CHALLENGING THE CRISIS

A Guide to Social and Solidarity Economy

In an age where community involvement and partnerships with civil society are increasingly being recognised as indispensable, there is clearly a growing potential for cooperative development and renewal worldwide.

- Kofi Annan, Former United Nations Secretary-General

CHANGE THE ECONOMY:
THINK SOCIAL!

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***Challenging the Crisis* is a 3-year Development Education project led by IDEA with 6 partners:**

Fair Trade Hellas (Greece), CIPSI 'Coordinamento di Iniziative Popolari di Solidarietà Internazionale' (Italy), Fondazione Culturale Responsabilità Etica (Italy), Instituto Marquês de Valle Flôr (Portugal), SLOGA (Slovenia) and Fundación Economistas sin Fronteras (Spain).

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1. Introduction

1.1. The Project

"*Challenging the Crisis:* promoting citizens' engagement in a time of uncertainty" is a 3-year Development Education project led by IDEA, in Ireland, with partners in 5 other EU countries - Portugal, Italy, Slovenia, Spain and Greece.

For IDEA, Development Education is an educational response and process aimed at increasing people's awareness and understanding of the interdependent and unequal world we live in, through active and creative learning, debate, action and reflection. It encourages people to think about and question the social, political and economic relations within and between the Global North and South with the aim of taking action to challenge power imbalances and the unequal distribution of resources that currently exists.

Through Development Education practices, the *Challenging the Crisis* project engages citizens from highly indebted EU countries to increase their understanding of the interdependences of local and global justice issues and to enable them to become active advocates for global justice, supporting national and EU development policies despite austerity measures at home. The overall objective of *Challenging the Crisis* is to contribute to a more just and sustainable world through awareness raising and empowering EU citizens as global development advocates.

The Project Partners are: IDEA (Ireland), Fairtrade Hellas (Greece), CIPSI 'Coordinamento di Iniziative Popolari di Solidarietà Internazionale' (Italy), Fondazione Culturale Responsabilità Etica (Italy), Instituto Marquês de Valle Flôr (Portugal), SLOGA (Slovenia) and Fundación Economistas sin Fronteras (Spain).

1.2 The Challenging the Crisis Campaign

The Project Partners have facilitated the creation of a network of Young Global Advocates (YGAs) across the 6 countries, using Development Education to build critical awareness, enabling them to see the unfolding European debt crises in a global, interdependent context.

The YGAs, with the support of the partners, have launched a pan-European campaign to raise awareness of Social and Solidarity Economy, promoting it on the political and economic agenda of the European Union and national policy-makers. The campaign focus was decided at a global forum held between the 6 countries involved in Brussels in July 2014, where almost 60 YGAs jointly agreed on Social and Solidarity Economy as a topic that could play a key role in tackling inequality for global justice. The aim of the campaign is to show Europeans the value of responding to the current financial crisis collectively, re-engaging them with the idea of a common European community acting in solidarity with people globally to overcome the challenges we are presently facing. **For more information see: *www.challengingthecisis.com***

1.3 The Global Context

Social and Solidarity Economy demands a fairer global economy. 2015 is a crucial time for global development as the Global Sustainable Development Goals are approved by the United Nations. The Global Sustainable Development Goals are a set of targets identified by governments and civil society across the world that will affect how we tackle issues like poverty, inequality and climate change for years to come.

Goal 8 aims to promote a sustained, inclusive and sustainable economy, full and productive employment and decent work for all. Social and Solidarity Economy does just this, because it tackles the root causes of poverty and inequality; creating fair and sustainable human development for everybody, everywhere.

2. Social and Solidarity Economy

Social and Solidarity Economy (SSE) is an alternative way of understanding the economy. It puts people and environment in the centre. SSE is transformative because it values people and their needs, abilities and work above capital accumulation. It demands a more redistributive and equitable socio-economic model. SSE is an innovative economy that brings co-production of knowledge, goods, and social services on the basis of cooperation of different actors and sectors. It promotes social inclusion and social cohesion in a sustainable and continuous way.

SSE includes traditional forms of cooperatives and mutual associations, Fairtrade organisations, associations of informal sector workers, social enterprises, and community currency and alternative finance schemes – such as microfinance groups or credit unions.

It encompasses organisations and enterprises that:

1) have explicit economic, social and often environmental objectives
2) involve varying degrees and forms of cooperative, associative and solidarity relations between workers, producers and consumers
3) practice workplace democracy and self-management.

Its development to date has taken place mostly in the Global South. For instance, in India, over 30 million people (mainly women) are organised in over 2.2 million self-help groups; and the country's largest food marketing corporation, the cooperative organisation Amul, has 3.1 million producer members and an annual revenue of $2.5 billion. In Nepal, 5 million forest users are organised in the country's largest civil society organisation.[1]

SSE has also experienced strong development in Western societies and is attracting growing interest, especially since the financial crisis in 2007-08. The institutions of the European Union refer to the concept of 'Social Economy' as an important pillar of the European economy which constitutes about 10% of GDP. Over 14.5 million workers or 6.5% of the working population in the EU are employed in the Social Economy. One in four new companies created each year is a social enterprise, reaching one in three in France, Finland and Belgium.[2] In 2009 the European Parliament adopted a major report, the Toia Report, on the Social Economy that recognised the SE as a social partner and as a key actor in achieving the Lisbon Strategy objectives.[3]

In Spain, France, Portugal, Belgium, Ireland and Greece, those in public authority, in the academic and scientific world, and in the Social Economy sector itself, are more familiar with the concept of Social Economy and what it is, than the general public.[4]

According to the latest statistics, 43,328 people were in paid employment in cooperatives in Ireland between 2009 and 2010. 650 were employed in Mutual societies and 54,757 were employed in Associations. In total 98,735 people or 5.34% of the total workforce, were employed through the Social Economy in Ireland in 2009.[5]

Ireland falls behind other European countries when it comes to legal structures for the Social Economy. As it stands there are only a few statutory provisions regulating cooperatives, and these are parts of different laws. Ireland currently has no legal provisions for mutual societies, associations or foundations. Also, unlike many other EU states, Ireland does not have a specific set of tax treatments for organisations within the Social Economy, except for a number of specific treatments for some forms of cooperatives.[6]

To find out more see our animation: www.challengingthecrisis.com/en/news/article/latest-news/

1 www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/instructionalmaterial/wcms_166301.pdf
2 www.cecop.coop/European-Policymakers-agree-on-the
3/4/5 www.eesc.europa.eu/resources/docs/qe-30-12-790-en-c.pdf
6 www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/instructionalmaterial/wcms_166301.pdf

3. Topics within Social and Solidarity Economy

The field of Social and Solidarity Economy is a broad one, working from the principal of a humanised economy that champions alternative, sustainable, socially responsible consumption, production and services.

Examples of SSE initiatives and institutions that are currently growing around the world include:

- Finance : Ethical Banks, Microfinance, Crowd Funding
- (Re)Production: Reuse, Repair and Co-production, Responsible Tourism, Makers Movement-free software/hardware, SSE Trade Fairs and Festivals
- Co-producers: Consumer and Producer Networks
- Collective Self-managed Work: Recovered Factories and Farms, Cooperatives, Co-working/Land collectives
- Solidarity Social Services (clinics, transportation etc.)
- Renewable Energy

Each of these initiates from a different starting point, but they share deep roots in pro-active collective, community and solidarity processes.

4. Fairtrade

Fairtrade is an alternative approach to conventional trade based on the principal of partnership between everyone involved in the process, from producers and traders to businesses and consumers. Its aim is to help create better trading conditions for producers in poor countries, along with promoting sustainability. Producers are paid fair prices and higher social and environmental standards are applied to production processes. Fairtrade focuses on commodities normally exported from developing countries: coffee, cocoa, sugar, tea, bananas, cotton, chocolate, gold.

The first Fairtrade label, Max Havelaar, was launched in 1988, as an initiative of the Dutch development agency Solidaridad. Throughout the 1990s, the Max Havelaar initiative was replicated in markets across Europe and North America: Max Havelaar (in Belgium, Switzerland, Denmark, Norway and France), Transfair (in Germany, Austria, Luxemburg, Italy, the United States, Canada and Japan), Fairtrade Mark in the UK and Ireland, Rättvisemärkt in Sweden, and Reilu Kauppa in Finland.[7]

7 www.fairtrade.net/history-of-fairtrade.html

As of 2011, the global Fairtrade market had grown to €4.9 billion ($6.4 billion) and involves some 1.2 million workers and farmers producing certified products. The impact of Fairtrade on producer countries is evident in the data on the sale of Fairtrade products in recent years. In 2011, consumers worldwide spent 12% more on products certified by Fairtrade, nearly €5 billion, according to data published by Fairtrade International. These sales benefitted more than 1.2 million farmers and 991 workers producing Fairtrade Certified organisations in 66 countries.[8]

5. Credit Unions

Credit Unions are non-profit-making money cooperatives where a group of people, the members, save together and can borrow from the pooled savings at fair, low interest rates.

There are over 57,000 credit unions operating in 105 countries worldwide. As of 2014, they had 8.2% penetration, $1.5 trillion in Savings & Shares (USD), $1.2 trillion in Loans, $181 billion in Reserves, and $1.8 trillion in Assets.[9]

They help 217 million members globally, many of who are financially excluded or relying on low incomes, by offering them the possibility of starting small businesses, building homes for their families and educating their children. In young democracies in particular, they offer the first taste of democratic decision-making to their members.

Credit unions are known by different names in some countries. In many African countries, they are known as savings and credit cooperative societies (SACCOs) so that the emphasis is on the savings aspect before credit, while in Afghanistan, they are known as Islamic investment and finance cooperatives (IIFCs) so that they comply with Islamic lending practices.[10]

In Ireland over 2.9 million people are members of their local credit union and have savings approaching €11.9 billion. There are over 9,200 active volunteers involved in the movement, and over 3,500 people are employed. [11] In 2014, Credit Unions in Ireland had a penetration of 74.7%.[12]

Credit unions are member-run bodies, where each member has one vote. The board of the credit union is made up of elected members. Board members are unpaid volunteer officers and they have the remit to establish the policies under which the credit union operates.[13]

8 www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/instructionalmaterial wcms_166301.pdf
9 www.woccu.org/publications/statreport (2014)
10 creditunionnetwork.eu/cus_globally
11 www.creditunion.ie/whoweare/aboutus/aboutthecreditunions/
12 www.woccu.org/publications/statreport (2014)
13 www.citizensinformation.ie/en/money_and_tax/personal_finance/financial_institutions/credit_unions.html

6. Ethical Banks

Ethical banks are banks that collect money from savers and lend it to projects with a high social and environmental value, such as organic farms, wind farms, alternative schools, associations, third sector cooperatives, etc. They use social and environmental criteria to select the projects they finance.

Other features common to most ethical banks:

- Transparency: very often these banks publish a complete list of the projects they finance, so that everybody can see exactly how the deposited savings are used by the bank
- Active participation in the life of the bank by its shareholders and employees
- The option for investors to request that their deposits are remunerated at a lower or zero rate, to allow the bank to lend money to those who are particularly disadvantaged at a lower than average interest rate
- The opportunity for savers to choose the specific project to which their savings will be allocated
- The granting of loans to institutions or disadvantaged individuals, who normally would not be considered creditworthy
- The financial analysis of projects is accompanied by socio-environmental evaluations.

The first ethical bank in Europe was German GLS-Bank, which was set up in Bochum in 1974. It was created by a group of parents, who wanted to build a school for their children that was guided by the principals of Anthroposophy, a philosophy by Rudolf Steiner.[14] Faced with no support from the German State and a reluctance by the banks to grant them a loan they decided to set up their own bank and pool a lot of small contributions, so that anyone who wanted to could have the finance they needed to implement projects promoting social cohesion.

Today the GLS-Bank grants loans to over 23,000 projects for a total of €1.67 billion. It has 32,000 members and 165,000 customers. 33.8% of the loans are allocated to projects in the field of renewable energy.[15]

On the example of GLS-Bank five other banks inspired by Steiner's philosophy were created in Europe:

- The Dutch "Triodos Bank" (1980)
- The Danish "Merkur Bank" (1982)
- The Swiss "Freie Gemeinschaftsbank" (1984)
- The Norwegian "Cultura Sparebank" (1997)
- The Swedish "Ekobanken" (1998)

14 www.anthroposophy.ie/
15 www.gls.de/privatkunden/english-portrait/

Ethical banks can have their roots elsewhere. For example, Swiss "BAS" (1990) and Italian "Banca Popolare Etica" (1999), who both have significant business volume, have their roots in social and environmental movements, with no direct link to anthroposophy

Banca Etica was established in Padua (Northern Italy) by organisations in the Italian third sector who wanted to create a financial entity to meet their needs. It has over 37,500 members and finances social and environmental projects for €831 million.[16]

Most ethical banks in Europe are part of the Global Alliance for Banking on Values (Gabv). According to research by Gabv, Sustainable (Ethical) Banks have a significantly higher proportion of their assets invested in lending than mainstream banks (otherwise know as Global Systemically Important Financial Institutions) .[17]

The same research by Gabv demonstrated that Sustainable Banks have generally better or comparable Returns on Assets and Returns on Equity than mainstream banks. The returns of Sustainable Banks are also less volatile and Sustainable Banks have a significantly higher growth in loans and deposits leading to higher growth in assets and income than mainstream banks.[18]

7. Socially Responsible Investment

Socially Responsible Investment or Ethical Investing, is based on investment strategies that take social good, as well as financial return, into account. The "Pioneer Fund," created in Boston in 1928 is usually considered to be the first institutional investor to take non-economic factors into account in its investment strategies. In this instance the fund encouraged investment based on religious belief, which excluded investing in sectors such as tobacco, gambling or arms.

It further developed in the US in the late 1960s and early 1970s, out of the civil rights and anti-war protests. For example, the "Pax World Fund", established in 1971, excluded companies involved in supporting the Vietnam war. Specific sectors, individual companies, and banks involved in socially contentious activities were excluded. It later grew to encompass human rights and environmental records and became a powerful way to boycott companies doing business with racist regimes (e.g. South Africa under Apartheid) or dictatorships (e.g. Chile under Pinochet).[19]

According to Eurosif, the leading pan-European sustainable and responsible investment (SRI) membership organisation, assets invested in financial instruments such as green bonds and microfinance ventures grew 21.7% to €16.8 trillion between 2011 and 2013 in 13 European countries. The European Impact investing market grew to an estimated €20 billion market.[20]

16 **www.bancaetica.it/statistical-information**
17/18 **www.gabv.org/wp-content/uploads/Full-Report-GABV-v9d.pdf**
19 **www.socialwatch.org/node/12051**
20 **www.eurosif.org/wp-content/uploads/2014/09/Eurosif-SRI-Study-2014.pdf**

8. Microcredit/Microfinance

In most parts of the world, microfinance offers people excluded from formal financial services the opportunity to obtain microloans in order to generate income and engage in productive activities, often by expanding their small businesses.[21]

The definition of "microcredit" by the European Commission (EC) is twofold:

- a business microloan is a loan under €25,000 to support the development of self-employment and microenterprises, while
- a personal microloan is a loan under €25,000 for covering clients' personal or consumption necessities such as rent, personal emergencies, education, and personal consumption needs.[22]

Microcredit has an economic impact as it allows the creation of income generating activities and a social impact as it contributes to social inclusion and therefore to the financial inclusion of individuals.

Microfinance, and microcredit, are well-established in Africa, Latin America and Asia, but not only there. Introduced in Central and Eastern Europe after the fall of the Berlin Wall, today it is already represented by a dynamic sector. With the formal banking sector unable to respond to emerging needs, microcredit has filled the gap by providing transitional support for people who need it. In Western Europe, the sector's growth has been more limited. Although microfinance has some deep roots through institutions such as the Raiffeisen Bank in Germany, lending charities in England, and the co-operative model of the "Casse rurali" in Italy, it remains a fairly recent phenomenon in this region and is mainly perceived as a tool for economic growth and social cohesion.

In terms of scale, 387,812 microloans were granted in Europe in 2013 to a value of €1.53 billion. There was a 45% increase in the total value of microloans and 69% increase in the number of loans compared to 2011. The average loan amount was €8,507 (it was €5,135, in 2011, down from €9,641 in 2009).[23]

In terms of client outreach and social performance, European Microcredit Institutions' objectives include: microenterprise promotion, job creation, financial and social inclusion, poverty reduction and empowerment of excluded groups (women and ethnic minorities).

Europe is characterised by a wide range and diversity of microcredit institutions, the highest being Non-Bank Financial Institutions (NBFI) at 29%, followed by NGOs and Foundations at 23%. In terms of geography, Western Europe disbursed 59% of the total value of microloans, while Eastern Europe accounted for 64% of the

21 www.eif.org/news_centre/publications/EIF_WP_2009_001_Microfinance.pdf
22 www.european-microfinance.org/docs/emn_publications/emn_overview/1.overview2010-2011-final.pdf
23 www.european-microfinance.org/docs/emn_publications/emn_overview/Overview2012-2013_Nov2014.pdf

total number of microloans disbursed, but only 41% of the total value of microloans reported. This indicates a marked shift in the distribution of microcredit supply as in 2009 around three quarters of the loans and 60% of the volume of reported loans were issued in Western Europe.[24]

Microloans for businesses still account for the highest number at 79%. Overall the sector has seen remarkable growth with an increase in disbursed loans of over 400% and more than a doubling of the total loan volume between 2009 and 2013.[25]

9. Critical Consumerism

Critical consumerism is concerned with how producers and consumers exercise their rights and responsibilities. Since people have begun to question where the products they are consuming are coming from, ethical forms of production and trading such as Fairtrade and organic shops have carved a niche. Fairtrade has succeeded in popularising the application of social criteria to working conditions, and thereby improving them, in the development of many products. Organic produce, distributed via local, small, neighborhood stores, can support distribution of wealth locally and sustainable agricultural and livestock production, as well as enhancing community life.

The following criteria outline some steps that can be taken to change your habits and so that you consume more responsibly:

- Find out as much as you can about what you are buying – question and examine the supply chain
- Reduce what you consume and what you waste
- Choose local products and services
- Choose organic products
- Choose products which diminish the unfair distribution of wealth
- Change your habits
- Put pressure on unsustainable institutions and companies
- Contribute and collaborate in critical and responsible consumption
- Build consumption alternatives

24/25 www.european-microfinance.org/docs/emn_publications/emn_overview/Overview2012-2013_Nov2014.pdf

10. Links for more Information

Organisations working on SSE

Challenging the Crisis: www.challengingthecrisis.com
Ripess: www.ripess.org/
The Global Sustainable Development Goals and Social and Solidarity Economy: www.ripess.org/social-solidarity-economy-recommendations-for-the-post-2015-development-agenda/?lang=en
Social Economy Europe: www.socialeconomy.eu.org/
European Parliament Social Economy Intergroup: www.europarl.europa.eu/pdf/intergroupes/VIII_LEG_20_Social_economy_20150521.pdf
European Commission – Social Economy in the EU: ec.europa.eu/growth/smes/promoting-entrepreneurship/we-work-for/social-economy/index_en.htm
UN Inter-Agency Task Force on Social and Solidarity Economy: www.unrisd.org/unrisd/website/projects.nsf/(httpProjects)/4E0A25FB1D874CB1C1257C45004E1952?OpenDocument

Fairtrade

European Parliament resolution on Fairtrade and development (2005/2245(INI)) : www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2006-0320+0+DOC+XML+V0//ES
Fairtrade International: www.fairtrade.net/history-of-fairtrade.html
International Labour Organisation: http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/instructionalmaterial/wcms_166301.pdf
Fairtrade Ireland: www.fairtrade.ie/

Credit Unions

World Council of Credit Unions: www.creditunionnetwork.eu/cus_globally
European Network of Credit Unions: www.creditunionnetwork.eu
Irish League of Credit Unions: www.creditunion.ie/whoweare/aboutus/aboutthecreditunions/

Ethical Banks

Global Alliance for Banking on Values: www.gabv.org/about-us
Report: Financial Capital and Impact Metrics of Values Based Banking (2012): www.gabv.org/wp-content/uploads/Full-Report-GABV-v9d.pdf
GLS-Bank: https://www.gls.de/privatkunden/ueber-die-gls-bank/transparenz/zahlen-und-fakten/

Triodos Bank: www.triodos.com/en/about-triodos-bank/
Merkur Bank: www.merkur.dk/Default.aspx?alias=www.merkur.dk/uk
Banca Etica: www.bancaetica.it/idea-and-principles
Cultura: www.cultura.no/
Ekobanken: www.ekobanken.se/?id=2951
ABS: www.abs.ch/en/
La Nef: www.lanef.com/
Freie Gemeninschaftsbank: *www.gemeinschaftsbank.ch/home*

Socially Responsible Investment

Socially Responsible Investments in Europe: www.eurosif.org
UN Principles for Responsible Investment: www.unpri.org/introducing-responsible-investment/

Microfinance

European Microfinance Network: www.european-microfinance.org/index.php?rub=microfinance-in-europe&pg=microfinance-by-country
Eurosif-European SRI Study: www.spainsif.es/sites/default/files/upload/ficheros/Eurosif-SRI-Study-2014.pdf

Critical Consumerism

The Corridor of Uncertainty: www.acreelman.blogspot.com.es/2011/01/critical-consumption.html
Critical consumption and new forms of political participation: www.magazine.expo2015.org/en/economy/critical-consumption-and-new-forms-of-political-participation--the-case-of-italy-s-ethical-purchasing-groups

Founded on the principles of private initiative, entrepreneurship and self-employment, underpinned by the values of democracy, equality and solidarity, the co-operative movement can help pave the way to a more just and inclusive economic order"

-Kofi Annan, Former United Nations Secretary-General

"Today, if you look at financial systems around the globe, more than half the population of the world – out of six billion people, more than three billion – do not qualify to take out a loan from a bank. This is a shame."

-Muhammad Yunus, Founder of the Grameen Bank

"Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionised the fishing industry."

-Bill Drayton, Founder of Ashoka

"Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility."

– Ban Ki-moon, United Nations Secretary-General

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