

FLOK POLICY PAPER

PUBLIC POLICY FOR A SOCIAL KNOWLEDGE ECONOMY

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Section One: Social Knowledge and the Social Economy¹

"Co-intelligence is the capacity to call forth the wisdom and resources of the whole and its members to enhance the long term vitality of the whole and its members." Collectively, a community has more - and more diverse - information, perspective, and resources than any individual has. A wise community, a wise leader, and a wise democracy will use that rich diversity creatively and interactively. The diversity will then be mutually enhancing rather than mutually problematic. The appropriate role of the state is to create enabling conditions for that to happen at all levels and in all sectors and facets of society.

- Tom Atlee

Executive Summary

The realization of a social knowledge economy in Ecuador is a unique and complex undertaking that incorporates a wide range of issues and relationships that, in practice, involve all the economic sectors of the country: the public sector, the private sector – in particular small and medium enterprises – and the social economy (popular and solidarity economy).

This document examines the relation between the implementation of a social knowledge economy in Ecuador and the role that the social economy and the broader civil society play in this process. The paper outlines key issues and dynamics that need to be understood and addressed and in particular, the policy implications related to the social infrastructure and institutions needed to make a social knowledge economy a reality in the political economy of the country.

Overall, the paper outlines a new framework for a paradigm shift that places an empowered and enriched social economy at the heart of a new social contract that mobilizes open knowledge and digital technology as central resources for the pursuit of the common good. The paper is structured in three sections, each of which addresses a distinct yet essential aspect of a political framework founded on the premise of knowledge as a social good and in the service of Buen Vivir as the central feature of a new political economy.

Section One, “Social Knowledge and the Social Economy”, examines the current legislation governing the popular and solidarity economy in Ecuador and offers an analysis of issues that serve to restrict the growth and development of popular/social economy associations and the social economy as a whole. It focuses on the existing legislation and regulations governing the popular/solidarity economy (LOEPS) and proposes a series of recommendations on how the legislation might be changed to address this core issue.

Section Two, “Public Policy for a Social Economy” extends the discussion to address broader public policy issues that contribute directly to strengthening the social/solidarity economy. The section covers such key topics as tax policy, the reform and democratization of public services, the creation of social

¹While recognizing that there are nuances of difference between these terms, some of which are dealt with in the body of the paper, for the sake of convenience the term “social economy” is used synonymously with “social/solidarity economy” and “popular economy”.

markets, the extension of the social economy, and the support of organizational forms that both embody and promote the principles of sharing, co-operation, and the promotion of common benefit that underlie the production and diffusion of knowledge as a common good.

The final section, “Public Policy for a Partner State”, explores the formation of a new social contract between the State and Civil Society based on the thesis that social knowledge is an extension of civic principles that seek not only to protect the commons, but also to reframe the pursuit of the common good as the central purpose of government.

There is no question that the long-term success of the National Plan for Good Living, and the implementation of a social knowledge economy, will rely heavily on the strength and development of a social economy in Ecuador that is strong, autonomous, democratic, innovative, and capable of playing the central role that is envisaged for it both by the Constitution and the National Plan.

We argue that the social economy is the social and economic space that most reflects the values and principles of the civic ideals of the government and the source of those civil institutions that will, in the long run, defend and advance those ideals. Let us recall that it was Ecuador’s civil society that gave birth to the Citizen’s Revolution, not the state. The perspective offered in this paper is that in the end, it will also be civil society and the vitality of its institutions that will safeguard these ideals.

For this reason, Ecuador’s public policy and legislation must serve as a vital political and legal resource for building the values, skills, and institutions that enable the social economy to flourish and to provide the indispensable social foundations that will ultimately serve to transform the political economy of the country. In our view, progressive public policy and legislation with respect to the social economy will serve as the primary mechanism for creating a new social contract and social praxis that reflects the complementary aims and purposes of the state on the one hand and the collective values of civil society on the other.

We propose that for this to succeed, state policy and legislation must recognize the social economy as a vital sector with social and economic principles, values, relations, and institutions that are unique to itself. These principles and values, and the institutions that embody them, require at least the same level of state recognition and support as that provided to the capitalist economy. The recommendations that are presented in this paper are rooted in this perspective and serve to acknowledge and strengthen these principles.

Furthermore, the policy recommendations aim to facilitate the development and maturation of a social/solidarity economy that it is capable of becoming a full partner with the state in the realization of Buen Vivir and the creation of a social knowledge economy founded on the values of democracy, free and open access to knowledge, social and economic equity, and the utilization of the economy for the pursuit of the common good.

Key Principles

The first premise of this perspective is that a strong and autonomous social economy is essential to the long-term viability and success of establishing a social knowledge economy.

The second premise of a progressive public policy with respect to the social economy is the clear distinction between the role and prerogatives of the state on the one hand and those of civil society on the other.

The third premise is that there is also a fundamental complementarity between the roles of the state and those of the social economy and civil society, and that this complementarity is based on the pursuit of the common good.

A healthy, open, and democratic society is founded on the recognition and acceptance of this essential distinction between the civic principle on the one hand and the governmental principle on the other. Both social dimensions represent essential attributes of a healthy, and functioning body politic with recognition of distinctive roles – governmental and civic –which aim at the pursuit and protection of a collective social well being that entails essential principles of pluralism, openness and transparency, democratic agency, and solidarity for the common good.

As stated in the Good Living Plan:

*Changing the productive structure and democratizing the State would not be emancipating if top priority were not given to strengthening the society. The goal is to promote the construction of a society that will deepen the quality of its democracy and broaden its opportunities to alter conditions of social and material equality. It is necessary to empower society rather than the market – as it happened before with neoliberalism –. It must also empower society over the State, such as in “real socialism”. Empowering society is promoting the development of freedoms and capacities to reflect critically and co-operatively, for each individual, each people and each collective.*²

A social knowledge economy is based on these same principles and seeks to make knowledge a social good, an open and freely accessible commons for the pursuit of these civic goals.

Civil Society

In its broadest and most accepted sense, civil society is the social impulse to free and democratic association, to the creation of community, and to the operations of social life, which includes politics. Modern conceptions of civil society also distinguish it from the state and from the operations of the private sector. Some writers also stress a distinction from the family as well.

Historically, civil society was the arena for organizing the governance, material activities, and intellectual, moral, and cultural aspects of communities. And whereas the state represents the “politics of domination”, civil society represents the “politics of consent”.³ This alone radically and fundamentally distinguishes the nature, purpose, and operations of the state from those of civil society.

Within civil society, a huge portion of civic activities are carried out by organizations created to provide goods and services through collaboration, by people acting together to realize mutual aims. This mutualist or collective character of civil society is also the primary source for the creation of social capital – the sum total of relationships, networks, and values that engender and sustain *trust* within a community. The role of trust, and of the capacity of people to work together toward mutual aims, is of central importance in accessing and diffusing knowledge as a common good, as will be discussed in further detail in the sections “Public Policy for a Social Economy and “Public Policy for The Partner State”.⁴

These civic activities, focused on the creation of social value for common benefit, constitute that sector which is composed of non-profit and voluntary organizations, NGOs, community service groups, cultural organizations, charities, trade unions, social enterprises, and co-operatives. This *economic* aspect within civil society has also been described as the third sector, the social economy

²ibid. p. 38

³R. Tandon, Civil Society, the State, and Roles of NGOs, Institute for Development Research, V. 8, No. 3, 1991

⁴J. Restakis, ICT, Open Government and the Social Economy, FLOK Society Project, IAEN, 2014

and the popular/solidarity economy. We use the term *social economy* most often in these documents to refer to this sector.

Ecuador Context

The relation of the state to civil society in Ecuador is both complex and contentious. While the Ecuadorian Constitution explicitly recognizes and guarantees the legitimacy and autonomy of civil society and its institutions, the application of these principles is uneven and sometimes runs counter to both the spirit and the letter of the Constitution. In addition, while there are a high number of civil society organizations (CSOs) in Ecuador, the level of civic engagement and citizen participation in the formation and implementation of public policy is relatively low.

The primary issue that has emerged then, is the need to resolve this contradiction between policy and practice, vision and reality, with respect to the legitimacy, autonomy and agency of civil society vis-a-vis the role and practices of the Ecuadorian state.

As stated in the Constitution, all organizations in society are recognized to be an expression of popular sovereignty and may therefore carry out processes of self-determination and influence decisions, public policy, and exercise social control of public bodies at all levels of government (Article 96). These organizations may be structured in any manner to enforce the popular power and its expression. They must adhere to internal democratic practices, and ensure the accountability of the organization (Article 96).

The Constitution also creates the “Council of Citizen Participation and Social Control” as a fourth branch of the State that is in charge of designating authorities such as the General Attorney, the General Prosecutor, and the members of the Judicial Administrative Council, among others. The Constitution provides that all the candidates for this body will be nominated by CSOs and the citizens.

In addition, the Constitution contains specific articles relating to the protection of human and civic rights. These include:

Article 66.13: Freedom of association - The State recognizes and guarantees the people the right to associate, meet, and speak freely and voluntarily.

Article 66.19: The right to personal data protection, which includes the access and the decisions about the information and data related, and its protection. The data gathering, filing, processing, distribution, and spreading shall require the owner's authorization or a legal mandate.⁵

Article 66.5: Freedom of expression - The State recognizes and guarantees the people the right to the free development of personality, with no more limitations than the rights of others, and the right to think and express one's thoughts freely and in all its forms and manifestations.

Moreover, the provisions of the National Plan for Good Living reflect this Constitutional recognition of the role and value of civil society, and in particular the popular and solidarity economy, as essential to the aims of a social knowledge economy and the pursuit of *Buen Vivir* as the guiding framework for Ecuador's political economy.

Socialism for Good Living questions the dominant pattern of hegemonic accumulation, i.e., neoliberal models of production, growth and distribution. We propose a transition toward a society in which life is the supreme asset. This demands a deep democracy and the constant involvement of its citizens in

⁵These Constitutional protections are especially relevant to the use of ICTs in the promotion of Open Government and are explored in more detail in the paper “ICT, Open Government and the Social Economy”, J. Restakis, FLOK Society Project, IAEN, 2014

the country's public affairs. It is based on the pursuit of the common good and individual happiness, rather than excessive accumulation and consumption. ⁶

*A democratic, participatory government requires the active participation of citizens and strong social movements working in open networks to address both local and national issues. Participatory democracy aims for a sort of equality that enables reciprocity among its members.*⁷

The structural transformations proposed for the 2013–2017 period will be possible only if, at the same time, power relations are being transformed, because constructing Good Living is an eminently political process that demands not only a more radical political democracy, but also a socio-economic democracy. ...The objective is to democratize State-society relations. ⁸

These are powerful and inspiring ideals and they go to the heart of a truly transformative democratic vision. In reference to deepening the democratic culture of State and society, the National Plan also specifies the following policies:

To consolidate democratic governance and construct the people's power. ⁹

Policies:

1.9 To consolidate citizen participation in public policy-making and State-society relations.

1.12 To encourage social self-organization, associative life and construction of active citizenship valuing the common good.

1.13 To strengthen mechanisms of societal oversight, transparency of public administration and prevention of and the fight against corruption.

To foster social and territorial equity, cohesion, inclusion and equity in diversity. ¹⁰

2.4 To democratize the means of production, generate equitable conditions and opportunities and foster territorial cohesion.

How then, do these principles relate to the concrete development, through public policy and legislation, of the social infrastructure that will both embody these ideals and sustain them in the future?

Challenges and Contradictions

One challenge that must be confronted is that there is no comprehensive law in Ecuador regarding community service organizations (CSOs). The basis of the sector's legal treatment is the Civil Code, effective since 1861. The Civil Code also provides the President of the Republic the authority¹¹ to

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ibid, p. 23

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ibid, p. 24

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ibid. p. 48

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ibid. p. 53

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ibid. p. 56

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Under the Regulation for Approval of the Statutes, Reforms and Codifications, Liquidation and Dissolution, and Registration of Members and Directives, of the Organizations under the Civil Code and Special Laws ("The

establish and dissolve CSOs. Thus, CSOs are subject to Executive Decrees, which have been issued to address fundamental questions of operations, organization, and oversight of civil organizations.

The Presidential Decree No. 982 was signed by President Rafael Correa Delgado on March 25, 2008 and substantially revises the Regulations' provisions governing CSOs. It provides additional requirements, controls, and causes for dissolution of these organizations. A second Presidential Decree No. 19, which was passed on June 4, 2013, provides for additional regulations and controls.

These constraints on the formation, operation, and reporting of NGOs and CSOs in Ecuador underscore an ongoing tension between the stated objectives of the serving government and its practices with respect to recognition of the freedom and autonomy of civil society organizations. In turn, these tensions have been exacerbated by a history of weak regulatory controls and practices among some popular and solidarity economy associations that contravene the governing principles and purposes of these associations. This is one source of the state's concern with respect to the roles of civil society and the social economy as autonomous social and political spaces, over and against the legitimate requirements of state control and oversight for purposes of public accountability and the public interest.

Instances of corruption and abuse of organizational mandates in the social economy are of understandable concern for the state, but they are also of paramount interest for the credibility and legitimacy of the social economy itself. The question that arises is, what is the best means for addressing this issue? The posture of the government has been to exert ever more supervision and control over the operations of social economy organizations as a remedy to potential abuse. This is manifest in both the logic and the letter of the legislation. Inherent in the legislation is a pervasive mistrust of these organizations. We question this approach as being one-sided and ill suited to the development of a social economy that is at once healthy and autonomous but also capable of reforming the practices of organizations that contravene the purposes for which they were established. Another, more balanced approach must be sought.

Since the passage of Decree 982, civil society organizations have lobbied for changes to the laws and regulations governing their activities. Their primary concerns relate to the restrictions on freedom of association and expression.¹²

Given these factors, and the clear recognition of the role and rights of civil society and the popular and solidarity economy as fundamental to the civic aims of the Constitution and the National Plan, the following policies seem essential for translating these rights into concrete practices as embedded in both legislation and state practice.

Organic Code for the Popular and Solidarity Economy

In consideration of public policies that frame the relations between state and civil society, we focus primarily on those institutions and relations that compose the goods and services that are produced for a collective or social benefit and animated by the principles of reciprocity, mutuality, and the common good. This is the field of activities that may be described as the popular and solidarity or social economy, as compared to the public economy of the state and the commercial, for-profit economy of the private sector. And, because many social economy organizations such as co-operatives and social enterprises also engage in commercial activities and compete in the market, insofar as they too are organized for the provision of a collective or mutual benefit they too are considered as extensions of the social economy.

Regulations")

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Decree gives government far-reaching powers over NGOs in Ecuador, 19 August 2013, [Human Rights Watch](#)

The institutional supports required for the support and expansion of civil society in general, and the social economy in particular, cover a range of policies, legal frameworks, practices and relationships which obtain both *within* civil society as an autonomous and self-perpetuating field and *between* civil society and the state. This latter connection is of primary importance for clarifying and designating the evolving roles and relationships between these two spheres as related to the advancement of an open, pluralistic, and democratic society.

The existence of a healthy, vibrant, and autonomous civil society and social economy are central to this purpose and the establishment of a social knowledge economy is both sustained by, and sustaining of, a civic political economy that, through its institutions, shares its values and supports its aims.

Composition of Ecuador's Social economy

One of the key achievements of the serving government has been the gathering of basic information concerning the character, composition, and size of the social economy in Ecuador. This has been the result of painstaking efforts to analyze and define the nature of the social economy, of documenting the number and size of popular/solidarity economy organizations, and of introducing new legislation to both support and regulate the sector.

From this effort, about 10,400 social economy organizations (co-operatives, associations and community organizations) have been documented.¹³ A preliminary analysis of the co-operative sector in Ecuador detected 3,260 co-operatives including savings and credit groups, transportation, housing, production, consumption and other co-operative services (946 credit unions, a central box and 2,313 non-financial co-operatives). The first three groups together account for 99% of co-operatives in the country. As for the voluntary sector, it was estimated that there are about 14,593 organizations that make up the community sector in the country, mainly represented by savings boxes and community banks.¹⁴

It is important to note that these figures remain tentative as the data still includes duplicate records, classification errors (e.g. integration organizations classified as credit unions, co-operatives classified as associations and vice versa, etc.) and inconsistencies in the financial information.

Trade unions, professional associations, cultural and sports associations, and religious forms of association, among others, whose corporate purpose is not the realization of economic activities, production of goods, or provision of services are not included in this data nor are they recognized as social economy organizations under the terms of the legislation.

The economic value and growth of the social economy, in particular the co-operative sector, is worth stressing.

According to the Institute for Social Security, the social economy in Ecuador comprises 25.7 % of the nation's GDP and 48.9 % of employment generated in enterprises of fewer than 11 employees.¹⁵ A study by the German Co-operative and Raiffeisen Federation (DGRV) (Cruz, 2003) also shows that in 1999-2002, the current portfolio of credit unions experienced a growth of 384.73% compared to 49.94

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Dirección Nacional de Cooperativas (DNC) (Annex 1A). It is important to note that an organization could be located in more than two institutional records simultaneously, and with respect of the community sector this figure refers only to those organizations that are contained in the records of the Secretary.

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Studies on the Popular and Solidarity Economy, The legal nature of the co-operative and the solidarity economic act, Carlos Naranjo Mena, 2013

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% for the banks. ¹⁶ This is a sign that these organizations overcame the economic crisis and outperformed the capitalist firms despite their smaller size in terms of assets. This fact may be explained by factors such as diversification of the portfolio by avoiding concentration in a single economic activity, by avoiding high risk activities, and by remaining focused on the real needs of members to whom the credit unions were accountable.

The durability of the co-operative form has also been demonstrated by the nearly twofold growth of co-operatives in the past decade, a development that predates the Citizen Revolution. ¹⁷ This same phenomenon has been documented with the performance of co-operatives in general and at a global level, not only in Ecuador. ¹⁸ Similar findings have also been confirmed in studies by H. Jacome (2004 and 2005).

In summary then, the importance of the popular and solidarity economy is evident not only as a social foundation for the political economy aims of the government as expressed in its Good Living Plan, but also as a source of economic value, stability in times of economic crisis, and the generation of essential goods and services that provide for the common welfare. In this respect, Ecuador's social economy must be considered an essential part of the government's broader aim to modernize the country.

Social economy organizations such as co-operatives, CSOs, and NGOs are part of a broader array of state efforts that are needed to advance the capacity of socio-political and economic institutions to contribute to a new configuration of political economy based on Buen Vivir. Our view is that this entails not merely the passing of new policies and legislation, but the implementation of an intensive, and ongoing, education and training program aimed at reforming the attitudes and behaviours of leaders and decision makers *both in the state bureaucracies and among social economy organizations in the country*. This is also essential to addressing ongoing concerns over malpractice in the sector.

Given the relatively recent efforts to document and understand its role in Ecuador, the social economy warrants further careful study and ongoing support in the framing of public policy and legislative instruments that reflect the unique characteristics of this sector. Public policy and legislation must serve to reinforce the social economy's capacity to grow and to embody the social and economic values that are ultimately the basis of a social knowledge economy.

Social Infrastructure and Institutional Supports

Based on the above analysis and perspective, the principle characteristics of the institutional supports required to support this social framework are:

- a) Institutional autonomy of civil society and its social organisms;
- b) Recognition and validation of civic space as primary and distinct from that of the state and the commercial sectors;
- c) De-linking of the "public" from exclusive association with the state;
- d) Creation of enabling civil institutions that can mediate between the state on the one hand and communities, families and individuals on the other;

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The Role and Importance of Savings and Credit Co-operatives in Microfinancing and the Worldwide Activities of the German Co-operative and Raiffeisen Confederation, 2003

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Promesas En Su Laberinto, Cambios y Continuades En Los Gobiernos Progresistas DE Latin America, Cambios En El Modelo De Acumulación, p. 165

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Resilience of the Co-operative Business Model in Times of Crisis, Johnston Birchall and Lou Hammond Ketlison, ILO, 2009

- e) Establishment of financial policies and mechanisms that guarantee access to autonomous sources of civic capital to social economy organizations;
- f) Establishment of civil institutions that are capable of relating social knowledge systems to the concrete needs and aspirations of civil society and social economy organizations.
- g) Establishment of a sector-controlled facility for social economy training and professional development.
- h) Creation of a social economy observatory for the rectification of reported abuses.

The following general policy recommendations are founded on the principles outlined above and are based on our current reading of the Act and the issues that have been identified both by stakeholders inside Ecuador and on the basis of international experience.

General Policy Recommendations

1. Freedom of political expression and association are fundamental attributes of a free, open, and democratic civil society. Social economy organizations should therefore not be constrained from exercising these rights as a consequence of their status as non-profits or social benefit associations.

Recommendation: The dissolution of civil organizations by the state for reasons of legitimate political action should be ended.

2. As currently written, the law gives the government and the public nearly unrestricted access to the internal information of NGOs. Citizens may demand “accountability” – undefined – from any NGO that carries out public interest activities – also undefined – or public services, or that utilizes public resources. NGOs must also provide to government officials any information related to their activities, and must make their premises available for inspection so long as the officials provide advance notice.

Recommendation: These provisions entail an undue burden on civil organizations and are neither clearly defined nor bounded by reasonable limits. Access to information pertaining to the internal operations and activities of a group should be restricted to cases of suspected criminal wrongdoing and only with the authority of a judicial warrant. The same should apply to the inspection of an organization’s premises.

3. The Constitution prohibits the collection and use of personal data without the consent of the individual.

Recommendation: This principle should be applied to the Act and the requirement that popular and solidarity economy organizations be required to register on a government database information the names, ID numbers, nationality, and addresses of every member should be removed.

4. The Constitution guarantees citizens the freedom to associate freely in pursuit of their collective interests. However, the law requires NGOs to accept any and all applicants as members thus nullifying the basic corollary principle of freedom to *not* associate, and the right of a group to determine the nature and composition of its civil community. As currently written, the law also undermines an association’s capacity for self-protection against infiltration by hostile interests including potentially, the state itself.

Recommendation: This provision should be removed.

5. As currently drafted, the LOEPS invests undue powers of intrusion and dissolution in the Office of the Superintendent, with the stated aim of minimizing abuses in the sector. We propose that such powers of oversight and interference in the internal operations of social

economy organizations be restricted to confirmed suspicion of criminal activity and subject to judicial warrant. Moreover, we suggest that the responsibility for oversight and the redress of possible wrongdoing or abuse be a shared responsibility between the state and the institutions of the social economy itself.

Recommendation: That an independent observatory with representation from a broad spectrum of social economy organizations through an autonomous and representative federation, be established to share supervisory and remedial activities with the Office of the Superintendent.

Recommendation: that this observatory, in co-operation with the social economy federation, develop and implement ongoing research, training, and professional development activities for organizations of the social/solidarity economy and that the costs of these activities be shared between federation member organizations and the state.

6. General Recommendation: In general, legal and public policy provisions that act as disincentives for the creation and incorporation of civil associations as legal entities should be minimized. This includes provisions and practices that infringe on individual and collective rights of assembly, of legitimate political action, of freedom to privacy, and of unnecessary regulatory procedures relating to financial and operational reporting, legal incorporation, and alteration of an association's purposes and operations.

Popular and Solidarity Economy Law

A number of policies that act as impediments to the free and open development of NGOs and CSOs as outlined above may be seen in the legislation governing the operation of co-operatives and the broader popular and solidarity economy. At the heart of the difficulties lies an excessive control by the state over the operations of social economy enterprises that should be free and autonomous entities in the pursuit of their social and economic aims as recognized both by the Constitution and the Good Living Plan.

In addition, there are fundamental confusions and contradictions in the language of the legislation that invite misunderstanding on what defines social economy organizations and the popular/solidarity economy as a whole. As presented in the law, the definition of popular and solidarity economy organizations is restricted to associations “whose corporate purpose is the conduct of economic activities for the production of goods or services”.¹⁹ This leaves out the numerous social economy groups whose primary purpose is the production of recreational, cultural, spiritual, or other social activities that have little connection to economic production or consumption. The focus on primarily economic functions thus skews perceptions of the nature and complexity of the popular/solidarity economy making policy formation in its support incomplete, if not contradictory, with respect to the operating logic of the sector.

A second problem has to do with the conflation of “popular economy” with the social/solidarity economy. The term “popular economy” as normally understood is quite distinct from the usual meaning of social or solidarity economy and denotes a type of economic activity that is confined primarily to the informal economic practices of very small-scale enterprises among low-income people, usually for the satisfaction of basic needs. This is one reason why small family businesses or individually owned subsistence enterprises are included in the LOEPS. However, these enterprises have no necessary connection to the principles of co-operation, democratic control, collective

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Organic Law of the Popular and Solidarity Economy (LOEPS), Article 1, Section 2.

organization, or social benefit that distinguishes social economy organizations. The inclusion of popular economy in the law introduces confusion in the definition of social/solidarity economy and clouds the underlying nature of this sector.

For this reason, we urge the separation of the concepts “popular economy” from “social economy” or “solidarity economy”, and suggest that the size of an enterprise, or its relation to the production of subsistence or basic needs, is irrelevant for purposes of defining the social/solidarity economy and properly belongs to the private sector on the basis of ownership and organizational structure and the private, as opposed to collective, purpose of the enterprise.

Outlined in the policy Appendix 1 to this paper is a listing of some of the more problematic issues with respect to the legislation. At their foundation however, is the underlying question of what constitutes a proper role for government when it comes to the regulation and support of co-operatives, credit unions, and the kinds of associations that constitute the popular/solidarity economy.

The fundamental questions concerning the relative roles and powers of the state on the one hand and social economy organizations on the other, remain key issues that will profoundly affect the prospects for the growth of the social economy and the role it is allowed to play in the transition to a true social knowledge economy.

Central to this process is the nature and structure of the political, economic, and social institutions that will ultimately determine whether, and how, social knowledge will be developed and diffused. In this, the production and mobilization of social capital and of those institutions that promote co-operation and the common good will play a crucial role.

Section Two: Public Policy for a Social Economy

Over the last 20 years, there has arisen a global interest in the role that the social economy plays in the economic and social life of nations. This interest has spawned a growing literature on the nature and role of the social economy, its size and composition, its operating rules and organizing principles, its relevance for the economic and social well being of societies, and its relation to the state on the one hand and the private sector on the other.

Increasingly, the social economy is being viewed as the repository of those social, cultural, and political values that are most relevant for protecting and advancing the collective good. As outlined earlier, these values include the idea of reciprocity as the driving force of social economy organizations, the pursuit of social aims through the practice of mutuality, and the promotion of social solidarity through the advancement of social and economic equity.

For these reasons, and as a result of the upheavals brought on by free market capitalism, the social economy is also emerging as a complement to the state for the social welfare of citizens – a role made increasingly necessary by the abrogation of this duty on the part of governments. The economic crisis and the domination of neoliberal ideology have thus combined to thrust the social economy into a historic spotlight and to play a central role in the reconfiguration of the body politic of nations the world over.

However, the social economy is far more than the application of co-operative or self-help strategies operating at the margins of the economy to help the poor as is sometimes believed. Nor is the social economy merely a collection of economic self-defense measures against the failures and depredations of the “free market” economy. Rather, the social economy represents a wholly different conception of economics in which market forces and economic practice serve social or collective interests, rather than just those of capital or the individual. The social economy is the testing ground for a kind of economics that can actually deliver on the promises of social justice, equity, and collective wellbeing that are manifestly beyond the capacity of the capitalist paradigm.

This section examines how bold public policy can place the social economy in a central role for transforming the productive matrix of the country. Whether we are speaking of the provision of human and social services, or of the material production of goods and services in the commercial economy, the logic and organization of the social economy is fundamental to any meaningful transformation of the nation's economic structure.

In contrast to neoliberalism, in which capital (with the help of compliant governments) undermines and displaces the state through the colonization and privatization of the public domain, this section also examines how government can strengthen the social economy through the creation of policies that reinforce the civic principles and purposes that are the basis of public goods and services.

Unlike many countries in the north, the Ecuadorian state is playing a growing role in the provision of public services. The question of reframing and reforming social care in the 21st century is less one of saving public services from the effects of privatization as it is moving them beyond the weaknesses inherent in the statist forms of the past.

In Ecuador, as well as those countries that are privatizing their public services, this requires a wholly new relationship between the State and civil society. It is a relationship that embodies fundamental principles of shared power, of collaboration and co-construction of public policy, and the creation of new institutions capable of transitioning to a model of Partner State in which the State is the enabler and promoter of civic values and the common good as the primary aims of government.

A central purpose of this strategy is to also address the dependence of civil society institutions on government. This is especially true with respect to the production of human and social services. In this arena, and despite its formal distinctions from the state, the social economy remains a dependent sector – in many ways a client sector of the state. At a time when governments in many countries have all but erased the distinctions between the private and public sectors, this continuing dependence is a fatal weakness that allows capital interests to continue their domination of public policy and to perpetuate an economic system that is subservient to these interests. This is one reason why special attention is paid to the vital area of social goods and services.

This is not to say that social economy enterprises operating in the commercial economy are to be ignored. Social economy enterprises such as co-operatives are absolutely vital to the economic interests of small producers in the agricultural economy, to artisans and crafters, to community-based financial services such as credit unions and community banks, and increasingly to the emergence of immaterial goods and services provided by digital technology through the operation of peer-to-peer networks that are also based on co-operative and commons values and practices.

One of our key arguments is that if the social economy is to mature as an independent social and political force, then a true social market corresponding to the unique role of the social economy as a force for democratizing the economy is fundamental. Only in this way might the overwhelming power and influence of the capitalist market be brought into balance with civic values. A strong and autonomous social economy based on reciprocity, mutuality, and civic values makes possible also the political power necessary to negotiate a new social contract for a post neo-liberal age.

Toward a New Paradigm – Beyond the Welfare State

In Ecuador, the question concerning the traditional operations of the Welfare State is quite different from that of the industrialized north. For a very long period of time, Ecuador suffered from a weak state infrastructure that was unable to provide the kinds of social services that citizens had come to expect in the industrialized states. For Ecuador, the idea of the welfare state was still a work-in-progress – something to be aimed for in the future as opposed to being dismantled in the present.

Indeed, as a result of current government policies, Ecuador is experiencing rather the opposite dynamic... one of growing state intervention and involvement in the public economy. In education, in

health services, in the provision of social security, the Ecuadorian government has developed universal public services that were never available before. In the case of Ecuador, the challenges lie rather with the statist forms of these services and the weaknesses inherent in a purely statist conception of social care.

What we are arguing is that the civic principles that underlie the idea of the Welfare State are central tenets of Buen Vivir and development, and that rather than repeating the mistakes of mass production state welfare of the mid-20th century, that a new form of *social economy* welfarism can be developed which takes further the social innovations developed by such jurisdictions as Italy and Quebec. Ecuador, like other Latin American countries, has the opportunity to create new models of social welfare that learn from, and move beyond, the weaknesses of the old statist structures. Health, education, and other forms of social welfare are all open to more responsive, more flexible, and ultimately more effective forms of care when coupled with the untapped power and potential of the social economy.

The application of social economy principles and practices such as reciprocity and co-operation, and the emergence of democratic, distributed, and user-controlled social care systems, allows Ecuador to move to a new configuration of social welfare – that of the Partner State – which reinforces the rise of civil networks, supports new forms of social innovation, and recognizes the central role of civil society in promoting the common good, especially in the area of social care.

The colonization of public and social space by capital is one of the effects of shrinking opportunities for profit making in the private sector. At the very moment when weak economies and rising unemployment demand a strong social safety net, public services are being turned into sources of private profit. With governments as willing partners, the privatization of public goods and the monetization of social care now beckon as a new frontier from which profits might be wrung – from the provision of health care and clean water, to the running of education systems and prisons.

It is quite clear how the institutions of private capital might invest in – and profit from – what were once public services. What is far from clear is whether the institutions of the social economy are equipped to respond to this new reality. The market failures in human services in both the private and the public economies are now arguably the central public policy issue of modern societies. It is for this reason that we focus much of our discussion below on this question.

How might governments respond to this dilemma? Can they foster civic solutions that provide an alternative to the privatization of social goods on the one hand, and the stifling effects of top-down statism on the other? How might these solutions be fashioned to reflect, and reinforce, those social-serving values, operations, and principles that are the greatest strength of the social economy itself?

Finally, how might the social economy enlarge its presence and influence in the broader commercial economy? How do social economy enterprises acquire the resources and skills they need to flourish within an overtly hostile environment dominated by private capital? How do they build on their successes and scale up? And finally, how do they capitalize on the new logic of networks, distributed production, and digital technology that are so consonant with their inherent social values and strengths?

The creation of what we may call a social market for these purposes, and the development of free and open knowledge systems that serve them, is essential to this task.

The Social Economy and the Social Market

According to the Institute for Social Security, the social/solidarity economy in Ecuador comprises 25.7 % of the nation's GDP and 48.9 % of employment generated in enterprises of fewer than 11 employees. A study by the DGRV (Cruz, 2003) also shows that in 1999-2002, the current portfolio of credit

unions experienced a growth of 384.73% compared to 49.94 % for the banks. ²⁰These figures are impressive and help to gauge key aspects of the social economy. But while appropriate for the measure of commercial exchange, the determination of value solely on the basis of commercial principles – of monetary value – is antithetical to the character and needs of the social economy.

The purpose of the social economy is not primarily about the production and exchange of goods and services in pursuit of *private* ends, or of monetary value – but rather the creation and use of social relations for the production of *social* value. This is true whether social economy organizations are producing social goods and human services or whether they are engaged in commercial production within the mainstream economy. It is the social aims and collective nature of these enterprises that distinguish them from capitalist firms. Social values are embedded in the structure of these organizations and a market for the creation of social value is not the same as a market for capitalist accumulation. What then is a market for social value?

In most countries, the character of social economy organizations and their role in society is implicitly acknowledged as different from that of private businesses and requiring a different approach. For example, governments provide tax supports to social economy organizations such as co-operatives, non-profits and charities because they create social benefits that are worth supporting and are in the public interest.

Around the world, the principle of tax exemption to non-profits is well established. Traditionally, the work of these societies was conceived as relieving a burden that would otherwise be borne by the state for such things as providing relief to the poor, running hospitals, caring for the vulnerable and indigent, etc. In return for these services, the state compensated societies through an exemption on tax. But it was also a condition of the exemption that no profits could be retained by the society nor distributed to its governors or members. This is the constraint on the distribution of profits that today defines non-profits under legislation that governs their operation, as is the case in Ecuador.

But in an age where the sophistication and complexity of social economy organizations extends far beyond simple charity models, and where hybrid models such as social enterprises and community benefit companies employ market mechanisms to pursue social goals, the old tax exemptions based on constraints to the distribution of profit are wholly inadequate. They fail to capture both the reality and the potential of the social economy as an economic sphere deserving equal treatment, on its own terms, to that granted the private and public sectors. They also perpetuate the false notion that the generation of profit is incompatible with the pursuit of social benefit.

The reason for this is that profit is still conceived strictly in capitalist terms, which is to say as a private good. But what of profit that is a social good, a collective asset, as in the case of co-operatives, where it is designated as a “surplus”? The real question is not the issue of profit but rather the purposes for which this profit or surplus is created and utilized. Recognition of profit as a social asset has paradigm changing implications – not only for the social economy but also for how the public interest is defined, developed and defended.

One of the key tasks before us in this age of unfettered privatization is how to reverse the colonization of the public domain by capital and instead, to foster and expand the social control of capital for the common good. This is the essential attribute of the social economy – its *social* character and the embeddedness of market exchanges within a network of social relations that are driven not by the private interests of the capitalist market, but by the collective and mutualist aims of friends, neighbours, communities and society as a whole.

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The Role and Importance of Savings and Credit Cooperatives in Microfinancing and the Worldwide Activities of the German Cooperative and Raiffeisen Confederation, 2003

A New Approach

What are needed are social and economic policies that recognize the social and mutual foundations of the social economy as a distinct paradigm that relates social principles to the economy, to resource allocation, and to a new understanding of wealth creation. The social economy contributes to the socialization and democratization of markets and the economy and is a key force for transforming the productive matrix along the lines outlined in the National Plan. In short, the social economy is a unique space with its own requirements and in need of institutions that reflect the logic and aims of its operations. This entails a holistic and integrated approach to social economy development and the creation of what might be called an “ecosystem” of institutional supports analogous to the existing ecosystem of capitalist institutions that service the capitalist economy.

With respect to the production of *social* or *relational* goods and services, there is also an urgent need to understand and to construct a type of *social market* that supports and values the production and exchange of social relations without turning them into commodities as is the case in capitalist markets.

On what basis could such a policy, and such a market, operate? The answer lies in the socio/economic principles that lie at the heart of social economy organizations and of the social economy as a whole – *reciprocity, mutuality* and *social benefit*.

Unlike the drive for private profit that animates the behavior of firms in the private sector, *social economy organizations are animated by the principles of reciprocity and mutuality for the pursuit of collective economic and social aims, largely through the social control of capital.*

Reciprocity and mutuality in pursuit of social aims define both the activities and the aims of social economy organizations - whether they are co-operatives, volunteer organizations, or social enterprises. Their primary purpose is the promotion of collective benefit. Their product is not just the particular goods or services that they produce, but human solidarity and social capital. And, as opposed to the capitalist principle of capital control over labour, reciprocity and mutuality are the means by which a social interest - whether it takes the form of labour, or citizen groups, or consumers – can exercise control over capital.

With respect to public services and social goods the key question therefore, is this:

How can reciprocity and mutuality be actualized as institutional forces to provide for the human services that are not being met by government or the private sector?

Taxation, Capital Formation, and Social Benefit

One of the key ideas we propose is the central role that social markets play in preserving and expanding the social economy’s role with respect to social goods.

The creation of social markets entails two things: allowing social economy organizations to raise capital directly through the issuance of social capital shares or through the use of social currencies, and the development of a social market exchange that functions as a parallel institution to the stock market for capital, except for use by the social economy. Both these concepts are explored more fully below.

But the first point to be made is that of all the challenges that impede the growth and potential of the social economy, the difficulty in accessing and controlling capital is surely the most crippling. Solving this problem is therefore essential for all types of social economy organizations, whether they operate in the field of human and social services or in the commercial economy.

There are many ways that public policy can expand the capacity of social economy organizations. Re-

thinking and reforming tax policy is among the most important and the most potent.

Social Goods

One line of approach is to provide tax benefits and exemptions to investments in social economy organizations. In Ecuador, these tax benefits are already provided to groups that are non-profit or have acquired charitable status. But there is a strong case for extending these benefits to contributions made by supporters – whether association members or other community members – to *any* organization whose primary purpose is the provision of a social good.

It is essential that non-profits and a wide range of social enterprises be able to generate capital for their services through tax-exempt contributions sourced from within civil society itself. Not only would the dependence of social economy organizations on the state be mitigated, but the perpetual rationing of capital due to the social economy's dependence on state funding could also be lessened. But for this to happen, the idea of non-profits as organizations whose goals are incompatible with the generation and utilization of capital (profit) has to be left behind. It is a relic of a false understanding of profit as a private good, and associated with an equally outmoded understanding of markets as exclusively capitalist.

All enterprises, whether commercial or social, must generate a profit (or surplus in the case of co-operatives) if they are to survive. The question is: to what purpose is this profit or surplus put? Is it private or is it social? The case of co-operatives clearly shows how profit can be a social good as well as a private one.

Co-operatives are a form of social economy organization whose surplus is collectively owned and utilized by its members for their mutual benefit. When non-profits generate a surplus that is then reinvested in services to community this too, is profit transmuted into a common good. And just as private capital is bent on privatizing social wealth, so should the social economy be focusing on ways to *socialize* capital.

A social economy understanding of the market, and of profit, makes it possible to rethink society legislation so as to allow non-profits to issue shares to raise capital, to accumulate capital in the form of undistributed reserves for the pursuit of social ends, and to invest in other social economy organizations and institutions that have the same purpose. The development of the kinds of social purpose capital that are now possible in the case of co-operatives should be extended to the whole of the social economy, with the proviso that their use be transparent and democratically accountable to contributors and service users.

This is essential. Without such accountability, there is the risk that capital accumulated by an organization for social purposes may ultimately be used to pursue private interests – as is sometimes the case with non-profits that have no structure for accountability to stakeholders. *What is central in protecting the pursuit of social ends is not the conventional prohibition on the accumulation and distribution of profit, but rather the social constraint imposed by democratic accountability for the use of that profit.* It is exactly the same principle that serves to protect the public interest when applied to the taxing and spending practices of the state.

Let us now examine a case study from Japan that illustrates well the main points we are making with respect to how such a system might work with respect to the provision of social goods and in particular, the use of social currencies for this purpose.

Case Study – Fureai Kippu, Japan

Japan currently has the most numerous and diverse forms of social, or complementary currencies in use in the world. ²¹There were approximately 258 complementary currencies in use across Japan in 2008.

Fureai Kippu is a reciprocity-based time banking system that was developed over 40 years ago to provide care for the elderly. Fureai Kippu literally means “Ticket for a Caring Relationship” and refers to the ticket or credit that is earned when one volunteers their time helping seniors. According to the first published research in Japanese in 1992, Fureai Kippu is:

A generic term for various time-based systems, such as Time Deposit, Point Deposit, Labour Bank, etc. ... where members can earn time credits or points for the hours they volunteer, providing physical care, home help and emotional assistance to the care-dependent members. These credits can then be registered by the host organization and saved in their personal accounts. Time credit holders can withdraw and use their credits to buy care for themselves or relatives as required (Sawayaka Welfare Foundation (SWF), 1993).

Fureai Kippu adheres to a strict time banking model which tracks and then reimburses volunteer time on the basis of earned credits. However there are variations in how banked time is reimbursed. The traditional model is one that is strictly reciprocal and where earned credits are redeemed in received services, either for oneself or for one’s relatives. A second model also includes the redemption of volunteer time through a combination of earned time credits and cash. In both models, dependent users of services may pay a small user fee if they are unable to earn time credits because of ill health or incapacity. These user fees are paid to the host organization, which in turn can offer a cash payment in combination with time credits to volunteers.

Like time banking studies elsewhere, (Seyfang, 2004; Collom, 2007; Ozanne, 2010), Fureai Kippu generates a number of positive impacts, in addition to the obvious social benefit of offering an effective means of providing care to the elderly. These include building personal relationships and expanding social connections, improving the mental and physical health of participants, promoting mutuality and responsibility with respect to the care of vulnerable people; and helping to create a more equal relationship between caregivers and recipients. ²²Moreover, the system offers a civil model of care that is more cost-effective, flexible, and humane than expensive “top- down” models typically associated with state care provision.

The Fureai Kippu model is not without its problems, however. One of these has to do with designing reciprocal exchange systems that effectively match earned credits to services received. In the case of NALC, during 2010 a total of 12,367 volunteer members assisted 3,126 dependent members, earning 198,091 credits in total while only redeeming 10,548 (5%). The balance was redeemed by user fees or by the organization (these were paid in return for non-person based activities or work for the organization such as office work or training). Over time, a total of nearly 1.7 million credits have been accumulated in individual members’ accounts. User fees are thus a key means of guaranteeing a means for volunteer members to earn their time credits while allowing dependent members to purchase services they cannot otherwise earn.

Meanwhile, the system has adapted to the challenge of matching time credits to services by expanding the ways in which reciprocal exchanges can be made. Unlike the traditional model where credits are

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Kennedy and Lietaer, 2004

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Mayumi Hayashi, Japan’s Fureai Kippu Time Banking in Elderly Care: Origins, Development, Challenges and Impact, *International Journal of Community Currency Research*, V. 16, 2012

exchanged for elder services within the host system, either later in life for oneself or currently for one's relatives, a new "horizontal" system of exchange has been developed in which time credits may be redeemed in a short time frame in exchange for such services as child care and a range of other local services (museums, recreational facilities, cash vouchers with local businesses, etc.). This allows local municipalities and local businesses to support the system while promoting both community building and the local economy. Time credits may also be used to pay for the monthly insurance premiums of the state elder care system. Finally, unredeemed credits may be donated to a shared pool for use by those who haven't the means to access services otherwise.

While the Fureai Kippu system is not a panacea, the model is a successful complement to formal state care systems. It is a key reason why governments at both local and federal levels have supported the system, including state efforts to recruit volunteers for the programs. Starting in 2009, Yokohama City near Tokyo attracted over 4,000 volunteers in a single year, largely due to the scheme that allows members to exchange time credits for services other than elder care.

Moreover, with the proven value of Fureai Kippu to the communities it serves and to state efforts to provide care to its ageing population, the model has been receiving serious attention for application in countries like the UK where civil alternatives to state systems have become a priority for government.

Lessons

A key lesson provided by Fureai Kippu in Japan, is that reciprocity and mutualism can be valued in strictly social as opposed to monetary terms. Time banking is one approach that continues to offer non-commercial solutions to the provision of social services, especially if these are complemented by the role of the state. Fureai Kippu shows how a reciprocity-based system rooted in local communities can work with state systems to form the basis of public-civil partnerships that offer an alternative to the privatization and commodification of what should remain *social* relationships of caring.

There is no reason why vouchers or other mechanisms for placing market power in the hands of citizens should be associated exclusively with the political Right – as they are. The use of market power for social care is just as amenable for socially progressive purposes *if the market in question is structured around civic principles*. Markets are *not* necessarily commercial, or capitalist, and the sooner this is understood the sooner society can address the contradiction between social goods on the one hand and chronically under funded and antisocial delivery systems on the other.

Governments and civil society must both grapple with how economics can be made to work for civic purposes, and the creation of social markets is essential to this. Innovative tax policy is also central to this aim.

What we are talking about is the creation of an institutional social market through the formal valuation of social goods and the capitalization of these goods directly by citizens and the promotion of informal social markets through communitarian mechanisms like social currencies that both value and expand reciprocity and social capital in the provision of social goods. *The state retains a central role however, as co-funder and facilitator of these systems.*

To be clear: this is not to advocate for the commodification of social relations, nor is it the promotion of atomized and utilitarian relations in place of social ones as is now the case with privatization. Rather, we are proposing forms of social currency that act as mediums of circulation for the expansion of a new kind of *social* relationship between producer and user based on the reciprocal and mutual character of social relations that are characteristic of the social economy itself.

The Social Market Exchange

What would such a social market exchange look like? There are currently a number of social stock exchanges and they all share a common feature: the ability to invest in a social enterprise through the purchase of shares that yield a limited return to investors. This is one approach, and so long as returns are not speculative and contained by clear social priorities they can be a key source of needed capital. Otherwise, returns to investors for support of social enterprise moves away from reciprocity and toward a capitalist conception of social investment.²³ By contrast, what we are proposing is something that values both contribution and return in terms of reciprocity. This is the reason we use the term *contributor* as opposed to *investor*.

What does this entail? First, it would mean the extension of tax exemptions and benefits to contributions that support the creation and distribution of social goods. In this way, the provision of a tax benefit to social contributors acknowledges the key notion of a public benefit compensated by the tax system on the reciprocity principle. It also embodies the fundamental principle of public responsibility for social care as a civic right. This is what taxes should do. But in addition, there needs to be a re-alignment of powers with respect to control over the design and delivery of social care itself. A number of factors seem essential.

The first requires shifting the production of some social care services from government to democratically structured civil institutions. Government would retain its role as a prime funder for these services and for the regulation and oversight that is necessary to protect the social character and public interest entailed in these services. The first part of this equation is already well underway. Governments have been unloading social services to private and non-profit providers for over two decades. It is the second aspect, the need for user control and service accountability that is lacking (as too, is the funding). Social services that receive public funding and are not under the direct control of the state should be conveyed only to those organizations that provide control rights over the design and delivery of those services to users.

This applies equally to non-profit and for-profit services. Examples include organizations that provide elder care, family services, services to people with disabilities, or childcare. Moreover, those services that remain under state control (social security, public pensions, public auto insurance, public schools, health care services, etc.) should be democratized through the provision of control rights to users.

Second, government funding should, at least in part, flow directly to social care recipients who would then select the services they need from accredited organizations of their choice. To qualify for receipt of public funds, these organizations must have provisions for user control in their operations. In addition, funds must be made available for the organization of independent consumer-run organizations to assist users and their families in the identification, evaluation, and contracting of services to their members. This is crucial, especially in the case of users that haven't the means, or the capacity, to adequately select and contract services on their own.

Third, social care organizations must have the legal ability to raise capital from among users and from civil society in general, on the basis of social investing. Both users and community members would be able to purchase capital shares for the purpose of capitalizing the association. As a social *investment*, these shares would yield a prescribed value in services to investors but unlike conventional social investment models, investor control within the association would be limited to ensure democratic control by members. As social investments these capital assets would not be taxed.

Fourth, surpluses generated by these organizations should be considered, at least in part, as social assets. All social care organizations receiving public funds – whether in the form of vouchers or direct

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In the case of schemes such as social impact bonds, which are now all the rage, there is now a distressing body of evidence to show how easily private capital can exploit social investment models to generate profits at the expense of the services they are meant to support (see Margie Mendell, 2012).

payments from government – would establish an indivisible reserve for the expansion and development of that organization and its services.²⁴ A portion of operational surplus would also have to be used for the partial capitalization of a social market exchange through the purchase of shares in the exchange.

Social capitalization requires the creation of a social market based on reciprocity and mutuality. For example, individual contributors could purchase shares yielding a monetary value that is redeemed through the use of a social good or service provided by any one of the accredited organizations in the system, as in the example of Furrei Kippu.

A mechanism for mediating the issuance of social vouchers on the one hand and their redemption on the other needs to be established to balance what some organizations receive in contributions and others redeem in services. The creation of a collective capital pool to help organizations pay for redeemed shares might be one way of managing this. The collective pool would be capitalized by the contributions of participating organizations, and may include contributions of supporting individuals. A social capital exchange of this type generates an independent source of credit and investment capital to social economy organizations, in addition to what they would receive from the state. Shares would be eligible for tax credits on the basis that such contributions have a clear and direct social benefit, as would a capital pool.

In these models, the primary role of government would be to continue to provide public funds for social care services and to establish the rules of the system. In partnership with service deliverers, caregivers, and users, the state would regulate and monitor service delivery, establish service standards, license service providers, and enforce legal and regulatory provisions.

Finally, the locus of service design and the designation of service needs would take place, as much as possible, at the community and regional level of delivery. This requires the creation of civil and municipal associations of public and community stakeholders to ensure the accountability of services and the flow of information necessary for effective budgeting, service design and delivery.

The development of open knowledge systems whereby data and information is transparent, open, and freely accessible by citizens and social economy organizations is a concrete way in which a social knowledge economy can be linked to the operations and social aims of social economy organizations.

Most importantly, this decentralization of service delivery must include the democratization of decision-making through the sharing of control rights with service users and caregivers. This is precisely the system that is in place in cities like Bologna where social co-ops and their federations deal directly with municipalities to determine the service needs of communities and to manage their delivery.

Moreover, the decentralization and democratization of social services to regional and municipal jurisdictions is consistent with the provisions of the National Plan for Good Living, which emphasize the localization of planning and decision-making as much as possible to local regions and communities.

A word of caution however, must be noted. Such policies have proven highly effective in the cases of places like Quebec, Italy, and Japan because there existed fairly high levels of social capital that were in turn reinforced by a culture that valued reciprocity. This is especially true of Japan, and hence the Fureai Kippu system both reflected and reinforced this culture even though there did not exist a large number of non-profits as was the case for example, in Quebec.²⁵ In Italy, a long tradition of co-operative organizations helped form the institutional foundation for the evolution and spread of social co-

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Indivisible reserves have a long history in co-operatives and remain a key means by which co-ops capitalize their operations. The reserve is accumulated over time from the co-op's surpluses and may not be distributed to members – it is a collective asset for use as a social benefit and is therefore not taxed.

ops.

What this means in practical terms is that democratizing and de-centralizing policies from government are not enough. What must also be considered is the educational and community development work that is needed to provide for the ongoing evolution of the civil institutions and cultural attitudes that form the basis for this kind of civil and cultural transformation.

Crucial to this is the development of multi-stakeholder intermediaries that can act as interlocutors with government on behalf of the broader social economy. At a service level, multi-stakeholder organizations representing different stakeholders and interests can negotiate contracts and services, co-ordinate organization and production, and support the social economy providers with cross sectoral training, logistics support, collective purchasing, financing, etc.

Popular education programs to raise awareness and understanding of this new approach among communities are also key. And, as outlined in more detail below, there is an urgent need for higher-level academic research, education, and professional training for both civil servants and social economy actors. To this end, we propose the establishment of a Co-operative University that can develop the skills, attitudes, and solidary culture that can sustain the transition process outlined above.

A Policy Ecosystem

A review of public policy trends and instruments for supporting the social economy reveals a highly developed array of strategies developed by many countries.

The following outlines a number of strategic areas where adaptation of these strategies can make a key difference for the further advancement of the social economy in Ecuador and for its capacity to maximize the benefits of an open knowledge policy pertaining to social economy organizations in the country. Most importantly, it is crucial that the government's social, educational, developmental, and financial policies combine to create an integrated, yet diversified, ecosystem of institutional supports that together create an environment within which the social economy might flourish *throughout* Ecuador's economy. These integrated programs may be broadly organized along four mutually supportive axes:

1. Tax Policy and Public Subsidy
2. Financial Supports and Social Investment
3. Community Education, Mobilization, and Development
4. Research, Higher Education and Professional Training

In general, the role of government in administering these initiatives may be summarized as follows:

- a) Facilitating the co-construction and co-implementation of national Social Economy policy through direct collaboration with social economy and other primary stakeholders (e.g. municipalities, territorial governments);
- b) Direct financial injection (seed money, which is also a credit enhancement)
- c) Investment (interest free loans for a certain period and possibly renewed)
- d) Fiscal policy – tax measures/incentives
- e) Financial guarantees
- f) Legislation/regulation, including the reform of the Organic Code for Popular and Solidarity Economy (LOEPS) as outlined in Section One, Social Knowledge and the Social Economy, and Appendix 1.

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Specific policy recommendations corresponding to each of these four key themes and the respective government initiatives are outlined in Appendix 2.

Many of these initiatives have proven successful in strengthening the capacity of social economy organizations to contribute to social wellbeing through the production of much-needed social services and the increase in training and employment that these services provide. In particular, the use of co-operative models for the provision of social care has yielded not only an increase in the range and quality of services available to the public, but in jurisdictions like Italy and Quebec where public policy has supported their development, social co-ops have generated a high proportion of the new employment generated by the social economy.

In Quebec, the government funds 85% of the costs of daycare programs delivered by solidarity co-ops and other social economy organizations, making the sector the 4th largest employer in the province.²⁶ Solidarity co-ops in Quebec account for fully 40% of the home care services in that province. In Italy, although social co-ops compose only 2% of non-profits, they are responsible for 23% of jobs in that sector. In Bologna, 87% of the social services in that city are provided by social co-ops under contract to the municipality.

Within the broader commercial economy, social economy organizations like co-operatives have prospered when access to basic capital resources – owned and controlled by the social economy itself – has been bolstered by progressive tax policy, by enabling legislation, by education and professional development, and most of all, by the support of representative civil associations that can identify and address the collective needs of the sector. Multi-stakeholder structures representing a broad range of social economy actors have been key in this regard.

With respect to the co-operative movement, which plays such a central role in Ecuador's social economy, the creation of a national co-operative association is indispensable if the movement is to meet its potential. Wherever the co-operative movement has played a significant role in the economic and social life of a society it has been led by a federated national association that both unites and mobilizes the co-operatives of the country. This remains a key task for the co-operative movement in Ecuador.

In summary, there is no question that a concerted use of public policies by the Ecuador government can have a decisive effect on the capacity of the social economy to play a much enhanced role in the provision of new goods and services, in generating new opportunities for training and employment, and in strengthening the productive capacities of key sectors through the use of co-operative and other collective systems. But more than this, the growth of Ecuador's social economy also leads to the diffusion of progressive ideas and practices that in turn reinforce a progressive political economy both in the state and in the broader society. This is essential for the pursuit and institutionalization of those values that will, in the long term, be the foundation for a more socially just and equitable social order.

Section Three: Public Policy for a Partner State

When the government of Ecuador introduced to the world its visionary constitution and its bold plan for reframing the direction of development according to the precepts of *Buen Vivir* and the Social Knowledge Economy, it held open the possibility of a wholly new conception of governance and of the role of citizens in both defining and defending the common good.

This section examines the concept of the Partner State in relation to a social knowledge economy and the concept of *Buen Vivir* as proposed in Ecuador's National Plan for Good living. Drawing on both the theoretical and practical foundations of the Partner State as a model of governance, the paper argues that the proposed transition to an economy based on social knowledge and the realization of *Buen Vivir* requires a radical restructuring of the State apparatus toward a direction of increased

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Margie Mendell, private communication to J. Restakis, June 19, 2014

empowerment and meaningful engagement of both civil society and economic agents in the small firm economy as prerequisites for this transition.²⁷ In this context, the Partner State is presented both as the necessary vehicle for the fulfillment of *Buen Vivir* and as the culmination of this process. The idea of the social market is also advanced as a means of enlarging the scope of social economy activities throughout the economy and as a central aspect of a Partner State approach to empowering civil society.

Throughout this section we again emphasize the crucial roles of co-operation, social capital, and the common good. They are the ethical foundations of a State in which the civil principle is foremost. The practice of co-operation reinforces and cultivates further co-operation and we argue that a primary aim of the Partner State is the promotion of co-operative systems that replenish social capital and the attitudes and skills that promote sharing and the pursuit of social aims. A social knowledge economy is thus very much a co-operative economy.

Just as the vision of a social knowledge economy and *Buen Vivir* represent a radical departure from neo-liberalism, so does the Partner State represent a departure from the State as the command and control apparatus from which economic and social development proceed. The Partner State, in which active citizenship for the common good is a defining feature, is the political expression of a society in which knowledge, economics, and social policy are all in service to civic values and the common good.

At a time when many are searching for viable alternatives to the traditional Welfare State on the one hand, and the emerging Corporate State on the other, the idea of the Partner State is a new formulation in which the State is both the guarantor of public welfare and the promoter of civic values. Combined with the interest of the Ecuadorian government to promote a new economic and social paradigm through the use of open knowledge and commons-based economic principles, the Partner State emerges as a model that marries the values of the Citizen's Revolution and the 2008 Montecristi Constitution with the vision of the National Plan for Good Living.

Throughout Latin America, the rejection of neo-liberal policies by the region's electorate has been reflected in the ascension of governments that are reclaiming and resurrecting the State as an indispensable player in economic and social planning. This is certainly true in Ecuador where according to the National Plan for Good Living,

*Recovering the State and its role in planning, administrating, executing, distributing and redistributing has ... been vital to guarantee and open up opportunities for participation by persons, communities, peoples and nationalities in order to formulate, implement, evaluate and oversee public policies and public services.*²⁸

The question that needs to be answered however is: what kind of State best reflects these values and principles?

To achieve the kind of society envisaged by the National Plan, a fundamental reframing of the role of the State is necessary. As stated by Ana Ravegna, Director of Equity and Poverty Reduction at the World Bank, "This includes the implementation of structural policies aimed at providing all members of society with a far higher degree of socio-economic sovereignty and political agency so that citizens have "the wherewithal to operate normally and properly in... society without having to beg or borrow from others, and without having to depend on their beneficence." Access to the essentials of a

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It is also important to note that the small firm economy includes those social economy organizations such as co-operatives and other social enterprises that trade in the market.

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National Plan for Good Living, 2013-2017, 3.3 Active Citizenry, pg. 28

productive and rewarding life are not a function of market power but rather of the rights of citizenship. Such a policy is also indispensable for the development of a society that is decent, which is to say, a society whose institutions do not humiliate its members.²⁹ The emergence of a decent society is thus intimately linked to the democratization and humanization of its public institutions.

The Partner State³⁰

In its evolution, the idea of the Partner State proceeds directly from the principle that civil society is the source of political legitimacy in a democracy. In this view, the State is in the service of civil society as a vehicle to advance and protect the common good.

The Partner State is an enabling State. Its primary purpose is to maximize the capacity of civil society to create social value and to act as an equal partner in the formation and delivery of public policy for the common good. The enabling role of the State is not confined to the promotion of social value. It also entails the promotion of open access to the economy. It provides space for many models of entrepreneurship, including collective and commons-based forms of enterprise such as co-operatives and peer-to-peer networks, and the promotion of participatory politics. The Partner State enlarges the scope of personal autonomy and liberty while reinforcing the social bonds that build healthy communities and a vibrant civil society. Central to this process is the democratization of the State itself.

Traditionally, the State has been viewed as the final arbiter for the regulation and operation of three broad economic sectors in society – the private sector, the public sector, and the social/solidarity economy. Each of these sectors operates on a distinct set of economic principles and values. The private sector utilizes the principle of exchange equivalence (price) to create profit – its values are wealth accumulation and market efficiency; the public sector (the State) uses the economic principle of wealth redistribution to provide for public goods – its values are equity; the social economy utilizes the principles of reciprocity and mutuality to promote social aims – its values are social utility and human solidarity, whether they operate in the area of social goods and services or in the broader market economy.

In modern times, the regulatory role of the State has habitually swung from the promotion of either the private sector through support of the capitalist economy, or the redistributive function of government through State control of economic planning. The first submits the public and social economies to the requirements of capital; the second submits the capitalist and social economies to the needs of centralized State planning. Both models have come at unsustainably high economic and social costs. And while there have been varieties of these two models, mostly in some combination of public and private dominance, there has never been an instance in which the needs of civil society and the values of the social economy have predominated in the State's management of economic and social policy. In theory and practice, the Partner State is the first State formation to do this.

Consistent with the values and operating logic of the social economy, the use of reciprocity and mutuality as central tenets of economic and social development transforms and re-orientes the State toward civil society as the primary engine for the creation of social value for the common good. With social values, equity, and sustainability at the foundation of public policy the Partner State also re-orientes the role of government toward the private economy and the operations of the public sector. The private and public sectors still retain essential functions in the national economy and in society. The profit motive and private business continue to play a role. The difference is that in the Partner State the

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A. Margalit, *The Decent Society*, Harvard University Press, 1996

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The notion of the Partner State was first elaborated by Cosma Orsi in his paper, *The Political Economy of Reciprocity and the Partner State*.

respective roles and powers of the commercial market and the public economy are counterbalanced by the primacy of the common good as the framework within which public policy is formulated and enacted.

The institutions of civil society are thus central to the realization of this vision as is the development of public policies and practices that translate this vision into meaningful political participation from the level of local neighborhoods to the directing institutions of government itself.

How then, may such a model be made real? What are the policies and practices that are essential to its operation? Where are the examples that may serve as models for application in Ecuador?

Social Economy and the State

Before discussing how a Partner State would operate, we must first consider the economic, cultural, and structural differences that differentiate the State from the social economy. As outlined above, the state and the social economy are two very different types of economy.³¹ The State is structured in terms of bounties and levies and its principle source of income is taxation that is levied on behalf of the entire citizenry. Its services are generally free and administered through a highly centralized system of hierarchical control. In a representative democracy, the operation of state services depends on a ladder of accountability that reaches from the front line worker up through the departmental hierarchy to a Minister who is then answerable to a representative Parliament, or directly to a head of State.

This is a system that is characterized by a high degree of control over functions and behaviours and which has a built-in bias against uncertainty, innovation, and individual initiative. Power is imposed and flows from top to bottom and the legitimate exercise of this power rests internally with the designated managers of the civil bureaucracy and the Ministers they report to, not to external stakeholders, except as mandated periodically, and very indirectly, through the broader electoral process.³²

The internal economy of this system is based on the negotiation of tax or debt-financed budgets that are bargained over by a small group of Ministers and senior civil servants. The main forms of control are over expenditures rather than outcomes (or desires), and insofar as power is exercised through control over budgets it is a system that encourages expenditure up to the budget allocated.

The social economy operates very differently. As Robin Murray states, whether it involves social ventures selling into markets, or grant based organizations, or informal associations of households, the social economy is impelled by a strong element of enthusiasm and a sense of vocation. It relies on the willing contribution of time, finance and ideas in pursuit of an idea or social mission. It is the quality of this idea and the capacity to communicate, inspire interest, mobilize resources, and realize the idea in practice that determines the relative magnetism of the venture. If the idea or mission grows stale and/or the hope of its realization ebbs, then the willing contributions of citizens will decline. It is this which acts as the discipline – similar in some ways to the discipline of the market – as against the disciplines of accountability in relation to budgets and political aims that characterize the state. The

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This section and the structural schematic that it contains are derived from Robin Murray's very valuable critical remarks on this paper.

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We are describing here the *formal* structure of the state apparatus and we of course recognize that there are other *informal* circuits of power and influence that lie outside the structure, as for example between various interest groups and government ministers and officials. Not being mediated through the system of representative accountability that legitimizes the actions of the State, these power relations – although very real and in many cases decisive – remain outside the scope of the formal institutional relations between State and civil power we are exploring here.

social economy is mission driven rather than cost controlled on the basis of budgets, as is the case with the state.

The structures, labour contracts, aims, and culture of the two systems follow from the above. And it is these differences that make effective partnering between State and civil society structurally difficult. The diagram below highlights some of the differences that need to be addressed for a partnership to function.

Features	State	Social Economy
Size	Large scale	Distributed
Structure	Vertical hierarchy	Horizontal
Culture	Rule based/impersonal	Entrepreneurial/affective
Accountability	Mediated taxpayers	Unmediated, voluntary energy, civil stakeholders
Source of finance	Tax	Voluntary/dues/grants/market
Organizational stability	Permanence	Fluctuating/fluid
Relational stability	Fluid	Stable
Knowledge	Aggregated/government through statistics, controlled	Granulated, distributed, open
Atmosphere	Routine, predictable	Uncertain, exploratory
System	Stable	Chaotic
Dynamic	Cost drift	Social Capital accumulation and mission achievement
Labour	Structured roles/unions	Structured around capacities and social vocation of labour and volunteers, non unionized
Wage structure	Unequal	Egalitarian
External relations	Transactional	Generative

Given these differences, it is easy to conclude that a working partnership – a new social contract in effect – is impossible between the State economy on the one hand and the social economy on the other. But this would be to ignore the fundamental commonality of purpose that is shared between the two systems. Both are concerned, and their legitimacy is derived, from a commitment to social as opposed to private goals. In this very fundamental sense, they are extensions of the solidary principles that constitute the operations and aims of the broader civil society that sustains and validates both systems. In pursuit of these civil aims, the State offers stability and scale while the social economy generates creativity and social connection.

All living things and all social systems, as with all matter, are a delicate balance of order and chaos. Order alone leads to entropy. Creativity alone leads to chaos. A State model based on public-civil partnership offers the potential of achieving a vitality and efficacy that each sector on its own is unable to achieve. The art is to establish a division of labour that corresponds to the aims and dispositions of the two cultures.

The state has the capacity to be a synthesizer and facilitator, to set the rules and provide a basic flow of core funds that allows a distributed system of social enterprises to flourish. It has the capacity to organize large projects, and at national scales. In its normative role, it has the mechanisms to reinforce behaviours that reflect a broader societal consensus. It represents the general interest, however mediated its mechanisms. The social economy on the other hand is a source of innovation, of distributed production, and in particular of relational production – something essential to the provision of human services. It is a space of personal and productive democracy in contrast to the state’s representative and deliberative democracy. In a very real sense, the two domains manifest the

requirements of collective versus personal citizenship and each is the necessary complement to the other. A new social contract must be based on this fundamental framework.

How then, might such a partnership work? How can the interface between these two admittedly contrasting economies be made more permeable and productive? The following discussion offers some directions.

1. Democratization and Co-construction of Public Goods and Services

In the section “Public Policy and the Social Economy”, we explored the kinds of legal and policy instruments that are necessary for strengthening the institutions of the social/solidarity economy so that it is *able* to play the role of partner as envisaged in the Partner State. Chief among these are

- a) The development of a true social market that enlarges the scope of the social/solidarity economy and of social economy organizations throughout the economy;
- b) The creation of civil and community-based institutions that mediate between government and individuals for the creation of social goods and services; and
- c) The progressive democratization of public goods and services through the transfer of institutional control from State bureaucracies to democratically-governed civic bodies.

Earlier, we also highlighted the economic, social, and quality of life benefits that are made possible by the democratization and decentralization of public goods and human services.³³ With respect to social care, these include the reduction of service costs due to the elimination of bureaucracy and rent-seeking; the increase in service quality and service innovation due to the involvement of users in the design and delivery of services; the increase in self-esteem and personal empowerment for service users through the exercise of their control rights; and most importantly the creation and expansion of caring relationships among persons as the primary purpose and outcome of social care systems.

Neither the privatization of social care, which instrumentalizes people for the generation of profit, nor the de-personalization of care by the State, which submits individuals to the impersonal requirements of bureaucracy, are capable of humanizing care or of responding adequately to the real needs of individuals and their communities. The creation of civil bodies, operating at local and regional levels, and providing a mechanism whereby individuals may directly determine the nature of the care they receive, is one indispensable condition for the operation of a Partner State model with respect to the provision of social care. The other is a mechanism through which government and civil interests can collaborate on the design and delivery of human services, at local, regional, and national levels.

The National Plan is explicit in its call for the decentralization of economic and social planning to the territories. The Plan recognizes the importance of local involvement by governing bodies and citizens in the implementation of the National Plan and in the ongoing planning decisions made with respect to both economic and social development. The use of subsidiarity as a key principle of inclusive planning is thus central to the reform of public services as a defining characteristic of the Partner State.

The legislation governing the creation and operation of co-operative and other social economy organizations is one area of public policy in need of reform. To this end, specific provisions that recognize and reinforce the role of social economy organizations in the development and delivery of social care to their communities are of paramount importance.

These provisions would include:

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See also Restakis, *Humanizing the Economy – Co-operatives in the Age of Capital*, New Society Publishers, 2010.

- The recognition of social co-ops and multi-stakeholder structures as unique models for the provision of social care;
- The recognition and promotion of mutual interests for serving the common good by local public authorities and social care co-operatives, with particular emphasis on social inclusion and service to the most vulnerable;
- The implementation of tax and financing supports that support the operation of social co-ops and other social organizations as key partners in the provision of human services and the advancement of public policy;
- The creation of local and regional councils that enable the collaboration and co-construction of human services through the joint participation of civil and governmental bodies;³⁴
- The development of participatory budgeting and the allocation of resources – including free and open access to government data – for the provision of human services at local, regional, and national levels.

Among the best examples of this approach to the decentralization and democratization of human services is to be found in Italy.³⁵ In the Italian model, social co-operatives work closely with local government authorities to identify service needs, to design the provision of services, and to negotiate the terms for the delivery of services, including budgets and quality control measures. The co-design and delivery of social care services is supported through a system of subsidiarity that grants local authorities the power to identify service needs and to commission the provision of these services through accredited co-operative or other non-profit service groups.

Consistent with the National Plan, the progressive democratization of human services entails a new governance matrix that maximizes citizen participation in the design and delivery of human services at those levels closest to the actual provision of care.

In addition to facilitating a partnership approach at the local level, the matrix must also allow for efficient planning and governance of human services at regional and national levels. To this end, we propose the adoption of viable systems models (VSM) that maximize local decision-making and autonomy. Viable System Models enable scaling to higher orders of service delivery through the adoption of co-operative governance structures that engage both civil society and government in jointly controlled institutions at the provincial, canton, and parochial levels of governance.³⁶

The co-construction of public goods and services through an institutional framework that fosters public-civic partnerships is at the heart of the Partner State as envisioned here. To this end, the following policies are proposed as an initial framework for recasting the role of the State from one of dominating control over the production of public goods and services, to that of promoting and enabling the civic production of goods and services as a form of protected commons. Indeed, many of these policies are proposed in the National Plan and in numerous policy documents of the government.

Recommendations:

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The serving government has instituted a policy of neighborhood councils throughout Ecuador. However, insofar as these councils are directly associated with the political movement of the Correa administration, and not the broader civil society, a new apparatus with direct accountability to the broader public would be required.

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J. Restakis, *Humanizing the Economy – Co-operatives in the Age of Capital*, Ch. 6, 2010

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See J. Walker and A. Espinoza, *The Viable Systems Model*, Laurel Bank Associates, 2011; *A Complexity Approach to Sustainability: Theory and Application*, Imperial College Press, 2011

- a) That regional and local governments participate in a social procurement policy that promotes social economy organizations for the production of social and human services;
- b) That the provision of these services be designed and developed in collaboration with social economy associations in the local jurisdiction;
- c) That a review of existing procurement policies, *including trade agreements*, be undertaken to identify and remove existing barriers to social procurement by social economy associations;³⁷
- d) That an office for social procurement be established to provide advice and technical assistance to government and social economy associations in the design, development, and procurement of public services.
- e) That a strategic review be undertaken by government (i.e. SENPLADES) to examine how co-construction of public goods and services might best be undertaken in Ecuador and in which areas.

Shared Services

Recommendations:

- a) That the government, in collaboration with social economy organizations, identify specific areas in which services may be shared, and co-produced, by social economy organizations working in co-operation;
- b) That the creation of shared service consortia be supported to provide strategic shared services on the basis of local and regional jurisdictions;
- c) That shared service consortia and centres be funded from the contributions of member associations and investments from social economy funds;
- d) That shared service consortia and centres be collectively owned and controlled by their user members;
- e) That shared service centres include the possibility of representation on their board by an appropriate government designate;
- f) That a majority of consortia and centre board directors be derived from user members and that non-member directors may not exceed 20% of a board's directors.
- g) That the government, in partnership with the co-operative sector, establish a co-op development program to fund the development and support of new co-operative enterprises, including the provision of technical assistance and training;
- h) That the government provide incentives for co-operation among social economy organizations for the production of social goods and services;
- i) That the operations of IEPS be mandated to study, monitor, track employment, identify strategic needs and trends, and provide educational and research services for the social/solidarity economy of Ecuador.

Strategic Planning & Design – Regional and Neighborhood Councils

Recommendations:

- a) That each municipality be required to establish a joint municipal/civil council for the purpose of determining priority needs for the provision of social services;
- b) That municipal/civil councils promote the production of goods and services by social enterprises that meet social and environmental objectives and contribute to job creation, responsible consumption, personal and social well being, and new services not provided by either the public or private sector;

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This is a key issue. Should the Correa administration sign the proposed European Free Trade Agreement (EFTA), government procurement policies which are a central policy tool for transition to a Partner State model, would be impossible to implement.

- c) That the council be composed of an equal number of local government and civil society representatives;
- d) That civil representatives be selected through a free and open democratic selection process by social economy organizations in that jurisdiction;
- e) That the chairmanship of the councils be shared between a Chair and a Vice Chair to be drawn from government on the one hand and civil society on the other;
- f) That the positions of Chair and Vice Chair be held for a term of two years;
- g) That the position of Chair alternate between the government and the civil representative every two year term.

2. Guarantee of Minimum Economic Independence

Social Income

Among the most significant achievements of the Ecuadorian state for the advancement of social protection is the use of the Bono de Desarrollo Humano (BDH) for the alleviation of poverty and the improvement of educational and health outcomes. The BDH has led to increased school retention rates, increased health care visits, and a reduction of people living below the poverty line from 49 percent in 2002 to 37 percent in 2010. Additionally, the ratio of income inequality in Ecuador has been declining steadily since 2003.³⁸ Compared to other Conditional Cash Transfers (CCTs) in use by governments in the region, Ecuador's BDH has also achieved a higher level of coverage as a percentage of the total population (44.3 percent for 2010).³⁹

In conjunction with other social programs such as the *Red de Protección Solidaria* (RPS) – the family insurance program, *Cobertura de Protección Familiar* (CPF), and the *Crédito de Desarrollo Humano* (CDH), Ecuador's social protection programs are rights and opportunity-based policies. They are founded on the theoretical underpinnings of *Buen Vivir* as a strategy that looks beyond the quantitative measurements of economic performance and establishes a new vision for economic inclusion, transparency and citizen participation. The BDH as a social income is a key element in the realization of this aim.

These are essential theoretical and political foundations for the transition to a Partner State. Not only do such social income programs ensure a measure of social security and equity; they also establish the socio-economic basis for the emergence of an autonomous economic space for a true social market. They provide a social form of capital that can be used to finance the development of new forms of social enterprise and to enlarge the scope of the social/solidarity economy as an autonomous, civil complement (not a substitute) to the public sector.

But important as such programs are, they remain under the exclusive control of State institutions. They are not yet in a form where they could play a transformative role for the inception of a Partner State. For this, a new mechanism for the shared management of these systems by government and individual citizen-users is required.

How then, might the idea of social income be re-imagined for it to become a building block in such a transition? That is to say, how might a State-supported social income be fully integrated into the social/solidarity economy and so become a collective social resource that can be used by civil institutions for the production of social value? By social value we mean the creation of goods and services whose value is determined by their social utility and social benefit, not their exchange value

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Ryan Nehring, *Social Protection in Ecuador: A New Vision for Inclusive Growth*, Research Brief, August 2012, No. 28, International Policy Centre for Inclusive Growth

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ibid

as commodities in the market. *A key area for implementing such a transition is in the use of social income to create a social market for the production and consumption of human services.*

One avenue to explore is the expansion of the BDH to transform it into a universal social income which can be used to fuel the expansion of the social economy through the creation of a social market for human and social services. One approach is to provide an addition to the BDH in the form of a social voucher or social currency that may be exchanged for services that would be offered by social economy organizations that have been established for this purpose. Such a system could begin with a targeted social currency that provides support for human services such as home care, elder care, childcare, or services to persons with disabilities. A social income should not be restricted to the poor. For purposes of cultivating new forms of social service, the provision of a social income should be designed to include also higher income strata and adjusted to income levels. This approach would also remove any stigma associated with the program.

A social income for human services opens up a number of opportunities for increasing the capacity of Ecuador's social economy to create the institutions that can deliver human services as a common good and also to establish an initial framework for a partnership between government and social economy organizations for jointly designing and producing these services. A number of institutional resources would be required for this approach to succeed:

- a) There need to be social economy organizations with the skill, capacity, and resources to provide such services;
- b) There needs to be a clear constituency of potential service users that would be prepared to participate in the development of such a model with prospective service providers;
- c) There needs to be a long-term education and training program to support both service providers and users in the design and development of this system;
- d) There needs to be a strong community of interest where this model might be piloted, including the involvement of local government authorities, social economy organizations, key community stakeholders, and prospective users.

3. Democratization of the Economy and Restructuring the Productive Matrix

Economic and Sector Development

The democratization of the broader commercial economy is of fundamental importance to the evolution of a Partner State. This principle is cited as a key aim both of the National Plan and in numerous policy documents. But if an economy is truly to serve the common good, its driving values, its rewards and punishments, must reinforce the values and aims of civil society as a whole. For this reason, the economy as a whole must be socialized and humanized. By this, we mean the support and expansion of those forms of enterprise and economic relations that utilize the market for the pursuit of social objectives. This includes all types of co-operatives, social enterprises, and private companies that aim at social utility – not merely the pursuit of profit. In sum, it means the expansion of enterprises in which capital is under social control.

Presently, markets are treated as if they are the preserve of private, for-profit, capitalist firms. One outcome is that the space that is available for other forms of enterprise is increasingly reduced as more of the market comes to be dominated or monopolized by large corporate interests. By contrast, the Partner State fosters an economy whose institutions support and reward plurality, co-operation, sharing, social benefit, and *open access* to the market.

As an enabler of civic forms of economic development, the Partner State has a crucial role to play in the formation of economic policy that supports the growth of enterprises that promote social value, environmental sustainability, equity, and economic wellbeing. Central to this is the use of participatory

planning and localized co-operative systems to support the emergence and operation of micro, small and medium sized enterprises (MSMEs) in strategic sectors of the economy.

The Partner State seeks to develop policies that align economic development with the expansion of economic opportunity for all kinds of enterprises. Priority is placed on those enterprises that contribute to local and regional development through the growth and diversification of productive capacity that is rooted to community. Economic policy is thus geared to the strengthening of local economies that can maximize economic opportunity for individuals and micro, small, and medium enterprises, whether privately or collectively owned, which are at the foundation of Ecuador's economy.

Today, MSMEs comprise a significant portion of Ecuador's GDP and account for a high percent of employment, predominantly in the sectors of small-scale agriculture, forestry, fishing, construction, artisan/craft production, and services.⁴⁰ These enterprises constitute the seedbed from which local economies are grown; they are the basis for a localized generation and circulation of wealth.

For this reason, Ecuador's policies for transforming the productive matrix, including the democratization of land ownership and use, place a high priority on developing this vital component of the national economy. As stated in the policy documents produced by the Inter Institutional Committee for Transforming the Productive Matrix (2013),

The micro, small and medium enterprises have a strategic importance in the growth of the economy, for the transformation of the local production system, and the best competitive position for the country. In addition, these business segments contribute to reducing poverty and inequality..."

The aim is that MSMEs have priority treatment at all stages, from initiatives to improve productivity, quality, and marketing to those that promote strategic and rewarding participation in domestic and international markets."⁴¹

In the promotion of these aims, the government has initiated an analysis of the productive capacities of each of Ecuador's 23 regions, itemizing and analyzing the operations of MSMEs as well as private and public actors in each region, identifying the relative importance of specific economic sectors, and identifying the relative strengths and challenges of the productive systems in each territory. Throughout, the documents stress the central importance of collaboration among economic actors, the sharing of research and innovation, and the creation of institutions that facilitate economic and social solidarity in the region.

With respect to MSMEs, a number of general policies are proposed to advance this vision:

1. Facilitating and managing the interaction of the actors in different productive chains;
2. Supporting the participation of rural farmers in public procurement systems;
3. Establishing a program of continuous innovation tailored to the particularities of the region;
4. Creating preferential credit programs of public banks and strengthen microfinance institutions and co-operatives; and
5. Promoting entrepreneurship.

This focus on economic democratization through the support of local small and medium enterprises, as well as the promotion of representative Regional Councils in the development process, are key aspects of a Partner State approach. As enabling agent, the Partner State develops policies and

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Estrategia para el Cambio de la Matriz Productiva, SENPLADES, 2013

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Agendas para la Transformación Productiva Territorial: Provincia de Bolívar, 2013

resources that provide a supportive framework for this kind of development. A number of elements are essential to this. They include:

- The expansion of social/solidarity economy values throughout the economy through the promotion of co-operative and commons-based models of enterprise;
- The development of co-operative networks that encourage collaboration and the promotion of collective interests and a regional perspective among individual enterprises;
- The creation of institutions that enable joint planning between local enterprises and government;
- The identification of strategic sectors and the development of regional policies that understand and address sectoral strengths and weaknesses for the long-term;
- The development of localized service centres – controlled by the enterprises that use them – that are capable of providing specialized, shared services to enterprises operating in specific sectors;
- The creation of localized institutions that support the capitalization of enterprise;
- The creation of entrepreneurial networks that are capable of accessing and utilizing knowledge to advance enterprise development, to promote innovation, and to transform production through the sharing of information and technology (ICTs);
- The provision of incentives for co-operation among sector enterprises for the promotion of shared production systems, the sharing of knowledge, research and technology, and the sharing of enterprise supports such as marketing, training, financing, accounting, bookkeeping, and ICT use;
- The identification of research & development knowledge from the academy for practical adaptation and application to the advancement of individual enterprises and material production through the involvement of academic institutions;
- The linkage of open knowledge systems to new forms of production that can adapt technology to the concrete needs of local enterprises, including the adoption of open source technology;

A number of these policies have already been articulated by the government as have the activities described, particularly the analysis of the MSME economy. Indeed, most of these proposals are now accepted as standard policy for strengthening the performance and resilience of small firm economies. However, the vital question remains... *How are these policies to be realized in practice so that the institutions that are vital to their success reflect the principles of a Partner State?*

While the policy recommendations advancing the vision of Buen Vivir are comprehensive, three issues stand out:

- a) Almost all of the policies described appear to be managed primarily by the State;
- b) There appears to be little practical consideration of the structure, design, and operation of the institutions and organizations that are to realize these policies;
- c) There appears to be no clear strategy for developing the necessary human, professional, and managerial skills to sustain and manage such a policy.

As has been stressed throughout this discussion, it is of paramount importance that these institutions reflect and foster the aims and principles of both Buen Vivir and The Partner State.

What follows is an outline of specific models and measures that address these questions from the perspective of the Partner State and its relation to Social Infrastructure and Social Innovation.

Sector Development

Perhaps the most effective means of implementing a Partner State approach to economic development is to focus on sector development and the creation of partnering institutions at provincial, canton, and parochial levels. This allows for a concentrated focus on strategic areas of economic activity and on the mobilization of partnerships and resources at those levels of governance that are most appropriate for the implementation of policy. This approach also has the advantage of activating the governance structures and giving effect to the democratization and decentralization of decision-making and economic planning mandated by the National Plan.

The first step in sector development using a Partner State approach is to establish a partnering agency that has the capacity to undertake a detailed sector analysis of Ecuador's economy. The purpose of this development agency is to analyze the operations of Ecuador's key economic sectors; to forecast the role these sectors should play in the evolution of Ecuador's economic future; to diagnose the strengths and weaknesses of each sector in the context of both a regional and a global marketplace; to diagnose the evolving trade, technological, and regulatory dynamics currently underway; and to identify those sectors that are most strategic for the transition to a social knowledge economy and an economy that promotes resilience, sustainability, equity, and the aims of *Buen Vivir*.

As mentioned above, much of this analytical work has already been conducted under the auspices of SENPLADES and its partnering agencies in government. What is still unclear however, is where this overall development role should reside. A key point that is raised in the policy documents is the need to co-ordinate and rationalize the functions of the many organizations that have been mandated to play a development role.

Needless to say, this development agency would be designed as a vehicle for the inclusion of both government and non-government stakeholders in the formation of strategic planning that relates regional development to global realities and provides a counterweight of regional and small-scale entrepreneurial interests to those interests that form the current power status quo. Included in the governance of this agency should be micro, small and medium sized business interests; organized labour; the co-operative and social enterprise sector; the credit union sector; and key academic institutions. This institution would play a role similar to the agency proposed for the social/solidarity economy and for the democratization of social goods and services.

As with the co-construction of social goods and services, the second element in the development of a sector-based economic policy is the creation of specialized service centres that can promote the development of strategic sectors by assisting micro, small, and medium firms to succeed through the provision of shared services; the development of co-operative production networks; the promotion of shared use of technology, research, and equipment; and the utilization of open knowledge systems for collective economic benefit in the region.

These centres would form the organizational infrastructure that facilitates the utilization of open knowledge and open source technology for greatest effect in the sectors they are intended to serve. The overall direction and control of these centres must rest primarily in the hands of those enterprises that use their services along with representation of other regional and sectoral stakeholders such as government, universities, and local financial institutions such as credit unions. The sectoral centres should also be closely linked to the strategic planning role played by the national economic development agency and SENPLADES.

Case Study – Emilia Romagna

Emilia Romagna is a region of four million people in the north of Italy. It is one of the best examples of how a government can employ co-operative and commons-based principles as part of a Partner State approach for both economic and social development.

The co-operative economic system in Emilia Romagna has achieved an internal coherence and integration that is unique. Over 8,000 co-operatives account for almost 1/3 of the region's GDP which is the highest per capita in Italy.⁴² This is Italy's largest exporting region, accounting for thirteen percent of the country's total.⁴³ But this wasn't always the case. In the 1950's this was one of Italy's poorest regions. Its economy was based on small-scale agricultural production, machine production, and traditional crafts. It was, in some ways, an economy similar to that of Ecuador today (minus Ecuador's access to mineral resources). Today, Emilia Romagna is among Europe's top ten performing economic regions. How was this accomplished?

The systems and ideas that sustain this regional system are a result of carefully pursued legal, constitutional, and political choices. These choices were aimed at developing a mixed form of economy that paid equal attention to co-operative and collective forms of enterprise as to private and capitalist firms.

Over a period of 30 years commencing with the formation of regional governments in 1971, Emilia Romagna's regional government blended the strengths of the co-op system with the power of government to create a co-operative economic model that extends beyond co-operatives to the economy as a whole. This approach has had a profound impact on the region's relative income equality, its high wage levels, its plurality of enterprises (both in type and in size), and its inclusive labour market.⁴⁴ There are now more than 100,000 small and medium sized firms in the territory – approximately one for every ten residents. The largest of these are co-operatives.

The most distinctive feature of Emilia Romagna's industrial paradigm is the emergence of what has since become a key strategy for the successful development of a small firm economy – the clustering of small firms in industrial districts. Industrial clusters were perfected in this region and an extensive literature has been devoted to what has since come to be known as the Emilian Model. And although the model has undergone significant changes since its discovery in the early '70s, the pattern of industrial development that it represents is a unique instance of successful co-operation in a capitalist framework.

The co-operation of small firms in industrial clusters is the reason why the firms of the region have continued to thrive despite all expectation and contrary to mainstream theories concerning industrial development in a global economy. The Emilian Model shows how firms can remain small and still compete in a global marketplace. Despite the economic crisis, this model of inter-firm co-operation has consistently outperformed all other regions in Italy.

Over time, over a hundred industrial districts bloomed in Emilia Romagna, each one composed of highly specialized firms clustered around a town or region that produced a characteristic product for export to the rest of Italy and abroad. The firms are usually small - between five and fifty employees, yet the quality of the products are among the world's finest and the target markets are global. How

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J. Restakis, Chapter Four, *Humanizing the Economy – Co-operatives in the Age of Capital*, 2010

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A. Bardi and S. Bertini, *Dinamiche territoriali e nuova industria Dai distretti alle filiere*, 2005

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Emilia Romagna has the highest percentage of women in the labour force in Italy.

then, given the challenges of diseconomies of scale, fierce global competition, market intelligence and access, capitalization, co-ordination, product distribution, could small firms such as these survive - even thrive - in a global market?

The production model of the industrial districts depends on the willingness of local entrepreneurs to co-operate while remaining competitors. It rested also on the involvement of the regional government in understanding the strengths and weaknesses of this system and devising strategies, in partnership with the stakeholders, to allow the system to adapt to internal and external threats. The third crucial factor was the rise of highly flexible digital technology that was amenable to small-scale, specialized production systems as opposed to the highly centralized-capital intensive industrial technologies of Fordist mass-production. The new technology allowed small firms to specialize, to innovate, and to create new economies of scale through collaboration with other firms in shared production systems. With the advent of the internet this technological feature – combined with open source practices – becomes even more potent.

A key to this approach is in the understanding that industrial districts are organic economic forms. They are not static, they evolve, and their strength lies in their ability to adapt to the changing needs of their constituent enterprises and to the shifting dynamics of markets and economic forces beyond their control. How this comes about is a combination of political vision, the skillful management of competing interests, and the possibilities that are latent in the social relations fostered by a culture of co-operation – the region’s social capital.

The role of the regional government in this process was central.

ERVET and the Real Service Centres

One of the first tasks of the regional government was to create a mechanism through which the regional economy as a whole could be understood, its strengths and weaknesses diagnosed, and a program of development established. It created ERVET, the economic planning and development agency that had a lasting impact on the development of the region’s strategic sectors.

ERVET was a public/private agency that was funded and directed by a partnership between the regional government and its key allies among business, labour, and academic institutions. It undertook a careful analysis of the regions’ key economic sectors, diagnosed the particular strengths and weaknesses of the firms comprising these sectors, and established a series of what were called “real service centres” to provide strategic assistance to the firms and the industrial districts of which they were a part.

While the particular services provided by each service centre were tailored to the needs of the sector in which they operated – ceramics, agricultural machinery, footwear, clothing, etc. – the overall strategy was the same: to increase the productive capacity and competence of individual firms and to ensure that the linkages between firms in the industrial districts remained strong and were further mobilized to strengthen the system as a whole.

Some of these service centres (ASTER, Democentre) were engaged exclusively in research, training, and technology transfer. The service centres were structured on a co-operative model – they were

funded through a mix of ERVET funds and member fees and directed by elected representatives of the firms that used their services. This ensured that the centres' services would correspond to the real needs of the firms. The co-operative nature of these networks were a key reason why SMEs were able to access the research, training, and knowledge that were central to creating the innovations that were indispensable to the success and survival of these enterprises.

The programs and services of ERVET and the centres reinforced the co-operative bonds between firms and within the industrial districts. Research funds for product development or the development of new technology were granted only to groups of firms that had agreed to work together. In Carpi, the service center CITER developed an online database for its members that contained thousands of fashion designs, colour combinations and textile patterns that cut to a fraction the time involved in assembling a design prototype. The centre sent agents to the world's top fashion shows and twice a year produced a compendium of upcoming styles so that the Carpi firms could prepare and design their products accordingly. These were services that exceeded the capacity of any one firm in the region. With CITER's aid they were able to compete on a global field. Over the course of the next twenty years, ERVET and the service centres became a major institutional force behind the rapid rise in the region's economic performance.⁴⁵

The use of ERVET as a think tank and diagnostic development agency illustrates the willingness of the regional government to act as a mediating and mobilizing force among the various interests in the region. It was a system that drew on the best attributes of co-operation on the one hand and competition on the other. Co-operation enabled small firms to take on large contracts and achieve economies of scale and scope through networking that were ordinarily available only to large corporations.

The patterns of co-operation extended far beyond industrial production to address basic issues such as capital investment, applied research and product development, the gathering of market intelligence, export support, and technology transfer. On the question of capital investment for example, firms would organize credit co-operatives. These groups, or *consorzi*, would then take responsibility for the loans taken out by their members, operating much as a loan circle for small firms.

Adapted to the credit needs of Emilian firms, *consortio* loans are provided at very low rates by co-operative banks, many of which were first established as a source of credit for farmers. So successful are these consortia, and the default rates so low, that the large national banks have been trying to break into this market for years, but with little success. The smaller regional banks provide for almost all of the region's capital needs.

These and similar policies are already highlighted in the ideas and proposals promoted in Ecuador's National Plan and numerous policy documents. There is a strong affinity between Ecuador's social and economic aims and what Emilia Romagna has been able to achieve, and both cases rely on elements that are central to the idea of a Partner State.

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Today, ERVET is involved only with the research centres ASTER and Democentre. The service centres have been wholly privatized and are operated by the firms in the given sectors.

What Emilia Romagna provides is a structural and organizational framework within which these aims and policies can be realized concretely. This framework entails the principles of co-operation, plurality, a regional perspective, and de-centralized power sharing that are attributes of the Partner State. They give institutional power and focus to a kind of development that serves the needs and aspirations of a wide range of actors including existing MSMEs; the communities in which they operate; the civic and professional associations of civil society including co-ops, trade unions, and business associations; and all are geared toward serving the collective needs of the region.

Undoubtedly, Italy is not Ecuador and the economic, social, and political antecedents that gave rise to the Emilian Model are very different from the experience of Ecuador, which is still in the process of liberating itself from a harsh colonial heritage. However, the lessons of co-operation as an instrument of regional development and of small firm empowerment are even more relevant in the case of countries like Ecuador where economic inequities and the domination of established power structures are even more adverse to the interests and prospects of small and medium firms.

In these contexts, co-operation among MSMEs at a regional level is even more of an imperative if they are to develop and contribute significantly to a new, more pluralistic, productive matrix. And, just as the new digital technology of the 1970s and 80s give impetus to the specializations and innovations of Emilia Romagna's small firms, the open source technology and commons-based knowledge systems of today provide a means for Ecuador's small firms to similarly adapt emergent technology to the particular conditions of MSMEs in Ecuador.

Today's Internet makes possible the adaptation of farm machinery to local needs through open source designs that can be shared at minimal cost. Open source technology provides a means for small farmers to access information online that greatly enhances their capacity to improve production by adjusting their practices to the particularities of crops, soils, and climates. New avenues for global marketing of local products are available, as is the integration of products into fair trade distribution networks that are meant to support the kinds of locally controlled production models described above.

Most important of all are the examples of successful development strategies that can benefit both private and collective forms of ownership through the use of co-operative systems. Just as these systems have proven successful in regions like Emilia Romagna and the industrial districts of Germany, France and the US, so too have these models been adapted to serve the needs of regional economies in countries like Sri Lanka, Mexico, and Costa Rica. Here, the challenges of small scale, isolation, absence of secondary processing, inaccessible markets, and the control of product distribution by intermediaries are identical to the problems faced by small producers and entrepreneurs in Ecuador.

4. Securing the Commons

The recognition, protection, and expansion of the society's commons are central features of The Partner State. What do we mean by the commons?

The commons refers to any resource whose use is freely accessible to a community of users and which in turn, is managed by them in common. A commons is not owned in the conventional sense. Rather, its value lies in the fact of its free and open access. It is the antithesis to enclosure of a resource for private benefit. Instead, a commons is based on the social ethics of interdependence and co-operation and the value of a commons is generated through the practice of sharing. Most importantly, a commons is the product of those social relationships that enable this use.

Traditionally commons have referred to such natural goods as water, fisheries, forests, pastures, etc. However, the concept has been broadened to include also non-material common resources such as knowledge, culture, free software, and the Internet. These same qualities of open access, sharing, and collective management by the users are common to all of them. The commons then, are a manifestation of those same values of reciprocity, mutuality, and social benefit that underlie the operations of civil society and the social/solidarity economy.

Historically, the commons may be seen as the material and economic foundations that helped sustain collective forms of living. They were, and remain, both the product and the indispensable support of those social relations that bind people to each other and to their environment. The idea of the commons is thus central to the aims of Buen Vivir and is also intimately linked to the constitutional protections afforded to nature by the Montecristi Constitution. These protections are deeply linked to the protection and promotion of the commons and to the notion of subsidiarity that grants local territories and indigenous peoples the constitutional right to participate in the decisions affecting the development of their territory and the enjoyment of their traditional ways of living. Protection of the material commons, especially natural resources, is intimately connected to the establishment of a plurinational polity.

The notion of collective rights is inseparable from the idea of the commons and of the common good. Collective rights are those individual rights that belong to the individual as a member of a community. The individual has the enjoyment of these rights as protected by law – but only as a member of the community. It is the community as a whole that embodies these rights and exercises them through the agency of each individual member. The collective enjoyment of these rights is linked to the notion of use, and in particular to the concept of civic use as opposed to merely free use or public use. It is the concept of “civic use” that is most amenable to the regulation of common goods as “things instrumental to the realization of the development of the person”, a central concept of Buen Vivir. More specifically, common goods refer to those things that may be used by anyone belonging to the community that has use rights over a commons.

Enclosure and commodification of the commons undermine the material basis for collective forms of living and of the social relationships that in turn, reproduce those forms. They are an irreplaceable resource for re-generating a society’s store of social capital, for validating and manifesting the idea of social solidarity, and for anchoring both the values and the operations of civil society. As such, the protection and expansion of the commons must be a basic aim both of civil society and of any government that wishes to promote the social aims envisaged in Ecuador’s National Plan.

Common versus Public

The commons however, should be distinguished from public goods or public property.⁴⁶ While both contain the ideas of non-exclusion and social value, public goods are not controlled or managed by their users – public goods and public institutions are controlled by the State. For this reason they may also be privatized by the State, commodified, and sold for profit. Today, the enclosure and commodification of public goods by governments and capital constitute the greatest encroachments against social wealth in the world.

The evolution of the relationship between States and capital, between public and private property, has led to a condition in which privatization and statism now endanger the very survival of the commons as an indispensable resource for the satisfaction of basic human needs. In this we include such essential life supports as access to water, the sharing of seeds for agricultural production, and clean air. But it is now clear that conventional models of democratic governance, conceived as government acting *on behalf* of citizens, are no longer capable of protecting and preserving the public interest and what remains of the commons along with it. What is required is a wholly new relationship in which formal political authority legitimizes its operations in a given territory through the direct involvement of local communities in governance.

The protection of the commons requires a framework which formalizes the *civil* and *communitarian* attributes of commons and which tie them inalienably to their users and to the territory as a shared collective resource. This means the enactment of legal protections for their preservation and the pursuit of public policies for their expansion. Above all, it means the recognition by the State of a distinct and inalienable space of *commons wealth* that can neither be appropriated nor purchased. It is a uniquely civil space that is protected by legislation which recognizes this distinctive civil – as opposed to political – quality of the commons. One of its primary features is the recognition of users' control rights over its management.

A current example of this kind of legislation – focused on urban commons – is to be found in the city of Bologna, which has become the first Commons City in Europe.

Legislation for the Commons

The salient characteristic of this new relationship between the City and its citizens is collaborative governance on the principle of horizontal subsidiarity. Horizontal subsidiarity requires all levels of governments to find ways to share their powers and co-operate with single or associated citizens willing to exercise their constitutional right to carry out activities of general interest. And, as opposed to conventional subsidiarity, which is vertical and hierarchical, horizontal subsidiarity stresses choices that are made collaboratively by social actors and government at the level at which an action is to be carried out. The management of commons is central in this respect. In this model, public administrations shall no longer govern only *on behalf* of citizens, but also *together with* citizens, acknowledging that citizens represent a “powerful and reliable ally capable of unleashing a great source of energy, talents, resources, capabilities and ideas that may be mobilized to improve the quality of life of a community or help contribute to its survival.”⁴⁷

The Cities as Commons project started in June 2012 in Bologna thanks to the support of Fondazione del Monte di Bologna and Ravenna and the technical support provided by the Laboratory for

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A further distinction between commons and public goods is that while both entail uses that are non-excludable, common goods are rival while public goods are non-rival. In the first case, the use of the commons by one individual has an effect on the use of that commons by others, as in the case of a common fishery. In the case of public, non-rival goods such as a public park, the enjoyment of the park by one person does not impede equal enjoyment of the park by another.

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<http://www.labsus.org>

Subsidiarity – Labsus – in Rome. ⁴⁸ Over the last ten years, Labsus has collected and analyzed cases of collaborative governance with the aim of demonstrating how a new model of government could be used to realize these aims. The project applied an empirical approach and, after a training program with City officials and local civic leaders, facilitated the birth of partnerships between the City and local residents with regards to the management of three urban commons – a public square, a section of the city’s famous “portici”, and a public building.

The draft of the regulation that was adopted was then subjected to public consultation and reviewed by some of the most prominent Italian scholars of administrative law. A Spanish translation of the regulation is included in Appendix 3.

Key Features of the Regulation

The Regulation on Co-operation Between Citizens and Government on the Care and Regeneration of Urban Commons is a framework for the joint care and management of urban commons. As stated in the Document,

“This Regulation, in harmony with the provisions of the Constitution and the Statute of the municipal governing the forms of co-operation between citizens and the administration for the treatment and regeneration of urban public goods, in particular giving effect to art. 118, 114, and paragraphs 2, 6 and 117 of the Constitution.

The underlying principles of the regulation include the following:

1. Recognition of commons as essential to the generation of individual and collective well-being;
2. Mutual Trust between the municipality and the civil groups engaged in commons work;
3. Autonomy of citizens to engage and organize in the pursuit of commons aims;
4. Flexibility and informality of arrangements and agreements for the co-management of commons;
5. Identification and allocation of public assets as resources for collective life and enjoyment;
6. Openness, Accountability, and Transparency in the co-management of commons;
7. Promotion of social economy organizations as a priority for the production and preservation of commons goods and services.

The regulation refers to the care and stewardship of a broad range of public assets and services that fall under its jurisdiction. These are described as including,

Assets of urban municipalities and tangible, intangible and digital property that the citizens and the Administration recognize as instrumental for realizing individual and collective wellbeing and ... to share with the administration the responsibility of their care or regeneration in order to improve the collective enjoyment.” ⁴⁹

The regulation also promotes the creation of a range of social economy organizations for implementing this work.

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<http://www.labsus.org>

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Regulation on Co-operation between Citizens and Administration for the Care and Regeneration of Urban Commons, Art. 2, (a)

*The municipality pursues the objectives referred to in this article encouraging the creation of co-operatives, social enterprises, start-ups in social vocation and the development of economic, cultural and social activities and projects.*⁵⁰

A key provision of this regulation is the requirement for local authorities to designate municipally-owned assets as resources to be used for the realization of these aims.

*Spaces and buildings referred to in this regulation constitute a resource functional to the achievement of the purposes referred to in this article. The City reserves a portion of these assets to projects that foster social innovation or the production of collaborative services.*⁵¹

All citizens, whether acting as individuals or as members of associations, have the right to participate and contribute to this work of caring for the commons.⁵² The regulation describes the procedures and standards required for the implementation of a joint citizen/government initiative. These are intended to be enabling as opposed to prescriptive. Importantly, the regulation promotes informality in the arrangements between participating stakeholders and requires formal, legal agreements only when required by law.

*“... the Administration requires that the relationship with citizens is subject to specific formalities only when that provided by the law. In the remaining cases ensures flexibility and simplicity in the report, as long as it is possible to ensure compliance with public ethics, as well as declined the code of conduct for civil servants and the principles of fairness, good performance, transparency and certainty.”*⁵³

In the context of Ecuador, such an approach may prove effective in limiting the unnecessary bureaucratization of such efforts, something that is in urgent need of modeling in the country.

One additional point may be noted with respect to the regulation. The notion of the commons is extended to the management of immaterial common goods and the promotion of digital innovation as a component of commons co-management.

This is an important feature that links the co-management of the commons to the concepts of open technology and the promotion of open government as discussed in the paper “Civil Society, Open Government and ICT”,⁵⁴ and also to the broader aims of a social knowledge economy.

*The Municipality encourages innovation through digital interventions participation in the conception, design and implementation of services and applications for the civic network by the community, with particular attention to the use of open data and infrastructures, in perspective of digital commons.*⁵⁵

In aid of this objective, the City of Bologna has also provided material support for the creation of Iperbole – a Civic Network that promotes telemedia as an “instrument of electronic democracy and

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ibid, Art. 6, (3)

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ibid, Art. 6, (4)

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Note: there are also provisions concerning the exclusion of individuals that act in contravention to the common good or to the public or private ownership of an asset, Art. 12 (3)

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ibid, Art. 2, (h)

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Restakis, Araya, Calderón, FLOK Society, 2014 (unpublished paper)

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ibid. Art. 9, (1)

socio-economic development of the territory”⁵⁶ and the mobilization and engagement of citizens for the care, restoration, and expansion of the commons.

*To this end, the City agrees with the parties that participate in civic life and the evolution of the network and provide the collaborative environment and civic skills for the co-design and realization of innovative services, data, spaces, infrastructure and digital platforms, such as the medium of the Civic Network.*⁵⁷

Finally, the implementation of these collaborative projects entails the enactment of a co-operative covenant or pact between government and citizens. The co-operative pact describes the work to be done, the procedures to be followed, the monitoring and evaluation of the results, and the resources, guarantees, and responsibilities involved. And it is interesting to note that both the idea of the co-operative pact and its form have been strongly influenced by the civic agreements signed by local authorities with social co-ops for the provision of health, education, and social services commissioned by the municipalities.

The regulation adopted by Bologna provides a concrete and comprehensive framework for implementing a project for the co-management of public and common goods by a municipality and its citizens. Its aims and principles reflect many of the elements that are characteristic of how a Partner State might approach the protection and co-management of the commons in an urban context. But whereas the Bologna initiative has broken new ground with respect to the regeneration and care of urban commons, the principles involved may be adapted to the requirements of other forms of commons and at larger scales.

Combined with the idea of horizontal subsidiarity and of the constitutional rights of nature and of indigenous communities, a regulatory framework could be developed for the identification of such commons as waterways, forests, and natural resources for joint management with the peoples of the territories where these commons exist. A Partner State approach through a form of co-operative pact with the communities of these territories would give concrete effect to the decentralization of decision-making mandated by the Constitution and the National Plan. This approach would also secure the material basis for the expression of those social values of reciprocity, mutuality and the common good that are the basis for collective life in these territories.

But while the Bologna initiative has developed the regulatory framework for the co-management of urban commons, these municipal assets are still owned by the State and as such are public... not entirely common in the sense we have described. For this to be the case, the management of the common resource needs to be paired with legal protections that secure its use as a commons in perpetuity. Such a commons, while legally protected and constituted for this use, may not be appropriated by the State as government or public property, nor be sold. For this to have effect, a form of collective and civil ownership must be devised.

Examples of these forms of commons ownership and governance, as well as the rules for their operation, have been well documented by Elinor Ostrom.⁵⁸ Successful examples of their use range from the co-operative management of Japan’s fishery – the world’s largest – to the co-operative management of waterways and irrigation systems by the indigenous farmers of Bali.⁵⁹

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<http://www.eurosur.org/epitelio/cuenca/encuentros/leda.htm>

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ibid, Art. 9, (2)

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E. Ostrom, *Governing the Commons, The Evolution of Institutions for Collective Action*, 1990

In its Constitution and national aims, Ecuador has already travelled a great distance in the direction of empowering its citizens to take an active role in the development of the territories in which they live. It has enshrined the principles of decentralization and local decision-making; it has mandated all levels of government to promote the development of goods and services through procurement policies that give priority to groups in the social/solidarity economy; and it has advocated the pursuit of social knowledge and the commons as a foundation for the transformation of the country's productive matrix. The development of a true Partner State would now require the formulation of a legislative and regulatory national framework that would entrench the commons, in all their forms, as a true national patrimony beyond the reach of those interests that would seek to enclose them for private or political gain.

To this end, we propose the following policy recommendations:

1. That a comprehensive mapping of existing natural resource commons be carried out;
2. That comprehensive legislation be introduced to secure and protect the commons as a national patrimony and tied to the territories where commons are utilized;
3. That specific policy frameworks be established for the co-management of urban commons by local municipalities and the citizenry;
4. That social economy organizations be recognized as the most appropriate form for citizen management of commons and that the Organic Law for the Popular and Solidarity Economy (LOEPS) be revised to allow for the creation of both community service co-operatives (social/solidarity co-ops) and multi-stakeholder co-operatives as social instruments for the management of commons.⁶⁰

The inclusion of natural resources as national commons to be gradually co-managed by the State and local communities constitutes an entirely new approach to resource development and would powerfully transform the country's productive matrix in the direction of Buen Vivir. The commonification of resources, like the democratization of public services and the broader economy, are powerful catalysts for the evolution of a civic culture that has the collective values, the social capital, and the enabling institutions that would allow civil society to play the role envisaged for it by the framers of the country's Constitution and the Citizen's Revolution that was its source and inspiration.

Cultural Factors

It is important to note that a transition to this type of development is contingent on existing patterns of production and the cultural attitudes that drive economic behaviour. The most important of these is the presence or absence of high levels of social capital and a predisposition among people to work together to realize mutual aims. Where these social values and attitudes are strong, and where co-operative institutions already exist, the collaborative approach to economic development has a far higher chance of changing the productive matrix through the use of social knowledge as a resource for economic and social development. Where social capital is weak, a key strategy for promoting such a development model is the creation of production systems that foster habits of economic collaboration and that are oriented toward common benefit.

Unlike conventional capitalist models, which serve to undermine and deplete social capital, co-operative and peer-to-peer models depend upon social capital as a necessary condition of their operations. Co-operation reinforces and cultivates further co-operation. Co-operative systems

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B. Arifin, *Indigenous Knowledge and Sustainable Commons: The case of an Indonesian Subak*, 2005

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See Appendix 1

replenish social capital and the attitudes and skills that promote sharing. A successful social knowledge economy is thus very much a co-operative economy.

This point needs to be emphasized as it is central to creating the social and cultural conditions that can sustain an economic model based on sharing and commons-based values that are the foundation of a social knowledge economy. These questions of cultural attitudes and the means of transforming them are insufficiently treated in proposals for economic development, yet they are central to the process of social and economic transformation.

It is for this reason that the adoption and promotion of particular modes of production, of ownership, of relationships among economic agents, and of institutional links between government and the stakeholders of both the private and social economies are so important.

The other issue that needs to be highlighted is the question of how popular expectations and perceptions of the State help or hinder citizen participation. As acknowledged in the National Plan,

Enormous progress has been made in citizen participation. However, the challenge lies in changing the attitudes of citizens, which are still persistently passive. This culture of a citizenry passively dependent on State guardianship must be limited.

...

This qualitative leap forward, from citizens wishing for rights to citizens exercising their rights, is a break away from the power of the market, as well as the domination and accumulation ingrained into social structures. Constructing an active, committed, and thoughtful citizenry demands a more profound institutional reform of the State, so citizen participation can influence public governance. It also requires creating the conditions and capacities necessary to promote, sustain and assure citizen-led processes to promote Good Living, and to institutionalize a constructive dialogue that generates egalitarian, solidary, free, dignified, and responsible actions, in harmony with Nature and respectful of the world-views that comprise our pluri-national State.⁶¹

The kinds of organizational forms that are cultivated by the State are important in determining how citizens come to acquire the skills and attitudes that enable them to play the roles demanded of them by Ecuador's vision of Good Living. This means a very particular outlook on the part of political leaders and decision makers in government. As in the case of Emilia Romagna, the conscious choice of the regional government to facilitate the emergence of co-operative systems, whether in the commercial or the social economy, added real impetus to the expansion of these values and to the skills, knowledge, and capacities of the citizenry to exercise them. The social co-operatives in Italy, which transformed the social welfare system, were initiated from within the social economy. But their growth and success would not have been possible without the role played by the state. The same is true of the solidarity co-ops and a great number of social enterprises in Quebec.

The form of an organization will determine both its manner of operation and the behavioural habits, attitudes, and expectations of those who work in it. Just as private forms of capitalist enterprise will reinforce the habits and values of self-interest and capital accumulation for private ends, so do co-operative and peer-to-peer forms of enterprise promote collective values and the ability to view economics as a means to advance individual interests through co-operation with others – whether they are individuals or other enterprises. The conscious promotion of all forms of co-operation among citizens and businesses – whether they are privately or co-operatively owned – is thus central to the operations of a Partner State and a social knowledge economy.

One means of promoting this type of co-operation among groups is by ensuring that funds for development are available only to groups of enterprises that are working together, as opposed to

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National Plan for Good Living, p. 29

individual firms. This is true also for the promotion of co-operation within the social/solidarity economy and among social economy organizations.

Also indispensable for the transformation of cultural attitudes in this direction, both inside government and in the broader social/solidarity economy, is the development of the human and organizational capacities among citizens that are essential for the development and operation of these types of organizations.

Institutional Obstacles

Chief among the potential obstacles to the successful implementation of these policies are the existing bureaucratic structures of the State. While there is strong formal recognition of the principles and aims relating to *Buen Vivir* and the role of the Popular and Solidarity Economy, there also exists a high degree of complexity and lack of co-ordination among the various institutions that have been mandated to carry out the policies and programs of the National Plan for Good Living.⁶²

Moreover, a common weakness of these institutions, from the perspective of the Partner State, is the minor role assigned to non-governmental stakeholders in their operation. They are, for the most part, State-controlled organisms ill suited to sharing power with the institutions and actors either of civil society or the broader economy. And, despite the good intentions of their founders, these institutions have added to the size, complexity, lack of transparency, and immobility of the State bureaucracy as a whole.

The transformation of these structures into partnering and enabling institutions with meaningful inclusion of civil groups is an essential undertaking for transition to a Partner State model. This entails a comprehensive training and human development strategy that provides decision makers and civil service workers with the concepts, skills, experiences, and attitudes that are fundamental for implementing an entirely new conception of inclusive governance and socio-economic development.

On a practical level, as the social economy has expanded over the past thirty years and the limitations of state structures operating in isolation have become evident, there have been a range of experiments to create a more harmonious interface between State and social economy. They include:

- i) In-out teams, working in the State and comprising those from the social/solidarity economy and the state;
- ii) Placements across the boundaries, of civil economy activists within the State, and State officials in the social economy;
- iii) Social innovation labs, either within the State, or in collaboration with people from both economies;
- iv) Common formation (for example through social innovation courses/degrees);
- v) Generative rather than transactional contracts between the State and social economy organizations for civil economic ventures undertaking public services;
- vi) Distributed procurement practices linked to civil consortia, and the development of a procurement culture centered around social innovation and the development of quality services by the civil ventures (Cleveland's Evergreen program is an outstanding example);⁶³
- vii) The development of service metrics for the public/civil ventures, that can also be used as data for public accountability;
- viii) Open books for civil ventures undertaking public services;

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Examples include: PPS (MIES), IEPS (MIES), the Interagency Committee of State Ministers, IADC, and the overlapping mandates of SENPLEDES, MIES, and the Ministry of Social Development Co-ordination

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<http://evergreencooperatives.com/>

- ix) The joint mobilization of knowledge from within the State and the civil ventures around particular projects;
- x) Actions to co-operatize the State itself, with a shift to more lateral, team-based organization, and the involvement of front line workers (along with civil consumers) in the co-design and co-production of public services (the case of IT innovation in Newcastle (UK) is a striking case in point which developed as an alternative to privatization).
- xi) Actions to democratize the wider economy through the development and promotion of collective and co-operative ownership models of production.

These actions reflect particular ways in which the two cultures might find common cause by combining the unique strengths of each in re-framing the production of public goods in a way that recognizes and reinforces the central role of citizens and their communities as the primary actors in making real the aims and aspirations of *Buen Vivir*.

The second issue that critically needs to be addressed for the transition process described above is the formation of those values, attitudes, and skills that can translate ideals into effective and transformative practice in the real world.

The Co-operative University

One of our primary recommendations for transitioning to a Partner State is the creation of a Co-operative University to serve as the nation's primary research, education, and training facility for generating the attitudes, knowledge, and professional skills needed for implementing the policies and realizing the aims of a Partner State.

As a vital research and training institution, the university would serve as the nation's premier training ground for advancing the capacities of the citizenry – whether in government, the social/solidarity economy, or the private sector – to understand the principles and practices of open government; of social entrepreneurship; of distributed and co-operative economic and social development; of the protection, expansion, and management of the commons; and of de-centralized co-operative democracy as a template for the co-creation and co-management of government policy.

The organizational and operational structure of the university would embody the principles of co-operative governance outlined in this paper and would serve as a model for the transmission of the co-operative and commons concepts and skills articulate above.

There has recently emerged a body of research associated with the relation of co-operative values and structures to the many critical challenges facing the role and functioning of contemporary universities in the context of advanced neo-liberalism. Ranging from the rise of over 700 co-operative schools in the UK, to studies on the performance of existing co-operative universities such as the Mondragon University in Spain,⁶⁴ a range of commentators have explored the potential of the co-operative model to radically reform pedagogical practice, both at primary school levels and in higher education.⁶⁵

A constant theme throughout these studies is how to construct an organizational model and learning culture that re-orientes the university from the production of skills and knowledge for private – that is to say corporate – ends, to one which regards the university as a form of social commons in which

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Report on a Field Visit to Mondragon (Wright *et al* 2011)

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Cook, Dan (2013) Realising the Co-operative University. A consultancy report for The Co-operative College. Retrieved on 13th June 2014 from http://dbms.ilrt.bris.ac.uk/media/user/162789/Realising_the_co-operative_university_FOR_DISEMMINATION.pdf

knowledge is produced primarily for the advancement of social aims. Needless to say, this has a fundamental relevance for the advancement of a social knowledge economy.

As argued at the very beginning of this paper, the concepts of social knowledge and the social knowledge economy are not mere abstractions that relate only to the immaterial world of knowledge creation and diffusion. To be realized and to survive, they must inhere in the material world of social relations and institutions, in the modes of production, and in the organizational forms that provide access to knowledge and diffuse its benefits for collective ends. Nowhere is this more important than in the institutions that deal directly with the formal processes of knowledge production, transference, and application – the universities.

Just as the modern university is the primary matrix within which the values, skills, and attitudes that are essential for the operation of contemporary capitalism are inculcated and replicated, so too, does a social knowledge economy require an analogous academy capable of developing the attitudes and skills that are essential for generating a culture of co-operation and the commons that both reflects and advances the social and economic principles that sustain such an economy.

Without this, it is difficult to see how the aims of Buen Vivir, including the systemic transformation of Ecuador's productive matrix, the realization of knowledge as a commons, and the transition to a Partner State model that both embodies and stewards these principles, will be achieved.

Concluding Remarks

The idea and the practice of the Partner State is both challenging and, in our opinion, utterly necessary. For many, the current impasse in political governance is threatening the material basis of human civilization. It is equally clear that the forms of representative democracy practiced today are manifestly incapable of defending the broad public interest with which governments have been entrusted.

The reasons for this are also clear: the capture of national governments by capital interests; the continuing protection of these interests in the formulation of economic and social policy; the imposition of policies that weaken existing labour and social protections; the gradual criminalization of dissent; and the growing disaffection and distrust of government and the prevailing economic paradigm that is a direct consequence of this impasse. And whereas the achievements of the Welfare State model in the post war era contributed to the amelioration of social and economic inequities, the dismantling of this model under the aegis of neo-liberal policies has now returned vast numbers of the world's population to the precariousness of previous eras.

Unless the economies of nations are re-oriented toward the pursuit of the common good and toward a more equitable, humane, and sustainable form of economics, the forward movement of our present condition will only deepen the current crisis. This carries with it the certain prospect of accelerating social and economic upheaval as populations become more alienated from their governments and from the dysfunctional capital-dominated economies they sustain. For this to change, there needs to be a fundamental shift in how governments operate and how they relate to their citizenry.

The fundamental premise of democracy is that governments are accountable to their citizens and that government policies serve and protect the common interest. An irreplaceable aspect of this common interest are the commons themselves that underlie the operations, attitudes, and skills that make possible the collective forms of living and acting that define the social and solidary character of a healthy civil society. It follows that unless the collective values of civil society and the common good can determine how economies operate, the present model of political economy will do no more than tinker with a system that is in dire need of radical reform. The Partner State is one way of ushering in this reform.

In the analysis advanced in this paper, the proposals for implementing a Partner State approach in Ecuador are an extension of the precepts and aims of the national Constitution and the National Plan for Good Living. In these documents inhere those principles of respect for nature, of the opportunity for people to pursue their individual and collective well being, of the promotion of social and economic activities that promote the public welfare, and of the constitutional right of communities, whether territorial or cultural, to participate meaningfully in the affairs of state that affect them.

These are the ethical foundations for a new form of governance that places the civil power in a relationship of equality with government for the exercise of economic and social policies that will operate at national, regional, and local levels. In the Partner State, government becomes a partner and enabler of civic solutions to collective problems. And while the operations of the capitalist market continue, as do those of the public sector, these are counterbalanced by the collective and civic aims of the State, co-constructed with the institutions of civil society. We propose that the realization of the concept of Buen Vivir is not achievable without a systemic shift of the State in this direction.

But this is not merely a question of making real the aspirations of the National Plan. The concept of the Partner State is an opportunity to salvage what is good and necessary in the apparatus of government while opening it to those civic values that alone can restore legitimacy to it. In its aspirations toward Buen Vivir, Ecuador has the opportunity to pioneer such a model. If it does so it will offer an example of how government can indeed change course toward a more humane and sustainable future through the engagement and empowerment of its citizenry in the affairs of state. The alternative is that an opportunity for meaningful change may be lost and the powerful civic ideals of the Constitution and Buen Vivir, and the Citizen's Revolution that gave them birth, will remain as admirable as they are unattainable.

Policy Appendices

Appendix1 - Section One - Organic Law for Popular and Solidarity Economy (LOEPS)

Co-operatives

As stated by International Labour Organization (ILO), and as borne out by the historical experience of co-operatives the world over, the basic principle that should characterize the relationship of the state to co-operatives is that of minimal involvement and intervention in matters of a co-op's internal organization and operation.

In principle, the role of governments should be limited to establishing appropriate enabling policy and legislation that recognizes the nature and requirements of co-operatives, that registers co-operatives and grants them legal status, that compiles useful data on the co-op economy and its constituent sectors, and that supports the growth of the sector through appropriate public policies for social and economic development.

In its document, "ILO Guidelines for Co-operative Legislation"⁶⁶ the ILO states, "In order to thrive co-operatives need a favourable socio-economic, political and administrative framework. The current development model is based on political and economic freedom. The state must ensure respect for human rights, including the rule of law, the freedom to choose one's economic activity, free access to national and international markets, private property as well as a clear distinction between the public and the private sector based on the principle of subsidiarity.

Apart from exercising the functions of legislation, registration, deregistration, and general normative control, the state in a market economy must not interfere in the economic affairs of co-operatives."

Based on this perspective, the following represents a listing of key issues that flow from the current legislation and which contravene the principle of a free and self-governing co-operative sector operating within the framework of legitimate governmental oversight and regulation.

Key Issues

a) Definition of Popular and Solidarity Economy Organizations

As noted above, the characterization of popular/solidarity economy organizations in the legislation is inaccurate and confusing. The legislation fails to provide a clear definition of what constitutes social economy organizations and what are their defining economic and social attributes. The legislation also cites as examples of social economy organizations enterprises that clearly fall outside the accepted scope of what may be termed social enterprises (e.g. the inclusion of small, private businesses that engage in commercial practices for purposes of self-subsistence, Article 73). Such businesses, usually associated with the term "popular economy", properly belong in the private sector, regardless of how small they may be.

Moreover, the determining factor for the inclusion of an organization in the popular and solidarity economy appears to be its size and the size of its revenue. For purposes of understanding the nature and role of social economy organizations, these factors are not relevant and if applied consistently would exclude any large social economy organization, as for example many NGOs and co-operatives. The key question therefore, is not whether a social economy organization makes a profit (surplus), but to what end this surplus is used. In addition, this view of social economy organizations arbitrarily and falsely excludes them from operating in the market. Clearly, many social economy organizations do trade in the market, as is the case with many co-operatives and social enterprises.

⁶⁶Guidelines for Co-operative Legislation, ILO, February 2005

In our view, and as reflected in the evolution of progressive social economy legislation internationally, the objective of the legislation should be to facilitate the capacity of social economy organizations to operate as successful enterprises, to compete successfully with private companies, and to pursue their social and collective aims to the full extent possible.

Recommendation: The definition of social economy organizations in the legislation should be revised to reflect the essential attributes of these organizations as accepted by a growing international consensus.

In accordance with these principles, “A social economy organization is one whose activities are animated by the principles of reciprocity, mutuality, and social benefit, often through the social control of capital. The primary purpose of social economy organizations is the promotion of mutual collective benefit and service to the community.”

Recommendation: That the “popular economy” be distinguished from the social/solidarity economy and that enterprises that are privately or family-owned – regardless of their size – or that do not conform to the defining principles of social economy organizations described above be regulated under a different law.

b) In the current legislation, organizations such as trade unions, professional and sports associations, religious organizations, cultural organizations, etc. are excluded from the social economy. There is little justifiable rationale for this and such exclusion contravenes most broadly accepted definitions of social and solidarity economy.

Recommendation: The legislation should be revised to include these types of organizations as legitimate constituents of the popular and solidarity economy.

c) There appears to be a double standard with respect to the reporting and accountability requirements imposed on social economy organizations as compared to private businesses. Co-ops and other social economy organizations appear to be held to a much more stringent standard than private sector firms. Why this should be so is unclear.

Recommendation: That reporting and accountability requirements for social economy organizations should be minimized to those that are essential for the collection of useful sector-wide data and the proper oversight of activities as a check against unethical or criminal activity or the contravention of the purposes and principles defining these associations.

d) In the global co-op movement it is generally accepted that all co-ops, being founded on identical principles, should be treated equally within the same legislation. Exceptions sometimes apply to financial co-operatives (credit unions) and housing co-ops because of the special nature of these services.

Recommendation: That with the exception of credit unions and housing co-ops, all other types of co-ops be treated in an equal manner. In those cases that warrant particular types of oversight, such oversight should be exercised not through the legislation but through specific state/sector agencies set up for this purpose and with a clear framework and timeframe for their mandate.

e) Undue powers of intervention in the affairs of co-operatives, including their dissolution, are granted to the Superintendent of Popular and Solidarity Economy. In addition, the terms for a co-op’s dissolution are extremely vague and arbitrary and for these reasons constitute an infringement on the freedom of co-operatives to operate as autonomous organizations. This kind of practice has been ended in most reforms of modern co-op law.

Recommendation: That the role of the Superintendent be revised to focus on the implementation of government policy with respect to co-operatives, to manage the overall regulation of the sector, to oversee the reporting and incorporation of co-ops, to oversee the collection and analysis of sector-wide

data, to work with the sector to develop policies and practices that strengthen the sector, and to establish shared mechanisms for the review of co-operatives that engage in criminal activity or violate the accepted principles and practices of co-operatives.

f) The requirements for allocation of capital gains and surplus for co-operatives appear to be too prescriptive and fail to take account of the particular social and economic contexts within which individual co-operatives have to operate. Moreover, these provisions may be seen as an infringement on the control rights of members to determine how best to financially manage their co-operative.

Recommendation: These provisions should be removed. Aside from the requirement to provide for an indivisible reserve, or for investment in common co-operative financial pools, other matters of allocating capital within a co-op should be left to its members.

g) Article 55 – Debentures – this provision appears to allow co-operatives to issue bonds for trade on the stock market. This provision would thus seriously endanger the social and mutual nature of co-operative capital and expose co-operatives to the risks associated with issuing shares on a stock exchange. There are many examples of co-operatives that have traded shares on the stock market and this has led to an increase in the influence of private capital on the operations of the co-op and usually, to its de-mutualization.

While not necessarily suggesting that this power be withdrawn, it is important that other sources of civic and co-operative capital be made available to co-ops for their financing needs, apart from the issuing of shares on a stock market.

h) Articles 34-42 stipulate the powers and terms of office held by the elected bodies and representatives of co-operatives. The designation of the number of directors that may be elected for a co-op's governing body, the terms of office for co-operative Presidents, and the terms of office for the Supervisory Board are too prescriptive and undermine the freedom of co-operative members to determine the proper limits for the terms of office of their officers. The prescription of strict and invariable term limits for officers also undermines an organization's capacity to develop governance skills among its officers and to provide continuity in the overall governance and management of the co-op.

Recommendation: That prescriptive term limits on a co-operative's officers be revised to allow more discretion on the part of a co-operative's members.

i) The provision requiring that a general assembly of co-operatives with more than 200 members shall be conducted through representatives is an infringement on the democratic rights of co-op members to freely choose the manner of organizing their assembly.

Recommendation: That this provision should be removed.

j) Legislated term limits for officers, while necessary for the promotion of democratic governance and accountability, should be revised to allow for more discretion and flexibility on the part of co-operatives in the selection of their officers.

k) Co-operative Federations – It is unclear why co-op federations must be national in scope or why a minimum of thirty or more co-ops is needed for their formation. This seems arbitrary and ignores the particular contingencies of different co-operative sectors and their specific needs.

Recommendation: That this provision be removed.

l) Dissolution and Liquidation –The terms for dissolution outlined in Articles 14 and 57 of the Act, are vague and easily subject to arbitrary interpretation and abuse as is the imposition of sanctions stipulated in Articles 167-179.

Recommendation: That the terms for the dissolution and liquidation of co-operatives be clear and specific and restricted to matters of criminal behaviour. Moreover, an appeal process acceptable to both the government and the broader co-op sector should be established.

m) Article 174 – Administrative Appeals – The Act provides for an appeal process with respect to decisions taken by the Superintendent, however the appeal does not suspend the execution of the decision. This provision subjects a co-operative to the risk of closure or serious negative consequences that can terminate or gravely damage a co-op’s operations pending a resolution of the appeals process.

Recommendation: That an appeal period of limited time be established (e.g. 90 days) within which a decision must be issued on the merits of the case. During this period a co-operative would continue to function pending the outcome of the appeals process.

n) The Interinstitutional Committee of the Popular and Solidarity Economy and of the Popular and Solidarity Financial Sector – There are issues with the conception and organization of the Interinstitutional Committee. These are primarily due to the lack of meaningful representation from civil society and the popular/solidarity economy and the domination of the Council by government bodies.

Recommendation: The organizational structure and mandate of the National Council should be reviewed with the aim of establishing meaningful representation from the popular/solidarity economy.

o) Superintendent of Popular and Solidarity Economy – The powers of this office are too broad and contravene the principles of a free and autonomous popular and solidarity economy. This single element in the legislation is perhaps the one most in need of reflection and reform.

Recommendation: That the powers and role of the Superintendent be reviewed within a new framework of minimal intervention in the internal operations of popular and social economy organizations. That this review take place as part of a broader review of the legislation and public policy and to be carried out in collaboration with the co-op sector and the broader popular and solidarity economy.

p) Multi-stakeholder Co-operatives

Multi-stakeholder co-operatives include more than one class of member in their organizational structure. This form of co-operative organization has been extremely effective at combining the mutual and complementary interests of different classes of stakeholders in the common enterprise of the co-op and has been key in the development of new forms of service to their members. Currently, there are no provisions for the recognition of multi-stakeholder co-ops in the legislation.

Recommendation: That multi-stakeholder co-ops be recognized as a legitimate form of co-operative in the Act.

q) Investment Shares

The power of co-operatives to issue investment shares in addition to member shares has been an important new development in legislation governing co-operatives in many countries. This has been seen as an important additional source of needed capital for co-ops – in addition to capital raised from traditional member shares – and helps to address a historical problem of capital scarcity for co-operatives.

Recommendation: Provisions for enabling co-operatives to issue investment shares should be included in the legislation, along with clear protections for guaranteeing member control of the co-op through the placement of strict limits on the control rights of investors. Investment shares would offer a capped rate of return to shareholders under a subordinated share structure in which investor shares rank above holders of equity but do not confer voting rights in the co-op. This is important to ensure that capital interests do not compromise the social and collective aims of the co-operative.

r) Community Service Co-operatives

Community service co-operatives, also known as social co-operatives or solidarity co-operatives, are special types of co-operative whose primary purpose is the promotion of social inclusion and the provision of community or social services to the community, in addition to co-op members. Because

of their unique social mandate and the social benefits that accrue from their work, legislation has often conferred particular tax benefits and subsidies as an important component of their operations. These benefits are linked to the fulfillment on the part of the social co-ops of specific social inclusion provisions relating to the training and employment of marginal and vulnerable groups.

Recommendation: That the legislation recognize the specific typography of social/solidarity co-operatives as a distinct form of co-operative with an explicit community service mandate and with accompanying tax and public subsidies designed to promote and support their social mandate

s) Housing Co-operatives

As noted above, co-operative legislation often provides for distinct provisions for the incorporation and regulation of Housing Co-operatives. In the case of Ecuador, the legislation is in need of updating to incorporate the range and diversity of housing co-operatives that are now operating in jurisdictions around the world and which are essential elements in a country's policies promoting safe, affordable, and community-focused solutions for addressing housing issues.

Recommendations:

Housing co-operatives should not be required to have ownership of land as a condition of obtaining legal incorporation. In most jurisdictions, the creation of a housing co-op is an essential part of acquiring and then building co-operative housing.

Currently, the co-op legislation recognizes only private ownership models for housing co-ops (equity co-ops). However, most housing co-operatives around the world offer housing to co-op members as renters, not owners. This is a key means of making housing co-ops accessible to those that cannot afford, or do not wish, to own housing. Rental forms of housing co-op should be recognized and supported in the co-op legislation.

The existing co-op legislation severely restricts the kinds of activities that housing co-ops may engage in. This condition should be removed to allow housing co-ops to pursue any activities that are consonant or complementary to their primary mandate as providers of housing for their members. These should include such things as the provision of human services to members and the community (child care, senior care, food services, etc.), and the development of additional housing and community services.

New forms of commons and co-operative forms of land ownership should be enabled by the legislation as essential complements to the development of co-operative housing. These forms of commons-based land tenure should include provisions for the creation of Community Land Trusts as mechanisms that enable the removal of land from the speculative market for purposes of non-market housing and the use of land for communal, environmental, or social benefit purposes (e.g. environmental protection of lands and waterways, use of land for cultural or artistic use, use of land for co-operative or commons-based enterprise development).

Local governments should be empowered to partner with co-operative associations for the development of commons and co-operative housing and land use, including the investment of government-owned property in Community Land Trusts for this purpose.

Co-operative legislation should enable the creation of targeted financial instruments and guarantees for the financing and development of co-operative housing and land use.

Appendix 2 - Section Two - Public Policy for the Popular and Solidarity Economy

The Regulations for the Organic Law on Popular and Solidarity Economy set out the procedures for the implementation of the [General Regulation of the LOEPS \(Executive Decree 1061\)](#).

However, many of the problematic issues identified in the Organic Law for Popular and Solidarity Economy (LOEPS) are present also in the Regulations to the Act.

The following sets out some of the key issues that need to be reviewed in the Regulations and that in the opinion of this writer impede the healthy development of a popular and solidarity economy sector that is aligned with the social and economic values set out in Buen Vivir and the National Plan.

Key Issues and Recommendations:

a) Article 5 – Requirements of Community Organizations – The requirements for the legal recognition of CSOs are overly onerous, with a requirement for 10 founding members. This provision would prevent the incorporation of a CSO with fewer than 10 members and there is little rationale for such a constraint for the founding of an association.

Recommendation – That the provision be changed to require a minimum of 3 founding members.

b) Article 7 – Requirements for Co-operatives – This provision places additional constraints on the incorporation of co-operatives, including the presentation of a technical, economic and financial feasibility study showing the constitution of the co-operative and work plan and a favourable report from a competent authority (not defined). In our view, the technical feasibility of starting up and operating an association in the social economy should be of no more concern to the state than the incorporation of a private business in the private sector. Moreover, the requirement of a favourable report by any outside authority impinges on the democratic right of citizens to free association.

Recommendation: These provisions should be removed.

The requirement for a minimum of 20 members for the establishment of a co-operative is also overly onerous and once again, severely restricts the freedom of citizens to organize co-operatives in the manner they choose.

Recommendation: The minimum number of members required to incorporate a co-op should be reduced to three.

c) Article 8 – The Superintendent may, by order, refuse to grant legal personality to a co-operative, if the Superintendent determines that its constitution is not feasible, on the grounds specified in the accompanying technical report.

This provision is an unwarranted intrusion into the autonomy of co-operatives to determine on their own, whether their constitution is feasible. As with private businesses, members of co-operatives should be equally free to take the risks attending the establishment and operation of their association.

Recommendation: This provision should be removed.

d) Article 19 - Executive Organ - According to this provision, the governing body of the EPS associations shall be elected by the governing body and shall consist of a minimum of three and maximum of five members, who will meet ordinarily at least once every quarter and, extraordinarily, whenever necessary, be convened by the President.

This provision contravenes the right of associations to freely choose the number of representatives on their governing bodies according to their specific needs and wishes.

Recommendation: That this provision determining the number of directors to be selected by members be removed.

e) Article 24 - Entry and membership records. - According to this regulation the Board of Directors of a co-operative or agency must accept or reject requests for new members within thirty days. In addition, the Superintendent shall request the registration of new members, enclosing a certificate from the secretary of the co-operative, certifying compliance with statutory and regulatory requirements.

The requirement for confirmation of a membership application within thirty days is overly prescriptive and may, given the circumstances of an application or the situation of the association, be an unreasonable condition. In addition, the submission of a certificate to the Superintendent for new members is unduly onerous and unnecessary.

Recommendation: That this provision be removed.

f) Article 29 - Powers and duties of the general assembly – In its regulation of the powers and duties of the General Assembly, the Regulations require that the assembly approve or reject the financial statements and the reports of boards and management and that rejection of management reports, will automatically involve the removal of directors or responsible officers, with the votes of more than half of the members of the assembly.

This provision is overly harsh and constrains a members' assembly to take an action that members may feel is unnecessary or detrimental to the association. The rejection of a manager's report should not entail the rejection of a manager or indicate a loss of faith in his or her capacities as an officer of the association.

Recommendation: That this provision be removed.

g) Article 36 - President - To be elected president of a co-operative a person is required to have practiced as a partner for at least two years before his/her election and receive training in areas of their competence before their inauguration.

This requirement also applies to the Manager of an association (Article 45). The Manager "must demonstrate experience in administrative management, according to the type, level, or segment of the co-operative and supportive training and co-operative economy.

These constraints place an undue burden on co-operatives in the selection of their officers. Moreover, the provision applies requirements on the officers of co-operatives that are not required of private firms.

As is appropriate for the setting up and governance of autonomous and democratically run associations, the responsibility for the selection of qualified officers of co-operatives should remain the prerogative of co-op members, not the state.

Recommendation: That these provisions be removed.

h) Article 40 - Election and re-election of representatives and voice - Representatives to the general assembly and the members of the councils will be elected for the prescribed social status period and may be re-elected only once consecutively and when completing their second period, may not be elected to any executive position until after this period.

This provision is an intrusion into the democratic rights of co-op members to freely run for office. In addition, the provision is particularly difficult for small co-operatives whose pool of members is limited. The imposition of these time constraints for the election of officers unfairly discriminates against co-ops with limited memberships and introduces an element of instability and discontinuity in the governance of the association.

In addition, there is little rationale in restricting the right of free assembly of all members in a co-operative to participate in the governance of their association.

Recommendation: That this provision be removed.

i) Article 68 - Causes for regularization – According to this section, the Superintendent shall provide that co-operatives are subject to a regularization plan for a number of causes, which include when the financial statements reflect losses for two consecutive semesters and when auxiliary reports, audits or supervision inspection disclose serious internal control deficiencies.

While there is reason for concern when internal difficulties pose a risk to a co-operative, there is no justification for the sanctioning or regularization of a co-operative on the basis of financial losses for

two consecutive semesters. The regulation is arbitrary and provides undue powers of interference on the part of the Office of the Superintendent. Moreover, there is no similar provision for the regulation of a private business that has undergone financial losses for two, or even more, consecutive semesters. This would indicate a lack of equal treatment between co-ops and private businesses.

It is our view that the long-term viability of a co-operative (or a business) cannot be determined by such a narrow reading of its financial status over such a short period of time. If the co-op does go bankrupt, the risk and responsibility rest with the co-op members, not the state.

Recommendation: That this provision be removed.

j) Article 117 – Federations – The constraints placed on the formation and composition of federations by social economy organizations and co-operatives seem arbitrary and fail to reflect the specific requirements or wishes of associations in accordance to their own identified needs and conditions of operation.

Recommendation: That the limitations on the formation and composition of federations be removed.

k) Article 126 – Support Entities – According to this regulation, entities that support the operations of social economy associations shall not be considered as part of the social economy and so not eligible for the benefits conferred under the law. This appears to be an arbitrary distinction between types of social economy organization based on their function, as opposed to the nature of the association. Many support entities are in fact structured as non-profit associations or co-operatives providing a necessary service to the broader social economy. It is unclear why they should not enjoy the rights and benefits available to other social economy groups.

Recommendation: That this provision be removed.

l) Article 136 - Certification of compliance with obligations – To access the benefits granted under the law, organizations are required to have credited registration in the Public Registry and attach a corresponding certification to be active and in compliance with their obligations, to be obtained from the Superintendent. However, the certificate of compliance with obligations is valid for only one year.

This provision requires a re-certification from the Superintendent every year, thus placing an unreasonable and unnecessary burden on the association to validate its operations. Unless there is clear evidence of a co-operative violating the law or contravening the terms of its obligations, the requirement for re-certification should be annulled.

Recommendation: That this provision be removed.

Public Policy Ecosystem - Recommendations

1. Tax Policy and Public Subsidy

Recommendations

a) That social economy organizations be exempted from the payment of income tax on the condition that

7. Profits (or surpluses in the case of co-operatives) are reinvested in the production of goods or services whose primary aim is the provision of social goods;
8. Fifteen per cent of retained earnings are placed in an indivisible reserve;
9. The organization is structured as a democratic association providing control rights to a membership composed of primary stakeholders;

b) That community service or social co-ops be exempted from the payment of employer payroll taxes if 25% of employees are drawn from designated vulnerable populations;

c) That the state be responsible for the payment of these payroll taxes;

d) That a Social Income available to all citizens be explored for the long-term support of the Social Economy and the development a Social Market (see J. Restakis, Public Policy for a Partner State, 2014).

2. Financial Supports and Social Investment

Recommendations:

a) That a **Co-operative Investment Plan** be created to promote the purchase of investment shares by the members or employees of a co-operative, that investments be for a minimum of five years, and that shares be eligible for a non-refundable tax credit of 30%;

b) That a variety of **Community Investment** instruments be established to promote civil investments in social economy organizations and that these instruments include Community Shares, Community Bonds, and Community Investment Notes;⁶⁷

c) That **Patient Capital** programs be developed to provide social economy organizations with short to medium term loans to support early stage enterprise launch and growth. Initial seed capital for this funding could be seeded by government through interest free financing and distributed via local financial co-operatives. This type of financing is designed to respond to the life-cycle of social economy enterprises and their desire for growth and allows government to facilitate this both through capitalization (direct injection of funds) and as an investor.

d) That three per cent of the retained earnings of social economy organizations be placed in a designated social economy fund for the promotion of, and investment in, social enterprises;

e) That designated social economy funds be exempted from the payment of income tax;

f) That social economy funds be mandated to provide low cost loans and equity investments in social economy organizations and to offer financial advice and technical support;

g) That financial co-operatives (credit unions) be encouraged, and be provided with professional training and incentives, to provide loans to co-operatives and other social economy organizations and that these loans be supported by government loan guarantees;

h) That social investments in the operations of a co-operative or social economy organization be eligi-

⁶⁷There are numerous examples in Canada and the U.S. of community bonds. For example, one can purchase Calvert Investment Notes (Calvert Foundation) for as little as \$20 per note (2% rate of interest). These notes are invested in community initiatives in the U.S. and abroad including housing, social services, small enterprises, etc. Community bonds can now be issued by non-profit organizations in Ontario and Quebec in Canada without approval of securities commissions. In the U.S., the government has passed an impressive Community Development Financial Institution (CDFI) Bond Guarantee Program enabling CDFIs to issue 30-year bonds 100% guaranteed by government. In 2012 in France, the region of l'Île de France issued **green bonds** to finance the construction of energy efficient schools (lycées), social housing, greater biodiversity and the social and solidarity economy. **Municipal bonds** have a long history in the U.K. and in the U.S. In Canada, the Social Innovation Center launched a community bond that is also RRSP (registered retirement savings plan) eligible, adding an important and attractive tax incentive to purchase an open space and open knowledge commons. SolarShare, an energy co-operative in Toronto issues community bonds at 5% rate of interest for a 5 year term (maximum \$1000) that is a debt obligation of the co-operative. These types of community financing instruments are replicable and enable citizens to participate directly in capitalizing social economy initiatives. (Private interview with M. Mendell, June 20, 2014) ³⁷ One example is the *Fiducie du Chantier de l'économie sociale* (2007) in Quebec. It was created to meet the need for 'long-term' capital without ownership. Capital is repaid after 15 years and interest is paid annually. This has allowed social economy enterprises to access long-term capital, to consolidate their activities and to grow. The *Fiducie* has also enabled the purchase of real-estate, for example. Most interesting is the role of government in the *Fiducie*. The federal government provided initial seed capital (\$28.5 million) and the government of Quebec is also an investor. It initially invested \$10 million and has recently renewed this interest free loan for 5 years. (Private communication by M. Mendell, June 19, 2014)

ble for a non-refundable tax credit of 30% for civil investors;

i) That registered charities be entitled to invest in social economy organizations out of both their endowment funds and their grant making activities and to earn income without affecting their charitable status;

j) That existing financial incentives and supports available to small businesses be made available also to social economy organizations;

k) That special incentives be established for investment in strategic sectors and targeted to the support and development of priority social and human services (health, home care, housing, education/literacy, environmental protection, green energy, refugee services, indigenous communities, etc.);

l) That government procurement policies for the support of the social economy be reviewed to identify implementation problems, and to engage social economy stakeholders to propose needed reforms;

m) That municipalities and territorial governments collaborate with social economy actors to identify key anchor institutions (e.g. hospitals, schools, universities, government departments, etc.), that can support the social economy through social procurement policies;

n) That a fully integrated social finance “ecosystem” be developed for the provision of a diversity of loans and equity or patient capital for social economy enterprises.

3. Community Education, Mobilization, and Development Recommendations

a) That a series of pilot projects be established to introduce and test these policies in a variety of settings and services, for purposes of research, learning, and public education;

b) That pilots be accompanied by an education and training program for participants on the principles, practices, and organizational models to be applied,

c) That social enterprise incubators be established to promote social enterprises in strategic sectors;

d) That key social economy organizations be recruited to participate in the application of these policies and pilots;

e) That local municipalities be recruited to participate in the design and implementation of these pilots;

f) That a senior delegation of key government and social economy representatives be convened to participate in a series of study tours to witness first hand the operation of these models in Quebec, Italy and Japan.

4. Research, Higher Education and Professional Training Recommendations:

a) That a comprehensive educational plan be developed to promote public and professional understanding of the principles and roles played by the social economy as a whole and of the varieties of organizational forms that compose it (co-operatives, non-profits, social enterprises, etc.);

b) That this plan be adapted for use in popular education campaigns at the local community level and introduced in school curricula;

c) That the theory, principles, and practices of commons, co-operatives, and the social economy be introduced in the curricula of legal studies, public administration, economics, political science, sociology, and other related fields of study;

d) That public schools be supported in the adoption of multi-stakeholder co-operative structures that provide control rights to students, teachers, families, and community stakeholders (see for example the Co-operative Schools of the UK);

e) That a Co-operative University be established to undertake the research and to develop the attitudes, skills, and professional competencies necessary for the cultivation and construction of a robust social

economy in Ecuador.

These proposals for an integrated “ecosystem” of institutional supports for the social economy outline a framework for the development of a market structure that reflects and reinforces the social and economic underpinnings of the social economy as a force for the progressive democratization of the economy.