country does have a considerable amount of wealth, however, its distribution is highly skewed, benefiting a privileged elite, while the majority are struggling for daily survival.

There is broad agreement that the current situation in Southern Africa is untenable and that governments despite the expressed commitment have not been able to turn around the fundamental economic problem, with devastating humanitarian consequences. It is noteworthy that the South African overview agrees:

*"[O]ur conclusion is that on a business-as-usual basis, we are likely to fall short in meeting our objectives of a prosperous, united, non-racial and democratic South Africa with opportunity for everyone, irrespective of race or gender. " (National Planning Commission South Africa 2011: 7)*

This is not a new finding, but it should be appreciated that this conclusion comes from the National Planning Commission under the leadership of Trevor Manuel, who has been Finance Minister from 1996 to 2008. He was the key driving force behind Government's economic policy, namely its Growth, Employment and Redistribution (GEAR) strategy. The GEAR strategy has often been described as a home-grown structural adjustment programme. Its neo-liberal policies of trade liberalisation, tight monetary policy, removal of exchange rate controls targeted at greater and cheaper exports and creating a profit heaven for foreign direct investments and big business, has been shaping the South Africa's economy and society to date. (Frye, Farred and Nokjekwa 2011: 272-273).

The neo-liberal paradigm has characterized and still characterizes the economic realities and lives of the people of Southern Africa<sup>4</sup>. How the various policies were either enforced by international institutions like the IMF

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3 A score of 0 would indicate a perfectly equal distribution of income amongst the population, while a score of 1 would indicate that one person would own everything and the rest nothing. Countries like South Africa and Brazil have Gini-coefficients at 0.578 and 0.55 respectively.

4 Heita (2011)

## Section 1: Problem statement

and the World Bank or were 'home-made' by the national governments are extensively discussed for a number of countries in the region in the book by Herbert Jauch and Deprose Muchena (*Jauch and Muchena Deprose 2011*).

These case studies are symptomatic for the region as a whole. The SADC Vulnerability Assessment reports:

*"Levels of stunting, which is a long-term indicator of malnutrition, continue to be high especially in Malawi, Zambia, Swaziland, Tanzania, Lesotho and Mozambique where it ranges from 42 percent to 53 percent." (Southern African Development Community (SADC) Regional Vulnerability Assessment and Analysis Programme 2010: 8)*

**Time and again, the neo-liberal approach has been identified as being at the core of economic injustice in Southern Africa.**

Time and again, the neo-liberal approach has been identified as being at the core of economic injustice in Southern Africa. However, the big question on practical and viable alternative strategies to the 'business-as-usual' remains. How can the masses of people living in poverty and high economic insecurity attain sustainable livelihoods?

There have been several ideas, yet remarkably few concrete and tested practical ways with a direct impact on people's lives. The notable exception is the Basic Income Grant, which has been extensively researched and applied in the world-wide first Pilot Project in Otjivero, Namibia.<sup>5</sup>

At the same time, with little influence and notice so far in Southern Africa, the "Solidarity Economy" Movement is growing in other parts of the world. This movement is mainly present in South America but also in Asia and Europe. It has identified the neo-liberal, capitalist system as the root cause of poverty, inequality and social marginalization. The people, groups and organisations engaged in the solidarity economy consciously develop a concrete alternative economic model. This study's interest is to find out, what constitutes solidarity economy, how it works and what are its challenges and advantages. This analysis forms the basis for a discussion

**With little influence and notice so far in Southern Africa, the "Solidarity Economy" Movement is growing in other parts of the world.**

5 For further details and material see the Namibian BIG Coalition website: [www.bignam.org](http://www.bignam.org)

## Section 1: Problem statement

about the potential application of the concept in the Southern African context.

**The people, groups and organisations engaged in the solidarity economy in South America and elsewhere consciously develop and practise a concrete alternative economic model.**

This study benefits from the experience of practical examples of solidarity economy projects during an exposure visit to the Instituto de Políticas Alternativas para o Cone Sul (PACS - Institute of Alternative Policies for the Southern Cone of Latin America) and to the International Solidarity Economy Fair in Santa Maria in Brazil.



**Photo 1: The Southern African study group at the Mercosur International Solidarity Economy fair in Santa Maria**

## Section 2: An introduction to the concept

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### 2.1 Definitions

#### *Solidarity Economy vs. Social Economy*

The terms “social economy” and “solidarity economy” refer to different concepts but are often used interchangeably and there is no clear and agreed theoretical distinction. However, it is important to determine what people imply, when using either term, rather than assuming that they mean the same thing.

The Solecopida, an international encyclopedia for solidarity and social economy, developed a useful distinction. Solecopida regards the term *social economy* as the broader, more encompassing term. *Solidarity economy* on the other hand is only used for more specific entities in the social economy sphere, which have the expressed aim to redress injustice through solidarity:

*"For example, a local sports club has a social aim and so can be considered part of the social economy, but would not normally be considered part of the solidarity economy except in special circumstances (e.g. a township sports club in South Africa in the days of Apartheid)." (Solecopida 2009: 2)*

Whereby every social activity is seen as part of the *social economy*, the distinctive feature of *solidarity economy* is the identification of and action based on solidarity against social injustice.

For the purpose of this research, we use this definition and focus on the *solidarity economy*. Although the terms *social economy* and *solidarity economy* are often used interchangeably in the literature, the study aims for strin-

**Whereby every social activity is seen as part of the social economy, the distinctive feature of solidarity economy is the identification of and action based on solidarity against social injustice.**

## *Section 2: An introduction to the concept*

gent use. This includes indicating and where necessary changing the terms used in the literature.

### *Where does “solidarity economy” come from?*

The term *solidarity economy* is a relatively new one. Solidarity economy as a social movement grew only since the First World Social Forum in 2001. While there have been various co-operatives and organisations, working with similar principles before (Lechat 2009: 160), the World Social Forum is often regarded as the birth place of the movement.

By now, there are several networks working on solidarity economy (see also Soleclopedia 2009). These include

- RIPESS (The Intercontinental Network of Promoters of Solidarity Economy)
- Brazilian Forum of Solidarity Economy (Forum Brasileiro de Economia Solidaria, 2008)
- RIPESS of Latin American and Caribbean (RIPESS Latinomamérica y Caribe)
- Asian Alliance for Solidarity Economy (AA4SE)
- Asian Forum for Solidarity Economy
- Solidarische Ökonomie (Austria)
- Solidarische Ökonomie (Germany)
- Canadian Hub for Social Economy
- U.S. Solidarity Economy Network

Interestingly, there does not seem to be an African Network for solidarity economy. In Africa, the concept is still relatively unknown and at least lacks an organisational network similarly to the other continents.

In South Africa, the Co-operative and Policy Alternative Center (COPAC), was founded in 1999 and is committed to the development of the co-operative movement in South Africa and the promotion of alternatives to meet the needs of women, youth and children. The Center is currently at the end of a three-year research project on 'Cooperative Alternatives to the Capitalist Globalisation'. As part of this process the 1st International Solidarity

## 2.1 Definitions

Economy Conference in South Africa is planned for the end of 2011. Unfortunately, the research for this study took place before these latest developments, but the findings of the COPAC research project and of the conference will surely present a major step forward for the solidarity economy movement in South Africa and hopefully the region as well.<sup>6</sup>

### *What does “solidarity economy” mean?*

Many scholars define solidarity by describing it, rather than by giving a theoretical definition. For example Miller explains *solidarity economy* as follows:

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

Usually only the profit making and market oriented activities are regarded as the economy. In contrast, Miller says:

*Countering this narrow approach, solidarity economics embraces a plural and cultural view of the economy as a complex space of social relationship in which individuals, communities, and organizations generate livelihoods through many different means and with many different motivations and aspirations—not just the maximization of individual gain. The economic activity validated by neoclassical economists represents, in this view, only a tiny fraction of human efforts to meet needs and fulfill desires. (Miller 2006: 13)*

Although unemployment and the need to support themselves is often the main starting point for individuals to engage in solidarity economy, the vision and the concept is much broader and goes far beyond the earning of an income. Instead, it provides a philosophy for life, a new economy and a new way of organising production (Lechat 2009: 162).

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6 For the latest information please see <http://www.copac.org.za/>

**Solidarity Economy is a socio-economic order and new way of life that deliberately chooses serving the needs of people and ecological sustainability as the goal of economic activity rather than maximization of profits.**

**The foundation of solidarity economy is self-management and the ownership of the means of production.**

**Actors in the solidarity economy are aware of the fragile natural state of the earth and aim towards responsible and sustainable use of the natural resources and the environment.**

While the definitions of the various organisations and networks engaged in solidarity economy differ, the Asian network gives a definition of solidarity economy that captures the essences and the main principles:

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

The foundation of solidarity economy is self-management and the ownership of the means of production. Self-management is governed by the principles of democracy, egalitarian and not hierarchical structures, striving towards consensus and critical reflection where the group acts in the spirit of co-operation and exchange not competition and where decisions are taken jointly.

An important factor in the solidarity economy is ecological sustainability. Actors in the solidarity economy are aware of the fragile natural state of the earth and aim towards responsible and sustainable use of the natural resources and the environment. Consequently, recycling projects form a major part of solidarity economy.

There are already plenty of concrete solidarity economy enterprises and projects all over the world and it is helpful to name a few to have an idea how the concept is applied in practice.

The Austrian network gives a good overview:<sup>7</sup>

7 "Selbstverwaltete Räume und Betriebe, alte und neue Genossenschaften, solidarische Wohnformen und -projekte, Kommunen, Unternehmungen mit sozialer Zielsetzung, Tauschringe, Regionalwährungen, Frauenräume und feministische Projekte,

## 2.1 Definitions

*self-administered areas and farms, old and new co-operatives, supportive living arrangements and projects, communities, businesses with social objectives, exchange rings, regional currencies, rooms for women and feminist projects, vain shops, alternative financial institutions, fair trade, solidarity and intercultural gardens, Volksküche, agricultural direct marketing, eco-villages, open source, alternative education, knowledge commons, basic income initiatives, reproductive cooperatives, caravans Projects and much more.*

### *Towards a working definition*

The variety of definitions shows the broad range of the concept. These diverse ideas, approaches and applications are united in their vision to have an economy that serves the needs of the people on the basis of co-operation and sustainability and are opposed to a neo-liberal market economy, which put profit maximisation and individual gain as the ultimate goals.

The key characteristics of solidarity economy can therefore be summarised:

- working co-operatively in solidarity for the common good and rejection of profit maximisation and competition
- maximise participation in decision-making and a heterogeneous hierarchy--> democratic
- ownership of the means of production, retaining of assets and no distribution of profits for private gain
- ensuring decent work for all members of the enterprise

**The key characteristics of solidarity economy: working co-operatively, maximise participation in decision-making, ownership of the means of production, decent work, ecological sustainability**

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Umsonstläden, alternative Finanzierungseinrichtungen, fairer Handel, Solidarische und Interkulturelle Gärten, Volkküchen, landwirtschaftliche Direktvermarktung, Ökodörfer, OpenSource, Alternative Bildungseinrichtungen, Wissensallmende, Grundeinkommensinitiativen, Reproduktions-genossenschaften, Wohnwagenprojekte u.v.a.m {Solidarische-Ökonomie.at #1081}.”

## *Section 2: An introduction to the concept*

- ensuring ecological sustainability

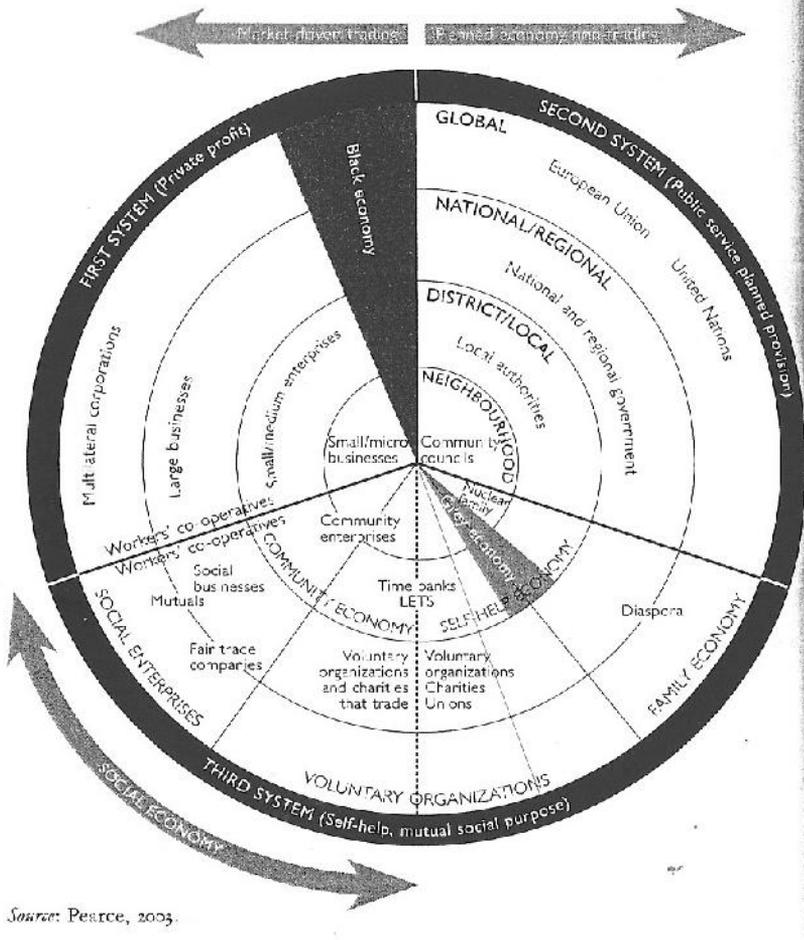
Solidarity economy is always context-specific and the actual components need to be worked out in the specific situation (Amin 2009a).

## **2.2 Locating the Solidarity Economy**

On the basis of the definitions and unique criteria outlined above, it is helpful to locate the solidarity economy in relation to other economic and social activities. The following graph by Pearce illustrates the relationship of the social economy to the profit oriented market economy and the state. Pearce argues that the social economy constitutes a distinct third sector marked by its unique values and principles. As outlined above the solidarity economy is a specific part of this social economy, although the distinction is often not clear cut and the transitions are fluid.

## 2.2 Locating the Solidarity Economy

FIGURE 2.1 Three systems of the economy



Source: Pearce, 2003.

(Amin 2009b: 26)

Pearce identified three sectors or systems which differ in their way of organising economic and social affairs and Arruda puts the difference between the nature of the social economy and the private one to the point, when saying the first follows the principle: *One for all, all for one* as opposed to the private one, where everybody is for him/herself. (Arruda and Emmerick 2011)

## *Section 2: An introduction to the concept*

Following these explanations and the illustration above, the criteria of the three systems can be outlined as follows:

- Private sector: market-driven and private-profit oriented
- Public sector: non-trading and provision of public services
- Social economy: working for the common good
  - Solidarity economy: solidarity, ownership, non-hierarchical, democratic, ecological sustainability etc.<sup>8</sup>

Our specific research departure points requires some thought about the location of the informal trading in this typology. Some regard informal trading as a micro-business within the profit-oriented market economy. If a person's gain and profit maximisation are the key driving forces, its placement is within the first system. On the other hand, in this case informal traders came together because of the realisation of the danger of the market principles to them as a collective. They also regard the necessity to out-compete each other as being forced upon them by the dominant economic system. Hence their wish to organise themselves differently. Surely, they would have to sell through a market, but could do so as a collective or co-operative with a common goal based on solidarity. This would then place them rather within the scope of the solidarity economy.

### *Solidarity economy versus private sector*

One key characteristic of the solidarity economy is to organise economic activities differently from the profit-orientation of the private sector. How does it then relate to the current economy, and how can it operate alongside an economy, which only has profit maximisation as its purpose, aim and fundamental?

Scholars identified the danger solidarity economy actors are in when accessing public finance as they often have to comply with market measures. This risks to divert the

**One key characteristic of the solidarity economy is to organise economic activities differently from the profit-orientation of the private sector.**

<sup>8</sup> The earlier example of the local sport club illustrates this distinction within the social economy well.

## 2.2 Locating the Solidarity Economy

solidarity economy endeavours from their core mission to meet social needs, build solidarity and regenerate local communities. (Amin 2009a: 6)

Ash states that especially the broader social economy sector should be seen as a “heterogeneous entity with varying degrees of proximity and overlap with an equally heterogeneous public and market economy.” (Amin 2009a: 10) However, while the tension to then balance market/profit demands from the mainstream economy with social/ethical ambitions will always exist, he argues that this should rather be seen as a challenge, which needs to be addressed, than a reason to abandon the original social and solidarity goals. (Amin 2009a: 7)

Looking at the Brazilian experience, Lechat regards especially the organisation of groups of producers and sellers as a good possibility to start with solidarity economy practice, since this does not require a lot of money or assets. Although there are constant tensions in such fragile arrangements, a common rejection of neo-liberalism and the shared hope for a better life and a more just society have the potential to create a sense of common purpose. She argues that

*“[o]ne of the merits of the solidarity economy movement comes from its success in creating a common identity among workers who do not know each other and who, at first sight, do not have anything in common but their struggle for survival and improvement in their life conditions (Lechat 2009: 173).”*

**A common rejection of neo-liberalism and the shared hope for a better life and a more just society have the potential to create a sense of common purpose.**

### *Solidarity economy versus public sector*

Likewise to the private sector, solidarity economy exists alongside the public sector and needs to be aware of possible overlaps and how to distinguish itself from this sector.

In welfare states the neo-liberal policies over the past years exert pressure to cut down social spending. The concept of the Bush administration of compassionate conservatism, for example, saw social commitment as an integral part of society. However, this was based on a

**The solidarity economy is not to replicate or replace state provision.**

## Section 2: An introduction to the concept

very paternalistic view and pushed social commitment in the realm of charity, which is regarded as a voluntary and unpaid function of civil society. In such a context, solidarity economy, which set out to be an alternative model to neo-liberal market policies, could in actual fact be in the danger to support neo-liberal policies by cushioning the adverse social effects by taking on public sector functions. Ash warns that “*the solidarity economy is not to replicate or replace state provision.*” (Amin 2009a: 8)

For example, Britain and Denmark are in the process of pushing hard towards market reform, with the result that “*social enterprises are expected to provide a high-quality service at competitive prices as well as thrive as business in the open-market in order to qualify for policy support.*” (Amin 2009a: 15) Such a 'requisition' of solidarity economy for the public sector violates their goals and distinctiveness (Amin 2009a: 15)

This distinction of solidarity economy to other social and economic sectors is important for the understanding and the potential and challenges of the concept to create a better and more just society.

### *Theoretical background: Understanding the plurality of the economy*

**The economy is always embedded in social relationships shaped by belief systems, cultural, political and institutional contexts which in return define economic life.**

To underpin this distinctiveness of solidarity economy, it is helpful to understand the theoretical background. Most of the solidarity economy scholars refer their origins back to Karl Polanyi. Polanyi (1886-1963) was a radical Hungarian philosopher, who developed a distinct position on economic thinking. His central thesis was that the economy is always embedded in social relationships shaped by belief systems, cultural, political and institutional contexts which in return define economic life. He argues that the interpretation of the economy as a merely 'utility-maximising mechanism' is therefore far too narrow. He states that there is no natural law of a self-regulating market, but the economy is always determined by humanly shaped contexts of interdependencies with the natural environment (Lemaitre and Helmsing 2011: 6). While Marx thought that capitalism would

## 2.2 Locating the Solidarity Economy

fail due to the monopolization, which ultimately would lead to contradictions and a collapse of the system, Polanyi's analysis allows for different outcomes due to different cultural, institutional and natural settings (Mayhew 2000).

Based on the understanding that the economy is never an independent self-regulating market, solidarity economists argue that a different socially constructed economy with its own logic embedded in social relations is possible. Thereby the social economy is an alternative approach to economic provisioning and social organisation (Mendell 2009: 176).

From a different angle, one can draw an interesting link to new thinking about social justice as put forward by Amartya Sen:

*"Justice is ultimately connected with the way people's lives go, and not merely with the nature of the institutions surrounding them. In contrast, many of the principal theories of justice concentrate overwhelmingly on how to establish 'just institutions', and give some derivative and subsidiary role to behavioural features." (Sen 2010: x-xi)*

*The focus on actual lives in the assessment of justice has many far-reaching implications for the nature and reach of the idea of justice." (Sen 2010: xi)*

Sen thus argues that one needs to concentrate on people's actual lives, meaning being context specific and allowing for people's agency to shape their lives, the institutions and the economy.

**Based on the understanding that the economy is never an independent self-regulating market, solidarity economists argue that a different socially constructed economy with its own logic embedded in social relations is possible.**

## 2.3 Processes and support structures

Practical experience can help us to look at the conditions that have enabled the emergence and running of a successful solidarity economy. The following section looks at the support structures, especially in Brazil. By and large such structures do not exist in the Southern

## *Section 2: An introduction to the concept*

African region and the Brazilian experience therefore holds valuable lessons for support

### *Incubators*

Lechat argues that informal groups, associations and co-operatives, which make up the solidarity economy, need support during the start-up phase (mainly to organize themselves) and during the consolidation phase, to get technical support (Lechat 2009: 163).

**The incubators conscientize the starting enterprises through teaching the principles of solidarity economy (co-operation, self-management, solidarity, valorization of the worker and sustainable development).**

In Brazil, universities, NGOs and state departments have developed tools of advice and support, called 'incubators', for solidarity groups. They are often funded by government and usually consist of a multidisciplinary team of teachers, students and technical staff. The incubators conscientize the starting enterprises through teaching the principles of solidarity economy (co-operation, self-management, solidarity, valorization of the worker and sustainable development). This methodology of empowerment through popular teaching is based on Paulo Freire's principles. The method tries to have maximum participation of the actors themselves and a high level of transparency. For example, meetings and activities are recorded and evaluated. This teaching is also central to create a feeling of belonging to one movement.

Furthermore, the incubators assist with operational, professional and administrative aspects to guide the enterprises to self-management. (Lechat 2009: 163–165)

### *People's education*

Robson Patrocínio de Souza from the Institute of Alternative Policies for the Southern Cone of Latin America (PACS), who works with the solidarity economy groups on the ground in Rio de Janeiro, explained that education is key in the solidarity economy to succeed in taking ownership and follow the goals of solidarity economy. He stressed that people involved need to take ownership of the process and are equally educated and educator. Only if people are fully conscientized and take a deliberate decision to act in the solidarity economy instead of a

## 2.3 Processes and support structures

profit-driven market economy, solidarity economy can work.

Arruda pointed to the fact that a structure of solidarity exists in any community and especially among the poor. However, only when such structures become reflected knowledge and are valued as important, the solidarity economy can build and grow on them.

De Souza explained that first the informal structures need to be understood and a deliberate decision been taken to act within a solidarity economy framework, before a programme can be initiated by the people themselves. This stands in contrast to many 'traditional' development practise where often the project is the centre around which people are organised. In the solidarity economy, the people's education takes the centre stage and only once this basis is laid, projects follow.

**Only if people are fully conscientized and take a deliberate decision to act in the solidarity economy instead of a profit-driven market economy, solidarity economy can work.**

### *Three pillars of social economy*

Based on the successful Quebec experience, Mendell argues for three pillars to build the social economy (Mendell 2009). Mendell speaks about social economy, but the same holds for solidarity economy

1. Social enterprise themselves: *What distinguishes the Quebec story, we believe, is the clear commitment to provide new services that meet new needs or previously unsatisfied needs (Mendell 2009: 179).*
2. Enabling policy environment: *In Quebec, government has been and continues to be vital to the development of the social economy through public funding, enabling legislation and institutional support. [...] [Government] has also come to realize the value of working with social economic actors in designing a policy framework (Mendell 2009: 179).*
3. Leadership: *Social movements, community-based activists and the labour movement have, throughout this period, been the architects of alternative economic strategies to reduce poverty and unem-*

## Section 2: An introduction to the concept

*ployment, and to implement new civil-society-based economic revitalization strategies (Mendell 2009: 178). Today, the labour movement and its solidarity funds, the co-operative movement and local development actors are part of the social economy in Quebec (Mendell 2009: 185).*

**The successful emergence of a solidarity economy is about the conscientious decision to act differently in the current dominant economic climate and to have a leadership committed to principles of self-management, non-hierarchical, democratic and transparent decision-making and joint ownership.**

The experiences of other countries show that the successful emergence of a solidarity economy is not about a successful project, but about the conscientious decision to act differently in the current dominant economic climate and to have a leadership committed to principles of self-management, non-hierarchical, democratic and transparent decision-making and joint ownership. Furthermore, the importance of an enabling environment supported by Governments cannot be ignored. In the context of Southern Africa, the question arises how in the absence of such support from governments or even just the ignorance of governments of such endeavours, successful processes can be started.

Having tried to look at the fundamentals of solidarity economy, the next section presents the background and practical examples of the solidarity economy in Brazil. Using these practical examples, the following section will then look at the key characteristics of this sector.

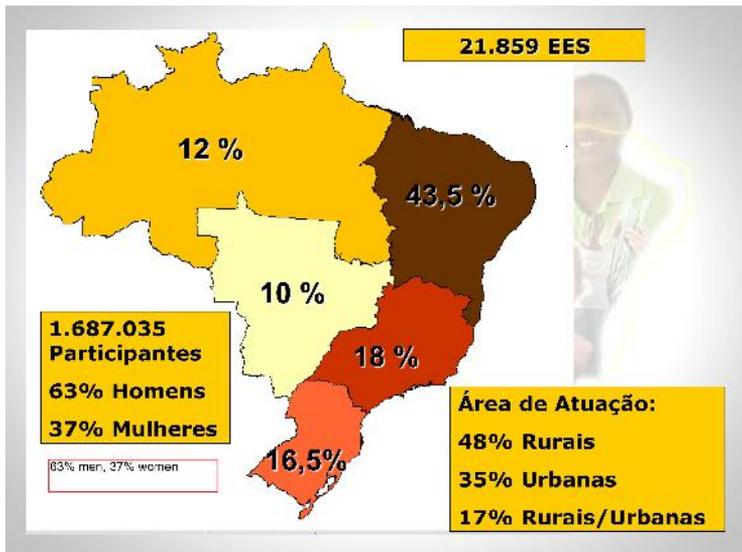
## Section 3: How it works in Brazil

This sections gives some background, statistics and practical examples and impression on the solidarity economy in Brazil and outlines and discusses the key characteristics.

### 3.1 An overview

In Brazil, the national census (2005-2007) identified about 22,000 solidarity economy enterprises involving 1.7 million workers. Out of the 1.7 million workers 63% are men and 37% are women.

**In Brazil there are about 22,000 solidarity economy enterprises involving 1.7 million workers.**



**Graph 3.1-1: (Brazil Government 2011: 5)**

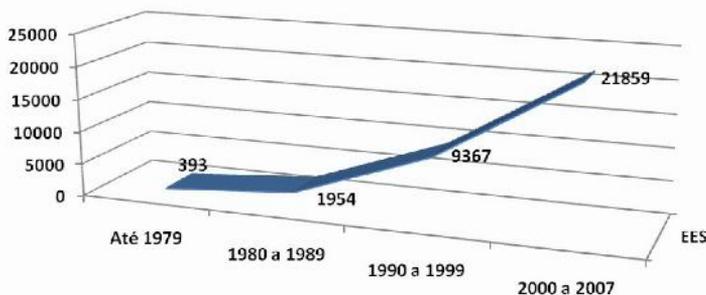
Solidarity economy enterprises (SEE)<sup>9</sup> are found throughout Brazil with most of them located (43.5%) in the north-east.

9 In Portuguese: EES for Empreendimento Econômico Solidário

### Section 3: How it works in Brazil

Graph 3.1-2 illustrates the enormous growth of solidarity economy enterprises in the last thirty years:

Gráfico 01: Expansão dos EES no Brasil - 1979 a 2007



Fonte: Sistema de Informações em Economia Solidária (SIES, 2007).

**Graph 3.1-2: (Mendonca 2011: 4)**

The sector started in the 1970s experiencing a moderate increase until the 1980s, when the first wave of growth occurred. Since the 1990s, the numbers started to increase more rapidly and in the period from 2000 to 2007 the enterprises more than doubled.

**The main products of the solidarity economy in Brazil are for basic consumption from the agricultural and cattle breeding sector.**

The main products of the solidarity economy in Brazil are for basic consumption from the agricultural and cattle breeding sector (including food and drinks), followed by textiles and craft-work as the most popular ones (Lechat 2009: 162–163).

### 3.1 An overview

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

**(Brazil Government 2011: 6)**

The following table illustrates where the solidarity enterprises are located, indicating that the majority operates on local levels like the community and the municipal level, while only a smaller part is active on regional, state, national and international level:

<b>Scope of Business of SEE</b>	<b>Percent of total SEEs in Brazil</b>
Community	53.7%
Municipal	26.3%
Micro-regional	10.0 %
State	6.6 %
National	2.8 %
International	0.6 %

**(Brazil Government 2011: 9)**

### Section 3: How it works in Brazil

Interestingly, 60% of SEE come together and perform collective marketing of products or services (Brazil Government 2011: 9). This is in all probability due to the fact that 68% regard marketing as the major difficulty in their operation. The second biggest challenge is access to financing. Section 4.4 *Solidarity finance* will look into more detail into the finances for Solidarity Economy while the next tables give a picture of the challenges in marketing the products and services:

MAIN DIFFICULTIES IN MARKETING	% <sup>10</sup>
Lack of working capital	33%
Logistics: roads, warehouses etc.	29%
Not enough customers	24%
Keeping the supply (quantity and regularity)	18%
Inadequate/low product price	15%
Lack legal registration for marketing	14%
Cannot make credit sales	14%

**(Brazil Government 2011: 12)**

**Finances, especially working capital, are cited as a challenge for marketing.**

Again, finances, especially working capital, are cited as a challenge for marketing, but the remaining reasons are due to the location of the enterprises in local settings (logistics, access to customers, supply etc.) and the relatively small character of the enterprises, which e.g. cannot benefit from economies of scale.

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10 Note that multiple answers were allowed.

## 3.2 The four pillars of solidarity economy

Samuel (2008) bases the solidarity economy on four ethical pillars<sup>11</sup>:

- Ethical production: guided by the basic values of human dignity, fair wages and conditions of work and environmental and social responsibilities
- Ethical investment: not as a means to maximise profit, but to serve the larger society based on the principles of solidarity economy
- Ethical market: serving the larger society in a 'fair, predictable, efficient, effective and sustainable manner'
- Ethical consumption: based on the principles of need, environmental sustainability and social responsibility instead of putting the self before the society and consumption before the environment

**Solidarity economy is based on four ethical pillars: ethical production, ethical investment, ethical market, ethical consumption**

There are also overlaps and the co-operatives operating in the solidarity economy can be distinguished according to the following categories:

- production co-operatives
- consumption co-operatives
- or both = prosumer co-operatives

### *Production*

The following photo and those on the back-cover of this booklet give an (sometimes mouthwatering) impression of the variety of production in the solidarity economy as experienced at the solidarity fair in Brazil:

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11 "The Solidarity Economy is based on the four ethical pillars of Ethical production, Ethical investment, Ethical market and Ethical consumption." Samuel (2008: 3)



*Photo 2: Dairy and meat products*

**Another often cited example of the solidarity economy are the take-overs of bankrupt capitalist companies by workers themselves.**

Another often cited example of the solidarity economy are the take-overs of bankrupt capitalist companies by workers themselves. The Argentinan experience during the height of the economic crisis in the 1990s serves as an important example. The workers protested against closure of companies enabled by new bankruptcy laws introduced by the state for the benefit of the businessmen. The workers decided to put the companies back to work on the principle of democratic co-operatives, where the companies belong to the workers not to capital. This process saved 200 businesses and kept 12,000 workers in their jobs. Other countries of the region as well as Italy and Spain now also have self-managed 'recovered companies' (Arruda 2008: 53).

### *Investment*

The basic idea of investment in the solidarity economy set-up is to engage in socially conscious and responsible investment, which does not yield returns to outside shareholders, but benefits the enterprise or the larger society. The investment is democratically controlled. Ethical investment is also not only about finances, but

### 3.2 The four pillars of solidarity economy

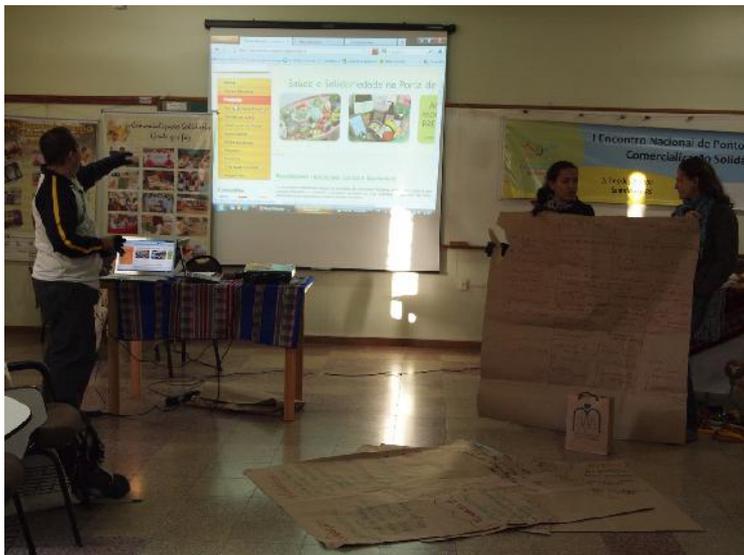
values resources like time, innovative ideas and processes for the common good as well (Samuel 2008: 4).

Section 4.4 on Solidarity finance will look into more detail on how to access and manage finances in the solidarity economy.

#### *Market*

The idea of the ethical market is to bring producers and consumers based on their shared vision of solidarity together and that producers get fair returns while consumers get quality services and goods. The ethical market within the solidarity economy breaks with the unequal power relations of the 'free' market and replaces them by the shared vision for a better, more just world based on the principles of human values, sustainability and the common good.

The co-operative “whirlwind” is an innovative example of such a market:



**Photo 3: Cooperative whirlwind**

Whirlwind is a solidarity economy group, which has build an internet shop at <http://redemoinho.coop.br/>, linking producers and consumers in a transparent way.

**The idea of the ethical market is to bring producers and consumers based on their shared vision of solidarity together and that producers get fair returns while consumers get quality services and goods.**

### Section 3: How it works in Brazil

*"The cooperative whirlwind follows the principles of Solidarity Economy, based on self-management and being formed by people willing to consume and produce good quality and production being socially just, environmentally sustainable and biologically healthy."*

**Solidarity economy recognises the importance of the market and that it should not be left to the powerful and rich companies, but should serve to develop a vibrant, local economy, based on fair exchange, accountability and transparency.**

Solidarity economy recognises the importance of the market and that it should not be left to the powerful and rich companies, but should serve to develop a vibrant, local economy, based on fair exchange, accountability and transparency.

### *Consumption*

Ethical consumption is guided by the questions whether the products and services consumed harm human beings and the environment:

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

Small as it might seem, for the study group, it was an important experience that our host in Rio de Janeiro deliberately took pride in serving us locally-produced drinks as opposed to North-American imported Coke.

### 3.2 The four pillars of solidarity economy



**Photo 4: Monika our host, proudly preparing local coffee, and instead of Coca Cola from the US she has bought Guarana a soft drink from the Amazon**

Guidelines for conscious consumption are the four R's:

- Reduce consumption
- Reuse
- Recycle
- Respect others

**The four R's:  
Reduce consumption,  
Reuse,  
Recycle,  
Respect others**

In this spirit, ethical consumption can be summarised as

*(...) surmounts the consumerism resulting from affluence, wastage and the myth of limitless production of material consumer goods (Pauli & da Rosa, 2004). Conscious consumption regards locally-produced goods and services as the primary source for meeting needs." (Arruda 2008: 40)*

Ethical consumption is a process of creating awareness for the other and the environment and puts responsibility into the hands of the consumer.

### *Section 3: How it works in Brazil*

The overview, statistics and examples above show the potential, but also the difficulties solidarity economy is facing. The following sections analyses the common key characteristics of the sector.

## Section 4: Understanding the key features

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### 4.1 Networks

Maybe the most important aspect of the solidarity economy is the importance placed on human relationships, which are regarded as at the centre of the economy. Networks, market places, where consumers and producers meet, and where human needs are at the centre of economic exchange set the solidarity economy apart from the globalized capitalist system. In the current market economy monetary exchange has anonymized the relationships in economic exchange. The producer and consumer in most transactions never meet, let alone know about the others involvement in the economic exchange. Their economic, social or working conditions, in short, their well-being as humans are detached from the transaction. The product is just considered in terms of its monetary value at the end of a chain of intermediaries – all trying to maximise their profit in the process. This value chain is in most cases not transparent or reconstructable and neither the consumer nor the producer can put a human face to it.

Images of a traditional local market, where producers exchanged goods, consumers are able to compare prices and products and the main purpose is to satisfy the needs of people (in contrast to purely aiming to make money) help to understand the importance of the human interaction in the economic sphere. People came together face to face debating and bargaining with each other and comparing with their neighbours to finally agree on what both producer and consumer considered a fair exchange. If both actors debate from an equal position and having a long term relationship in mind, the well-being of the counterpart, his/her family as well as the larger community also are taken in consideration. In today's profit-driven economy, this human interaction is

**Images of a traditional local market, where producers exchanged goods, consumers are able to compare prices and products and the main purpose is to satisfy the needs of people (in contrast to purely aiming to make money) help to understand the importance of the human interaction in the economic sphere.**

#### Section 4: Understanding the key features

taken out of the equation. Likewise huge inequalities in the economic exchange exist, which do not lead to a fair and transparent exchange but to simple exploitation to the detriment of the majority of people and the environment.

**In the Brazilian solidarity economy 66.3% of all sales go directly to the consumer and only 26.3% to other re-sellers.**

The solidarity economy sets the human interaction in the centre, where people come together and based on their conviction and acknowledgement of interdependence and mutual responsibility, agree and plan their economic activity. The direct link is visible in the Brazilian solidarity economy where 66.3% of all sales go directly to the consumer and only 26.3% to other re-sellers. (Brazil Government 2011: 10)

Planning in the solidarity economy setting should not be mistaken for a state-socialism type of planning, where the state planned for the people. Instead here people themselves debate, plan and agree not for the individual but for the collective gain. Thereby the solidarity economy is not a 'simple' or 'poor' economy but a complex network:

*"This [planning] does not mean centralised, top-down planning, but a process starting in the household units and communities and based on research into needs and resources, one that is built and implemented from below and from above and from above in a fluid dialogue between communities and government authorities." (Arruda 2008: 25)*

*"Solidarity Production Chains: These are circuits spanning the production, distribution, financing and consumption of goods and services. [...] To agents in Solidarity Economy, the interrelationships among these activities form an equation that is as systemic and self-determined as possible." (Arruda 2008: 79)*

Interaction between and networks of the people concerned to determine and shape the different stages of the economic process is a major characteristic of solidarity economy, ensuring ownership and focus on satisfying human needs.

## 4.1 Networks

One practical example of a network is the IT network “Solidarius electronic programme” ([www.solidarius.com.br](http://www.solidarius.com.br)). It tries to connect and link consumers, traders, producers and service providers in a simple, agile IT environment. Among others it tries to achieve this through a World Solidarity Currency, connecting people beyond national borders (Arruda 2008: 80–81).

The focus on the actual needs and the relationships between the people defines the value broader than in the traditional way of exchange of goods in the market:

*"Beyond use value and exchange value (Aristotle), which are practised by the market system, Solidarity Economy recreates relationship value, so as to condition the price of all that is utilitarian, individual and material to developing one's own and other's personal, social and spiritual potentials." (Arruda 2008: 78)*



**Photo 5: Example of Networking, like here at the seminar: Seminário Nacional de Pontos Fixos de Comercialização Solidária (National Seminar on Fixed Pointmarketing Partnership)**

The networks are important factors to stabilise the solidarity economy enterprises in the dominant capitalist environment:

*It is through external support and advocacy that nets of social relationships are established between the enterprises, that goals can be shared, questioned and reformulated (Lechat 2009: 174).*

The strength hence lies in creating a common identity, a collectivity and the identification of the individuals with their peers to overcome the difficulties. In the networks the potential for sustainable development is created.

## 4.2 Ownership

**Key to solidarity economy is the ownership of the means of production by the producers and workers themselves.**

Key to solidarity economy is the ownership of the means of production by the producers and workers themselves. The capitalist system is built on private ownership and the separation of the workers from exactly these means of production. Solidarity economy puts that system up side down and

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

Solidarity economy tries to incorporate people from different backgrounds, culturally and socially as well as people with different abilities and to build on their different strengths, ideas and perspectives.

## 4.2 Ownership



**Photo 6: People with different abilities are an integral part of the solidarity economy**

For example, it is argued that traditional and native communities and their sustainable co-existence with nature for centuries can help guide solidarity economy to be environmentally sensitive (see also 4.9 Environment):

*"Solidarity economy is a child of industrialism and, as such, sets itself the goal not only of meeting people's subsistence needs, but also valorising every woman's and man's work, knowledge and creativity, saving necessary work time by aggregating knowledge and value to production, distributing the surplus fairly and using it rationally in order to create the environment most suited to always fuller human and social development. Nonetheless, the autonomous, reciprocal, community economy of most native and traditional peoples is generally a truly Solidarity Economy." (Arruda 2008: 90)*



*Photo 7: Solidarity economy includes indigenous people*

### 4.3 Money and surplus versus profit

The solidarity economy defines wealth much broader than money (see above). Nevertheless, monetary payments do have their place. Solidarity economy acts on the principle that work should pay for a decent living. The principal of reciprocity where things are exchanged with others for mutual benefit, rather than profit-maximisation applies.

In practice in Brazil, monthly income of workers in the solidarity economy vary between 540 to 2,000 Brazilian Real, which are about SA Rand 2,400 to 8,800.

Money should be regarded as a means of exchange. In the current capitalist market system, the reserve value of money (meaning the cost, which is added onto the cost of production, like interest, speculation etc.) becomes so overriding that the money no longer is a means of exchange but rather a tool for speculative profit. The solidarity economy tries to re-establish money as a mode of exchange.

**Monthly income of workers in the solidarity economy vary between 540 to 2,000 Brazilian Real, which are about SA Rand 2,400 to 8,800.**

### 4.3 Money and surplus versus profit

Solidarity economy tries to achieve fair trade and fair distribution of the surplus, while moving away from profit as the main goal:

*"Its purpose is to distribute what is produced at a fair price, with cost transparency and according to people's needs, while generating a surplus to enable the distribution services to be improved. Fair trade has social ecological justice in mind. It demands non-oppressive production and that total costs be borne by investors and included in investment planning, as well as fair prices, product quality and an effort to achieve shared satisfaction between seller and buyer." (Arruda 2008: 43)*

The ecological costs are often not included in the cost calculations, since they occur later, but need to be highlighted. Currently, those long term environmental impact costs are often borne by society as a whole as governments cover them through general taxation. Solidarity economy argues against this unfair and non-transparent practice, since the investors just take out "their" profit and "socialize" the cost.

### 4.4 Solidarity finance

The informal traders of Southern Africa identified as one of the major obstacle the access to finance. The study therefore took a deeper look at how financing is practised in a solidarity economy context. Arruda defines solidarity finance as:

*a shared manner of saving, managing and investing people's money. It serves as an instrument for bringing greater democracy to economic relations and to the money itself involved in the social production and reproduction of solidarity economy. (Arruda 2008: 65)*

Solidarity finance operates within the context of a solidarity economy system, e.g. within a solidarity enterprise or a solidarity group. The practice of solidarity finance is therefore not a means in itself. It is not an alternative

**Solidarity finance is a shared manner of saving, managing and investing people's money.**

**Solidarity finance is not an alternative mechanisms of funding, which supposedly finds sources of funding where otherwise no funding could be found.**

#### Section 4: Understanding the key features

mechanisms of funding, which supposedly finds sources of funding where otherwise no funding could be found.

The mechanisms employed by solidarity funding are at first sight not radically different from other social endeavours. They include loan co-operatives, ethical banks, co-operative insurance and pension systems, solidarity micro-credit programmes and any other kind of financial initiative based on co-operation and solidarity (Arruda 2008: 66). What distinguishes them from other financing mechanisms is the underlying concept, namely *solidarity*. Actions are guided by the goal to serve not the individual, but the group as a whole.

**What distinguishes solidarity finance from other financing mechanisms is the underlying concept, namely solidarity. Actions are guided by the goal to serve not the individual, but the group as a whole.**

Furthermore, it is noteworthy that Arruda does not include outside sources e.g. funding from the state or from donors in his examples. All financing examples are based on groups of people or a community coming together and pooling the resources they have. Later in this section, we will look at another example from Canada, where initial government funding is regarded as important for the process of the development of the solidarity enterprise.

Last but not least, Arruda acknowledges the need for redistribution of wealth within a society as key to the solidarity economy (see 4.5 Solidarity economy and redistribution?).

Arruda outlines the fundamental challenge in solidarity finance to restore the role of money as the symbol of products resulting from human work and as a means for facilitating exchanges. These are the reasons for the three sets of principles, which set solidarity economy finances apart from other practices:

1. Abandoning the profit motive, and adopting social and ecological purposes as the first priority of investment
2. The notion of finance as a means to make self-managed, solidarity investment in production feasible
3. The conviction that no community or people will be able to control its own development process unless it controls its own finances

#### 4.4 Solidarity finance

The Soleclopedia provides a concise summary of the functions of solidarity finances:

*(..) solidarity finance is understood as a financial system which is conceived to contribute, by way of specialised structures and tools, financing services to projects which create sustainable economic development and social integration. The solidarity finance is a group of institutions which applies solidarity economy's principles to the financial sector. Some financing organisations with specific statutes provide loans or capital participation to other structures of solidarity (non-profits, cooperatives etc.), or even to those who are excluded from the classical financial and banking circuits. They receive the saving of those who want their funds to be put on the basis of solidarity, accepting less financial return (Solecopedia 2010: 1).*

While financial resources are needed to start solidarity economy activities, the means of financing these activities should not be allowed to undermine the basic principles of solidarity and introduce unfair competition and profit-orientation through the back door.

One of the key-principle of the solidarity economy is to go beyond the current economic principles. Therefore Ash argues that actors in the solidarity economy do not want to be financially dependent on others like, for example, the state:

*In fact, actors in the social economy [...] value their independence and the principle of self-determination. It is not the state dependency or market protection that they seek, but a level playing field in which the social economy is able to realize its full potential. (Amin 2009a: 17–18)*

These guiding and ruling principles set solidarity finance also apart from micro-finance. Solidarity finances

*[...] are also different from microcredit as they stick to the collective destination, not individual one, of*

#### Section 4: Understanding the key features

*the deposit they collected. [...] The microcredit is based on the concept of scale ("micro"), and not of quality ("solidarity"), and is sometimes happy to be an individual palliative to the exclusion from the traditional banking system. (Soleclopedia 2010: 1)*

In Brazil, solidarity enterprises have employed different financing options as the table indicates:

Source of initial funding for SEE	in percentage
Co-operative Finance	60%
Donations	21%
Credit	12%
Other	7%

*(Brazil Government 2011: 12)*

The different options work as follows:

#### *Co-operative finance*

**It is quite remarkable that 60% of solidarity enterprises gathered the initial funds among themselves.**

In co-operative financing the people, who are part of the enterprise, gather the initial funds among themselves. It is quite remarkable that 60% of solidarity enterprises use this option and only 21% receive finances from donations and 12% from credit.

In smaller businesses, this can take the form of own financial resources put into the self-employment enterprise or getting a loan from the family. However, Arruda also pointed to the danger of loan-sharks in the community, who exploit the situation of small enterprises not having the starting capital and then falling into debt traps (Arruda et al. 2011).

PACS tries to train businesses to draw up plans starting from family enterprises with small budgets to the bigger

#### 4.4 Solidarity finance

projects. Arruda explains that spontaneous financial arrangements, like informal saving schemes, bulk buying, exist in poorer communities. They need to be understood, analysed and then have the potential to be consciously used for solidarity finance (Arruda et al. 2011).

Often women are more successful in co-operative financing arrangements. Groups come together on a voluntary basis and decide on how they save money and for what purpose. The collective financing thereby is also a meeting point, not only to discuss and arrange direct financial matters but going beyond that with exchange on business matters as well as social and community issues.

The co-operative financing arrangements are comparable to *stokvel* programmes in Southern Africa. The purpose is beyond funding and includes improvements to the lives of the members. The governance rules are taken seriously because of the social control within the group. (Moliea 2007).

Arruda explained that in the event of lack of savings within a new group people could first start a consumption co-operative and benefit from cheaper purchasing in bulk and in the process free money for saving (Arruda et al. 2011).

#### **Social currencies as part of co-operative financing**

Traditional financing methods often include high interest rates and subsequently make the enterprises non-viable. In this context, Primavera argues that social currencies are an important option in solidarity finance. Communities decide to trade in a different currency, referred to as *people's* or *social currency*, as a means of exchange. These currencies are usually restricted to a certain area or group, thereby the money keeps in circulation locally. Furthermore, the absence of formal banks means there are no earnings on dividends for keeping the money. Therefore, social currencies usually work with no or very low interest rates and people have often better access to them due to the local circulation.

**The co-operative financing arrangements are comparable to stokvel programmes in Southern Africa. The purpose is beyond funding and includes improvements to the lives of the members.**

**Social currencies are usually restricted to a certain area or group, thereby the money keeps in circulation locally.**

*This makes them useful to distribute wealth and useless to speculation or accumulation of capital. (Primavera 2010: 1)*

### *Donations and outside funding*

Mendell argues from the experience in Quebec that in the setting-up phase of new solidarity economy enterprises short and medium debt instruments are needed. Since the specific design of collective ownership prevents the possibility to issue shares, also forms of long-term capital loans are needed (Mendell 2009: 195).

As can be seen from the following picture donor support plays also a role in Brazil, however, as said earlier on average only up to 21%.



**Photo 8: Solidarity finance**

Some businesses at the solidarity fair in Brazil related the lack of start-up capital from the Brazilian government as a challenge for the enterprises. However, government and especial local governments got involved in solidarity finance by deciding on a quota of spending on goods produced in the solidarity economy.

### *Banking and credit*

47% of all businesses cited that they faced difficulties in accessing credit from the formal sector. This situation is probably comparable to the challenges the informal traders face in Southern Africa.

The following table gives the main difficulties:

<b>Difficulties to access credit</b>	<b>Percentage of total SEE<sup>12</sup></b>
Lack technical support - projects and business plans	36%
Does not meet the conditions required guarantees	31%
Credit conditions are incompatible	31%
Lack the required documentation	29%

It is noteworthy that of those with access to credit, only 6% of the SEE are in arrears. (Brazil Government 2011: 12)

A solidarity banking programme like the successful Bayanihan Banking Programme in the Philippines might at least offer easier access to savings instruments and training. This programme has two characteristics:

- It organises local people in self-help groups of 20-30 people into saving groups, called Financial Centres.
- It interconnects the Financial Centres into co-operatives and provides them with training, in business, conservation and life skills.

The primary objective is not only financial, but self-managed and co-operative development for poor communities in towns (Arruda 2008: 69–70).

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12 Note that multiple answers were allowed.

## 4.5 Solidarity economy and redistribution?

**The notion of the superiority of training and a choice between meeting of basic human needs and training rather reinforce the myth that the problem lies with the people, who supposedly need to be taught how to operate in the current market system.**

In many development approaches training is regarded as an end for people to empower themselves economically. In this context, the famous Chinese saying is regularly quoted: *Don't give people a fish, but teach them how to fish*. However, this often overlooks the structural barriers and vicious cycles of poverty people are trapped in. The notion of the superiority of training and a choice between meeting of basic human needs and training rather reinforce the myth that the problem lies with the people, who supposedly need to be taught how to operate in the current market system. While training is surely important, in this instance, it, puts the blame for poverty on the poor themselves without questioning the structural injustices and constraints. Such an approach does not change the inherent problems of the current status quo. The current status quo with its huge unequal distribution of wealth and productive ownership, and not the lack of training, education and skills, is, in most instances, the very reason, why people cannot come out of poverty.

The solidarity economy, if wrongly understood as just a means to organise people in community projects, could be in danger of being misused. Solidarity economy is very different from that 'traditional' approach within the current market system as Arruda states:

*"The prior condition is that there should be an equitable system for distributing the products of growth" (Arruda 2008: 24)*

Arruda pointed out in the joint workshop with the study group that a Basic Income Grant (BIG), which would guarantee to share the wealth of a country more equally, should be an integral part of the solidarity economy. (Arruda et al. 2011) The BIG pilot project has proven how a system of cash transfers, based on human rights, transparency, redistribution and equality can transform a divided village into a community again. This lays a good foundation for solidarity economy and has the potential to point the way to economic alternatives.

#### 4.5 Solidarity economy and redistribution?

Equally, solidarity economy believes a more equitable distribution requires people to consciously operate differently to create a socially and environmentally sustainable economy. The spirit of sharing and building of the community, as for example found in the Namibian Otjivero BIG pilot project<sup>13</sup>, should be reflected and formalized as part of a common decision process. In the BIG pilot project, the power of a more just and equal distribution of income reinforced by the positive role of the community committee reveals the potential of this concept in the building of a community and eventually acting differently from the dominant capitalist system.

#### 4.6 Democracy and anti hierarchy

Like the principle of ownership by the people themselves, solidarity economy operates on grass-roots democratic principles.

*"Important instruments for true democracy include local self-governance: shared ownership and management of productive goods and resources, grass-roots assemblies, community councils covering various public policy areas and aspects of social life, participatory planning and implementation of eco-social and human development, plebiscites and referenda, setting and monitoring of socio-economic and human development goals and indicators, equal social, gender, ethnic and belief rights and so on." (Arruda 2008: 94)*

Hierarchy and a top-down leadership approach is rejected and the management and decision-making process within SEE is very different from private/corporate management. Shared ownership and subsequently democratic or consensus-based decision-making on production, goods and services purchased, technology used, use and investment of surplus is done by the collective and not only a few. This system breaks down the exploitative hierarchical structures of capitalism which use, e.g. gender (lower pay for women), race, educational status, etc. for profit gain.

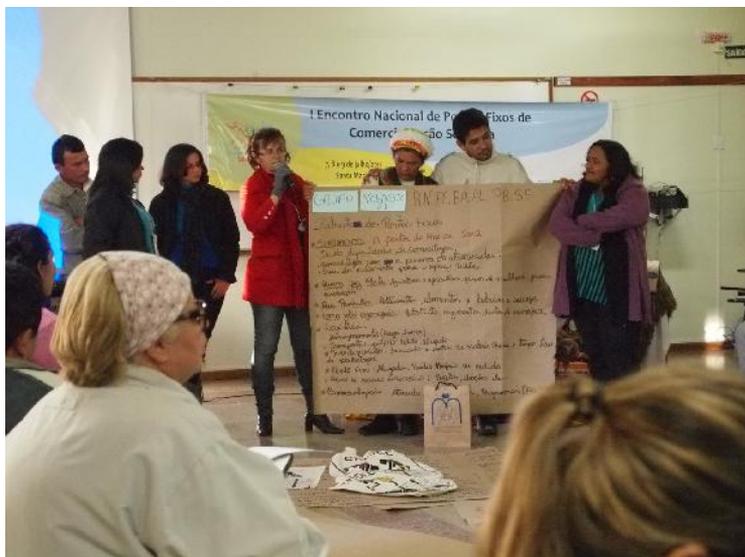
**Arruda pointed out in the joint workshop with the study group that a Basic Income Grant (BIG), which would guarantee to share the wealth of a country more equally, should be an integral part of the solidarity economy. Equally, solidarity economy believes a more equitable distribution requires people to consciously operate differently to create a socially and environmentally sustainable economy.**

13 For more detail see [www.bignam.org](http://www.bignam.org)

**Shared ownership and subsequently democratic or consensus-based decision-making on production, goods and services purchased, technology used, use and investment of surplus is done by the collective and not only a few. This is certainly one of the major differences to organisations and projects in Southern Africa.**

This approach of governance is not only important for the economic sphere, but encompasses the entire organisation.

For the study group from Southern Africa, where also in the civil society sector, hierarchies and the idea of a leader or representative who takes the decision is quite prominent, this was an eye-opening experience: When solidarity groups presented at the seminar at the fair in Brazil, not a leader or representative introduced the group and its members, but each and everybody introduced him/herself as a person in their own right and the presentation was done jointly and in a group setting. This is certainly one of the major difference to organisations and projects in Southern Africa.



**Photo 9: Non-hierarchical: groups present together**

The underlying understanding of the approach is that each person has knowledge, which is valuable for the common work. Thereby, the collective and not only one person in power should take decisions pertaining to the group.

## 4.7 Ethical Economy and Spirituality

Arruda believes in the need for a deep rooted spirituality for the establishment and running of an ethical economy. This is important for people not to get absorbed and corrupted by power.

Spirituality and the acknowledgement that life is not about us but about God's love for every human being and about the creation that sustains life and makes life worth living is key. Only out of this knowledge that life is about serving others can an ethical economy be sustained. *To love your neighbour like yourself*, stands in contrast to the profit maximisation ideal and is paramount as a principle of an ethical economy.

While there is no formal link to a church or to a specific belief, many people of the solidarity economy are involved in grass-root church initiatives. For example, the organizer of the trade fair has been a catholic nun and the place where the seminar took place a catholic institution.



Photo 10: Organiser: a catholic nun

**Spirituality and the acknowledgement that life is not about us but about God's love for every human being and about the creation that sustains life and makes life worth living is key. Only out of this knowledge that life is about serving others can an ethical economy be sustained.**

## 4.8 Gender

**For solidarity economy, re-productive work as well as taking care of sick people etc. is regarded a work and should be valued and remunerated like any other work.**

The recognition of the role of women in the solidarity economy is two-fold: Firstly, there is acknowledgement of the role of women in enterprises, which is often undervalued in the current system. Secondly, the recognition of the reproductive role in childcare, which is often not remunerated and thereby not valued as work. For solidarity economy, reproductive work as well as taking care of sick people etc. is regarded a work and should be valued and remunerated like any other work.

Arruda considers women to be the main driving force in the economy (Arruda et al. 2011). This is in line with development theory, which finds that women are often the once more concerned and active in promoting social well-being and development of the family rather than men.

Likewise, this appreciation and high regard of women's work based on gender equality, is an important factor for empowerment as well:



**Photo 11: Women producing arts from natural products. One woman said: "This has given me my life back, now I have my own income and am no longer dependent on my husband's money"**

## 4.9 Environment

Solidarity economy is conscious of the fact that the resources on the planet are limited and that the continued exploitation and pollution will necessarily lead to an ecological and human disaster.

The concept of environmental justice is an integral part of solidarity economy thinking and practice:

*"Environmental justice refers to the fair sharing of ecological space, but also the effort to avoid environmental damage or to ensure compensation or reparation when it does occur. This is not solely an ethical issue, but also a political and juridical question - and ultimately a question of intelligence and foresight." (Arruda 2008: 33)*

**Environmental justice refers to the fair sharing of ecological space, but also the effort to avoid environmental damage or to ensure compensation or reparation when it does occur.**



**Photo 12: Environmentally responsible approach**

In order to use limited resources responsibly, many solidarity economy project focus on recycling. There were several impressive examples at the solidarity economy fair:



**Photo 13: Poster reading “God recycles, the devil burns” and a chair produced from ‘waste’**

Another example of environmental responsibility is organic farming, which is adopted in the solidarity economy. The picture below depicts the various natural species of corn, while for commercial production only a fraction is used, losing the advantages of the other species.



*Photo 14: Ecological agriculture, promoting a variety of corn species instead of only one*

## 4.10 Solidarity Economy and the cooperative movement

Solidarity economy has its roots in the co-operative movement in Latin America. In Santa Maria for example the first finance co-operative was started in 1900 by one priest who, while riding through the whole area on a donkey, brought together 5000 peasants (Arruda et al. 2011).

Southern Africa has a much shorter and weaker tradition of co-operatives. This might explain the large absence of solidarity economy in the region. While Quinones and others have published a book about solidarity economy examples in Asia, Latin America, North America and Europe, they could not find any in Africa (Arruda 2009).

This study found one exciting African example, in the small city of Ngor, 22 km away from Dakar in Ghana. The village, living of fishing and tourism practises solidarity for the community in the form of a special social

**This study found one exciting African example, in the small city of Ngor, 22 km away from Dakar in Ghana.**

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system. The fishers sell their catch to the community and receive 3/4 of the revenue and the remaining 1/4 goes to the community fund. The community sells the fish to restaurants or to traders for the market. The business is handled by women who record each and every income and expenditure on a wall visible for everybody. The benefits of this system are manifold: The fishers are guaranteed an income for their catch. There is no possibility of price fixing or undercutting of prices by the private sector. The community fund provides for risks like engine failure, sickness etc. and makes sure that nobody in the village starves. The accounting is transparent.

Furthermore, the villagers exercise their own jurisdiction through a public village council. This public system is built on social control and seems to be working as the most severe punishment is social work for the community and the village decided against prison sentences as punishment. The police only enters the village once a year during the visit of the President of Ghana. (Mabanza 2011).

Arruda explained the importance of co-operatives working in such a way that people feel and discover the advantage of being together. One of the examples, where young people learn about being in solidarity together is the Project Casa da Acolhida, which the Study group visited:

Casa da Acolhida is a social responsibility project of the Catholic Church, which focuses on children from the favelas. The project tries to promote a culture of solidarity and exchange. For example, the parents, who cannot pay for their children to be accommodated there, work as volunteers in the project. Another example is that children are awarded points for good behaviour, which they can exchange for nutritious food etc. There are, however, also some challenges. For example, some people expect immediate income and some mothers rather than working in a solidarity economy environment chose to do domestic work, where they get immediate cash.

Another example is the Project Hope which works at the community level to strengthen sustainable rural development:

*“Projeto Esperança (Hope Program) is developed by the Santa Maria diocese in Rio Grande do Sul in partnership with Caritas which has been working for 20 years with popular Solidarity economy. This is a big social program and part of it is a cooperative of small rural and urban producers (..) (ICLEI – Governos Locais pela Sustentabilidade 2006: 21–22)*

The project engages tobacco growers about alternative crops to tobacco and has by now developed a network including other dioceses, universities and 170 other nongovernmental organizations (NGOs).

This co-operative programme has improved the quality of life for 3,400 families and 15,000 people in the state of Rio Grande do Sul.

### 4.11 Political struggle for solidarity economy

Arruda identified three areas of political struggle for the solidarity economy to grow as an alternative (Arruda et al. 2011):

1. Resistance to the current system needs quality research to take informed decisions and to be able to analyse and communicate the root structural problems
2. Influence the decision makers in the current system for more solidarity economy principles through pushing for more democracy, equality and affirmative action
3. The creation of a new economy from within the old economy: While still operating in the general economy, one needs concrete examples of a new

**Three areas of political struggle for the solidarity economy: Resistance to the current system, influence the current decision-makers, creation of a new economy from within**

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solidarity economy to show the possibilities of alternatives

## Section 5: Lessons for Southern Africa

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The study discussed the concept, advantages and challenges of solidarity economy and provided an impression of practical examples from Brazil. The discussion showed that solidarity economy is worth to be pursued as a potential alternative development path to the current economic system, which has failed to change the living conditions of the majority of the people in the Southern Africa region. Solidarity economy in contrast provides sustainable livelihoods for people and holds potentially crucial answers to the social, political, economic and ecological problems so rampant in the region.

The challenge is how to implement solidarity economy in Southern Africa. From the discussion and the exposure visit to Brazil, it is clear that solidarity economy is a very conscious process by the people on the ground. Therefore, any practical application of the concept would need to start from the people themselves based on a clear and informed decision. The most important lesson is hence that people's education and information need to come first as too often a project-centred approach is adopted without the people themselves taking the conscious and informed decision and the lead. For solidarity economy to be considered in Southern Africa, people need to be convinced and committed to follow this different way and to build an alternative economic system.

**For solidarity economy to be considered in Southern Africa, people need to be convinced and committed to follow this different way and to build an alternative economic system.**

When asked by the study group, Robson Patrocinio from PACS identified four steps to start solidarity economy in Southern Africa:

1. map the informal networks
2. link them to formal networks
3. education (collective knowledge)
4. saving together to get started

## Section 5: Lessons for Southern Africa

Once a group has decided to embark on a solidarity economy project, there are several considerations:

**These principles translate into action of self-organisation, co-ownership and co-operation, where decision are taken collectively and where hierarchies are avoided**

One needs to understand chains of production, think about the labour relations involved and how one can change them. In order to plan the business, research into the local demand is needed and joint planning and networking as well as direct and transparent contact between producers and consumers.

Should the starting capital be the main constraint, one might form a consumer co-operative, start with bulk buying and use the proceeds for the extension of the business.

Furthermore, solidarity economy has a more holistic view on the economic sphere and targets working for the common good, and not only for the individual gain. The economy should be geared towards human needs based on ecological sustainability and should inspire positive community, creating values and behaviours like sharing, co-responsibility, respect for diversity, reciprocity, self-management, co-ownership etc.

**The concept of solidarity economy challenges the status quo in Southern Africa. They point to a more just and sustainable way of producing and consuming in today's world. It challenges us to rethink the concept of work, capital, ownership, management, trading, money and the environment. It corresponds with the concept of Ubuntu.**

These principles translate into action of self-organisation where co-ownership and co-operation, where decision are taken collectively and where hierarchies are avoided. This is very different from the 'normal' or 'traditional' way of doing business, but it is also unlike many community-based projects. The focus is not on a 'leader' or spokesperson, but participation and consensus principles are practised.

The concept of solidarity economy and the practical and impressive examples from South America challenge the status quo in Southern Africa. They point to a more just and sustainable way of producing and consuming in today's world and challenge us to rethink the concept of work, capital, ownership, management, trading, money and the environment. They also teach us that the principle of solidarity should change our interaction with each other, within our workplace, business or organisation and our community. It corresponds with the concept of *Ubuntu* and shows that it is more important to think about what consequences our actions have for the community.

## *Section 5: Lessons for Southern Africa*

If we truly want to achieve the eradication of poverty and decent employment, we need to move away from the principles of profit maximisation and exploitation towards an economy governed by the just and sustainable distribution and use of resources and the principles of solidarity.

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