

# **Regional Policy Frameworks of Social Solidarity Economy in South America**

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## Acronyms

<b>AECID</b>	Agencia Española de Cooperación Internacional para el Desarrollo ( <i>Spanish Agency for International Development Cooperation</i> )
<b>AIN</b>	Auditoría Interna de la Nación ( <i>Office of National Internal Audit</i> )
<b>ALADI</b>	Asociación Latinoamericana de Integración ( <i>Latin American Integration Association</i> )
<b>ALBA</b>	Alianza Bolivariana para América ( <i>Bolivarian Alliance for the Americas</i> )
<b>ANCAP</b>	Administración Nacional de Combustibles, Alcoholes y Pórtland ( <i>National Administration of Combustibles, Alcohol and Cement</i> )
<b>BNDES</b>	Banco Nacional de Desenvolvimento Econômico e Social ( <i>National Bank for Economic and Social Development</i> )
<b>BRICS</b>	Brazil, Russia, India, China and South Africa
<b>CAN</b>	Comunidad Andina ( <i>Andean Community</i> )
<b>CELAC</b>	Comunidad de Estados Latinoamericanos y Caribeños ( <i>Community of Latin American and Caribbean States</i> )
<b>CONPACCOOP</b>	Confederación Paraguaya de Cooperativas ( <i>Paraguayan Confederation of Cooperatives</i> )
<b>COOPERAR</b>	Confederación Cooperativa de la República Argentina ( <i>Argentine Cooperative Confederation</i> )
<b>COSIPLAN</b>	Consejo Suramericano de Infraestructura y Planeamiento ( <i>Infrastructure and Planning Council</i> )
<b>CPESS</b>	Centros de Promoción de la Economía Social y Solidaria ( <i>Centers for the Promotion of Social and Solidarity Economy</i> )
<b>CSDS</b>	Consejo Suramericano de Desarrollo Social ( <i>South American Council on Social Development</i> )
<b>CUDECOOP</b>	Confederación Uruguaya de Entidades Cooperativas ( <i>Uruguayan Confederation of Cooperatives</i> )
<b>DENACOOOP</b>	Departamento de Cooperativismo e Asociativismo Rural ( <i>Department of Rural Cooperativism and Associativism</i> )
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>FCES</b>	Foro Consultivo Económico-Social ( <i>Economic and Social Consultative Forum</i> )
<b>FOCEM</b>	Fondo para la Convergencia Estructural del MERCOSUR ( <i>MERCOSUR Structural Convergence Fund</i> )
<b>GIP</b>	Grupo de Integración Productiva ( <i>Productive Integration Group</i> )
<b>GRESP</b>	Grupo Red de Economía Solidaria del Perú ( <i>Solidarity Economy Network Group of Peru</i> )
<b>IIRSA</b>	Iniciativa para la Integración de la Infraestructura Regional Suramericana ( <i>Initiative for the Integration of Regional Infrastructure in South America</i> )
<b>ILO</b>	International Labour Organization
<b>INACOOOP</b>	Instituto Nacional del Cooperativismo ( <i>National Institute of Cooperatives</i> )
<b>INAES</b>	Instituto Nacional de Asociativismo y Economía Social ( <i>National Institute of Associativism and Social Economy</i> )
<b>INCOOP</b>	Instituto Nacional de Cooperativismo ( <i>National Institute of Cooperatives</i> )
<b>ISM</b>	Instituto Social del MERCOSUR ( <i>MERCOSUR Social Institute</i> )
<b>MERCOSUR</b>	Mercado Común del Sur ( <i>Southern Common Market</i> )
<b>MIDES</b>	Ministerio de Desarrollo Social ( <i>Ministry of Social Development</i> )
<b>OAS</b>	Organization of American States
<b>OCB</b>	Organização das Cooperativas Brasileiras ( <i>Organization of Brazilian Cooperatives</i> )
<b>ON</b>	Oficina de Negocios ( <i>Business Office</i> )
<b>PANES</b>	Programa de Atención Nacional a la Emergencia Social ( <i>National Social Emergency Program</i> )
<b>PDVSA</b>	Petróleos de Venezuela ( <i>Venezuelan Petrol</i> )
<b>PROCOOPSUR</b>	Promoción de los Movimientos Cooperativos del Cono Sur ( <i>Promotion of MERCOSUR Cooperative Movements of the Southern Cone</i> )
<b>RECM</b>	Reunión Especializada de Cooperativas del MERCOSUR ( <i>Special Council of MERCOSUR Cooperatives</i> )
<b>RELACC</b>	Red Latinoamericana de Comercialización Comunitaria ( <i>Latin American Network for Community Marketing</i> )
<b>RILESS</b>	Red de Investigadores Latinoamericanos de Economía Social y Solidaria ( <i>Network of Latin American Researchers on Social and Solidarity Economy</i> )
<b>RIPESS</b>	Red Intercontinental de Promoción de la Economía Social Solidaria ( <i>Intercontinental Network for the Promotion of Social Solidarity Economy</i> )
<b>RMADS</b>	Reunión de Ministros y Autoridades de Desarrollo Social del MERCOSUR ( <i>Council of MERCOSUR Ministers and Social Development Authorities</i> )

<b>SENAES</b>	Secretaria Nacional de Economía Solidaria ( <i>National Secretariat of Solidarity Economy</i> )
<b>SSE</b>	Social and Solidarity Economy
<b>UN</b>	United Nations
<b>UNASUR</b>	Unión de Naciones Suramericanas ( <i>Union of South American Nations</i> )
<b>UNDP</b>	United Nations Development Programme
<b>UNICAFES</b>	União Nacional das Cooperativas da Agricultura Familiar e Economia Solidária ( <i>National Union of Family Farm Cooperatives and Solidarity Economy</i> )
<b>UNISOL</b>	Central de Cooperativas e Empreendimentos Solidários ( <i>Union of Cooperatives and Solidarity Enterprises</i> )
<b>USD</b>	United States dollar
<b>YPF</b>	Yacimientos Petrolíferos Fiscales ( <i>Treasury Petroleum Fields</i> )

## Summary

This paper looks at how the social and solidarity economy (SSE) discourse has been deployed at a regional level by the Union of South American Nations (UNASUR) and Southern American Common Market (MERCOSUR), and the implications of these new policy frameworks for the advancement of SSE practices. Though civil society groups have presented SSE as a new economic paradigm, regional policy frameworks have implemented it as an add-on—or complement—to dominant capitalist economies. This has happened in two key ways: (i) the SSE sector, and cooperatives in particular, are cast as drivers of regional integration and socioeconomic policy, although a limited involvement in major integration projects represents missed opportunities for SSE to be mainstreamed; and (ii) despite SSE policy being portrayed as a sort of intervention that combines social and economic policies, its implementation almost exclusively by ministers of social development means that it is institutionally limited to the realm of poverty eradication rather than a restructuring of the dominant economy. SSE is also fiscally dependent on dominant industries, which—in the end—does not reverse or challenge the ongoing process of economic centralization in key sectors.

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## Introduction

Global financial and ecological crises have exposed the limits of the dominant conceptions of development that underpinned a neoliberal hegemonic order and intensely shaped globalization processes since the 1990s. In South America, these Washington consensus policies focused on privatization of state firms, fiscal austerity, flexibilization of labour markets and deregulation of trade, and financial markets (Edwards 1995, cited in Gwynne and Kay 2000:144). A growing rejection of this model has resulted in a sweeping sociopolitical transformation of national policies where the state was recaptured as a legitimate instrument for development and citizenship rights (as in Argentina, Bolivia, Brazil, Ecuador, Uruguay and Venezuela). At the core of calls for alternative economic models is a concern with social injustice caused by unchecked capitalist development. In this context, ideas that seek an alternative to market-based development are well received in current policy debates. This is the case with social development and social and solidarity economy (SSE). In recent years, several governments have set up national institutions and policies to promote this agenda.

A renewed drive for regional integration has also been a key feature of the transformation carried out by popular progressive governments in the aftermath of the failure of neoliberal reforms. The leadership of popular Leftist governments—notably in Argentina, Brazil, Ecuador and Venezuela—has helped attain unprecedented levels of cohesive regional governance in South America with the aim of building a regional political bloc. Unlike regional integration under the hegemonic mantle of the Washington consensus, current regionalism seeks diplomatic decision-making procedures in cases of internal as well as extra-regional conflicts. Likewise, it also pursues political cooperation on an increasingly wide range of policy issues. Indicative of these emerging forms of post-neoliberal regionalism is the creation of a Union of South American Nations (UNASUR), expansion of membership of the Southern Common Market (MERCOSUR) with the incorporation of Venezuela and a greater political dimension beyond its market integration orientation, launching of the Bolivarian Alliance for the Americas (ALBA) and setting up of the Community of Latin American and Caribbean States (CELAC).<sup>1</sup>

In this context, regional bodies like MERCOSUR have begun to adopt an SSE agenda and have framed organizations such as cooperatives as drivers of integration, specifically in frontier zones. UNASUR has recently adopted SSE as another goal for policy coordination, in addition to defence, infrastructure, energy, health and others.

However, the construction of regional policy frameworks of SSE is far from being a linear and uncontested process. One of the core points of contention is the scope of the SSE agenda and the policy strategies that can be articulated through regional multilateral institutions. In order to explore and evaluate these tensions and emerging political landscapes, this paper looks at origins and political context, types of policy frameworks, sectors in which the SSE is encouraged, the role of cooperatives and financing mechanisms.

One approach sees SSE as a means to create more socially inclusive forms of capitalist development and as part of a region-building effort. The creation of a common SSE language and experimentation with SSE policy options generate new institutional and

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<sup>1</sup> Riggirozzi and Tussie 2012; Rodríguez-Garavito et al. 2008; Vivares 2014.

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

Another approach conceives of SSE as a political opportunity to leverage support for the creation of new economic paradigms beyond capitalism. The current regional context is favourable for the scaling up of more horizontal forms of economic and social relations that challenge capitalist organization. The alignment of progressive governments in support of socially inclusive policies and regional integration is unprecedented in Latin America. Similarly, the global financial crisis, manifested in the political disarray facing Europe and the uncertainty that social turmoil may lead to unknown outcomes, creates conditions to explore different agendas that can be implemented both nationally and regionally.

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

This understanding of SSE as a new paradigm threatens centres of existing economic power. The advancement, therefore, of this political agenda is likely to come up against strong resistance from those interest groups and/or get watered down in the policy-making process to a point where it does not, in fact, present such a threat. In this case, SSE is not seen as a closed agenda but a dynamic process in the construction of a transformative social movement (Kawano 2013); a “discourse coalition” (Hajer 1993) that exploits the contradictions of ongoing national processes in South America and regional agendas aiming at the building of a new economic paradigm.

The lack of precise definitions apparent in the SSE regional policy framework leaves space for a set of competing discourses where the expectations and influence of social, political and economic actors converge and contest each other. In the context of this debate, this paper looks at how SSE discourse has been deployed at the regional level, and the



implications of these new policy frameworks for the advancement of SSE practices. How are these different formulations and expectations of the SSE agenda being implemented in the construction of regional policy frameworks in South America? Does this particular shift in policy discourse use the language of SSE civil society as it was originally intended, or has the policy-making process diluted its meaning and presented it as a mere complement to the dominant modes of production that continue to concentrate wealth and power?

The main claim is that in the regional policy framework, as it is currently being implemented, SSE is an add-on or complement to dominant capitalist economies. This happens in two key ways: (i) the SSE sector, and cooperatives in particular, are cast as drivers of regional integration and socioeconomic policy, although limited involvement in major integration projects represents missed opportunities for SSE to be mainstreamed; and (ii) though SSE policy is portrayed as a sort of intervention that combines social and economic policies, its implementation almost exclusively by ministers of social development or newly created ministries means that SSE is institutionally limited to the realm of poverty eradication, not the restructuring of the dominant economy. SSE is also fiscally dependent on dominant industries, which ultimately does not reverse or challenge the ongoing process of economic centralization in key sectors.

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

## **Origins of the SSE Perspective**

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

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

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

Different grassroots groups mobilized around the issue of solidarity economy in an international forum that gathered for the first time at a meeting in Lima in 1997 for the globalization of solidarity. There, SSE was defined as “all economic activities and practices with a social finality, which contribute to build a new economic paradigm”.<sup>2</sup> The SSE proposal spearheaded by civil society groups in the Lima Declaration suggests advocating for the replacement of the current dominant economic paradigm.

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

## **SSE Regional Policy Frameworks: Social Development and Missed Opportunities for Integration**

As South America reels from the effects of decades of neoliberal market-led development plans, regional policy responses have insisted on a model of development that includes not just economic growth, but social and cultural progress as well. This socially oriented development trajectory can be seen throughout the region as a point of convergence for post-neoliberal regional integration efforts. Only MERCOSUR and UNASUR, however, have developed policy frameworks that use SSE language. Certainly, many of the social policy platforms of the other regional governance organizations affect the SSE sector, each in different ways. However, a full analysis of each, and the reasons for this difference, are beyond the scope of this paper. The intention here is to understand specifically how SSE

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<sup>2</sup> See [www.ripest.org/about-us/?lang=en](http://www.ripest.org/about-us/?lang=en), accessed on 6 February 2013.

policy discourses are deployed and implemented by MERCOSUR and UNASUR, as well as the impacts and potential challenges raised. What becomes clear is that, institutionally, MERCOSUR and UNASUR treat SSE programmes largely as social, rather than economic, policy; and that SSE—especially the cooperative enterprises—feature prominently as key drivers of regional integration, and yet are left out of major regionalization projects.

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

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

A reaction to the negative consequences of neoliberal economic policy has fueled the institutionalization of social policy agendas among international institutions throughout Latin America and globally, including the Organization of American States (OAS),<sup>4</sup> Andean Community (CAN),<sup>5</sup> Latin American Integration Association (ALADI) (Quina 2010:9), Community of Latin American and Caribbean States (CELAC) (El Diario 2013), the United Nations and its various governing bodies like the Food and Agriculture Organization (FAO), and the International Labour Organization (ILO). In the context of UNASUR and MERCOSUR, this shift has manifested in part as an emergent discourse of SSE.

## **UNASUR**

Though attention to social inclusion and alternative business models have increased at regional levels in the past decade, a specifically SSE discourse is apparent only in UNASUR and MERCOSUR policy. A focus on social development within UNASUR was institutionalized in 2009 with the formation of the South American Council on

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<sup>3</sup> Mkandawire 2001; Hall and Midgley 2004; World Bank 2005, cited in Kanbur 2006:3.

<sup>4</sup> See [www.oas.org/consejo/GENERAL%20ASSEMBLY/Resoluciones-Declaraciones.asp](http://www.oas.org/consejo/GENERAL%20ASSEMBLY/Resoluciones-Declaraciones.asp), accessed on 2 February 2013.

<sup>5</sup> See [www.comunidadandina.org/Upload/20111019173140libro\\_cescan.pdf](http://www.comunidadandina.org/Upload/20111019173140libro_cescan.pdf), accessed on 2 February 2013.

Social Development (CSDS). The work of the CSDS is carried out by ministers of social development of member countries organized into four working groups that deal with different social issues: food security and the fight against hunger and malnutrition; social and solidarity economy; protection and promotion of social security; and instruments of cooperation. Argentina and Paraguay are responsible for leading the SSE working group.

In comparison to the policy framework proposed by MERCOSUR to address the SSE sector, the work of UNASUR is less developed. The SSE working group has so far proposed a mix of social and economic policy goals: to create an SSE practitioner database; develop a communication plan to highlight the SSE sector; host knowledge exchanges and training; develop evaluation processes;<sup>6</sup> promote financial inclusion; initiate productive projects and infrastructure in frontier zones; create spaces for commercialization of products; and increase the quality and scale of production.<sup>7</sup> UNASUR, however, has placed notable emphasis on poverty eradication, something the SSE is seen as a tool to achieve,<sup>8</sup> with policy implementation channels being primarily social development agencies targeting poverty and excluded communities. Also, poor attendance at the UNASUR council meeting of heads of state in Lima in November 2012 (with presidents Cristina Fernandez de Kirchner of Argentina, Dilma Rousseff of Brazil, Hugo Chavez of Venezuela and Evo Morales of Bolivia sending representatives in their place), combined with the suspension of Paraguay after the 2012 coup, may have stalled progress on the SSE agenda. The impacts of the incorporation of SSE into UNASUR's policy framework, therefore, remain to be seen.

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

## **MERCOSUR**

SSE discourse is articulated by a variety of organizations within MERCOSUR, but there are two main bodies developing a regional policy platform that specifically address the SSE sector. These are the MERCOSUR Social Institute (ISM) and the Special Council of MERCOSUR Cooperatives (RECM). ISM in particular presents SSE programmes as part

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<sup>6</sup> See [www.midis.gob.pe/unasur/files2/acta.pdf](http://www.midis.gob.pe/unasur/files2/acta.pdf), accessed on 5 February 2013.

<sup>7</sup> See [www.midis.gob.pe/unasur/filesCSDS/AnexoV.pdf](http://www.midis.gob.pe/unasur/filesCSDS/AnexoV.pdf), accessed on 5 February 2013.

<sup>8</sup> See [www.midis.gob.pe/unasur/files2/acta.pdf](http://www.midis.gob.pe/unasur/files2/acta.pdf), accessed on 10 March 2013.

of a broader social development agenda that has been visible within MERCOSUR's policy framework since the formation of the Council of MERCOSUR Ministers and Social Development Authorities (RMADS) in 2000 (Varillas 2012:10). RECM, on the other hand, has been an important protagonist organization for the SSE agenda that promotes cooperative enterprises as viable engines of economic and social development—although it has had to fight to be heard outside of social policy institutions. Both ISM and RECM frame SSE as a means of facilitating regional productive integration, even though involvement with the Productive Integration Group (GIP), which oversees broader integration initiatives across a variety of sectors, has been limited.

The ISM, established in 2007 under the institutional umbrella of MERCOSUR Social, submitted a project called Social and Solidarity Economy for Regional Integration whose goal is “the social inclusion of families in situations of socio-economic, employment, or productive vulnerability in frontier areas”<sup>9</sup> (ISM 2013, authors' translation). Key components of this programme include the construction of Centres for the Promotion of Social and Solidarity Economy (CPESS) and the support of local initiatives that develop the economic, social, environmental and cultural value chains in frontier zones, where poverty and social vulnerability are prevalent. The pilot for this project, called Social Economy of the Frontier, was started in Uruguay in 2007<sup>10</sup> and administered by Uruguay's Ministry of Social Development (MIDES) in collaboration with the MERCOSUR Structural Convergence Fund (FOCEM) and the United Nations Development Programme (UNDP). The next phase that involves Argentina, Brazil, Paraguay and Uruguay, has been submitted and approved by RMDAS and is awaiting funding approval from FOCEM<sup>11</sup> (ISM 2013).

The main goal of the pilot Social Economy of the Frontier programme in Uruguay was to strengthen frontier communities with social economy projects (MIDES 2007:2). However, the support for solidarity enterprises offered was not very developed. The proposal states that the programme intends to offer “technical and economic support for small enterprises, *preferably* associative, to set up small ‘micro-regional’ networks of commercial exchange at the frontier and better understand these micro-regional markets” (MIDES 2007:9, emphasis added). A clear definition of social economy is missing, and only a *preferred* requirement of participation is stated. The independent programme evaluation reveals that the number of individually run enterprises has actually increased over the course of the programme, with only 4.2 per cent of the participants engaged in commerce across the border with Argentina or Brazil (Moreno et al. 2011:29), offering minimal prospects for productive integration. This project in Uruguay deployed SSE as a poverty eradication programme, and not as a widespread shift in production strategy. Thus, it was executed as social policy under the umbrella of the National Social Emergency Program (PANES, created in 2005 by law 17.866)<sup>12</sup> with the target population being individuals living in poverty, and the number of participants living above the national poverty line not surpassing 30 per cent of the total participants (Moreno et al. 2011:5). The projected reach of the programme was 400 households, with approximately

<sup>9</sup> See <http://ismercotur.org/proyectos/economia-social-y-solidaria/>, accessed on 2 February 2013.

<sup>10</sup> See [www.mercotur.int/focem/archivo.php?a=1e2d291e2bdc2122dc1e212e3226302620262c2b2230eb22202c2b2c2a261edc302c20261e29dc2122dc232f2c2b31222f1eea2d21231e0bc&x=9e9e03d&y=13130b1](http://www.mercotur.int/focem/archivo.php?a=1e2d291e2bdc2122dc1e212e3226302620262c2b2230eb22202c2b2c2a261edc302c20261e29dc2122dc232f2c2b31222f1eea2d21231e0bc&x=9e9e03d&y=13130b1), accessed on 3 February 2013.

<sup>11</sup> See <http://ismercotur.org/proyectos/economia-social-y-solidaria/>, accessed on 2 February 2013.

<sup>12</sup> See [www.mides.gub.uy/innovaportal/file/2193/1/focem\\_2007\\_proy10\\_oficial\\_proyecto.pdf](http://www.mides.gub.uy/innovaportal/file/2193/1/focem_2007_proy10_oficial_proyecto.pdf), accessed on 5 February 2013.

1,700 individuals, and the creation of 100 productive enterprises (MIDES 2007). Ultimately, only 65 projects were funded (Moreno et al. 2011:19). In addition to direct funding channelled to local levels, frontier communities also benefited from a number of workshops, seminars and events organized by the Spanish Agency for International Development Cooperation (AECID) and MIDES to promote SSE and the cooperative movement. However, evaluators report that participation was minimal, while attendees were confused as to the objective of these events, thinking they would provide access to new customers rather than opportunities for training or information exchange (Moreno et al. 2011:9).

RECM, set up in 2001, is the other MERCOSUR body involved in SSE promotion in frontier zones, although the main focus since its inception has been the promotion of the cooperative movement in general. Its organizational strength has been unparalleled by any other SSE representative body and has, therefore, anchored much of the MERCOSUR SSE policy framework around cooperatives. RECM has consistently presented cooperatives as drivers of social and economic development, but its position at the policy-making table has been hard fought, and it has only recently begun to be seen as a consultant on policy. In collaboration with AECID, this council of government institutions and autonomous cooperative associations developed a programme in 2008 based on six lines of work: capacity building and institutional development; incorporation of gender analysis into MERCOSUR; environment; productive integration and social economy; local, rural and frontier zone development in the region; and health (AECID 2009:7). The objective of the productive integration and social economy work area has been to “promote cooperative movements in the Southern Cone as instruments of social inclusion, decent work creation and as actors in the development and deepening of MERCOSUR” (Martinez 2011:10, authors’ translation). And although it is a separate work area, frontier zones emerge again as targets for poverty eradication and regionalization efforts. Numerous conferences, seminars and workshops have been organized to exchange ideas and experiences about the role of cooperatives and SSE in regional integration.

Unlike the programmes examined above, members of the RECM council do provide a mix of economic and social policy implementation channels, and the bulk of programmes promoted by this group attempts to bolster mainstream support for cooperatives in the region. There are a total of six government institutions on the RECM council, five of which are dedicated to cooperatives or social economy and one that is part of the Ministry of Economy and Finance of Uruguay. Also, the Brazilian Department of Rural Cooperativism and Associativism is part of Brazil’s Ministry of Agriculture and the National Secretariat of Solidarity Economy (SENAES) is part of the Brazil’s Ministry of Labor and Employment.<sup>13</sup>

Since 1998 the cooperative movement in MERCOSUR countries, represented by its respective national confederations—Uruguayan Confederation of Cooperatives (CUDECOOP), Paraguayan Confederation of Cooperatives (CONPACOOOP), Argentine Cooperative Confederation (COOPERAR), and the Organization of Brazilian Cooperatives (OCB)—has been involved in the process of integration via its participation in another representative body for civil society groups, the Economic and Social

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<sup>13</sup> See [www.mercosur.coop/?page\\_id=175](http://www.mercosur.coop/?page_id=175), accessed on 20 March 2013.

Consultative Forum of MERCOSUR (FCES).<sup>14</sup> As a result of its persistent presence in policy-making forums as well as its role in economic and social development—such as food production, banking, public service, insurance, housing and health—the cooperative movement is now being recognized as a vital consultant for MERCOSUR. According to AECID,

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

These advances by cooperative groups toward more participatory policy making may be one of the reasons why the SSE policy framework of MERCOSUR is significantly more developed than that of UNASUR. The SSE regional policy framework has emerged in line with a changing political climate for cooperatives in the region. In many ways, MERCOSUR has given the cooperative movement a seat at the regional policy-making table that it has never been afforded and which does not exist in other similar institutions, such as CAN. According to the National Institute of Associativism and Social Economy (INAES), cooperatives and self-managed enterprises represent 10 per cent of the country's GDP and involve some 10 million Argentine workers (REAS 2012). The table below provides figures detailing the number of cooperative enterprises and corresponding affiliates that comprised the cooperative movement of MERCOSUR in 2009—even though Chile is an associated member of MERCOSUR and Venezuela in 2009 had yet not acquired full membership status in the sub-regional bloc.

**Table 1: Cooperative movements in MERCOSUR<sup>a</sup>**

Country		Number of cooperatives	Number of members
Argentina		12,760	9,392,713
Brazil	OCB	7,682	7,887,707
	SENAES	2,115	—
	National Union of Family Farm Cooperatives and Solidarity Economy (UNICAFES)	1,090	—
Paraguay		1,121	998,000
Uruguay		1,543	1,000,000
Chile		2,314	1,180,692
Venezuela		254,529	1,968,897

**Note:** <sup>a</sup> Statistics from 2009 for cooperatives organized in labour and economic representation systems. **Source:** AECID 2009:31.

National governments—and not just cooperatives—of MERCOSUR member countries have also shown themselves to be important drivers of the SSE agenda. As part of this evolving trajectory of social development ideas, national governments have begun to incorporate SSE enterprises, primarily cooperatives, in government institutions to address inequality and unmet social needs. Argentina created INAES in 2000 (decree 721,

<sup>14</sup> See [www.mercosur.coop/?page\\_id=430](http://www.mercosur.coop/?page_id=430), accessed on 7 February 2013.

9/1/2000),<sup>15</sup> while Paraguay's Law 2.157 established the National Institute of Cooperatives (INCOOP) in 2003.<sup>16</sup> Uruguay's National Institute of Cooperatives (INACOOP) was formed in 2008 (via the General Cooperative Law 18.407)<sup>17</sup> and Chile established its National Cooperative Department in 2003 (General Cooperative Law 3539).<sup>18</sup> Brazil created SENAES in 2003, and while Venezuela set up the National Superintendence of Cooperatives as early as 1967, the Cooperative Law in 2001 and Chavez's leadership gave renewed support and emphasis to the sector (Chaguaceda 2011:32). Moreover, in 2011, Ecuador passed the Organic Law on Popular and Solidarity Economy and the Popular and Solidarity Financial Sector, establishing a National Institute of Popular and Solidarity Economy.<sup>19</sup> While Bolivia's institutionalization of specifically SSE organizations in the state apparatus is not as far along as its neighbours, the presidency of Evo Morales has taken a political stand against neoliberal market-based development in favour of the more socially and environmentally focused model of *buen vivir*.

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

As with UNASUR, treating SSE primarily as social policy also constitutes a missed opportunity for the SSE agenda. The MERCOSUR productive integration agenda seeks the creation of integrated production chains across all member countries (Porta 2008). As currently laid out, there is room to develop linkages between this integration agenda and a coordinated policy of suppliers to these production chains, which could include cooperatives, in addition to small and medium-sized enterprises. This has not gone unnoticed by RECM which, in 2009, petitioned GIP to let them participate in meetings and debate. Meeting records show RECM's attendance at one such meeting in 2010 (MERCOSUR 2010) and, two years later, an attempt—again initiated by RECM—to outline a strategic partnership between itself and GIP (RECM 2012). Despite this minimal progress, current productive projects discussed by GIP do not target cooperatives or other parts of the SSE sector. The recent incorporation of Venezuela as a full member of MERCOSUR in 2012 may result in greater political support for the regionalization of the SSE agenda in this bloc. There is perhaps room for SSE to enter as a smaller agenda subordinated to the intersectoral process, in the energy sector for example, where public

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<sup>15</sup> See [www.inaes.gov.ar/es/Normativas/decretos.asp](http://www.inaes.gov.ar/es/Normativas/decretos.asp), accessed on 1 February 2013.

<sup>16</sup> See [www.incoop.gov.py/v1/?page\\_id=118](http://www.incoop.gov.py/v1/?page_id=118), accessed on 1 February 2013.

<sup>17</sup> See [http://inacoop.org.uy/index.php?option=com\\_content&view=article&id=10&Itemid=2](http://inacoop.org.uy/index.php?option=com_content&view=article&id=10&Itemid=2), accessed on 1 February 2013.

<sup>18</sup> See [www.sbf.cl/sbifweb/internet/archivos/ley\\_3539.pdf](http://www.sbf.cl/sbifweb/internet/archivos/ley_3539.pdf), accessed on 2 February 2013.

<sup>19</sup> See [www.desarrollosocial.gob.ec/wp-content/uploads/downloads/2012/07/1\\_ley\\_y\\_reglamento\\_EPS.pdf](http://www.desarrollosocial.gob.ec/wp-content/uploads/downloads/2012/07/1_ley_y_reglamento_EPS.pdf), accessed on 1 February 2013.



oil companies lead the way (such as Petrobrás, Petroleos de Venezuela/PDVSA Yacimientos Petrolíferos Fiscales/YPF, and Administración Nacional de Combustibles, Alcoholes y Portland/ANCAP). Perhaps because of the difficulty in forging an alliance with GIP, RECM has developed its own parallel productive integration programme. As part of the project for the Promotion of Cooperative Movements of the Southern Cone (PROCOOPSUR) launched in 2010 to help national governments advance pro-cooperative policy and support for the cooperative movement, RECM founded a Business Office (ON) which has proposed integration plans for cooperative production chains including, wool, wheat, organic sugar, yerba mate, tourism and recyclables.<sup>20</sup> The two pillars of this work are commercial support and the development of productive networks in frontier zones.

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

## **Challenges to the SSE Agenda**

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

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

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

Like the rest of UNASUR's policy framework around SSE, much remains to be seen in order to evaluate the Banco del Sur's ability to support the SSE sector. However, the

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<sup>20</sup> See [www.mercosur.coop/documentos/2012/DOCUMENTO%20NOVIEMBRE%202012.pdf](http://www.mercosur.coop/documentos/2012/DOCUMENTO%20NOVIEMBRE%202012.pdf), accessed on 20 March 2013.

negotiation process around the development of this new financial architecture in the region has highlighted some tensions in regard to financing SSE enterprises. What has been criticized as a closed-door negotiating style—which leaves social movements out of the debate over such issues as where the bank’s money will be invested and how such decisions will be made—has sparked numerous open letters to the bank from social movements expressing these concerns<sup>21</sup> (Schaposnik 2009:5).

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

Another development that may impact the future of the Banco del Sur is the recent establishment of a new BRICS (Brazil, Russia, India, China and South Africa) development bank. The nature of Brazil’s involvement in both, and the relationship between the two banks, may affect the financial support for the SSE sector since these banks rely largely on funding from member states.

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

Finally, the fact that SSE regional policy frameworks do not appear to be challenging dominant modes of production ultimately leaves the future of SSE initiatives vulnerable to competition and/or displacement by larger economic interests. Economic recovery from crises caused by neoliberal reforms in many South American nations has, for at least

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<sup>21</sup> See [www.cadtm.org](http://www.cadtm.org), accessed on 7 February 2013.

the past decade, relied mostly on these large-scale natural resource-based industries (Stewart 2011). For example, over half of the cultivated land in Argentina is dedicated to large-scale soy production, 99 per cent of which is transgenic and exported—an economy of scale which favours big corporate actors. Though rapid expansion of this sector has already caused violent evictions and displaced small farmers and solidarity-based producers, the national agro-food strategic plan for 2010–2020 is to expand soy production by 20 per cent (Aranda 2011).

So far, the emerging SSE policy framework does nothing to confront the consequences of the expansion of these industries in the SSE sector. David Barkin (2013), for example, claims that indigenous and food sovereignty movements (specifically, La Vía Campesina) are some of the best examples of SSE in the world today. However, these are also the communities most negatively affected by soy development in Argentina (Aranda 2011). This poses a challenge to any successful realization of the SSE agenda in as much as small producers are pushed aside through market mechanisms, policies, and even illegal—and, at times violent—practices.

## **Conclusion**

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

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

## Appendix

Governance Body	SSE Programme/Key Institutional Channels	Financial Resources	Proposed Objectives of Policy Implementation	Beneficiaries/target population	Missed Integration opportunities
UNASUR–CSDS	<p>SSE Working Group<sup>a</sup>:</p> <p>Argentina—Ministry of Social Development, Ministry of Foreign Relations and Culture</p> <p>Peru—Ministry of Development and Social Inclusion, Peruvian Embassy in Argentina</p> <p>Bolivia—Bolivian Embassy in Argentina</p> <p>Ecuador—National Institute of Popular and Solidarity Economy, Ministry Coordinator of Social Development</p> <p>Guyana—Ministry of Work, Human Services and Social Security</p> <p>Uruguay—Ministry of Social Development</p> <p>Venezuela—Ministry of Popular Communal Power and Social Protection</p>	<p>Common Initiatives Fund (<i>Fondo de Iniciativas Comunes</i>): total budget for 2012-13 = USD2,050,000 of which USD233,333 is allocated to the CSDS<sup>b</sup></p>	<p>Create an SSE practitioner database; develop communication plan to visibilize SSE sector; host knowledge exchanges and trainings; develop evaluation processes,<sup>c</sup> financial inclusion, development of productive projects and infrastructure in frontier zones, create spaces for commercialization of products, increase the quality and scale of production<sup>d</sup></p>	<p>Frontier areas, populations in poverty</p>	<p>COSIPLAN—IIRSA</p>
ISM	<p>Social and Solidarity Economy for Regional Integration—Uruguay Pilot Program, 2007-2009</p> <p>Uruguayan Ministry of Social Development (MIDES)</p>	<p>FOCEM (USD 1,399,800); UNDP (USD 20,000); MIDES (USD 251,595)</p>	<p>Training, information exchanges, microcredit loans, construction of centres for the promotion of social and solidarity economy; develop economic, social, environmental and cultural value chains</p>	<p>Frontier areas, populations in poverty</p>	<p>Productive Integration Plan</p>

RECM	<p>Programme MERCOSUR</p> <p>Collaboration between AECID and RECM whose members include:<sup>e</sup></p> <p>Argentina—INAES, in the Ministry of Social Development; and COOPERAR</p> <p>Brazil—Department of Rural Cooperativism and Associativism, in the Ministry of Agriculture and Fishing (Departamento de Cooperativismo e Associativismo Rural, DENACOOOP); SENAES, in the Ministry of Labor and Employment; OCB; UNISOL; and UNICAFES</p> <p>Paraguay—INCOOP; and CONPACOOOP</p> <p>Uruguay—INACOOOP; AIN; and CUDECOOP</p>	<p>Total funding for this programme from 2008–2011 was 5 million euros from AECID (AECID 2009:21), but according to a representative of the MERCOSUR-AECID cooperation programme in Uruguay, in Oct. 2011 only 35 per cent of project had been executed and only 150,000 euros had been disbursed (Martinez 2011)</p>	<p>Work groups include productive integration and social economy; local, rural and frontier zone development in the region; aiming to promote cooperative movements in the Southern Cone as instruments of social inclusion, decent work creation and as actors in the development and deepening of MERCOSUR</p>	<p>Regional cooperative movement</p>	<p>Productive Integration Plan and articulation with the GIP</p>
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**Notes:** <sup>a</sup> Refers to participants in the second meeting of the SSE Workgroup, CSDS UNASUR, in Buenos Aires, in September 2012. See [www.midis.gob.pe/unasur/files2/anexol.pdf](http://www.midis.gob.pe/unasur/files2/anexol.pdf).

<sup>b</sup> See [www.rree.gob.pe/politicaexterna/Documents/RESOLUCION39.pdf](http://www.rree.gob.pe/politicaexterna/Documents/RESOLUCION39.pdf)

<sup>c</sup> See [www.midis.gob.pe/unasur/files2/acta.pdf](http://www.midis.gob.pe/unasur/files2/acta.pdf)

<sup>d</sup> See [www.midis.gob.pe/unasur/filesCSDS/AnexoV.pdf](http://www.midis.gob.pe/unasur/filesCSDS/AnexoV.pdf)

<sup>e</sup> See [www.mercosur.coop/?page\\_id=175](http://www.mercosur.coop/?page_id=175)

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