

**SOWING  
THE SEEDS  
OF SOLIDARITY  
ECONOMY:**

**ASIAN EXPERIENCES**

**Benjamin R Quinones Jr**

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## Foreword

Datuk Dr Denison Jayasooria

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There is a global movement of people at the grassroots who are innovating new approaches to wealth creation and distribution. They recognise that the current dominant models are not only creating greater inequalities among people and damaging the environment. They also note that these are unsustainable ways and therefore have ventured to create their little revolution for social justice.

The little revolutions for socio-economic transformation have overtime grown into a movement of people creating an alternative economy. When 700 people from 26 different countries gathered in Manila from Oct 17 to 20, 2007 they demonstrated through their sharing of experiences that they are not alone. They have taken hold of their destiny and have carved a new pathway for a more just and fair economic sharing among the poorest in Asia.

Ben Quinones has very skilfully documented the sharing of experiences in this journey towards a more just and fair economy. It is imperative that these experiences be shared to a much wider audience and therefore this publication will facilitate this objective.

“Sowing the seeds of solidarity economy: Asian experiences” is a very useful document which captures the emerging alternative Asian models. It is launch during the Third Asian Forum for Solidarity

Economy in Kuala Lumpur (Oct 31-Nov. 2, 2011). This book will enrich the learning journey process and lay the foundation of new comers.

Ben Quinones captures the vision, potential, achievements and challenges faced by the early pioneers in social/solidarity economy in Asia. Many of them are still actively working in the field and therefore the presenters of new case studies can note the concerns of those who went before them.

This book will also be a very useful tool for teachers, trainers and students in social economy and social entrepreneurship especially from reading of a vast cross section of Asian experiences with a tremendous wealth of experiences from Philippines.

On behalf of the Asian Social Entrepreneurship Coalition & Centre for Social Entrepreneurship, Binary University College, I would like to congratulate Ben Quinones and commend this publication for your reading and study.

Our humble prayer is that the reading of this publication will not only inspire you to undertake concrete projects on the ground but also motivate you to write and document your experiences so as to inspire others too. In so doing we are part of an unstoppable chain of actors who will establish a new economic order that is just and fair to all especially the poor and low income in our lands.

# 1 Objectives of the Asian Forum

Close to 700 delegates from 26 countries attended the Asian Forum for Solidarity Economy at the Bahay ng Alumni inside the campus of the University of the Philippines in Diliman, Quezon City of the Philippines on 17-20 October 2007. Around two-thirds of the delegates were women (see 'Fact & Figures about the Asian Forum' below), comprised mostly of young Filipino women who donned their bright national dress on the first day of the Forum, providing the warmth of friendship and solidarity that made everyone feel welcome and comfortable.

The Asian Forum for Solidarity Economy was organized by the Coalition of Socially Responsible SMEs in Asia (CSR SME Asia) with the support of the Charles Léopold Mayer Foundation for the Progress of Humankind (FPH) and the Canadian International Development Agency (CIDA). The first of its kind in Asia, the Asian Forum for Solidarity Economy was an unprecedented event where various stakeholders met to:

- articulate a uniquely Asian solidarity economy as a people- and eco-centered way of governance over the production, financing, distribution, and consumption of goods and services;

- deepen reflections on solidarity economy in Asian countries;
- initiate a mapping of solidarity economy stakeholders in Asia in order to establish a base from which to build both knowledge and best practices; and
- build an advocacy and resource network of various organizations and networks involved in the dynamics of solidarity economy in Asia, and facilitate exchange of knowledge and best practices among them, and between them and their counterparts in other continents

The Asian Forum came at a time when interest is growing for alternatives to the current global economic system that has only deepened the wedge between the haves and the have-nots, and further alienated those who are already marginalized. Those who came to the Forum were looking for answers to some crucial questions: Are there alternative economic systems in Asia that put premium on meeting people's basic needs and environmental conservation over and above profits? What do these alternative economies have in common? Do they share the same vision on what 'solidarity economy' is supposed to be? Are they part of a coherent vision for an alternative global economic system or are they only random examples? Who are the main stakeholders involved? What strategies can be built to enhance business links among them? These questions and more were addressed by participants of the Asian Forum.

## Facts and Figures about the Asian Forum 2007

Workgroup	Delegates		
	Male	Female	Total
Socially Responsible Governance			
Charter of Human Responsibilities	71 (36.8%)	122 (63.2%)	193 (100.0%)
Servant Leadership	60 (31.3%)	131 (68.6%)	191 (100.0%)
Socially Responsible Investing	9 (69.2%)	4 (30.8%)	13 (100.0%)
Socially Responsible Enterprise	15 (44.1%)	19 (55.9%)	34 (100.0%)
Socially Responsible Financing (Microfinance)	6 (35.3%)	11 (64.7%)	17 (100.0%)
Trade Exhibitors	14 (33.3%)	28 (66.7%)	42 (100.0%)
Media, artists, educators	24 (46.2%)	28 (53.8%)	52 (100.0%)
Volunteers	53 (42.1%)	73 (57.9%)	126 (100.0%)
GRAND TOTAL	252 (37.7%)	416 (62.3%)	668 (100.0%)

*Note; The above figures were based on the registration list submitted by each Workgroup. During the actual conduct of the workshops, delegates registered with the workgroups of the Charter of Human Responsibilities and Servant Leadership were distributed to other workshops.*

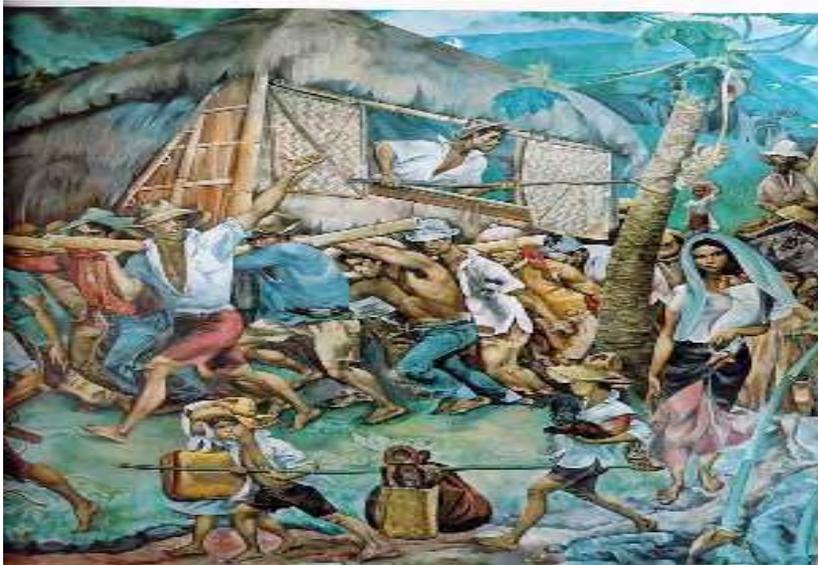
## Goodwill March and Inaugural Session

Delegates assembled at the University Hotel early in the morning of October 17 to join the goodwill march to Bahay ng Alumni, the venue of the forum. They were welcomed at the conference hall by the Master of Ceremonies **Romulo Romero**, the Vice-Chairman of CSRSME Asia Vice-Chairman and Managing Director of OTI Consulting Philippines. Romero opened the Asian Forum with the singing of the Philippine national anthem and recital of the national Oath of Allegiance, followed by a vibrant praise and worship led by Pastor Ernie Palacio.

**Pastor Eduardo de Guzman**, CSRSME Asia Board Member and Vice-Chairman of Intercessors for the Philippines, led the opening prayer and shared the Word of God. He explained the relevance of establishing righteousness in the eight pillars of society (family, church/ belief system, government, economy & business, education, science & technology, media & arts, entertainment & sports) in building a solidarity-based society. "Righteousness exalts a nation, but sin is a reproach", De Guzman quoted the Bible. He exhorted the delegates to establish righteousness in all eight pillars of society in order to ensure that a solidarity-based economy can prosper, truly serve the basic needs of man, and ensure environmental conservation. .

CSRSME Asia Chairman and Forum Organizer Benjamin Quiñones, Jr. welcomed the delegates from 26 countries. He acknowledged with profound gratitude the contributions of the main sponsors of the Forum – the Charles Leopold Mayer Foundation and the Canadian International Development Agency (CIDA) – as well as the partner organizations that made the event possible. In his speech, Quiñones briefly explained that the term 'Solidarity Economy' is translated into the Filipino language as the "Bayanihan Compassionate Economy". *Bayanihan* is a Filipino word that denotes solidarity, cooperation, and sacrificial giving in a mutually

reinforcing reciprocity. It is aptly depicted in the famous painting of national artist Botong Francisco which appears in all the Asian Forum banners. In that painting people in the community are shown helping carry a neighbor's house to another place. There is unity of purpose in the collective action and sacrificial giving to achieve the purpose. The motive force driving the collective action is the passion to care and share.



*'Bayanihan' painting of national artist Botong Francisco*

Philippine partner organizations of CSRSME Asia led by Bayanihang Pilipino Inc (BAPI) designed a food pack for the poor that was served to participants during the forum. It is called *Bayanihan Food Pack* (BFP) and contains the elements of solidarity economy in a microcosm. The BFP is a joint effort of several economic stakeholders, which can be classified into four major groups: the Farmer-producers who produce the rice, meat, and vegetables that comprise the BFP; the Investor-Entrepreneur who

assembles the various agricultural products and processes them into the BFP; the Service Providers who deliver the BFP to the Consumers; and the Consumers who patronize the BFP for its high-nutrition value and unbelievably affordable price.

The socially responsible stakeholders behind BFP constitute a value chain bound together by the values of *Bayanihan*. The BFP value chain has given CSRSME Asia partners the hope that the vision of solidarity economy is possible. It taught them the lesson that solidarity economy is doable when there are servant leaders in the entire value chain who practice socially responsible governance. Servant leaders build socially responsible relationships among themselves. The glue that binds them together in solidarity economy is the spirit of Bayanihan and the belief that those who have more (i.e. power, information, education, knowledge, resources, etc.) have greater social responsibility.

**Gustavo Marin**, Program Director of the Charles Leopold Mayer Foundation for the Progress of Humankind (FPH), gave the inspirational talk. He dwelt on the importance of viewing economic initiatives from the broader perspective of governance. He said that there is now a great opportunity for civil society organizations to lay the foundation for a responsible, plural, and united world because conditions are changing and the world is in the process transition between the old and a new order that is still evolving. Unfortunately, civil society organizations do not yet know how to seize the opportunity. He invited the delegates to consider adopting the Charter of Human Responsibility as a means for meeting the challenges of the 21st century. The Charter of Human Responsibility defines a new global social contract that serves as a universal ethics based on the notion of responsibility that complements the Universal Declaration of Human Rights and the Charter of United Nations.

**Dr. Cielito Habito**, Dean of Economics of the Ateneo de Manila University and concurrently Chairperson of the Asian Forum, declared the Asian Forum officially open. In his inaugural address, Dr. Habito who once served as Secretary of National Planning and Development under former Philippine President Fidel Ramos, reviewed the current economic situation of the Philippines by pinpointing the prevailing features of an “Un-solidarity Economy” or “Non-solidarity Economy” and comparing these with the ideal features of a “Solidarity Economy”. He said that Filipino people were prevented from getting into a solidarity economy by such factors as poverty thresholds, poor governance and the poor attitude of the people.

He suggested simple things one can do for the country, such as: i) Patronize your own product or the product of you community; ii) Ask for a receipt; by not doing so, you become an accomplice to tax evaders; iii) Obey traffic rules. If we can’t obey a simple rule, how then can we obey other rules; iv) Do something for poor families. Adopting a scholar is one good thing you can share to a poor family; v) Build a house like the “Kalinga” way. Volunteer your service to others; vi) Do good; Tolerate no wrongdoing.

Dr. Habito challenged the delegates to consider adopting just one poor family as a positive step towards building a solidarity economy. Statistics show that one out of four Filipino Families is poor. But this also means that three out of four are not. Therefore, if one out of every three non-poor Filipino families “adopt” one poor family, and help nurture them sustainably out of poverty, then the problem of poverty can be overcome without resorting to external borrowing.

Capping the Asian Forum’s opening ceremony was the official opening of the Trade Fair and Art Exhibit, symbolized by the cutting of

the ribbon by Dr. Habito and Gustavo Marin. They were assisted by Mrs. Claribel David of the Asian Fair Trade Forum, Mrs. Norma Liongoren of the Liongoren Gallery, and Mrs. Ruth Vega-Norton of the On Eagle's Wings Foundation. The trade exhibit gave local partner organizations the opportunity to showcase their products/ services and the means they adopt to become socially responsible entrepreneurs. The Art Exhibit gave Filipino social realist artists a venue to express their solidarity with other stakeholders in championing the cause of solidarity economy.

## 2 WHAT IS 'SOLIDARITY ECONOMY'?

Many delegates were curious to know what the term 'solidarity economy' means to people from various parts of the world. On its own, CSRSME Asia defines Solidarity Economy as "a people- and eco-centered governance of the production, financing, distribution and consumption of good and services in order to generate sustainable conditions for self-managed development of each and every member of societies, the peoples and the planet" Based on this perspective, CSRSME Asia organized the sessions and workshops of the Asian Forum along four key themes to help delegates understand the basic dynamics of solidarity economy. These are:

Socially Responsible Governance (SRG)

Socially Responsible Investment (SRI)

Socially Responsible Enterprises (SRE)

Socially Responsible Financing (Microfinance)

At the start of the Forum, CSRSME Asia interviewed some key leaders of partners organizations about their views on solidarity economy. The following responses were generated through individual interviews. In subsequent sections of this report, the views of these

individuals are taken into account on the thematic issues together with those presented by the plenary and workshop resource persons..

**Marcos Arruda** of PACS (Institute of Alternative Policies for Southern Cone of Latin America), Brazil and Member of the Global Coordinating Team of the Alliance for a Responsible, Plural and Solidarity-based Economy (ALOE, France), shared a deeper meaning of solidarity economy.. "It is an economy centered on people, not on profits, and on ecological sustainability, instead of on immediate gains at any cost", he explained. It takes "people's needs, not profit maximization, as the goal of economic activity" which means putting economic and technical development at the service of social and human development. "It also means adopting conscious altruism and solidarity, not extreme individualism, as the core of the new socioeconomic culture, and cooperation, not competition, as the main form of relationship among humans and between them and Nature", he added.

Backed by his broad experience and exposure to social movements in Latin America and different parts of the world, Arruda noted that a growing number of practitioners view solidarity economy as a post-capitalist mode of defining and organizing society, human work, consumption, production, exchanges, money, technology; and, further, as a new way of life that inspires attitudes and behaviours with values such as sharing, co-responsibility, reciprocity, plurality, respect for diversity, freedom equality and equity, ethics, brotherhood-sisterhood. He further noted that, at present, millions of people and a few nations already live by these values and practice another economy and work relationships emancipated from the chains of the labour market and of mere physical survival. This happens in concrete spaces like cooperatives and other self-managed firms, family farming, communities, peoples.

The empowerment of the *social individual* to become the main protagonist of her-his own development is the ultimate goal of Solidarity Economy. This means that working people – i.e. people who live mainly from their work, rather than from capital gains – not owners of capital must become the protagonist of development. Arruda argued the case for a redefinition of the role of the State from one which has pervasive political power to one that is truly a democratic institution, organized in ways that serve society as a whole, orchestrating diversity and seeking to build unities within diversity.

**Yvon Poirer**, Member of the Coordination Committee of the North American Network for Solidarity Economy (NANSE) and participant of the Workshop on Socially Responsible Governance, took a historical view. He quoted the definition of solidarity economy adopted by the **2001 International Forum of the Alliance for a Responsible, Plural and United World**, viz. “They are activities of production, distribution and consumption which contribute to the democratization of the economy based on the involvement of citizens at a local and global level. It takes form through different modalities on all continents. It encompasses the different forms of organizations that a population adopts to create its proper resources for work or to access quality goods and services; this is accomplished through a dynamic socially responsible reciprocity which articulates individual and collective interests. In this manner, social/solidarity economy is not per se a sector of the economy, but rather a global approach encompassing initiatives in most sectors of the economy”.

Poirer also quoted the definition adopted by the U.S. Social Forum (June 2007) organized by the US Solidarity Economy Coordination Committee: According to the U.S. Social Forum, Solidarity Economy constitutes “ an alternative economic model to neoliberal capitalism,

one which is grounded on solidarity and cooperation, rather than the pursuit of narrow, individual self-interest, and that promotes economic democracy, alternative models of local economic governance, equity and sustainability rather than the unfettered rule of the market”.

**Yoko Kitazawa**, founding member of Pacific Asia Resource Center in Japan and facilitator of the Workshop on Socially Responsible Governance opted for a much simpler definition. Solidarity economy, Kitazawa said, “is an economy which does not seek maximum profit, but works with solidarity among people”.

**Cecile Lapenu**, Executive Director of CERSIE (France), International Coordinator of ProsperA (France), and resource person of the Workshop on Socially Responsible Financing, dwelt on the objectives of Solidarity Economy. “It (solidarity economy) wants to reach a triple bottom line (financial efficiency, social impact and respect of the environment”, she said. “It promotes activities that reinforce social capital and respect human beings”. In this context, Lapenu argued that short-term profit should not lead the decisions; instead decisions should be based on the impact of economic activities on the individuals, their families, the communities where they live and the environment. “It is important to have a broad vision, as in ALOE (Alliance for a Responsible, Plural and Solidarity Economy)”, she said. “Social responsibility, diversity of actors and alliances, and solidarity among people, among countries are key issues for a more humane economy”.

**Giovanni Acquati**, from Italy, President of INAISE (International Association of Investors in Social Economy) and participant of the Socially Responsible Investment Workshop, talked about Solidarity Economy as a form of Social Economy. He classified Solidarity Economy as a branch of Social Economy that looks particularly to the poor, the

weak and the excluded persons, as for example the people supported by the microcredit system. Being part of Social Economy, the respect of people is the operative philosophical base of Solidarity Economy. "In every process of Solidarity Economy, people and the respect of environment should be the core focus, and that the impact of every human activity on the environment has to be considered wherever this activity develops", said Acquati. "Solidarity Economy implies also the idea of Solidarity among Enterprises, that is, Enterprise Networks that decide to work together and practice self help in their development."

**Sudha Reddy**, Director of SHARE (Solidarity for Harmony, Awareness, Responsibility & Empowerment) of India, and resource person of the Workshop on Socially Responsible Governance, defined Solidarity Economy as "an alternative form of life-centered economic process based on the democratic, ethical and humane principles and collective action that leads to overall wellbeing of the humankind and environment."

**Dr.Christopher Shun**, Finance and Administration Director of Foundation for Community Studies and Social Development (YKPM, Malaysia), noted that the term solidarity economy is used interchangeably with *social economy, popular economy and labour economy*. But the word "Solidarity Economy" has a special meaning because it "describes the coming together of people as a cohesive unit working to serve common vision and interests to form the economic foundation of these initiatives". As their interests vary, so do the activities. Dr. Shun enumerated these interests, ranging from micro-credit schemes through local exchange systems, income generation groups, barter groups to collective kitchens. "Solidarity Economy is free, harmonious, mutually binding, and organized, wherein the relationships are of cooperation and for the construction of a social power", he said. "It looks towards creating

economic growth, stressing the importance and priority of the well-being of society. It seeks to preserve and sustain the original indigenous culture, which is the source of personal identity, heritage and legacy”.

**Bienvenido Padilla**, Consultant of Timor Aid (Timor Leste), and resource person of the session on Investment Opportunities in Solidarity Economy, described the mechanics of collaboration among stakeholders of solidarity economy. He perceived all stakeholder-members - affected or involved, directly or indirectly - to be contributing to the productive undertaking and corporately (all members) benefit equitably from the same. This is opposed to an economy where some or only a few individuals get all the benefits

**Arun Raste**, Director of International Resources for Fairer Trade (IRFT, India) and resource speaker of the Workshop on Socially Responsible Enterprise looked at solidarity Economy from the angle of environmental and human resource management. He said that solidarity economy “does not exploit either nature or people”. It gives the small and primary producers the chance to manage both their production and the economy and cares for all people of the planet, as well as for future generations. It treats human beings in a humane way and not as machines.

**Kyoko Sakuma**, Executive Director of Sustainability Analysis and Consulting (Belgium), and Coordinator of the Workshop on Socially Responsible Investment, reflected on the possibility that solidarity economy can operate side by side with the market economy for as long as its approaches continue to be innovative. She argued that solidarity economy cannot operate independently of the market economy, but on the contrary, “it needs to compete in the real market logic of traditional markets”. She argued that creating one’s own niche or segment within

the market economy requires innovation, or an innovative mind. In this context, Sakuma referred to solidarity economy as “social entrepreneurship”, which she defined as “a network of people with entrepreneurial spirit and an innovative mind in providing solutions to societal problems and their supporters in joining the newly created segment of the market”.

**Dr. Tito E. Contado**, President/CEO of Philippine Morinda Citrifolia Inc. and case study presenter of the Workshop on Socially Responsible Enterprise, viewed Solidarity Economy as a new concept. He associated the word ‘solidarity’ with Lech Walesa of Poland who in the early 1990s toppled down the communist leadership in his country under the rallying battlecry of “Solidarity” which eventually became the name of his political party. But learning as he did during the Asian Forum, Dr. Contado took a stand and defined solidarity economy as “the unity of interests, objectives and standards of the different economic actors/sectors characterized by their interdependent relationships”.

**Takashi Sawaguchi**, Chairman of Policy Research Institute for the Civil Section (Japan) and participant of the Workshop on Socially Responsible Enterprise, would not be drawn into an intellectual discussion. “I am not an intellectual, so I do not know how to define”, he said. “Therefore I would like to tell you just facts about the solidarity between consumers and producers that we have been doing for last nearly forty years in Japan”, said Takashi. Seikatsu Club is a consumers’ co-operative, but it has established its own three milk plants with 100 dairy farmer-families and 4000 cows. “We have our own chicken farms with producers. We have been co-operating with rice farmers and pork meat producers for the last nearly 35years”, Takashi said. Seikatsu Club has created some of the sustainable agriculture models through the solidarity between consumers in urban areas and producers in rural

areas. “We have been living our lives as the consumers who are also the producers”, Takashi said. “That is the not only our philosophy but also our own practical standard”.

**Charisse Baldo**, Development Programme Officer of the Advocate of Philippine Fair Trade Inc. (APFTI) and co-facilitator of the Workshop on Socially Responsible Enterprise referred to solidarity economy as an economic model of cooperation. It involves different sectors of society “working together towards creating an economy that looks out for the weak”. The different sectors are in solidarity’ with a certain cause, a certain group of stakeholders. “It looks not just at the numbers, but also at the people, the stories behind the numbers”, she said. Baldo cites Fair Trade as a concrete example of solidarity economy. “Fair Trade tries to level the playing field for the small producers, in what has become a flatter but more competitive and unequal world”, Baldo explained. “It is a model of development that focuses on trade, not aid”

**Dr. Miguel P. Niez**, Assistant Vice President of Tagum Agricultural Development Company, Inc (TADECO, Philippines) and participant of the Workshop on Socially Responsible Enterprise, described solidarity economy as a process of producing goods and services that utilizes available resources to meet social needs. “It recognizes the value of labor and finds ways for product maximization and the preservation of environment’, he said. Niez saw solidarity economy as an “attractive alternative” to neo-liberal globalization in terms of the ethics, political, social, cultural and ecological dimensions. Solidarity economy is about “sharing of resources in the process of mobilizing people, nature and capital for sustainable growth”

**Franck Renaudin** 3, Founder and Director of Entrepreneurs du Monde (France), a partner organization represented in the Asian Forum

by a sizeable delegation that participated in the Workshop on Socially Responsible Financing, defined solidarity economy as an economy that puts respect for Human Beings and the Earth at the heart of its concerns. The different actors of solidarity economy “fully perceive and understand the need and interest to fight against inequalities and to protect planet Earth”.

**Jeanne Marie Bernardo**, Executive Director of Bayanihang Pilipino Inc. (Philippines) and co-Coordinator of the Workshop on Socially Responsible Governance perceived solidarity economy as comprising “the whole spectrum of economic activities which socially responsible and values-led organizations undertake by collaborating with and networking among other like-minded organizations and the communities they serve to meet the needs of all concerned”.

**Jimmy Ching**, Chairman of Christian Businessmen’s Forum International (Philippines), and co-Coordinator of the Workshop on Socially Responsible Enterprise defined solidarity economy as an alternative economy that is “based on compassion for people and care for the environment. It is an economy where “self-interest gives way for the interest of the whole; where greed, as the motive for profit is eliminated”. In his view of solidarity economy, love for God and country becomes the center of everything. “The standard therefore is based on objective truths that can only be found in the Word of God”, he said.

**Vicente L. “Sonny” Domingo**, National Chariman of the Kapisanan ng Magsasaka, Mangangisda at Manggagawa Ng Pilipinas Inc. (KaMMMPi, Philippines), and participant of the Workshop on Socially Responsible Governance, viewed solidarity economy as the convergence of socially oriented individuals. He observed that leaders and institutions that recognize man as the center of economic activity are the ones who

desire righteous relations with others. Solidarity economy also recognizes the existence of a *social capital* (vis-à-vis financial capital) coming from people who have a solid stand on a common cause. “In developing a business or an enterprise, whether micro or a business conglomerate, the human resources or manpower should be recognized as ‘capital’ and their aspirations as ‘collateral’ (vis-à-vis money capital and real estate) so that ordinary people can have an equity share in the business and its profits”, Domingo argued. “This viewpoint represents a paradigm shift in business development which usually recognizes only money as capital and real estate as collateral.”

These random views have one thread in common: the understanding that “Solidarity Economy” is an economic system that is oriented towards people and ecological balance as opposed to the mainstream economy which gears towards maximization of profit and wanton accumulation of private wealth.

The term “solidarity economy” is more widely used in Latin America. Some countries (e.g. France, Canada) use the term “social & solidarity economy”.

The important point is that both terms (Solidarity Economy and Social Economy) share similar basic principles. For example, the five key principles established by the Chantier l’Economie Sociale of Quebec to distinguish social economy enterprises can well be applied to solidarity economy initiatives (Neamtan, 2003). These are:

- the objective is to serve its members or the community, instead of simply striving for financial profit;
- the economic enterprise is autonomous of the State;
- in its statute and code of conduct, a democratic decision-making

process is established that implies  
the necessary participation of users and workers;

- it gives priority to people and work over capital in the distribution of revenue and surplus;  
its activities are based on principles of participation, empowerment, and individual and collective responsibility.

It can be said that the concept of solidarity economy is much better entrenched than it was before the Asian Forum among the participants of the Philippines as well as of other Asian countries.

### 3

## **WHO DETERMINES RESOURCE ALLOCATION IN SOLIDARITY ECONOMY?**

In any economic system, there are producers of goods and services, traders/ middlemen, investors/ funders, and end-users/consumers. It is said that solidarity economy comes into being when economic stakeholders become conscious of their 'social responsibility', put it into practice, and allies with other socially responsible stakeholders who may be engaged in the production, financing, distribution, or consumption of goods and services. But the questions inevitably arise: "Who among the stakeholders has the greatest influence on the price?", and "What minimum conditions should obtain for the stakeholders to become 'socially responsible'".

The social responsibilities of Investors, financiers, producers, and traders are elaborated in the succeeding sections. This section focuses on the social responsibility of consumers or end users, highlighting the views and opinions of the Asian Forum group of interviewees.

Who are the socially responsible consumers? Consumers have a decisive role in the establishment and sustainability of solidarity economy. Without socially responsible consumers, solidarity economy initiatives will hardly achieve sustainability.

Giovanni Acquati recognized the Consumer as the main actor in any economy, but often they are not aware of it. They are the supporters of any economic system that they choose to patronize. Their awareness and responsibility is seen in the products they buy. They exercise their social responsibility when they prefer to buy local or ecological products, with the best rate quality-price, and products that do not exploit but respect persons (e.g. workers, consumers) and the environment. "To me, solidarity economy has to be developed only in the respect of environment: this is basic, an important part of its development." said Acquati. He suggested that all stakeholders should have strong awareness of this basic principle. Investors, on their part, should choose to finance only ecological projects (microcredit included). The producers, who frequently produce to acquire more economical benefits, should maintain the territory where they produce and avoid using chemical pollutants.

Marcos Arruda commented that conscious consumption is the challenge of the 21st century. "Every good, service and resource that we target for consumption is a cost for society and for nature", he said. Except for the very poor, all other consumers have the power to choose what and how much to consume. Ethical consumption is the kind of behaviour that results from the application of the four Rs to man's daily actions as consumers, viz: **R**educe consumption of material goods, energy, natural resources; **R**educe waste; **R**e-use all that can be re-used, recycle and select waste to be recycled; and **R**espect our fellow humans and our ecosystems. Those who can influence their families, communities or a larger public should use that power to promote conscious consumption. As consumers, we can also choose NOT to buy products that are unhealthy, or that are produced by unethical enterprises. We can promote or participate in boycotts to global corporations. Arruda noted that participants of the World Social Forum are preparing for the

decentralized WSF events in January 2008, a global week of conscious consumption, to be practiced by every world citizen, every community, ethical enterprise and government. The goal is concretely to show that “Another World is Possible” because another consumption is possible.

The vision of ALOE views human beings as one among a myriad species that populate the Earth. They are all interconnected and interdependent. Promoting the human being as the core of the economy means to see the human being within her/his natural, social and historic contexts. This implies shifting paradigms, from economic growth at any cost to a nurturing, reciprocal relationship between humankind and nature. With this vision it is possible to reshape consumption, production, exchanges, money and finance, education, use of natural resources and of energy sources in caring, sustainable ways. Ecology is the comprehensive context in which Economy should see itself modestly inserted. .

Vivian Vandemeulebroucke said that a socially responsible consumer should choose to reduce his consumption, avoid to waste what he has and choose organic and fair trade products. Stakeholders of solidarity economy will not succeed in having alternative consumption goods (energies included) if they are not prepared to consume less and better. The future is not growth, the future is a better use of the (natural) resources we have. If stakeholders/ consumers of an economy were not contributing positively to environmental conservation, it is not apt to call it “solidarity economy”, Viviane says. Solidarity means being “solidaire” also with future generations and respecting the planet accordingly. “I will never say a company / behavior belongs to solidarity economy sector if it does not respect environment”, Viviane declared.

Respecting the planet is respecting the people who are living on it, or will live on it. Changing our behaviour will take long but we (as producer,

consumer, investor, etc.) should stop saying that others have to do it if we want a real change to occur. “When I hear politicians (or individuals) saying that they do not boycott companies who do not respect human rights because they are waiting for a more global mobilization (including other countries) it makes me hopping mad”, Viviane said. Most of the time people think the change they can bring is too small to be worth it. It is absolutely important to change this mentality. Social/solidarity/ethical finance is amazingly growing everywhere but at the beginning there were only a few people who were active and willing to use money in a different way. The same growth pangs were experienced in fair trade and organic agriculture.

Arun Raste and Jimmy Ching were in agreement that socially responsible consumers should empathize with and patronize the products of socially responsible producers who take concrete steps to protect the environment, such as promoting the thought that we are borrowing from our future generation and are not owners (Raste), and being conscious of the effect of products and services on the environment, which can only happen when people have compassion for the future generation (Ching).

Cecile Lapenu argued that any consumer can be considered socially responsible when he/she is prepared to pay a little bit more to ensure that goods are produced with fair conditions and should be an advocate these products. The socially responsible consumer should be aware of the conditions of production and should prefer commodities and services that are produced with a “triple bottom line” approach. He should contribute to reinforcing the local economy with less transport and better knowledge of the local environmental constraints.

Charisse Baldo maintained that apart from buying the products of socially responsible enterprises, socially responsible consumers should also boycott companies that break labor and environmental laws, as well as those who do not have any meaningful environmental policies whatsoever. They should support the SREs (socially responsible enterprises) that limit their carbon footprints, treat and limit their wastes. They should also encourage SRIs (socially responsible investors) who invest in environmentally conscious companies, and who lobby for policies that encourage environmental conservation.

Dr. Christopher Shun said that the socially responsible consumers, including the workers, should focus on self-sufficiency and cooperation rather than dependence. They should use resources prudently based on needs and should not indulge in over-consumption. Citing the example of Brazil, Dr. Shun points out that one of the main issues concerning the development of Solidarity Economy is the development of an internal market and this is connected with initiatives regarding organic production and the emergence of the “conscious consumer”. Most organic farming in Brazil is done by small / family producers and thus the absence of mass land cultivation with mass chemical fertilizers that pollute the rivers and ground water systems. On the other side of the commercial chain, the consumer who wants to contribute to sustainability – worried about social and environmental issues – is the one who will be willing to buy Fair Trade products produced via the Solidarity Economy. In short, a society that supports Solidarity Economy makes use of natural resources without depleting them.

Dr. Tito Contado suggested that for consumers to be called socially responsible, they should be willing to pay a “fair price” for the goods and services produced by self-managed enterprises, and they should not demand goods and services that adds to the pollution and degradation of

society and the environment. Inasmuch as all stakeholders of solidarity economy are consumers or end users, there must be an advocacy that makes them understand the importance of the environment in their personal lives and for the benefit of generations to come. As consumers, stakeholders should not buy goods and services that directly or indirectly contribute to the degradation or destruction of the environment. The producers should not use production methods that destroy or contribute to the destruction or degradation of the environment. The investor or capitalist should not finance production projects and services that degrade the environment because such projects are not sustainable.

Dr. Contado further suggested that **Employees** should be made part of the economic actors that must exercise social responsibility. Employees are more than the old concept of laborers. They are important players in a Solidarity Economy. An example of socially responsible employee is a Company employee who voluntarily asks to reduce his salaries to save the company from bankruptcy. Another example is the employee whose attitude is progressive in the sense that he considers himself to be a part of the company's mission and not just a worker who simply does a job.

Franck Renaudin cited several practical ways by which a consumer can become socially responsible, such as: (i) taking into consideration the packaging before buying; prohibiting individually packed goods and looking for "big packs" (coffee, sugar, oil, etc); (ii) refusing plastic bags in shops and super markets; (iii) avoiding plastic made wares like plastic glasses; (iv) looking at where the products come from and prioritizing locally made products; (v) accepting to eat according to the seasons, to avoid "unnatural productions" and importations; (vi) assessing according to the price and origin of the product the probability that the workers would have been correctly paid; and (vi) boycotting trades and chains which clearly do not respect some fundamental values

of the solidarity economy. Renaudin further argues that a society or community which does not positively contribute to environmental conservation cannot move towards "Solidarity economy". Respecting environment has to be an equal consideration. He finds it very hardly acceptable to debate on Solidarity economy in places where air-condition is pushed at its maximum so much so that some people wear jackets in order not to freeze.

Jeanne Marie Bernardo maintained that socially responsible consumers must act with concern and compassion, aware of the effect of their actions on others, especially the poor. At the same time, the choices producers and manufacturers make have environmental impacts on consumers. For example, many packaging materials contribute to environmental pollution. But, the responsibility for avoiding environmental pollution is passed on directly to the consumer who is the one being pressured to dispose of the packaging material in an environmentally friendly manner. This should not happen in a solidarity economy where producers and manufacturers are socially responsible stakeholders.

Dr. Mike Niez concurred with the idea that consumer satisfaction must be addressed by the producers. While maximum utilization of resources is necessary for the efficiency of Solidarity Economy, an ecologically balanced environment is imperative to maintain the fragile balance between the internal and external factors of business. Solidarity between consumers and producers, therefore, must be geared towards positively contributing to the ecological preservation of mother Earth.

Bienvenido Padilla asserted that consumers who are socially responsible should make purchases not merely on the basis of price but more importantly the story behind the products. They should patronize

fairly-traded products which support living wages and safe and healthy conditions for workers. Comparatively, what an individual or a few individuals can do, the populace can do much better and with greater impact. As all members of the populace are consumers, they can become socially responsible consumers by deciding to take the following actions, among other things:

- choose to be environmentally self-educated, research-updated, follow-through developments and actively participate in the formulation of public policies, local regulations concerning the conservation of forests, freshwater and marine ecosystems.
- choose to patronize environmentally-conscious companies/businesses, carefully verifying their efforts to replenish raw natural materials, and support community-based conservation activities.
- choose to buy/promote products that are certified as environmentally-friendly (even if they cost higher than the competitive product) and lobby against products which are not.
- choose to practice home-based recycling, reuse, reduce and self-manage household waste-products;
- choose not to burn dry leaves, carton, paper, or wood in open –public spaces so as not to add to air pollution and use up environmental oxygen especially in congested urban areas – but instead learn to convert these into organic fertilizer for plants in urban gardens.

Sonny Domingo considered consumers to be socially responsible when they patronize only those products with quality and right weights, and who denounce producers and service providers (especially traders) who provide poor quality and underweight products. Domingo also suggests that all sectors of solidarity economy could contribute to

promoting ecological balance by donating a portion of their profits in support of environmental protection/ conservation initiatives as advocated by the Green Philippines Movement.

Yvon Poirer viewed socially responsible consumption in terms of “buying fair, buying local, and buying products that respect workers, peasants and environment”. An economy whose stakeholders do not practice environment conservation is NOT a solidarity economy. The future of the planet has to be a central value of solidarity economy. It must uphold basic values such as fair working conditions and gender equality.

Graham Harper said that a stakeholder is considered to be a socially responsible consumer when she makes purchase decisions based on more than price. She should look at aspects such as social protection, ethics, and environmental protection. Environmental damage results when externalities are not accounted for. As Gandhi says, greed outstrips sufficiency. Stakeholders of solidarity economy should counter the greed and internalize into the production process the practice of environmental protection and accountability.

Sudha Reddy suggested that all stakeholders should have the inner urge for practicing humane values in daily life. One of the fundamentals of solidarity economy is to focus on prudent use of resources based on needs rather than over-consumption. Respecting the symbiotic relationship between human life and nature, the stakeholders of solidarity economy can contribute positively to environmental conservation by recognizing and integrating the living traditional knowledge systems and wisdom in conservation and protection of environment and alternative sustainable environmental solutions into their economic and social activities

Yoko Kitazawa said that all the stakeholders of solidarity economy have to observe human rights and gender equality, to protect environment and social security. Solidarity economy should have comprehensive and holistic chain of production, distribution and consumption which ensure the sustainable development of communities.

### **Ownership Structure And Price Determination**

In any economic system, those who own the means of production have great influence in determining price and the allocation of resources. To understand the ownership structure and price determination in solidarity-based economy, the panel of resource persons were asked the questions: “What should be the ownership structure in solidarity economy”? And, “Is it possible for all these stakeholders to determine the price collectively through dialogue and cooperation”?

On the issue of ownership, three alternative types of structures were contemplated:

#### **1) *Trusteeship***

Arun Raste proposed this ownership structure since “we are not owners, rather we borrow the resources from the future generations”. Dr. Chris Shun sided with this position. He believed that the communal ownership of property in the form of community land trusts is still the best model to underpin the Solidarity Economy so that local communities do not lose their main asset – their land. Otherwise their children will become destitute, having no ready access to fertile land and housing.

To further reinforce this position, Dr. Shun cited the case of the indigenous Australian aboriginals as an example of the proper type of property ownership rights under the concept of “solidarity economy”. Firstly, Australian Aboriginal people have not had proper recognition of

their land rights in the current era. Although approximately 20% of the Australian land mass is now subject to some form of land rights, this is mostly arid land and benefits less than 20% of the Aboriginal population. Most Aboriginal lands are in the deserts of the Northern Territory, South Australia and Western Australia.

Secondly, community land assets are being mismanaged by unscrupulous developers and profiteers following the introduction of private property rights. The Australian aboriginal experience tells us that poor local communities can be tricked out of their inherited community assets by registration and privatization arguments, and that a few business people from those aboriginal communities (by usurping the rights and assets of those communities) have personally benefited from their separate deals with big companies at the expense of their community resulting in lost heritages and cultural legacies.

Sudha Reddy favored both Trusteeship and Cooperative forms. Trusteeship, where the ownership of property lies in the hands of a few, scrupulous Trustees, is preferable when the vast majority of stakeholders seek to avoid the intricacies of leadership and management and they have complete trust on those who manage the collective property. In the absence of such trust on a few individuals, the cooperative form would be more preferable especially when members of a larger group demand participation in the decision making process.

## *2) Cooperative form of ownership*

Yoko Kitazawa also favored the cooperative simply “because it is solidarity economy”. Jimmy Ching opted for the cooperative form because it allows equity participation of all stakeholders. He cited as an example the case of people coming together to save money for the purpose of setting up an enterprise. There is more power when stakeholders come together to fulfil the vision of solidarity economy.

Bienvenido Padilla approved of the Cooperative structure because it “pro-poor, pro-community, pro-social responsibility”. Dr, Mike Niez echoed the sentiment. He preferred the cooperative form because “the net surplus from its operation will go back to each member”.

Dr. Tito Contado concurred with this position, arguing that the concept itself connotes that the type of property ownership is predominantly cooperative ownership. At the same time, Dr. Contado would allow a second form of ownership, that of a corporation collectively owned by small owners of assets such as the Small Landowners Corporation where the owned land is “currency”. In this kind of a Corporation, usually 1 hectare of land is made equivalent to 1 share of equity.

Giovanni Acquati similarly rooted for the cooperative form of ownership, noting that this is normally the most used form of ownership in solidarity economy, because the cooperative statute considers equality among all the members - “one head, one vote”. He was convinced that the cooperative is the best juridical form. Nevertheless, he has always observed that the practice is more important than the form: how people in the coop behave, whether they treat workers with dignity and respect paying the fair price for their work, whether everybody is involved in the operative choices, whether work is done by respecting the environment. Giovanni concluded that the form of ownership is not enough to call an Enterprise “Social and Solidarity”. It is more important to consider the contents and the operative choices because they are fundamental.

Jeanne Marie Bernardo saw the cooperative property ownership as being the more predominant in a solidarity economy. Inasmuch as the cooperative form of ownership is driven by social mission, there is not one person who will benefit more than the others. Members have

equal share to the property and all profits or benefits derived from that property will accrue equally to all. All these suit well the ideals of solidarity economy.

Marcos Arruda was inclined towards the cooperative structure to the extent that it allows shared possession and management of resources by those who produce the goods. He notes that private property of productive goods and resources has been dominant since the 17th century. It is more than a juridical form of ownership, it is a dominant paradigm, that the Western culture made global as the only possible form of social relation of production. Solidarity Economy puts into question the key value that grants a person the right to private ownership of productive goods and resources, capital. By showing that capital itself is a product of human work, solidarity economy activists argue that work, knowledge and creativity should be the values of reference to ownership. They also argue that democracy is only true if it also brings about economic democracy, which means the sharing of possession and management of productive goods and resources by those who invest their work to generate new products, new techniques, new knowledge. The implication is that a profound juridical change is demanded to establish shared possession and management as a pillar of an economy of sharing and cooperation. The transitional policies to achieve this must develop according to the reality of each people, nation, and culture.

### *3) Mixture of various ownership modes*

Cecile Lapenu argued that solidarity economy is not mainly driven by property ownership: it depends more on the good governance of the organizations (whatever their status): clear and shared social mission, transparency, clear responsibilities of the actors involved in decision-making, efficient control, etc.

Charisse Baldo agreed with Lapenu, saying that the type of ownership does not matter. To her, what is important is the distribution of and access to resources and what people are doing to make this world a better place. In this context, corporations, private individuals, government, anyone can make their contribution and it is important and better finally, if we all find a way to synergize our resources and work towards the same goal, which is solidarity economy.

Viviane Vandemeulebroucke commented that the problem is not the type of property ownership you choose but the way you run the business. She said she has seen companies with a cooperative status run like limited companies. You need to have transparent and human management rules. It might take more time to discuss, to communicate, to listen, but in the long run it is certainly more profitable.

Yvon Poirer aligned with Vivianne's view. He observed that at present, Solidarity Economy is mostly anchored in collective enterprises (non-profit organization, NPO, or Cooperative). However, some small private enterprises share the same values, and some state owned enterprises support these values. In the longer term, the aim is to have all types of ownership embrace the values of Solidarity Economy. The type of ownership is not by itself the principal criteria, since some NPO or Cooperative enterprises do not pursue solidarity economy values.

Frank Renaudin joined those who favored a mixed ownership structure. He didn't think that property ownership should be a main criteria to ensure a solidarity economy. Some cooperatives might finally be less socially responsible than certain private corporations if for some reasons, one or several of the main values are not respected. Being socially responsible is fortunately not linked to a legal identity of an organization but is a direct consequence of the chosen values of

the company's different stakeholders. What is relevant is to educate all future managers on socially responsible leadership and management. This is a key issue.

Graham Harper also supported a mixture of ownership structures in pursuing solidarity economy initiatives because different types of property ownership cater to the various needs of certain groups of stakeholders. He cited one of the projects currently undertaken by his organization in 12 villages in northern Laos. In this project, the district officials, provincial government and a private company are involved in a partnership. The public agency, private company, and communal organization all combined for the common purpose of creating sustainable livelihoods.

### **Price Determination in Solidarity Economy**

In any economic system, there are producers of goods and services, traders/ middlemen, investors/ funders, and end-users/consumers. Various models of solidarity economy initiatives may underscore the predominance of certain stakeholders in determining the prices of goods and services. Ideally, all the stakeholders should participate in a collective effort of determining prices through dialogue and cooperation. But is this possible?

Arun Raste said that cooperation among stakeholders in determining the price of products is possible if the consumers demand transparency in the pricing system. He was confident that stakeholders would come together and cooperate.

Jimmy Ching noted that in the traditional economic system, the traders/middlemen enjoy the greatest influence on price through

manipulation of supply. However, it is possible to change this. What is required is that all the stakeholders arrive at a common ground and consensus on the price, which will benefit all. This can be done through dialogue and learning journeys. Learning Journey is important because this is where each stakeholder gets to know one another as they become more transparent with their motives and goals.

Sudha Reddy affirmed the view that collective determination of price by all stakeholders of “Solidarity Economy” is the ideal situation. But the process of dialogue and cooperation requires matured individuals and collectives. This is a real challenge for effective functioning of Solidarity Economy.

Giovanni Acquati shared his observations of situations in many countries indicating that traders and middlemen play the main role in determining the price. He was convinced that if Social Responsibility is missing among stakeholders, it is useless to try any innovative process. It would certainly be ideal to fix the price together with all the actors and to succeed in leaping over the middlemen to get to a direct relationship between producers and consumers. Acquati believed that middlemen should gain less than the producers of goods because producers are the core of the trade. Without them (producers) the product would not exist! The investors should support producers only on the condition that production respects the environment and workers are treated with respect and dignity. On their part, consumers should always know all the parts that contribute to the final price of goods so that they can choose with awareness which product to buy.

Yoko Kitazawa contrasted the capitalistic pricing system and the solidarity pricing system. In the capitalist economy, the price of industrial goods is decided by the producers, and price of commodities

is determined by market. In the solidarity economy, the price must be determined by both producers and consumers collectively through cooperation.

Cecile Lapenu concurred with the view that cooperation is needed in determining what constitutes “fair price”. Fair prices should be paid at each level, based on the real activities, not on speculation or short term profit. At the end of the value chain, the consumer should be ready to pay the fair price. Local economy based on proximity and exchanges based on short distances should be preferred.

Charisse Baldo echoed the same position. She said the price should be something that all stakeholders determine and that they can all live with. There should be some sort of socially responsible governance such that one group does not monopolize power to determine the price, as currently done by middlemen or MNCs in the present world economy.

Dr. Chris Shun asserted that solidarity pricing mode can be viewed as a strictly market-oriented pricing system within the context of solidarity economy. He explained that in the Solidarity Economy market place, there is a space for the interchange of goods at a fair price with non-discriminatory relationships. This space for fair pricing constitutes a means of creating sustainable development. There is no primary stakeholder (investor, consumer or worker) that has the greatest influence on price. Within the context of global supply and demand, the price is collectively set through constructive dialogue and cooperation with the objective of recycling profits into the Solidarity Economy to preserve the environment, the local culture and promote social harmony and justice. Technology and the financial resources are merely instruments for work and production. They are a means to an end and not an end in itself. Hoarding and accumulation of wealth is not the primary objective.

Within the solidarity economy model exists a consciousness of respect for nature and the knowledge that natural resources aren't in unlimited supply; therefore they require planning, preservation and sustainable use so they can also serve future generations.

Graham Harper likewise believed that it is possible to determine a price collectively based on dialogue and cooperation, but this may apply only on a case to case basis. He cited the example from Laos where responsible-tourism product prices have been set by a private company in cooperation with the provincial tourism authority and the leaders of communities involved. The "Fair Travel" products are sold to consumers who are willing to pay because of the knowledge that the profits are fairly divided between all in the supply chain.

Marcos Arruda mentioned the experience in Spain where there have been local initiatives of price negotiation. He had heard of a store in Spain which does not set prices, but rather make them objects of negotiation between seller and buyer. In Rio, a solidarity exchange network using a complementary currency practiced transparency of costs as a first step to price negotiation. The sellers bring posters in which they show the cost of each item that constitutes the total cost. They have become as sophisticated as to include social and environmental costs, but this is part of the agenda of equitable exchanges in the future: the internalization of externalities into full cost transparency. The educational outcome of this practice has been impressive. At a larger scale, however, other methods must be developed. Important factors of price transparency are the attitude of seeking mutual gain in exchanges, and the transparency of costs, including social and ecological.

Vivianne Vandemeulebroucke pointed out that the capitalist market presently rules most of the economic exchanges, and capitalist traders have the greatest influence on the price. She concurred that it is possible to agree collectively on a price. Where producers work with fair trade organizations in collaboration with social investors, the price is not higher for the consumer and every stakeholder is in a win-win relation. What needs to be done is to develop this kind of relations on a bigger scale. The relation between all stakeholders is also a question of information. If we use to work without looking at what other actors/ stakeholders are doing we will never find a way to collaborate and really change the mainstream system.

Jeanne Marie Bernardo believed that in a solidarity economy all the stakeholders could influence the price when they have the opportunity to participate in determining it collectively through consultation. By consulting with each other, stakeholders would be able to come up with an agreed level of price which would benefit all. Producers would be assured of profits because of a steady demand. Traders would have their share of profits. They may have a smaller profit percentage but the large volume of sales supported by a steady demand would result in a large volume of income for them. The important point for sustainability is that consumers are willing and able to pay the price.

Dr. Mike Niez believed that both the producers and the consumers have the greatest influence on the price, and that they can be brought together in a dialogue to agree on common parameters for sustainable business growth.

Bienvenido Padilla argued that consumers should have the biggest influence on price because they constitute the largest number among the stakeholders. But in the present economy, the traders/ middlemen

actually have the greatest influence on price. Be that as it may, Padilla still believed that it is possible for all the stakeholders to determine the price collectively through dialogue and cooperation “It’s only a matter of information-sharing”, he said.

Yvon Poirer asserted that in a solidarity economy, the price should and could be determined by dialogue and cooperation; more or less like in fair trade practices. However, at this period in history, neoliberal globalization controls the economy. Therefore, dialogue and cooperation within solidarity economy sector cannot determine prices without taking into account the global economy.

Dr. Contado contemplated the sustainability of the solidarity pricing system. As defined, in “Solidarity Economics” the greater good dictates the price of goods and service”. Solidarity pricing is based on agreed values and shared benefits to attain a win-win proposition for all stakeholders. This is In contrast to a monopolistic economic system where the producer, who often is also the capitalist, has the greatest influence in fixing the price of goods and services. On the other hand, solidarity pricing implies protectionism of the goods and services that is produced and consumed within the solidarity economic unit. The threat to the pricing of “Solidarity Economics” is external competition from open market economic systems.

Dr. Contado, therefore, proposed that solidarity economy should borrow certain principles from the open market economy, such as “the consumer is king”. He cited the case of the Philippines, where consumers apparently have the greatest influence on the prices of goods and services. They are also the ones who have the greatest influence in the quality of goods and services that are placed in the market. For example: when Filipino consumers could no longer afford to buy pandesal (salted bread)

at a given price, the baker made smaller pandesal or diluted the mix with cheaper extenders to make it affordable. Another example is the G.I. sheet. Today GI sheets are very thin because that's what the consumers can afford to pay. Another example is electric bulb. Customers want cheaper bulbs, so manufacturers made them cheap but they do not last long.

Dr. Contado was open to the possibility that price can be determined collectively through dialogue and cooperation under well defined conditions, in particular homogeneous socio-cultural-economic values of the participating stakeholders. He cited the example of a religious organization in the Philippines that achieved such conditions as: (i) agreement on the parameters of sharing the cost of production, the margin of each stakeholder and what the consumers are willing and able to pay; (ii) shared vision and goal of an all-winners scenario; and (iii) the absence of strong external competition.

But, Dr. Contado gave caution that the transaction costs of a solidarity price fixing could be high in terms of man-hours spent by leaders and participants in dialogues, negotiations, delays in production and distribution, and policing of stakeholders. It is, therefore, prudent to carefully study comparatively the costs and benefits of solidarity pricing vis-a-vis the open market price system.

Frank Renaudin concurred with the ideas of Dr. Contado. He viewed solidarity pricing as a possibility, but this may be applicable to a few economic activities only, and not as a main economic model. He believes that most human beings are still quite far from these concerns, so the probability to gather many different stakeholders sharing the same vision on a specific product is quite low. He did not foresee a drastic change of behaviour among stakeholders when it comes to the economical

model. But he had strong faith that today's children and students are not willing to replicate what is currently being done. He has seen in many universities and schools a different mindset, a world view that moves people towards a much more responsible way of learning and teaching. He saw more and more examples where social values are currently at the heart of the teaching. He boldly predicted that in 15 to 20 years, "we will see a very different way of doing business, when Social Responsibility will be a fully integrated component of our daily life".

### **Giving Impetus to Solidarity Economy through Social Currency**

'Social currency' is a form of money created by a group of people independently from the monetary authority (i.e. Central Bank) to enhance the purchasing power of people engaged in solidarity economy. In this light, should solidarity economy stakeholders create their own 'social currency' in order to energize solidarity economy and expand its space within the traditional economic system?

Dr. Chris Shun acknowledged that during the last decades a variety of experiences related to complementary currencies have been developed in different social and cultural contexts, in which the shortage or absence of money is met with creativity through distinct instruments of exchange. Such para-monetary instruments have the potential of demonstrating the possibilities of "another economy". They are initially complementary to the "traditional financial" economy but later capable of reinforcing the solidarity economy.

The introduction of social currency could contribute to the creation of a new model of social organization capable of complementing the capitalist model. A change in the monetary system could bring us to face

new possibilities to build up a world in which responsibility, plurality and solidarity are the main values. Complementary para-monetary instruments (social currencies) are an efficient tool to defend against the globalization which impoverishes local communities. Social currency can protect itself from external “traditional” monetary manipulations and favors a sustainable local development.

Money is a miracle, according to a Belgian financial expert, Bernard Lietaer. Marcos Arruda elaborated this concept of money by Lietaer as it relates to social currency. The argument is that money connects people of different parts of the country and the world by invisible threads: as they exchange goods and services, which are embodied human energy or, in other words, the product of human work, knowledge and creativity. People who do not know each other share that energy among themselves. For the gains of the exchange to be equitable they should benefit both sides proportionally.

As money circulates, the more it feeds the cells of the social organism with ‘financial’ oxygen or purchasing power that allows people to buy what they need to reach satisfaction.

The system of global capital, however, has transformed money into one more commodity, by means of the interest rate and the exchange rate. This means that people who accumulate money (embodied work of other people) can now make more money without producing real wealth for the community. Informatics and telematics have made it possible to realize money transactions in real time. As a result, a process of concentration of money has escalated, creating clusters of accumulated financial wealth that betray the true purpose of money. Furthermore, the social organism of humanity is profoundly ill with disparities and social inequalities that are no longer tolerable.

Official currencies are created and maintained by central authority. Social money, however, is created by the users themselves to serve their purposes. It is one form civil society has developed in order to break the monopoly power of concentrated official money (legal-tender), thus generating economic activity and productive occupation. While official money is scarce, social money aims at sufficiency and at promoting cooperation, rather than competition.

Vivianne Vandemeulebroucke affirmed the role of social currency or local money as a real incentive in a number of regions or countries. It could help people develop an economy where real (legal-tender) money is lacking or have corrupted the relations between people or where inflation is rampant. It is a good means to develop human relations in a territory, although not the only one. Social currency can put the real role of “money” back in the economy game: favoring exchanges of goods and services and not collapsing economy as it happens too often (e.g. subprime mortgage in the US, Enron and other well known cases). Social currency can help recreate an economy where people have lost confidence in “real” money, when the legal-tender money cannot be trusted anymore.

Yvon Poirer saw social currency as a tool to help create solidarity within a community, and especially reinforce the local economy. However, he couldn't be sure whether the addition of social currency to the supply of legal-tender money would increase the purchasing power by itself. In a sense, social currency is like micro-credit. Micro-credit is not the solution to poverty. However, it can alleviate some poverty. But, its real value is to empower people, often women. Then they can move out to build a stronger solidarity economy, like cooperatives, community businesses, etc,

Giovanni Acquati considered “social” and “local” currencies as great means for enhancing local economy. This viewpoint is based on his observations in different parts of the world and in many projects. Acquati could not envisage any role of Social currency in a traditional economic system, but it can serve as an impetus for creating a new economy.

Jeanne Marie Bernardo and Jimmy Ching foresaw that social currency in a solidarity economy may eventually “replace” regular (legal-tender) currency in facilitating the exchange of goods and services among stakeholders. This could expand the space for solidarity economy and allow marginalized people to move up the economic ladder faster. The key to the effectiveness of social currency are established trust relationships among the stakeholders of solidarity economy that have developed through constant collaboration and working together.

Sudha Reddy gave emphasis on the crucial role of social currency in creating and expanding the space for solidarity economy by offering freedom from dependency on dominant economy and at the same time promoting harmonious social relationships among the stakeholders. Reddy was quick to admit, however, that she needed to learn more about the sustainability of ‘Social currency’ within the traditional economic system in the midst of powerful, dominant economic order.

Cecile Lapenu and Mike Niez saw the potential of social currency in creating a dynamic local economy based on proximity, local knowledge and local exchanges.

Arun Raste cited specific uses of social currency, such as taking care of temporary needs for money, facilitating barter transactions, financing social needs and local transactions which do not necessarily involve outsiders either for production or consumption

Sonny Domingo took a contrary view. He casted doubts on the usefulness of this tool in the Philippines. His concern was that social currency may not be allowed by the Republic of the Philippines. He believed it will distort the economic tools to measure progress and development.

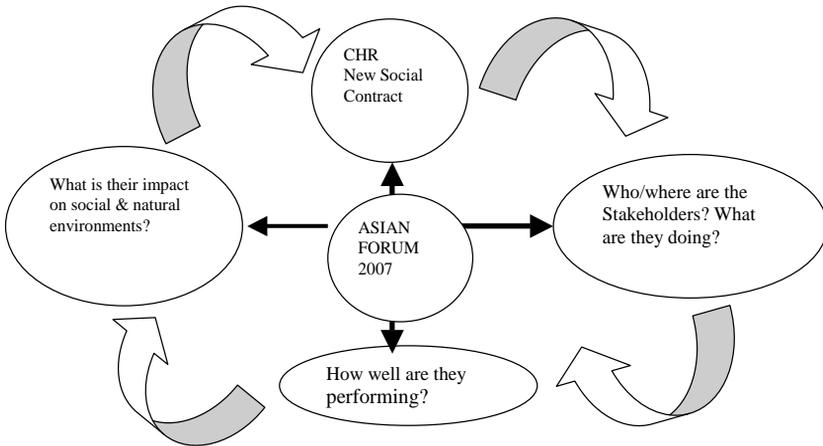
Frank Renaudin echoed Domingo's hesitation. He did not foresee the need to create some parallel systems in order to develop social responsibility. His fear was that separate systems might lead to segregation of the people according to the system they are using. The most urgent need is to change the spirit of future stakeholders, the children, and to raise them in a much more responsible way. This should be a priority at the level of the State and the National Education Authorities in all countries.

## 4 **SOCIALLY RESPONSIBLE GOVERNANCE & SERVANT LEADERSHIP**

A determining characteristic of solidarity economy is socially responsible governance, and the elaboration of such governance framework is an important task of the Asian Forum.

The main ethical principle underpinning socially responsible governance is this: those who are entrusted with much (e.g. information, knowledge, wealth, and power) are called to be compassionate, competent, servant leaders in their own fields of specialization. This principle is elaborated by the Charter of Human Responsibility (CHR), which essentially echoes the words of Jesus Christ: *“From everyone who has been given much, much will be demanded, and from the one who has been entrusted with much, much more will be asked”* (Luke 12:48, NIV). The CHR aims to provide a new framework, not only for personal conduct, but for the political, institutional and legal domains as well. The CHR is proposed as the basis of a new social contract, creating new rules for every social and professional group in its relationship with society.

Based on this foundational principle, the logical framework of the Asian Forum can be illustrated graphically as follows:



Human Responsibility and Servant Leadership provide the ethical and moral basis for various groups to develop alternative patterns of social, political, cultural and economic relationships that would lead to the formation of a solidarity economy.

### Rethinking Global Governance

The Universal Declaration of Human Rights and the United Nations Charter are twin pillars of international conventions that have imparted a common ethical and moral basis for cross-cultural engagement. While they have greatly contributed to social development, they have not sufficiently addressed the widening economic gaps within and between nations, the concentration of economic and political power in ever-fewer hands, threats to cultural diversity, or the over-exploitation of natural resources. Failure is evident in growing unrest and conflicts worldwide, which give rise to even deeper concerns on the future of planet Earth.

Social institutions invested with the responsibility of governance have not been able to meet development challenges. The pervasive

power of international markets is undermining the traditional role of states. Scientific institutions, pursuing their narrow specialist interests, are increasingly pulling back from analyzing and confronting the global issues and their interactions which challenge humanity. International economic institutions have failed to turn the rising tide of inequality. Business has often pursued its profit goals at the expense of social and environmental concerns. Religious institutions have not adequately fulfilled their role to provide responses to the new challenges faced by societies.

Against this backdrop, **Gustavo Marin**, panelist of the Socially Responsible Governance workshop, argued that the full potential of solidarity economy cannot be realized if analysis is confined to the dimensions of economy. Economy is not a science, Marin contended, but a branch of governance. Understanding governance is a precondition for reinventing the economy. “It is essential to enact a true Copernican revolution of our manner of thinking”, said Marin.

Marin enumerated the defining characteristics of the present historical transition – one that could last many decades, possibly even centuries - from the ‘old’ to the ‘new’ world, as follows. :

- End of the western hegemony, dating back many centuries, on international relations.
- War increasingly considered as a collapse of politics and no longer as its continuation.
- Increase in power of new actors, generally ancient, and even very ancient, superpowers: China, India, and Iran.
- Preponderant role of the State, with power struggles favoring the major powers and inter-State relations governed by the rules of the past.
- Globalization that allows certain countries access to prosperity, even liberty and democracy, but that also projects other countries into historical ruin.

- Stagnation of the U.N., the institution that incarnated the model of collective security.
- Significant move forward of peace and an almost complete end of classical conflicts between States.
- But, non-resolution of endemic conflicts (Near East, Great Lakes Region of Africa, Sri Lanka, Colombia)
- Increased role of non-State actors such as Al-Qaeda.
- Leveling off of the dynamics initiated by social movements and citizen networks in the Social Forums framework. Petering-out of the “anti-globalization” movement.
- Unexpected and quick demographic transition over the last three decades.
- Significant progression of religion in the political sphere.
- Potential problems concerning nuclear proliferation.
- Increasing awareness of environmental threats, of the importance of ecology, more generally, of the human being’s place in the environment.
- Technological revolution and its consequences on international politics.

Marin further noted that the Cold War ended without producing a “geopolitical contract” or a new international treaty between constituent States. The absence of a “contract” poses a formidable problem today. It implies that a crisis, from out of nowhere, could possibly set the world as a whole on fire, a world that is increasingly interdependent and decreasingly organized. This is why the elaboration and construction of a new architecture of global governance appears as a necessity and even as a moral duty.

At the heart of the problem, Marin said, is the dilemma of reconciling national governance and global *governance*. The reformation of national governance will not be possible except by way of a reformation of global governance and vice versa. This dilemma has been approached in radically different, even opposing, manner.

This dilemma, Marin warned, cannot be resolved by simply dreaming of an illusory global democracy or a hypothetical global government. It is much more reasonable to define the problems and objectives of socially responsible governance globally and to take concrete steps that will advance it progressively at both local and global arena.

In this context, Marin proposes the Charter of Human Responsibilities or CHR as a means for tackling the challenges of the 21st century. CHR defines a new global social contract that serves as a universal ethic based on the notion of responsibility that complements the Universal Declaration of Human Rights and the Charter of the United Nations.

The CHR preamble states that all people have an equal entitlement to human rights, but their responsibilities are *proportionate* to the possibilities open to them. The more freedom, access to information, knowledge, wealth and power someone has, the more capacity that person has for exercising responsibilities, and the greater that person's duty to account for his or her actions.

The CHR maps out the responsibilities of individuals and groups. It provides a roadmap on how these responsibilities can be exercised. It is a step towards developing a democratic global governance based on human responsibilities.

## SOCIALLY RESPONSIBLE GOVERNANCE: ILLUSTRATIVE CASES

The succeeding session presents live cases that illustrate how socially responsible governance is practiced in various settings. These cases were selected by CHR Philippines, co-coordinator of the Workshop on Socially Responsible Governance.

### **Case 1. Traditional Practices of Governance: The Case of Iraya Mangyan Community in Baco, Oriental Mindoro**

**Prof. Aleli Bawagan** of the University of the Philippines College of Social Work and Community Development presented the case of Iraya Mangyan community to provide evidence that indigenous people have something to offer modern society insofar as socially responsible governance is concerned. The Mangyans are an indigenous ethno-linguistic group who live in the island of Mindoro, Philippines. One of the six major Mangyan groups is the Iraya Mangyan community, who number around 30,600 individuals or around 10% of the Mangyan population.

A cornerstone of the Iraya Mangyan traditional practice is the observance of customary laws in dispensing justice called *Batas Mangyan* (Mangyan Law). *Batas Mangyan* has the following functions: i) defines proper behavior; ii) provides protection; iii) empowers the elders to decide the manner of resolving conflicts and passing judgment on the guilty; and iv) mechanism to maintain law and order in the community.

The key to the successful implementation of *Batas Mangyan* is its inculcation among the younger generation, a practice that the leadership of modern society pays lip service to. *Batas Mangyan* is passed on by the old folks to the younger generation, within the household and in the

larger social circle. This keeps the young Iraya Mangyans well informed and consciously mindful of their responsibilities in the household, as members of the community, and as future elders. These responsibilities include: i) maintaining honesty in their relations with others; ii) to be industrious in their economic work so as to provide for the basic needs of family members; iii) owning up to offenses and asking for forgiveness from each one; iv) maintaining peace and harmony among themselves; v) learning proper behaviour in relating to others; vi) learning the traditional mechanisms of maintaining law and order in the community; vii) realizing the need for one's active participation in determining processes to resolve community differences; and viii) realizing the importance of transparency of community processes and accountability of everyone in achieving justice.

*Batas Mangyan* serves as a binding social contract that guides socio-economic behaviour towards cooperation and solidarity. A high level of consciousness of this social contract constantly warns community members of the personal risks of socially deviant behaviour, that when they commit injustice to other Mangyans, they will suffer the consequences of their wrongdoing inescapably. Strong adherence to the social contract has been instrumental in promoting and maintaining community, respect, solidarity, warmth and interdependence – characteristics that are highly visible in the daily lives of the Mangyans..

## **Case 2. CHR and Self-Help Groups (SHGs) of Women in India**

What can be done when the binding social contract in a community is oppressive and the leadership is not socially responsible? The case of Self-Help Groups (SHGs) of Women in India, presented by **Sudha Reddy**, Executive Director of SHARE, illustrated the role of CHR as an alternative social contract in a situation where social norms are oppressive.

When India adopted liberalization reforms in the early 1990's, the domestic economy opened up to boundless opportunities for growth. This has made life easier for a few millions of people, but for the larger majority of impoverished and marginalized, the dawn has yet to come. The government offers various schemes for poverty alleviation, including the much acclaimed Women SHGs for savings and credit. But rampant corruption by government functionaries has robbed the Women SHG program of its potential poverty-mitigating impact.

To a certain extent, women SHGs have contributed to changing the lives of poor women by helping enhance the income levels and self-esteem of their members. In recent years, however, civil society organizations have increasingly criticized the SHG development program to be a State mechanism for instrumentalizing women to move forward the government's poverty alleviation program. The hitherto highly politicized women groups have become less active in staging political mass actions. The emancipated women with little more income than before have abandoned their role as social transformers to become mere consumers of much advertised products.

The introduction of the Charter for Human Responsibilities (CHR) somehow arrested the socio-political degeneration of women SHGs in a small rural-urban community in South India. CHR re-introduced value-based initiatives and enhanced the innate positive strength of displaced women. Before CHR, individual members of women SHGs drifted into independent entities with diminishing number of activities requiring cooperation and solidarity among themselves. CHR raised their consciousness of the need for a social contract that enhances social responsibilities of stakeholders. When women SHGs began to adopt CHR as a guiding principle of social conduct and governance, cooperation and solidarity among members improved. Eventually, the practice

of cooperation and solidarity transcended beyond the boundaries of individual economic security to mutually supportive, compassionate, peace building initiatives

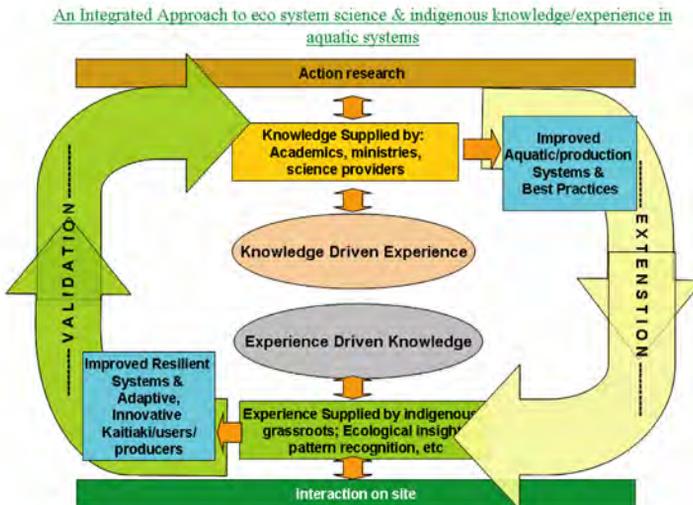
### **Case 3. Appropriate Social Contract for Managing Scarce Natural Resources: The case of New Zealand**

**Betsan Patricia Martin** of Response Trust drew attention to the issues of access to water and water quality as they are the focus of local conflicts across the globe especially now that water is increasingly locked up in private property regimes. The rising of sea levels is already impacting on the Pacific with the prospect of environmental refugees raising particular responsibilities as neighbours for the larger countries of New Zealand and Australia.

New Zealand (NZ) typifies a fairly developed country where water is the focus of intense interest for socially responsible governance that impinges on the relationships between modern society and the indigenous communities. NZ society is being stirred by the tension between i) market interests that seek to commodify water and establish property and ownership rights over the country's water resources, and ii) indigenous tribes having to straddle customary traditions of guardianship and care for water, yet make claims for their interests in water through property rights convention.

One of the big questions today, Martin noted, is how to relate care for the environmental with responsibility to alleviate poverty. Development is seen as the pathway to achieve the freedom that comes with sufficient income to bring access to education, to enhance health and bring the human benefits of enhancing capacity for social participation and access to technology and knowledge.

“People who are poor in terms of education and access to information are less likely to be informed of the environmental crisis and even less likely to be able to be involved in movements for responsibility or to influence decisions”, Martin said. “This may not be necessarily true of indigenous peoples who may be income poor, but who are resourced with traditional knowledge and un-extinguishable responsibilities to the land. Nevertheless, it can be claimed that people whose basic needs are not being met cannot give priority to protection of earth, water and air”.



Martin suggested that, in the NZ and Pacific context, *indigenous systems based on the interdependence of people with the earth* (see diagram below), provide some guidance for engaging with environmental responsibility through whole systems governance and safeguarding long term environmental and human interests

Principles for integrated governance are linked with the sharing of knowledge across disciplinary boundaries of social, economic and environmental dimensions for 'strong sustainability'.

These include: i) partnership and collaboration; ii) working with cultural difference and support for indigenous aspirations regarding land and governance; iii) decision-making involving whole systems approaches; iv) an interdisciplinary approach, involving science, social science, philosophy, economics, with sharing of knowledge; v) holding the long view to ensure resources to support future generations; vi) earth related with an ecosystem focus; and vii) keeping a place for the environment 'to speak' at the government table.

#### **Case 4: China-India Youth Forum - Young People Taking Responsibility for a Better Asia and A Better World**

**Anugraha John**, Coordinator of China-India Forum and panelist of the Workshop on Socially Responsible Governance, spoke of the Youth as one of the most vulnerable groups within the social fabric of a nation, but at the same time the greatest source of hope for the nation's future. How can they be imbued with the principles of social responsibility?

Various organizations and government agencies in India, Asia and globally have initiated efforts to create platforms for young people to become more socially responsible in their respective countries. But do these young leaders and aspirants to national leadership have inner consciousness to help them reflect on ethical principles and guide individual behaviour in a socially responsible manner?

Anugraha John said that the youth of today need to become part of global effort that promotes a progressive social contract such as the

Charter of Human Responsibilities in order to raise consciousness on ethics, values and responsibilities. He said that the notion of responsibility constitutes a universal principle that is inseparable from any human relationship. He bore witness to many youth initiatives in India that were inspired by the Charter of Human Responsibilities. These initiatives were executed in solidarity with the youth and the community they live in with the support of private companies or government agencies.

In these initiatives, the China-India Forum acts as a platform for cross-cultural dialogue and action among the youth to help them move towards a responsible, plural and harmonious society. Its special focus is a mutually beneficial dialogue between the youth of China and those of India. The China-India Forum recognizes that youth - both as key agents and target groups- have a unique and vital contribution in promoting a new paradigm of cultural diversity, cross-cultural exchange and sustainable development. Its vision is to create a platform for the government, media, religious leaders, local people of both countries, farmers, youth women, businessmen and other professionals, educational institutions to come together to have across cultural dialogue for the citizens of both the countries to live in harmony and solidarity, to understand the rich culture of both lands, and to work towards a nonviolent society. This vision is being carried out through various activities such as Youth Festivals, Inter-Cultural Dialogue for Sustainable Development and Peace, Citizens Assembly and others.

Young people everywhere are preparing for productive, meaningful lives in work, society and family. Education is a very important ingredient for their success. They must also overcome obstacles such as poverty, hunger, HIV/AIDS, unemployment, etc which upset too many young people.

For youth to contribute to the Solidarity Economy there must, first of all, a solidarity among themselves, and between them and other actors in the society. Solidarity is unity that is based on, and at the same time produces, a community of interests, objectives and standards.

An often quoted slogan of the China-India Forum is: “Youth don’t need critics, they need models.” Youth have so much to learn from the efforts of Solidarity Economy. The youth need to learn and draw some ideas from leaders like Dr. V. Kurien, Father of White Revolution who pioneered the movement of solidarity economy in India. Women also have an important role to contribute. On gender issues, today’s youth see no difference between men and women, both have equal responsibilities towards society, family and the world.

### **Case 5. Social Reproduction/Care in Governing Differently**

How does socially responsible governance work for women in households whose labour are not remunerated and accounted for in national income accounts? **Prof. Gigi Francisco** of the International Gender & Trade Network proposes to include Social reproduction/ care as an integral part of socially responsible governance.

Social reproduction, Prof. Gigi Francisco said, is defined to include activities mostly done by women such as the bearing and raising of children, cooking, cleaning and caring for the sick and those struck by misfortune. Many of these activities have no immediate economic purpose nor market mediated and so is unpaid or done voluntarily.

To recognize social reproduction in economic analysis, Prof. Francisco offered an alternative view of the economy, which is an economy that refers to the provisioning of human life that spans

production, finance and social reproduction wherein participation in the economy is made up of not just paid work but also of unpaid and volunteer work.

In an economy, the social reproduction system or the provision of care can be found to be: i) *internalized by the household* wherein multiple generation of households and extended kinship systems as the main source of labour for care; ii) *socialized through public provisioning* manifested by the rise of welfare and socialist state or government budget for infrastructure and social services; and/or iii) *marketized through the private market for services* such as those in fast-food chains, laundromats, nannies, domestic workers, private education, health care and utilities.

Prof. Francisco recommended that the socially responsible governance agenda should recognize social reproduction as valuable. Social reproduction is not conditional on growth and not seen as a limit to productive success. The socially responsible governance agenda ought to view social reproduction as a collective responsibility that is especially shared with men and provided publicly or as cooperative enterprise.

## WHAT IS SERVANT LEADERSHIP?

While a revolutionary framework for a new social contract is necessary, it cannot sufficiently move and transform individuals from being self-centered operators of the old, exploitative social order into socially responsible citizens who purposely create wealth so as to enhance the well-being of all mankind and conserve the environment for future generations. **It is equally important that people who govern under the new social contract undergo a personal transformation that leads them to possess the attributes of a servant leader.** Jesus Christ said: “*You know that the rulers of the Gentiles lord it over them, and their high officials exercise*

*authority over them. Not so with you. Instead, whoever wants to become great among you must be your servant, and whoever wants to be first must be your slave – just as the Son of Man did not come to be served, but to serve, and to give his life as a ransom for many” (Matthew 20:24, NIV)*

**Atty. Joey Lina**, Chairman of Advocates for Servant Leadership and the main resource speaker of the session of Servant Leadership, explained what it takes to be a servant leader by sharing his experiences as a political leader. Joey Lina, concurrently the President of Manila Hotel, was a former Senator, a former Governor, and a former Secretary of the Department of Interior and Local Government.

Joey Lina laid down some foundations for servant leadership that will be helpful for operators of solidarity economy to move forward together on a common ground, in keeping with the Asian Forum’s spirit of solidarity. He paraphrased Matthew 20:26 -27 as the basis for the concept of servant leadership , “Whoever wishes to be great among you shall be your servant; whoever wishes to be first among you shall be your slave.”

If a person wants to lead, he must serve. Leadership means the ability to exercise authority, but authority means service. Servant leadership, therefore, is authority used to serve the needs of others. But given the corruption in the Philippine society today, particularly considering the scandals in the government, the question that also poses as a challenge is: *is servant leadership doable, or is it an impossible dream?*

Servant leadership is a way of life and a frame of mind, says Lina. It is a way of life based on a way of thinking and believing. It is a concrete action taken on a statement of faith. As one believes in servant leadership, as one internalizes it, there becomes an urgent need to serve other people.

Not to lord it over or to use people, but to give an earnest and heartfelt service -- to use one's talent, resources, money, energy, charisma, and expertise to serve others.

Lina stressed the need for a leadership that is God-centered, saying "Our own experience [in the Philippines] shows that even if we have the best and the brightest people, if they are not imbued with the right spirit, if they are not imbued with the Spirit of God, they can easily be gobbled up and absorbed by the world and its evils."

Lina enumerated what he calls the indispensable traits of a servant leader. A servant leader must: (1) have the love of God and country foremost in mind and heart which gives him the passion to serve at all costs; (2) pursue a personal relationship with God, seek to know and live according to God's will; (3) nurture spiritual growth through daily prayer and spiritual reading, and (4) fellowship with other servant leaders. "A relationship with God is not lip service", says Lina. "You have to live it. Everyday. You must have a regimen, prayer time, and Bible reading so that the Holy Spirit will always be with you. A servant leader seeks the will of God and His righteousness as the highest good for the nation, and inspires others to do likewise".

"But we don't just need a praying leader", Lina cautioned. "We need one with a heart for the people, especially the poor. A servant leader who has genuine compassion for his people knows the problems of the community as a whole, finds the solution to the problem, and has the skill to carry out the solution. He talks with the people, shares the problem with the people, and comes up with a solution."

A servant leader must also be competent in that he possesses the organizational skills to rally, lead, inspire and motivate the people

towards the actualization of the vision, the implementation of the solutions to the problem. Otherwise, the grand ideas will remain just that, ideas, not finding any concrete application on the ground.

Continuity is also essential to servant leadership. A servant leader must be generous to give what he knows freely and generously to a next generation of leaders. It is the responsibility of true servant leadership to invest time and effort to develop the next generation of leaders who shall continue in the same way of life, the same frame of mind and heart, and even improve on the service of his mentor.

The task of servant leadership is not just that of raising up leaders of vision, godliness, compassion and competence. The task of servant leadership also means transforming citizens of society into men and women aware of and pursuing God's plan for His people. "Change must begin with us. Here. Today," Lina says.

Before one sees the dirt in his neighbor's eye, he must look at himself first and see if he has shortcomings. If this is everybody's attitude, a lot of things can change. If one says that it is hopeless, it is like saying that he himself is hopeless. "If we must change others, we must see to it that we ourselves are changed first", Lina said.

Servant leadership is not simple, but not impossible. Each leader has to act with God. One leader at a time. One family at a time. One community at a time. One province at a time. One region at a time. And then... It is not far-fetched at all. Certainly it is not impossible.

As he concluded, Lina affirmed: "With God, all things are possible."

## SERVANT LEADERSHIP IN PRACTICE - ILLUSTRATIVE CASES

The following section presents some cases illustrating how servant leadership is exercised in selected pillars of society, particularly the education sector, media, business, and the family.

### Case 1. Life-learning Communities: Servant Leadership in Education

How could one make servant leadership work in the pillar of education? **Pilar Habito**, CEO, Cahbriba Alternative School Foundation, shared the experience of her foundation on how it makes servant leadership work in the realm of education.

Pilar Habito said taking action to redesign structures of school and its immediate community and reframe thinking and interactions of people and institutions into Life-Learning Communities requires a new cognitive capability and leadership. In other words, it requires Servant Leadership. What drives institutional learning and change within the *Life-Learning Community* is a purpose-driven vision of building the Kingdom of God within the so-called *Eight Pillars of Society*.

“The main challenge of Servant Leadership is the wisdom of restoring the Family as the foundation of Righteousness and Justice”, said Habito. “With the Family as backbone of change, Servant Leadership becomes an effective and solid entry point for transformation in other pillars of society such as the government, church, education, and so forth.”

Servant Leaders can develop this capability by actively engaging with people in a learning community’s experience of cross-transformational cycles of change. This is change management that involves multiple

levels and multi-stakeholders responsibility, with a decision to serve and lead amidst the complexity of large-scale change. The new source and process of learning evolves from a deep commitment to a God-centered leadership and service, team-based *coopetition* (collaborative and open border transformation of self, groups and institutions) and a greater understanding of cognition and knowing.

Pilar Habito related the story of P E A C E (People Engaged in Active Community Experience) in transforming communities. P E A C E uses the power of communication to inspire people to solve manifold problems of community life and needs by redefining and enacting new community processes. In this learning environment, social workers must have the intuitive capacity (foresight) of a Servant Leader, the capacity to listen, give trust, collaborate and use sources of political and economic power to enable the personal growth of others. In this culture of change, release of the oppressed becomes justice lived.

P E A C E integrates Academic task and responsibility in the Life-Learning themes. This allows the stakeholders (i.e. children, youth and families in school and out of school) to collaborate in knowing and internalizing the sequence of activities in the Life-Learning process. Overseeing the learning process is a Council of People Engaged in Active Community Experience, or CoP E A C E.

CoP E A C E is a mechanism of governance that oversees the Life-Learning process in schools and community. CoP E A C E is also involved in the development of socially responsible enterprises .

In conclusion, Pilar Habito affirmed that there is only one sustainable tool for leading change in the 21st century; it is the servant leader's Self.

“The great secret of success is revealed in 1 Timothy 3:15-16 -- an example of truth, love, faith and purity’. said Habito “Praise the Lord Jesus for such ability, the gift of responsibility as Servant and Leader!”

## **Case 2. Servant Leadership in Media**

“What sort of industry is our Philippine media that I should allow myself to be part of it and by

God’s grace try to assume a leadership role?” **Dodie Lacuna**, Manager of Public Affairs office of RPN9 Broadcast City member and former Board Directors of the Kapisanan Ng Mga Brodkaster Ng Pilipinas (KBP), posed this question and proceeded to tell his story.

“When I became a father to my little boy, I knew I was destined for leadership”, said Lacuna. “Those who are heads of families are bound by the honor and sacredness of nurturing and building their families. If we have become poor leaders in our places of work, in government and elsewhere, we know there is something wrong with the way we run our households”.

To the public, the popular radio & television news personalities appear to be the leaders in media. Everyday, they present news stories and strive earnestly to ferret out the truth from leaders in government, not the least those involved in raging controversies. But to those who are in media, the leaders are the top officers of associations and organizations in the print and broadcast media. These are the National Press Institute, the National Union of Journalists of the Philippines and the Kapisanan ng mga Brodkaster ng Pilipinas or the KBP. There is also the National Association of Unions or media workers known as the National Broadcasting Union.

As far as the ratings game is concerned, television stations GMA7 & ABS-CBN2 are the reigning kings or leaders in broadcast media. In the news and public affairs, they also prevail as agenda setters, their news on television and also on radio, being the news of tomorrow.

The question is: "Does servant leadership play a key role in their pursuit of shaping the public mind?"

"The truth is", Lacuna admitted, "there is an incongruence between the values or vision being imparted by the news and public affairs programs, on the one hand, and the commercialized noontime variety programs, and the primetime sitcoms and telenovelas, on the other".

While the media Vision seeks to recreate a culture of perseverance, hard work, moral renewal, honesty and self-respect, in practice the commercial and primetime shows echo and convey the self-centered and decadent way of life, easy money, love for pleasure or the goods things in life, penchant for dole-outs, power and ambition, betrayal, separation and vengeance.

There is no doubt that television has emerged as the more powerful medium than the print media. Newspapers today are facing a crisis of both readership and credibility. As their audience migrate in droves, so do their advertisers. The print media's share of the total advertising pie is down to only 10 percent, with television taking the lion's share of 72 percent. The total ad revenues of broadsheets in 2003 was P6.1 billion, an amount that is dwarfed by the P43 billion that advertisers plunked into the top two television networks that year. Advertising accounts for 70 percent of newspapers revenues.

In a Pulse Asia survey conducted during the 2007 election campaign, only four percent of the respondents said newspapers were their primary

source of information on candidates and the campaign. Television topped the list with 71 percent and radio was second with 30 percent. Even more worrisome, only five percent said that newspapers were the most credible source of election-related information, compared to 67 percent who said television was the most credible.”

Leaders of media must turn a new leaf if they seek to be real catalysts for positive change and renewal rather than for upheaval and discontent. They must overcome the pitfalls of this challenge which certainly are not ordinary. Warren Bennis, world-renowned author of more than 25 books, has created a whole list of distinctions between manager and leader:

The manager administers; the leader innovates.

The manager is a copy; the leader is an original.

The manager maintains; the leader develops.

The manager focuses on systems and structure; the leader focuses on people.

The manager relies on control; the leader inspires trust.

The manager has a short-term view; the leader has a long-term view.

The manager asks why and how; the leader asks what and why.

The manager has her eye on the bottom line; the leader has her eye on the horizon.

Media leaders must value the sense of national community by refocusing on the community. In this sense, they can only attain the big picture by looking at the small. They must admit that they can only provide change if they are humbled by the noble but bigger task before them which should make them, think of themselves as small and inconsequential.

With scarce resources and greater responsibilities, communities need to understand a host of issues: they need to see how they could participate in local affairs; they need to address problems, to make difficult decisions. To do all these, communities need information that will help them identify, and begin to solve, their own problems.

The challenges therefore for the Philippine press are great. How do journalists determine the track of the news that will lead to a better understanding by citizens of community issues? Do journalists need to re-examine their role in this kind of environment? Will they remain in their comfort zone and stand at a distance as communities slowly disconnect from public life? Will they continue to stand at the sidelines as measures of citizenship like voting and participating in governance are corrupted by political expediency? Or will they catalyze community action by offering opportunities for discussion and debate?

As Filipinos come face to face again and again with the rampant corruption at high places in government, Congress and the military do we deny similar evil in our midst?

Why have many scams and scandals disappeared from media without being resolved and the culprits convicted or jailed? Why does it seem ordinary for government leaders to accept corruption and other forms of wrongdoing as almost a way of life? Have many in media looked the other way because they have been infected by the malady?

In many ways, servant leadership is a process of dying to oneself. When Jesus told his disciples, "Take up your cross and follow me", He did not mean for them - and us - to die physically. "When we take up our cross we are to die to our old self and only then can we truly follow

our Lord and Savior', Lacuna said. "And only then will our God become bigger and greater than our service and leadership."

### **Case 3. Servant Leadership in Business**

**Lambert Ramos**, President of telecommunications company Next Mobile Inc., shared his views on Servant Leadership in Business. He talked about interfacing Faith and Business based on the scriptures Luke Chapter 4 in the Holy Bible. The temptations that Christ underwent in the desert before he went out to do His job of changing the world are the same temptation that all of us face in the world of Business.

*Christ's first temptation was the temptation to materialism – to change stones into bread.* The bread, of course, is a symbol. It could be a new Mercedes Benz or a new condominium in Fort Bonifacio. It could be something as simple as a suit. Wouldn't it be nice to change all the lahar into diamonds! The temptation to materialism is a temptation that all of us face, even Bishops and Cardinals.

One may say, "Let's hire contractual workers so that we can replace them every five months without increasing their salary or paying them the benefits of permanent workers. That will help us make a nice profit every five months". That is a temptation to materialism. We should not be concerned with profits, but with what we can do to help those contractual workers.

There are more important things in this world than material things. The really important things in life are the spiritual values that we live for. In that little fable which students like so much, the fox told the Little Prince, "It is only with the heart that one can see rightly, because the really important things in life are invisible to the eye".

*Christ's second temptation, and our second temptation in interfacing Faith and Business, is the temptation to power.* The devil took Christ up on a high mountain and showed Him the whole world, and said to Him: "You can have all of this, if only you bow down and pay reverence to me." Translated into the contemporary world, the temptations today may be expressed in the following. "If only you choose power and my way of life, instead of yours, you can have the whole world. If you choose my flag instead of yours, you can have full control of the National Broadband Network, 50% of Subic, all of Philippine Airlines, and a senatorial seat as well, if only you will march under my flag of selfishness and sin. You can be Number One!"

*Christ's third temptation in the desert was the temptation to pride.* It is one of the greatest obstacles to interfacing Faith and Business, and has haunted the human race ever since the sin of Adam and Eve.

"Pride is a very foolish and non-intelligent temptation," Ramos said. "It really doesn't make any sense at all". St. Thomas said that humility is truth and pride is a lie. The movie star thinks she is the greatest actress in the world, but she isn't. That's pride! Many priests (and pastors) think they know the answer to every problem, but they really don't. They are just as ignorant as the rest of us. Their pride makes them think they know the answer to everything, when they really don't! The terrible thing about pride is that it keeps all of us from finding God in our lives. Koheleth says: "What is there of real permanence that a man gains by all his trouble and effort during his brief lifetime under the sun?" When pride threatens to take control of our lives, we have to remember what the Psalmist said: "Man's days are like those of a grass. He blooms like a flower of the field. But the wind sweeps over him and then he is gone, and no one remembers him anymore." (Psalm 103) An old favorite song says it very well: "What's it all about, Alfie, when you sort it out?"

Ramos warned that some of us may never find God in Business because of what Fr. Baruffo calls the “*Three Selfishnesses*.” *They are self-possession, self-justification and self-glorification.*

Ramos suggested three helps to servant leadership in business. He calls this the Three C’s of Business to help people interface Servant Leadership and Business. The Confucian version of the Three C’s says that if you want to be happy, you have to have a job to do, someone to love, and something to look forward to. There is an ancient proverb from an old Jewish Rabbi which says: “God gives you a job to do. He doesn’t say that you are always going to be successful in it, but he does say that you can never quit!”

But the more profound version of the Three C’s is that of spiritual writer Henri Nouwen, which says that if you want to be happy you should be *competent, compassionate and contemplative.*

*Competence* is so terribly important in interfacing Servant Leadership and Business. If you have a job to do, do it the best you possibly can. If you are in charge of staff development, make sure you have the best HRD department in the country.

But there has to be more than just competence in Business. There has to be love! We have to be *compassionate*. We have to be concerned about people. We really have to care.

But the greatest need, and perhaps the best place to begin with interfacing Servant Leadership and Business is *contemplation* or prayer. If you are really serious about finding God in Business, you have to begin with prayer. Find a little time to pray each day. God will show you how to find God in Business.

#### **Case 4. Servant Leadership in the Family**

How is servant leadership exercised in the family? **Lori Lina**, President of Bayanihang Pilipino Inc. (BAPI), talked about how her family applies the principles of servant Leadership. Lina recalled that the notion of leading by serving was first put forward by Jesus Christ in Matt 20: 25 – 27, where he compares leadership styles between the worldly leaders and the disciples of Jesus. Lori Lina confided that her family, led by her husband Joey Lina and herself, are firm advocates of the ideal of servant leadership. The Linas believed that the propagation of this belief system and lifestyle is the hope and the way of meaningful change.

Servant leadership in the manner proposed by Jesus Christ is achievable in the context of living out an entire worldview; which in the case of the Lina family is a Christian worldview.

Willingness to lead by serving, or servant leadership, requires a deep sense of righteousness with God. Righteousness means being in right standing with God. Ms. Lina quoted Psalm 128 of the Holy Bible which says that those who fear God are blessed. One may notice how every aspect of a man's life fits together and is blessed by a situation of a person righteous with God. A person in this harmonious and beneficial situation will have a home life where the Godly values of servant leadership can be instilled among the children.

What values should parents impart to their children? The first of these is love of God, the Creator, Redeemer, Provider, Companion, Healer, the Future, our Help in time of need. Love of God entails love of the things of God – the Word of God, the Church, the worship, and the respect due to God.

A simple dictum in the Bible has words to this effect: “you cannot give what you do not have”. Parents can only give their children what they themselves have. As it is important and precious and indispensable to them, parents can hand down these Godly values to their children.

Parents can teach their children to pray, read the Holy Bible, give thanks and praise to God, to have respect and love for His creation, to talk about God’s goodness to one’s family, to find opportunities to be able to point out the good and the bad in situations, to participate in bringing the Good News to the unreached, to show how the parents are living out their belief in the work and service they themselves do for God and for others.

The second essential value for servant leadership to be formed in the home is clear exercise of parental authority. Teaching children to obey their parents in the Lord is a parent’s way of blessing their children. As parents teach their children to obey and honour their parents, the children are blessed and prospered by God through His promise.

Lori Lina believed God is wise in commanding and upholding parental authority over children. For how can she teach and shape her children’s values if they were not trained to obey? In truth, obedience actually teaches a child to respond to and respect the exercise and power of authority as he respects and responds to his parents. And as parents teach obedience with a lot of love, patience, and care for the child, taking time to explain the benefits of obedience, then the child learns that the proper exercise of authority, that is, servant leadership, always comes with a sense of love, care, patience, and a sense that the greater good of the follower is always the paramount concern.

Proverbs 1:8-9 shows that once obedience is in place, a child becomes teachable. Parents can quote Proverbs 1: 8-9 verbatim to their children to teach them about obedience: "Listen, my son, to your father's instruction and do not forsake your mother's teaching. They will be a garland to grace your head and a chain to adorn your neck."

Lori Lina shared her own family's testimony on how they raise their children.

"We teach by showing love and care for our children as God cares for them, so they know who they are.

"We train them to have a respect for their bodies as well as their soul and spirit.

"We train our children to have a special love for the poor, those for whom the knowledge and the love of God must be brought so that they too will receive as befits a child of God. They are at ease with rich and poor.

"We train them to be concerned about other people, because other people are also citizens in the Kingdom of God, our co-inheritors and co-benefactors in God's goodness.

"We teach them to be in right standing not just with God but with the larger community, the nation, the government, which is a God-ordained authority".

"For me and my husband", Lori Lina continues, "understanding the fullness and power of our faith, the compelling need for servant

leadership, and our roles in it, is a lifelong process that progresses as we go through our own conversion experiences”.

“For our children, they have what we teach, and they have the witness of our daily lives lived in God’s service and in the service of the nation, as we live it out each day. We do what we must. When they are young, we teach them to follow us. When they are older, they imitate us. When they are old enough to choose, we believe they will choose to follow our way of life as we taught it to them, as they saw us live it”.

In the end, the power of servant leadership is the power of authentic witness. Parents have nothing to hide from their children. Lori Lina admitted that she and her husband are not perfect parents. Their children know their weaknesses. They know their struggles. They know their strengths. Lori and Joey Lina tried very hard to live their chosen lives and they persisted by the strength of God within them. Lori believed that if she and her husband are authentic to their children, their children will choose to follow them in their service to God and country. Lori Lina was full of hope that she will live to see her children teach their own children what she and her husband have taught them.

“Then we would have helped raise the next generations of servant leaders”, concluded Lina.

## 5 SOCIALLY RESPONSIBLE INVESTMENT

The growth and development of Solidarity Economy depends to a large extent on the availability of investors who invest not solely on the basis of financial returns but also on their commitment to social development and ecological balance. Developing countries offer incentives to attract foreign direct investments, yet the response of socially responsible investments (SRIs) appears rather weak. For solidarity economy to prosper, there has to be a substantial influx of SRIs to developing countries.

What is SRI?. What minimum conditions should obtain for investors to become 'socially responsible'?

"Being socially responsible means also ecologically responsible since we are indissolubly interconnected with Nature and the Cosmos", said **Marcos Arruda** of PACS (Brazil) and ALOE-WSSE (France). He believed the concept of responsibility is connected to the dramatic reality of the social and ecological debts, of which the exploited and excluded people of the South and also the North are the creditors.

**Sudha Reddy**, Executive Director of SHARE (India) believed that the basic requirement for any stakeholder to become 'socially responsible' is the inner urge for practicing humane values in daily life. "The doctrine of 'Trusteeship' suggested by M.K. Gandhi connotes solidarity economy, where the government/ company/ cooperative should act as the trustee of the common people and for the common people", said Reddy.

**Kyoko Sakuma**, Executive Director of Sustainability Analysis and Consulting, defined Socially Responsible Investing (SRI) in terms of the investor's aim to invest in companies that advance positive impacts on society at large while mitigating negative impacts. "I think the concept of social responsibility resides in a very personal and subjective arena. Responsibility is in the eye of beholder." Sakuma said. Although she found it difficult to list micro criteria to which investors should adhere, Sakuma believed that the minimum conditions for investors/ financier to be socially responsible is to be "clear and transparent about the goals and drivers of what they are trying to do through the activities of investing". Her personal experience in retail investing indicates that by investing responsibly, the investor can identify his/her own underlying values and prejudices.

**Marcos Arruda** pointed out two levels of eco-social responsibility for the investor: the micro and the macro. At the micro level, the investor that becomes eco-socially responsible seeks, firstly, to orient investments towards ethically responsible productive firms, cooperatives, ethical banks, savings and loans solidarity funds, and the like. Secondly, the investor seeks to influence decisions in the stockholders' assemblies towards a number of changes within the firm in which he/she invests: equitable wage and work conditions; a healthy work environment; the guarantee of the workers' and employee's rights (economic, social, cultural, ecological rights and the right to development); a gradual

process of democratization of stocks, gradually increasing the share detained by the workers; induce the practice of the four Rs of deep ecology – reduce, re-use, recycle, respect; constructively intervene in the communities around the firm, concern with the workers’ families. “Eco-social responsibility of the investor would not be complete if her/his attitudes and behavior in one’s personal and interpersonal life do not undergo a profound change”, maintained Arruda.

**Takashi Sawaguchi**, Chairperson of the Board of Directors of the Policy Research Institute for the Civil Sector (Japan) cited the investment practices of Seikatsu Club to illustrate how socially responsible investing is actually done in practice. “We have a strong investment principle’, Takashi said. “If you want to be a member of Seikatsu Club, you will be asked to invest 1000 Japanese yen as a general rule, but up to 240,000 Japanese yen in Kanagawa area, and 100,000 Japanese yen in Tokyo area”, Takashi explained. Seikatsu members have been investing for over 35years, so now the members’ share capital totals almost 80 billion yen (about 800million US dollars). Owing to this, the Seikatsu Club could build its own delivery centers with halls for members, community centers, day care centers for the elderly and handicapped, and day nurseries for children and parents. Seikatsu Club has consistently followed the philosophy of no-GMO, because of its strong solidarity with producers and its investments in the projects of producers.

Still, Sakuma considered responsible investing as a decision-making process that currently lies in a grey zone, because “there are no ‘good’ companies and ‘bad’ companies”. Sakuma believed all companies, like humans, have good aspects and bad aspects depending on how you see it. For professional or institutional investors, the corporate culture and motivation of their employees are expected to be aligned with the organization’s goal of investing. When the employees share the belief,

values and common knowledge with investee companies, then it is much easier to build relationship. The challenge is when the organization becomes large and many layers of decisions are installed.

Other Asian Forum delegates suggested specific traits or behavior which they believe a socially responsible investor (SRI) should possess. They say, a SRI should:

- observe human rights and gender equality, to protect environment and social security (*Yoko Kitazawa, Founder, Pacific Asia Resource Center, Japan*)
- consider mainly the project validity, its importance for the territory and the respect of all ecological conditions related to the impact of this activity. For that reason they (I.e, SRIs) must be close to the entrepreneurs meeting them and working with them through their own representatives in the territory aiming to finance them, even if there are no real guaranties. Only at the end they will look for the guaranties, just in case they will be necessary, because the most important aspect is to see that the project will last long. (*Giovanni Acquati, President, INAISE, Italy*)/
- respect transparency in the conduct of the business and in the investment, inform the investor on the use of money, invest in meaningful projects (combining in a balanced way social and economic, respecting the environment and the human being, supporting fair trade and supporting the development of sustainable energies etc.). In addition, the SRI should also consider as essential the environmental risk of any investment together with the financial risk. The SRI should measure

profitability and return in terms of social and environmental impact (*Viviane Vandemeulebroucke, Executive Director, INAISE, Belgium*)

- invest in enterprises that are involved in socially and environmentally responsible production processes. (*Arun Raste, International Resources for Fairer Trade, India*)
- not be under pressure of short term profit (*Cecile Lapenu, Cerise, France*)
- not charge interest that is twice more than the intermediation cost of the money that they lend (*Vicente L. "Sonny" Domingo, National Chairman, KaMMMMPI, Philippines*)
- follow the example of Ethical funds (*Yvon Poirer, Member of the Coordinating Committee, NANSE, Canada*)
- make decisions based on more than rate of return and must take into consideration environmental and social protection, ethics, and the like (*Graham Harper, The Eon Foundation, Thailand*)
- have a policy of no investments in companies that exploit children, labor and the environment. Must have positive action of supporting socially responsible companies. (*Charisse Baldo, Advocate of Philippine Fair Trade, Philippines*)
- finance only activities that do not harm the community or the environment. The bottom-line is not to maximize return on investment, but to maximize benefits to society. (*Jeanne Bernardo, Executive Director, Bayanihang Pilipino Inc., Philippines*)

- use capital to (i) increase wider participation (creating more jobs) of people in wealth creation and fair wealth sharing, and (ii) make essential goods and services available in correct quality and quantity and to make these goods and services accessible physically, socially and economically. In addition, SRIs should avoid using capital to finance ventures that pollute and degrade the environment (*Dr. Tito Contado, President, Philippine Morinda Citrifolia, Inc*)
- plough back part of profit to activities that help small entrepreneurs (*Jimmy Ching, Chairman, Christian Businessmen's Forum International, Philippines*).
- share a portion of their profit to the less fortunate individual or group of persons to alleviate poverty (*Dr. Miguel Niez, Tagum Agricultural Development Company Inc. Philippines*). The same opinion is given by *Natalia Septiana, Bina Swadaya, Indonesia*)
- share a certain percentage of the company's equity ownership with the community where it is operating: 50% at the time of capital recovery, and increasing the latter's share to 100% when capital recovered is doubled. This means that more than the sharing of economic benefits, the investors should pass on decision-making to the community which is directly affected by (or involved in) the company's business project (*Bienvenido Padilla, Consultant, Timor Aid, Timor Leste*)

Complementing the above suggestions, Dr. Chris Shun, Finance and Administration Director of the **Foundation for Community Studies and Social Development**, Malaysia gave the following list as constituting the minimum conditions for all the stakeholders (Investors, Producers,

Service providers, Workers, Community and Consumers) to become socially responsible:

- Manufacturing processes involved should utilize the resources available to fulfill **social needs** rather than those dictated by the market – Stakeholders: Producers and Manufacturers.
- Cognizance of the **value of labour** and finding ways for its maximum utilization and preservation – Stakeholders: Workers seeking fair and commensurate compensations.
- Focus is on **self-sufficiency** and cooperation rather than dependence – Stakeholders: Workers and Consumers.
- Prudent **use of resources** based on needs rather than over-consumption – Stakeholders: Producers and Consumers.
- Management strategies/systems are based on **democratic processes** like cooperation and participation rather than on control and decision – Stakeholders: Management and Investors and Workers.
- Values and **ethical principles** play an important role in developing the models – Stakeholders: Local Community.
- **Sustenance of the culture**, language and customs of the community – Stakeholders: Local Community.

## SRI - Who They Are and What They Do

**Holger Liesendahl**, Director of Young Focus Students Foundation Inc. and resource person of the Workshop on Socially Responsible Investment, disclosed who the socially responsible investors (SRI) are and what they do. He says SRIs are composed mainly of institutional investors. In Europe, 94% of SRIs are institutional investors. The rest are churches, philanthropists, or ordinary people. Majority of SRIs are pension funds.

In terms of volume, socially responsible investment is a booming market in both the US and Europe. The global market for SRI products is estimated to be at least \$3.5 trillion. Of this amount, 63% are in the U.S. (@2.2 trillion), 34% in Europe (\$1.2 trillion), and 1 % in Asia (\$0.4 trillion)

SRIs typically invest in large companies. In Europe, 90% of target companies are large corporations. Among the European countries, UK is leading in SRI investment in small and medium companies.

Liesendahl said the motivation of SRIs to invest is not necessarily on ethical grounds. Most institutional investors place their money in SRI products owing to increasing pressure and public awareness of social, ethical, and environmental considerations. They tend to prefer SRI products because they have higher transparency about the investment projects, better risk assessment, and more accurate valuation.

### *Origins of Socially Responsible Investing: Role of the Evangelical Church*

Sakuma traced the history of SRI back to the 1920s. She acknowledged the role of the evangelical churches' ethical movement in birthing SRI in the US in the 1920s.

### Globalisation of financial market-based SRI from US to Europe & other continents

Country	AUM	Year of first SRI funds
USA	\$2.29 trillion (2005)	1928: Pioneer Fund
Europe	€1.033 trillion (2005)	1965: Ansvar Aktiefond Sverige (Sweden)
Australia	\$11.98 billion (2006)*	1985: Australian Ethical Investment
Japan	\$ 3 billion (2007)**	1999: Nikko Eco-fund
Asia excluding Japan	\$2.5 billion □ 2005 □	1997: UBS (Lux) Equity Fund - Eco Performance B (Hong Kong and Taiwan)

*Source: For USA: SIF, for Europe and individual European countries: Eurosif, for Australia: Ethical Investment Association \* 1 AUD = 0.84 USD, for Japan: Japan Research Institute \* \*\*Exchange rate 1 USD = 117 JPY, for Asia ex-Japan: AsrIA*

Today, the US remains home to the largest SRI pool, sharing two-thirds of the world's SRI asset valued at \$2.29 trillion, but Europe is catching up with SRI growth topping all countries at 36% p.a. between 2003-2006, to €1.033 trillion (Eurosif 2006). (see table above).

SRI actors in the U.S. are activist retail investors and they remain largely so to this day whereas European SRIs have witnessed a transformation from a limited grassroots movement focusing on home markets into a tool for risk management for pension funds in the light of global challenges such as climate change (Eurosif, 2003, 2006).

Despite these institutional differences, Louche and Lydenberg (2006) note that both US and European SRIs have a shared goal: to redefine the relationship between corporations and society while seeking a quasi-regulatory mechanism to exert power over corporations (see table below) This goal has led them to focus predominantly on large and liquid enterprises that exert power on the way in which global markets are run. In parallel, disclosure, accountability and transparency have become central issues to the activity of socially responsible investing.

### Institutional Differences of SRIs in U.S. and Europe

Origins	US	Europe
Historical roots / Shared purpose	Religious background A des corporations and society	redefine the relationship between
Definitions	Emphasis on personal values and social purpose	Emphasis on financial objectives and investment impacts
Actors	Retail investors SRI firms independent of the mainstream financial community Little government involvement	Institutional investors Mainstream financial community promoting SRI activities Substantive government involvement
Vocabulary	Social responsibility Fairness and justice Access to capital / wealth creation Exclusionary / qualitative screens Shareholder activism	Sustainability Eco-efficiency and business case Triple bottom line / Best of class investing Negative and positive screens Engagement
Strategies	Exclusionary screen crucially important Positive screens stress judgment Activism often public / via proxy resolutions	Negative screens not emphasized Positive screens stress quantitative measurements Engagement often via behind-the-scene dialogue

SRI typically combine investors' financial objectives with their concerns about social, environmental, ethical (SEE) and governance issues. Sakuma cited three organizations, INAISE, Eurosif, and ASrIA to stress this point.

**INAISE** (International Association of Social Finance Organizations) is a group of social finance organisations whose mission is to promote and develop sustainable growth, sustainable tourism, sustainable energy, support culture, fair and responsible trade and solidarity based economy".

**Eurosif** (European Social Investment Forum) is a pan-European group whose mission is to address sustainability through financial markets.

**ASrIA** (Association of Sustainable and Responsible Investment in Asia), established in 2000 in HongKong, is not for profit, membership association dedicated to promoting corporate responsibility and sustainable investment practice in the Asia Pacific region.

Even among the members of these associations, there is a wide diversity of the types of SRIs. There are financial institutions which **provide financial support to new businesses and community activities**. Others are **investment funds** trading the shares of companies listed on the world's stock markets. Still others engage in **private portfolio management** for individuals and institutions such as pension funds and churches.

Sakuma cited four major issues that need to be addressed insofar as SRIs are concerned:

- The gap between disclosure of SMEs vis-a-vis the investor's interest.
- Different languages used by parties involved which make the information gathering difficult.
- What economic / environmental conditions are necessary in increasing SRI in developing countries?
- How to measure SRI performance

### **Socially Responsible Investing in Asia**

Reviewing the SRI agenda in Asia, Sakuma (2007) said this is likely to differ from that experienced in the US and Europe. Very few Asian investors are genuinely interested in the SRI agenda. This shortcoming is compounded by the relatively weak disclosure standards of Asian companies (Brown 2005). Apart from the fact that SRI markets in Asia is just a fraction (\$2.5 billion) of the global SRI market (\$3 trillion), they are not liquid and transparent enough, thus risky, for international investors and at the same time they are shun by risk-averse local Asian retail investors. Also Asian nations are too diverse to fit all in the same SRI size. Japan's experience is unique in a sense that it created a market for SRI without having had a grass roots movement nor common philosophical/political roots and goals as American and European investors (Louche & Sakuma, 2007). The Japanese corporate sector, however, is responding to the new genre of investors by voluntarily disclosing CSR information (Sakuma 2007). 5

In developing economies of Asia where stock market capitalization are smaller compared to Japan, the SRI approach that is marketing and product driven might not yield similar expected impacts compared to SRI that focus on sustainability and company behaviour. Many companies are small local players rather than global market players. Small and

medium enterprises (SMEs) are strategically important for Asia, as they play a crucial role not only in “growing out” of a state-dominated economy (Romulo & Quinones, 2007) as an agent for innovation and technology advancement, but also in “giving a breadth and depth to public voice” - which is key for the development of democratic processes in developing countries (Wallich, 2000). In such a setting at least two sets of challenges for developing SRI in developing Asia emerge: (1) how to gain more knowledge about strategies and prospects of SMEs which are often too resource-constrained to produce the same level of disclosure as large companies, and (2) how to measure the sustainability performance of SMEs whose evaluation and impacts are determined by the local micro-level cultural and political context rather than standardized common indicators.

The first question addresses the need for an innovative mechanism of connecting likely-minded investors and SMEs in order to grow together through shared visions and trust. A long-term investment horizon is realizable only if both investors and enterprises commonly understand the competitive nature of a given market place as well as share a common view about what sustainability means to them. The second question addresses the need for a measuring tool for both evaluating and monitoring. If a successful strategy is one that is built on organizational capacity and competencies as Henry Mintzberg (1987,1993) argues, then what measurement or which indicators could help international investors to evaluate SMEs in their relevant local economic-social, environmental and cultural context. In this, contribution of local smaller credit institutions’ ability to assess better small size companies than large hierarchical banks might be worth examining (Stein, 2002). How useful would be a relationship research for SRI in SMEs and how would it be possible to use a less prescriptive assessment for SRI instead of indicator-oriented research? Economic and technical viability of such an innovative

research approach might be worth exploring in the days ahead.

### **Corporate Social Responsibility: How it is measured**

**Vincent Commene** dealt with the issue of how corporate social responsibility (CSR) is determined or measured. He cited several standards currently being used, namely:

- Statements of intent: Global Compact, ETI, OECD guidelines...
- Guidelines for management systems and certification schemes: EMAS, SA8000, future ISO26000
- Rating indices for SRI: FTSE4 good, DJSI, etc.
- Accountability and reporting frameworks

Given these alternative methods for evaluating the social responsibility of companies, Commene advised companies in developing countries to familiarize themselves with the motivations or vested interests of SRI stakeholders to understand their investment strategies. A company typically has Internal Stakeholders and External Stakeholders.

Internal stakeholders consisted of the Shareholders/owners and the employees. Commene summarized the motivations/ vested interests of these internal shareholders as follows:

*Shareholders/owners* as follows:

- Profitability
- Keeping good corporate image or enhancing public image
- Corporate irresponsibility or illegal activity (indicated by fines, number of product recalls, pollution performance measured versus industry standard)

- Corporate philanthropy
- Shareholder activism especially those that initiative actions on the basis of ethical considerations

*Employees are interested in:*

- wages, pensions and benefits, training, physical safety, hygiene, job security, union/staff relations, women & minority policies
- reputation of their company, working in a 'good citizen company', quality of the working relationships

External stakeholders consist of the customers/consumers, NGOs, local community, suppliers, public authorities, and trade unions. The motivations/ vested interests of the external stakeholders are summarized by Commenne as follows:

*Customers/Consumers:*

- health (good quality products), false advertising, price fixing, antitrust suits...
- but also responsible consumption : social and ecological criteria as NGOs

*NGO's:*

Environmental concerns:

- Pollution
- Toxic waste
- Recycling and use of recycled products , packaging
- Use of eco-label on products?

*Social concerns:*

- product chain in developing countries: child labour, forced labour, freedom of association, living wages, working conditions...

*Local community:*

- Creation or delocalization of local jobs, no local pollution, day nursery...
- Community controversy or litigation
- Corporate giving to community programmes
- Direct involvement in community programmes (solidarity economy)

*Suppliers:*

- long term commercial relationship, no pressure on prices, no pressure on production timing

*Public authorities:*

- At the local or national level, representing social and ecological interests of the community

*Trade Unions:*

- representing employees interests

With so many stakeholders and their varied interests to deal with, it is no wonder why companies in developing countries have difficulties relating with SRIs. Commenne, however, tried to highlight what SRIs from the West really want by citing the following hierarchy of priorities:

- Human rights (61.4%)
- Energy-ecoefficiency ( 61.0%)
- Health and safety (60.4%)
- Climate protection 59.4%
- Enviromental managementof the production process (58.8%)
- Environemtnal policy (58.8%)
- Corporate governance (56.8%)
- Standards in developing countries (56.6%)
- Environmental management system (53.9%)
- Bribery and corruption (53.9%)
- Supply chain standards for social issues ( 52.7%)
- Avoiding soil and water contamination (51.1%)

In the EU, all the stakeholders are becoming more powerful, increasingly interested in using corporate social responsibility (CSR) as a means of advancing their own interests, and actively taking action (either collaboration or confrontation).

On the other side of the business scale are companies supplying the commodities who understand CSR in more practical terms, such as:

- providing work
- charity
- not doing harm: not polluting the environment too much, not consuming non-renewable natural resources too much, not producing harmful products (weapons, tobacco, alcohol), etc.
- taking positive actions: e.g. involving in social or environmental issues
- being mindful of their global impact by including their value chains in CSR accountability and improving their traceability
- integrating social responsibility into their mission statements

How do companies or business entities put CSR into practice? Commenne cited the following practices that companies typically do in order to implement CSR:

- set out an action plan
- apply an evaluation system to its ethics program
- integrate CSR into corporate life within a fully-fledged management system
- undertake a dialogue with its stakeholder(s)

Commenne said improving the quality of CSR to suit the standards of European stakeholders is a long-term process and cannot be done piece-meal. CSR must be integrated into the management system of companies and both the CSR policy and practices of the company should be communicated to the company's own stakeholders. On top of this, there must be an assessment of all the areas of impact - both positive and negative, existing and potential - of the company's activities on society. There has to be a congruence between corporate vision, mission, and values.

The adoption of a CSR policy must involve all the company's stakeholders, but somebody must be in charge of its implementation and evaluation. An effective dialogue process has to be put in place to ensure that stakeholders are informed of the CSR activities of the company and how these activities impact on and the environment.

Where are we now insofar as adoption of CSR is concerned? Commenne provided the following statistics:

- Only 14% of SMEs in the former 15-member EU said that they had a CSR strategy

- The rest of SMEs with no CSR strategy gave the following reasons for their poor attitude towards CSR:
  - ü 24% have never considered it;
  - ü 19% do not have the time;
  - ü 17% feel that CSR does not apply to their situation;
  - ü 16% do not have the money to put CSR into action;
  - ü 8% do not have a practical application for CSR;
  - ü 1% lack support from the public authorities.

Commenne said that most CSR standards are not suitable for SME's. There is a need for standards that reflect the real conditions of the company and its business, culture and stakeholder needs. CSR advocates also need to help the company find 'meaning' in measuring the results of CSR activities. Companies need guidance in developing their own indicators to reflect their specific business situation.

Commenne recommends a continuing dialogue on CSR among various stakeholders to allow each one to listen to each other, understand their interests, and achieve a balance that reflects the reality of the company.

## **SRI IN PRACTICE - ILLUSTRATIVE CASES**

The following section presents illustrative cases that demonstrate how socially responsible investing works in various settings. Two cases, SIDI and INAISE, were selected for this purpose by Sustainability Analysis and Consulting and OTI Consulting Philippines, co-coordinators of the Workshop on Socially Responsible Investment.

## Case 1 The SRI Approach of SIDI

**Anne Bossard** of SIDI (International Solidarity for Development and Investment), France shares the experiences of SIDI as a socially responsible investor. SIDI is a limited Company established in 1983 by a French NGO, CCFD (Catholic Committee Against Hunger and for Development), in order to promote and strengthen its interventions in the economic field.

The objectives of SIDI are:

- To promote solidarity principles within economies and societies.
- To support local empowerment and the emergence of enterprising individuals willing to change their living conditions.
- To mobilise solidarity in France via the promotion of ethical savings.
- To contribute technically and financially to the emergence and the consolidation of local organisations specialised, or willing to specialise, in the provision of financial services to people deprived from access to the formal banking sector.
- To support innovation, exchange of know-how, capitalisation of experiences between local organisations.

SIDI itself is a solidarity organization whose resources are contributed by various partners, namely: CCFD (28%), ESD (25%), nuns and congregations (24%), financial institutions (11%), European partners (6%), and Others (6%).

CCFD, in turn, generates around EU1 million per year of 'ethical savings' from savers who place their deposits in the Ethical Fund for

Hunger and Development of CCFD. These funds are then invested by SIDI in partner organizations from the South primarily to provide working capital to micro, small and medium enterprises.

The partners in the South consist of various types of local organisations sharing SIDI's values and starting or intending to consolidate their financial services. These include the following:

- NGOs, credit Associations, producers organisations (PO)
- Saving and credit Co-operatives, Credit unions,
- Companies, Ethical banks

SIDI generally supports local organizations based on the twin principles of (a) long term commitment; and (b) risk sharing. Financial support from SIDI are generally meant for equity investment, loan, or guarantee. The SIDI funding support can also be viewed as seed funds that can be used by the partner organization to leverage more funds from other sources.

Apart from financial support, SIDI also provides institutional support in the form of institutional guidance (governance or management level), technical assistance, and raining programs.

Of the total SIDI Portfolio amounting to Eu 6.6 M, 46% are invested in Africa, 11% in Asia, 8 % in MENA, 8% in PECO, and 1% in Caribbean.

The partner networks of SIDI consist of the Northern Networks - FINANSOL (France); FEBEA (Europe); and INAISE (Europe); and the Southern Networks - MAIN (Africa); FORO-LAC FR (Latin America); and SANABEL (Arabic countries).

In retrospect, Bossard noted that the pursuit of social sustainability aims to promote and facilitate an internal reflection and discussions within the local organization about their social objectives. It guides the company to reach its objectives by undertaking social actions, monitoring its performance, doing follow up, and taking corrective actions. It motivates the company to be accountable for the relevance and the viability of the social changes brought about by its actions.

SIDI's approach to social sustainability is an experimental approach. SIDI believes that there is

no "universal" solution, only a solution on a case by case basis. SIDI's approach is to promote and facilitate an internal reflection about social objectives in a shared learning dynamic with the local financing institution. It deals with both social performance and impact, both at the level of the local financing institution and its networks as well as its clients/members, and at the regional/ national levels taking into account the environmental context.

SIDI's bottom up approach aims at:

- supporting partners in their reflection and actions to improve their social performance.
- to customize social performance indicators according to the reality of the partner. It is quite difficult (impossible ?) to have "universal" indicators due to the great diversity of the organizational types of SIDI's partners as well as the environment in which they operate.

Anne Bossard presented two case studies to demonstrate the bottom up approach of SIDI in dealing with its partners.

### *SIDI Case Study 1 : CRG*

CRG is one of the local financing institution with which SIDI is involved. SIDI's social sustainability program with CRG aims to:

- Clarify the social objectives of CRG
- Identify the social performance indicators for the monitoring of these objectives
- Organise the implementation of social sustainability with the various levels of management at CRG headquarters and its network

The process of establishing the social sustainability program involves the following:

- a workshop on social performance conducted in June 2004 leading to the definition of social performance indicators (SPI)
- participation in the finalization of the SPI tool (March 2005)
- participation in the MAIN workshop on social performance in Bujumbura in June 2007
- conduct of an internal workshop of CRG in July 2007

The internal CRG workshop resulted in the following outputs and actions :

- A social purpose clearly defined: to serve the poorest: 60% of the clients with income levels of less than 80% of GDP per capita
- Majority of loans for agricultural purposes
- Implementation of a monitoring system through social performance and financial indicators integrated in the MIS
- Business plans shall take into account the promotion of social performance

### *SIDI Case Study 2: CAC La Florida*

CAC La Florida is a coffee producers cooperative in Peru. One of its concerns is to assess the impact of its activities on its members. Acting on this need, Sidi offered support to make an assessment on the level and the forms of vulnerability of the members of the cooperative. The methodology used by SIDI is a tool developed based on the theory of Amartya Sen, which defines capacity and vulnerability as follows:

- o Capacity = potentiality of an institutions in terms of its social, human, financial and physical capital) + opportunities open to the institution for applying this potential*
- o Vulnerability = risk / capacity (i.e. the level of risk in relation to capacity)*

The steps taken by SIDI to assist CAC La Florida are as follows:

- Discussions with CAC stakeholders to define the indicators used for each type of capital and for the opportunities
- Design of questionnaires and the collection of data/information
- Data processing in an IT tool developed by SIDI and the transfer of IT database technology which gave indications on the levels and forms of vulnerability

The intervention of SIDI were recorded in a report prepared by SIDI which enabled CAC La Florida to:

- define in its strategic plan which indicates the measures to be taken to reduce the vulnerability of CAC members
- construct a base line which would allow CAC to measure the evolution of the vulnerability of its members

## Case 2 INAISE - SRI Finance for People and Planet

**Viviane Vandemeulebroucke**, Executive Director of INAISE (International Association of Investors in Social Economy) defined socially responsible investment (SRI) as “sustainable finance for a sustainable world”. SRI is finance for responsible trade, sustainable energy, and solidarity based economy. It is about making sense with money.

Created in 1989, INAISE has grown rapidly as the movement of social investors gained importance, volume and visibility in a number of European and non-European countries. In 1992, the INAISE secretariat was set up in Brussels. Its main functions are:

- to collect and disseminate information on social finance
- represent the members and the social finance sector
- contribute to research projects

As of 15 October 2007, INAISE has 45 member institutions in 23 different countries. These are different organizations but they have similar goals, such as (1) adoption of alternative banking policies (guarantee, return); (2) practice of fully transparent by enabling stakeholders to have access to information on the organization ‘s performance; and (c) carrying out sustainable banking for People and Planet.

INAISE members usually invest in the following sectors:

- (1) **Environment and sustainable development:** renewable energy such as wind, solar and hydro-energy; energy efficiency; organic agriculture, food processing and retailing; nature conservation; eco-building; clean technology.

- (2) **Social economy:** co-operatives; community enterprises; employee participation; employee buy-outs; micro and small enterprise creation and development, especially among unemployed, migrants, women.
- (3) **Health-care:** health centres; community care; clinics and hospitals; programmes for the disabled; preventive therapies.
- (4) **Social development:** social housing; community housing; employment generation; social services, community transport; charities; community groups and the voluntary sector.
- (5) **Education and Training:** school buildings; training courses; organisational development; alternative schools.

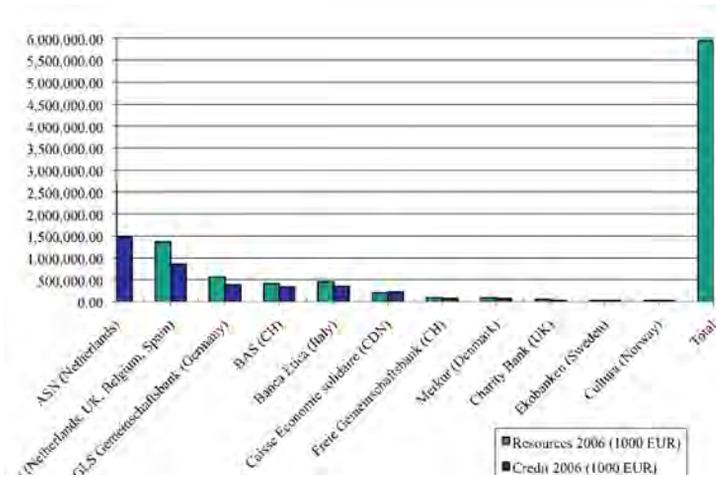
INAISE members can be classified into 4 main categories: Neighbourhood savings structures, Banks, Venture capital companies, and Micro Finance Institutions

**Neighbourhood savings structures** generally collect savings from ordinary people of local communities and make these funds available to finance local investment projects. They provide technical advice to local entrepreneurs and minimize risk through close project follow through. They offer low or zero interest on the savings so as to provide low interest loans to local entrepreneurs.

*Société financière coopérative de La Nef* is an example of a neighbourhood savings organization. It collects local savings and grants short, medium or long term loans to projects, particularly those related to organic

farming, health care, crafts, ecology & environment, education, art & culture, social rehabilitation & struggle against exclusion. As of end of 2006, NEF had total resources of Eu 131 M, of which 34% were sourced from fixed term deposits, and 66% from savings collected by credit coop (66%). These resources are largely used to finance projects, and other banking activities of NEF and the credit coop.

The second type of INAISE member are the **Banks**. Unlike other ordinary banks, the member-banks of INAISE do not aim for profit per se. They finance sustainable projects which have transparent operations. They manage special funds dedicated to specific purposes such as wind fund, solar fund, and so forth.



As of December 31, 2006, the 11 ethical social banks associated with INAISE had a total of Eu 5,942 million in resources (mostly savings), of which Eu 3,833 million were held in loans to projects.(see graph above).

Vandemeulebroucke cited the case of Triodos Bank to highlight the performance of a SRI. Triodos Bank was established in 1980 in the Netherlands. In subsequent years, Triodos Bank set up branches in Belgium (1993), UK (1995), Spain (2004), and Germany (2005).

The total resources of Triodos bank in 2006 amounted to Eu 1 539 million, of which Eu 854 million were loaned out to 3 977 projects. The types of projects financed consisted of: Culture and society (42.3%), Nature and environment (38.0%), Social business (16.1%),

North-south cooperation (3.5%), and Other (0.1%)

Triodos Bank also manages Investment Funds amounting to a total of Eu 986 million. These funds comprised of the: (1) Triodos Cultural Fund launched in 2006 – Eu 53 million; (2) Triodos Green Fund, which is invested in organic farming EU 23M), and renewable energy (Eu 483M); and (3) Triodos Added Value Fund (Eu 353M) & Values Fund:(Eu 25 M), which are invested in listed securities.

Triodos Bank screens project based on absolute and relative criteria covering 7 themes, namely: cultural heritage, animal welfare, ecosystems, human rights, natural resources, social structures & human health. Its investments cover a wide array of companies worldwide. It maintains partnership with Dutch Sustainability Research which has access to research and expertise of SiRi and European Corporate Governance Service (ECGS)

SiRi is a network of 12 research organisations that promote the global advancement of social investing. It undertakes research on SRI products & services. On the other hand, ECGS is a network of 8 research organisations which focus on corporate governance assessments, and providing advice to Europe's largest quoted companies. Both of these

research organizations conduct sustainability analysis and dialogue with companies in order to raise their awareness on socially responsible investing (SRI), convince them to increase their SRI portfolio, and motivate them to change their policies towards better SRI practices. They maintain ongoing partnership with Eurosif, Belsif, and the Dutch Association of Investors for Sustainable Development

The third type of INAISE member are the **International Funds**. As of December 2006, these international funds had total resources of Eu 116 M. These are invested in microfinance, fair trade, and renewable energy in Latin America, Africa, Asia & Eastern Europe: International Funds seek to develop sustainable financial sectors through various financial instruments, such as.

- *Triodos Fair Share Fund*, Triodos-Doen and Hivos-Triodos Fund: finances small banks and microfinance institutions in developing countries + Eastern Europe (Eu 98 M)
- *Triodos Renewable Energy Fund*: finances wind power, solar energy, biomass in developing countries (Eu 6 M)
- *Renewables Europe Fund*: finances small & medium sized private power plants – launch Mid 2006 (Eu 9 M)
- *Climate Clearing House*: an independent trading platform for CO2 credits
- *Venture Capital Fund, Innovation Fund and Triodos Ventures*: finances equity investments in socially responsible enterprises in developing countries

Venture capital companies are among the most active in undertaking equity investments in developing countries. Examples of venture companies are SIDI and CIGALE. The Case of SIDI has been highlighted in previous section (see Anne Bossard). This section will focus on CIGALE.

CIGALE is a club of 5 to 20 persons who pool their savings for investment in equity of small enterprises over a 5- year period. In 2005, there were 83 active CIGALEs with a total of 1,300 members. Since 1983, the CIGALES had invested Eu 2 M in 500 enterprises. Two thirds of the enterprises were in services, one-third in craft industry and agriculture.

The fourth type of INAISE member organizations are the **Micro Finance Institutions** or MFIs. There are two member MFIs in Europe (Integra Venture, & Mag 2 Finance), and two members from developing countries (Buro Tangail, Bangladeshl and Senfinance, Ivory Coast)

**Integra Venture (Slovakia)** is a network of Community Economic agencies in Central and Eastern Europe.. Its mission is to alleviate poverty, reduce unemployment, and help transform communities. To achieve this mission, Integra Venture provides finance and entrepreneurial training. It also promotes ethics and corporate social responsibility.

In 1999, Integra Venture launched the *Mikrofond program* with the aim of assisting women in starting or expanding their own small businesses. To qualify for financing under the Mikrofund Program, the client should have .good entrepreneurial idea, faith and potential to turn it into a viable small business. Clients should be an active member of a group of women consisting of up to 20 members. A client can avail of micro-loan up to \$3,000.

Apart from the financial assistance, Mikrofond program offers its clients a variety of non-financial services, to wit:

- practical training
- business plan = practical guide for running business
- finding the best market for their products,
- understanding market gaps and demands

- sustaining a high quality of products .
- regular phone calls, consultations, on-site visits, trust groups meetings and networking.

Some INAISE members are networks of MFIs, such as Finansol, the European Microfinance Center, and FEBEA.

Finansol is a network of MFIs in Europe. It enlarges the solidarity finance product label in 6 EU countries (France, Denmark, Belgium, UK, Spain, Italy). It creates indicators to measure the impact of solidarity finance in these countries.

The European Microfinance Center was launched in 2003 to support the development of MFIs, promote good practices and a conducive regulatory environment.

FEBEA (Federation Europeenne de Finances et Banques Ethiques et Alternatives – European Federation of Ethical and Alternative Banks and Financiers) was created in 2001 to help member organizations access resources, facilitate the sharing of knowledge/know how among members, and promote the adoption of common financial tools and common services. A financial instrument called Sefea enables FEBEA to provide medium & long term capital as well as technical assistance to social or ethical finance organizations.

INAISE has an Institute for Social Banking which runs two training modules. One is the International “Summer School on Social Banking” which provides opportunity to meet leading managers from international socially-, ethically- and environmentally-oriented banking institutions and to make contacts with entrepreneurs in the sector. Another program was launched in 2007, the Master in Social Banking. This is the first

Internationally-oriented study programme designed as a part-time course for people already in employment.

INAISE is taking concrete steps to strengthen its links with Social Economy sector. Through its international partnerships (LNFP, MAIN, Forolac, EMN, and MFC) INAISE is establishing linkages among responsible finance, fair trade, responsible consumption, and social integration enterprises. INAISE envisions to contribute significantly to the globalization of solidarity-based economy and the Social Finance sector at the forthcoming meeting on solidarity economy in Luxemburg 2009.

6**SOCIALLY RESPONSIBLE FINANCING: THE  
CASE OF MICROFINANCE**

A development strategy that has proven effective in enhancing solidarity among people in economic activities is organizing marginalized segments of a community to access basic services. One of the most successful approaches to community organizing is Microfinance.

Microfinance involves offering viable financial services to poor households, especially the women of those households. Microfinance clients are “micro-entrepreneurs” or self-employed people with small-scale businesses who are unable to access services of the formal banking system. Financial services of microfinance institutions (MFIs) basically include loans and deposits, but they may also offer other specialized services such as microinsurance and leasing. Microcredit enables these people to start up a small income-generating activity, or expand an existing microenterprise. They repay their loans from income generated from this microenterprise, which may also allow them to set aside some funds for savings or financing other needs.

Microfinance is a unique solidarity economy initiative that has succeeded in attracting SRIs to developing countries. The level of success attained by microfinance is such that big commercial banks are now induced to do microfinance, but largely for profit considerations. Consequently, some SRIs wonder whether MFIs have followed suit and

are drifting from their original social mission. As a result, in addition to financial self-sufficiency, SRIs are now looking into their social impact, or at least the extent to which they have achieved their social mission.

### **What Is Social Performance of Microfinance?**

SEEP (Small Enterprise Education and Promotion) defines social performance as the effective translation of an institution's mission into practice in line with accepted social values that relate to:

- improving the lives of poor and excluded clients and their families; and
- widening the range of opportunities for communities (SEEP, 2008).

To create this value, the social objectives of an MFI may include:

- serving increasing number of poor and excluded people sustainably by expanding and deepening outreach to poorer people;
- improving the quality and appropriateness of financial services available to the target clients through a systematic assessment of their specific needs;
- creating benefits for microfinance clients, their families, and communities to improve access to social capital, social links, assets, income, and services; reduce their vulnerability; and fulfill their basic needs; and
- improving the social responsibility of the MFI toward its employees, its clients, and the community it serves.

Ultimately, a focus on social performance makes microfinance more customer-driven by monitoring performance against both social and financial goals. This requires that MFIs:

- set social and financial performance goals;
- identify indicators that measure achievement of these goals;
- continuously collect client data to monitor progress against

**Mila Bunker**, President of Ahon sa Hiras Inc. (ASHI) and Coordinator of the Workshop on Socially Responsible Financing (Microfinance), explained that MFIs today have progressed well in measuring their financial performance but most of them do not know yet how to measure the extent to which they have achieved their social mission. She said that methodologies are now available for assessing the principles, actions and corrective measures implemented by an MFI to achieve its social mission. A methodology that ASHI has used to improve its social performance management is the CERISE Social Performance Indicator (SPI) tool. 7

The CERISE-SPI is a tool for assesses the extent to which the MFI has used its resources to fulfill its social mission. It classifies the MFI's social performance into four fundamental dimensions:

- Dimension 1: Outreach to the poor and excluded
- Dimension 2: Adaptation of services and products to the target clients
- Dimension 3: Improvement of the social and political capital of clients and their families
- Dimension 4: The institution's social responsibility

The CERISE-SPI tool is standardized but adaptable to a variety of MFIs and their local contexts. It is easy to use and allows the MFI to conduct internal self-assessment. Each of the indicators is simple and directly attributable to the MFI. They are based on data/information that can be internally generated by the MFI and which can be easily checked

by an external auditor. Results of the assessment give a clear image of the MFI's social performance, which can then be compared with other MFIs.

The CERISE-SPI tool is available free of charge and can be downloaded directly from the CERISE web site [www.cerise-microfinance.org](http://www.cerise-microfinance.org). In the succeeding sections, some live cases of MFIs are presented to showcase the various dimensions their social performance.

**Cecile Lapenu**, Executive Director of CERISE, elaborated further on the work of CERISE on social performance. CERISE is a network for exchanging and disseminating best practices in microfinance. Its members are French organizations specialized in setting up and supporting MFIs throughout the world. Its network of partners includes support organizations, donors and microfinance practitioners from Africa, Latin America and Asia, mostly operating in rural areas. The thematic areas of its work includes governance, impact and social performance, rural finance, fair trade, and the like.

To give its international partners a space of its own, CERISE initiated the establishment of ProsperA, which stands for PROMotion of Social PERformance An Alliance of Practitioners ProsperA builds on the experience of microfinance practitioners with SPI since 2001. Its objective is to develop the culture and practices of social performance via the capacity-building of MFIs & networks. The activities of ProsperA focus on exchanges and joint action (e.g. research, training, consultations, joint planning meetings) on the basis of the SPI tool, governance & impact assessment.

ProsperA currently has 35 member institutions (1/3 networks, 1/3 MFI, 1/3 support organisations). As of October 2007, the members of ProsperA include the following:

*Networks:*

FORO LAC FR, Latin America ; Alpimed, El Salvador ; FINRURAL, Bolivia ; RFR, Ecuador; Colmena Milenaria, Mexico; AMUCSS, Mexico; KNFP, Haiti

CIF, Burkina-Faso; Consortium Alafia, Benin; APIFM Madagascar  
MFIs

Crecer, Promujer, Bolivie ; Finca, Peru; Pilarh, Honduras; Sefia México ; REFIGOM-CDRO, Fafides, Guatemala; ASC Union, Albania ; ASHI, VEDCOR, Philippines ; CCSF, Cambodia ; CRG Guinée ; INMAA, Maroc

*Support organizations:*

CSR-SME, Philippines, FIDEV, Madagascar , TRIAS, Belgium; CERISE, CIDR, CIRAD, Entrepreneur du monde, IRAM, IRC, GRET, Pamiga, SIDI, France

## **Social Performance, Social Rating, and Impact Assessment**

ProsperA's work particularly deals with the links between assessment and changes, what actions should be taken to improve social impact, and how to implement them. This implies that organizations must act on their governance structure to achieve the desired change. The instruments for evaluating social performance can be classified into three types:

*SPI* : a management tool for evaluating the means to achieve the organization's social mission. It is an internal decision tool

*Social Rating* : an external assessment tool which allows international comparison of social performance through MFIs benchmarks

*Impact assessment* : a tool for determining the effects of MFI performance on clients and their environment. For the microfinance sector, impact assessment is largely geared towards determining the extent to which microfinance clients have risen above poverty.



## ANALYSIS AND DECISION TOOLS OF PROSPERA

In the case of CERISE-SPI tool used by ProsperA members, the social performance assessment relates well to impact analysis in the sense that it does the assessment along 4 key dimensions – outreach to the poor and the excluded, adaptation of services to the needs of the poor, improvement of the social and political capital of clients and their families, and the institution’s social responsibility. The CERISE-SPI tool also verifies the consistency between the institution’s social mission and results of its action. It is a tool whose utility extends beyond “classical” impact assessment and tailored to the social objectives of the MFI.

The CERISE-SPI tool also contributes to an assessment of the institution’s governance. For each of the 3 key dimensions, the tool helps management to determine:

- which of the stakeholders make the decision

- how the decision is made and implemented
- how problems and crisis are managed.

The diagram above shows how the CERISE-SPI tool first tries to ascertain what the MFI's social mission is, then it traces and evaluates the actions taken by the MFI to achieve its social mission, and finally it gives a picture of the results of those actions. At each stage, the evaluation process takes into account the 4 key dimensions of social performance.

### **Field experience: The use of SPI**

As of October 2007, the CERISE-SPI tool has been used widely by:

*Networks of MFIs* have used the SPI for establishing benchmarks, collective reflection, and the establishment of common indicators on SP

Ex: Profin (Bolivia); Consortium Alafia (Benin); and Foro Lac (regional network for Latin America)

*Social Investors* have promoted the use of SPI among its partner MFIs and facilitated exchanges of SP assessment results among partners. They have also used the SPI to increase awareness on social mission and social performance.

Ex: SIDI France; AlterFin Belgium

*Individual MFIs* have convinced their respective Boards to incorporate SPI in their organization's Management Information System (MIS) and to create a work group on social performance that will devote work on social performance monitoring and evaluation.

Ex: ASC Union Albania, Amucss Mexico, Cresol Brasil, VM Madagascar, AMK Cambodia, ASHI Philippines, etc.

There have been innovations on the use of the CERISE-SPI tool by combining it with other tools, thus demonstrating the flexibility and versatility of the tool. Among the combination applications of SPI are the following:

- SPI and Impact => Simple, Specific and Operational impact analysis  
Ex: Sanduk Comores, Crédit Rural de Guinée
- SPI and Governance => Dynamic of actors to improve social impact  
Ex: Amucss Mexico, Acreimex Mexico
- SPI and financial performance => Double bottom-line assessment of MFI (financial and social performance), partly to test the hypothesis on the links between social performance and financial performance  
Ex: Profin/ Finrural Bolivia

### **ProsperA Activities for 2007**

For the year 2007, ProsperA undertook several activities to promote the concept of social performance and the use of the CERISE-SPI tool.

1. *Dialogue and training* conducted through:

Continental meetings:

Latin America - Mexico, April 07 - Foro Lac fr

Africa - Burundi, June 07 - MAIN

Asia - Philippines Oct.07 in conjunction with the Asian Forum

National meetings:

Salvador, Haïti, Bolivia, Madagascar, Philippines, etc.

Other meetings :

Finsol – France, Sept 07

e-MFP – Luxembourg, Nov 07

Trias – Belgium, Dec 07

2. Innovation and Implementation

Oct 07: Profin / Finrural: links with governance & impact

Dec 07: New version of SPI (compliance w/ MIX Core SP indic.)

2007: Support to MFIs (MIS, social strategy, governance)

2007: Exchanges with SPTF, e-MFP, etc.

3. Communication and promotion

Staying in touch through the CERISE website > [www.cerise-microfinance.org](http://www.cerise-microfinance.org)

## **SOCIAL PERFORMANCE IN ACTION - ILLUSTRATIVE CASES**

The succeeding sections present illustrative cases of the social performance of selected microfinance institutions. These cases were selected by the Microfinance Council of the Philippines Inc. (MCPI) in line with the objectives of the Workshop on Socially Responsible Financing.

### **Case 1. Negros Women for Tomorrow Foundation Inc (NWTF) – Outreach to the Poorest**

Mr. Gilbert Maramba presented the experiences of the Negros Women for Tomorrow Foundation, Inc. (NWTF). NWTF's mission is "to provide the right to credit (access to capital) for the bottom poor".

Maramba explained that people below the poverty line have no access to formal sources of credit because they could not comply with

the stringent requirements of financial institutions, such as (i) capacity to pay (i.e. sufficient income as evidenced by income tax returns), which reflects the borrower's potential to pay; and (ii) collateral, which reflects the borrower's willingness to pay. Banks rely on these securities to minimize, if not eliminate, risks but they also effectively impede poor people's access to bank services.

There is, however, an alternative way of measuring the poor's potential capacity to pay. NWTF asks the following questions when assessing the poor's capacity to pay"

- Is this the right business for the client to enter?
- Is it the right amount of loan she is applying for?
- Is the loan amortization the smallest possible for her?
- Will the business project increase her income?
- Is her loan utilization regularly checked?
- Is the progress of her business monitored at all levels?

On the other hand, NWTF assesses the poor's willingness to pay through the following indicators

- Increase of Household Disposable Income.
- Non-financial Benefits (e.g. health of family members, education of children)
- MFI flexibility and safety nets for clients (e.g. MFI refinancing facility, microinsurance).
- Positive Impact (e.g. improved self-image, confidence in undertaking business, etc.) Center Responsibility (e.g. collection of individual member's repayment, mutual guarantee of loans by Center members)

How does NWTF ensure that it really lends only to the poorest and not to the non-poor? Maramba says there are well developed methods for locating the poor: such as Poverty Mapping and Progress out o Poverty Index (PPI), Means Test, and Housing Index. In recent years, NWTF has used PPI more extensively.

### PPI Survey Questionnaire

Indicator	Values	Points
1. Does the family own a gas stove or gas range?	No = 0	Yes = 12
2. How many people in the family are aged 0 to 17?	$\geq 5 = 0$ ; 3 or 4 = 6 1 or 2 = 15	zero = 26
3. How many TV sets does the family own?	Zero = 0 ; 1 = 9 ; $\geq 2 = 20$	
4. What are the house's outer wall made of?	Light (cogon, nipa, sawali, bamboo, or Anahaw) = 0 Strong (iron, aluminium, tile, brick concrete, stone, word, etc) = 4	
5. Do any family membes have salaried employment?	No = 0	Yes = 7
6. How many radios does the family own?	Zero - 0; 1 = 3; $\geq 2 = 12$	
7. Does the family own a sala set?	No = 0	Yes = 8
8. What is the house's roof made of?	Light (salvaged, makeshift, cogon, Nipa, or anahaw) = 0 Strong (galvanized iron, aluminium, Tile, concrete, brick, stone, etc.) = 2	
9. What kind of toilet facility does the	None (open pit, closed pit, other) = 0 family have in the house? Water sealed = 2	
10. Do all children in the family of ages 6 to 11	No = 0	Yes = 2 No children ages 6-11 = 3

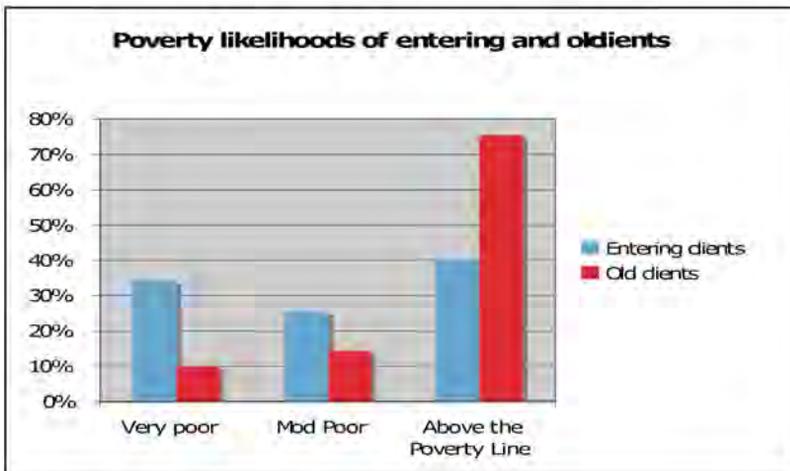
*Source: Calculations based on the 2002 A PIS by Microfinance Risk Management, L.L.C.*

PPI is a tool that determines the likelihood that a certain client belongs to the category of “Very Poor”, “Moderately Poor”, or “Non-poor”. When used to monitor the performance of a client over time, the PPI can show whether MFI clients are moving out of poverty.

As seen in the table above, the PPI survey questionnaire comprises a set of 10 questions

2 out of 10 questions can be determined before entering the client’s home. 7 out of ten are verifiable. The entire survey can be in 5 to 8 minutes, hence it does not consume much time of the staff and client. The estimates are more reliable.

In 2001, 2% of clients were above the national poverty line upon entry into NWTF microfinance program based on NWTF’s database. When the PPI was applied in 2006, the percentage of old clients whose incomes are higher than the national poverty line increased to 75.5% This means that the old clients of NWTF were 75.5% likely to be non-poor, which concretely indicates the poverty impact of NWTF.



Among the entering clients, however, PPI results show that in 2006 40.2% were likely to be non-poor i.e. with income levels above the national poverty line). This was not satisfactory to NWTF management since its mandate is to reach the poorest households. NWTF, therefore, undertook concrete steps to correct the situation. By September 2007, the percentage of NWTF entering clients who are non-poor declined to 25%. NWTF's target, Maramba confides, is to further reduce this number to less than 10% by December 2007.

## **Case 2. Ahon Sa Hirap Inc. (ASHI) –Empowerment and Participation of the Poor**

**Mila Bunker**, President of ASHI, presented the case of ASHI particularly in the area of empowerment and participation of the poor.

ASHI started in January 1989 as an action-research project led by a professor of the University of the Philippines in Los Baños, province of Laguna. In 1991 ASHI was registered with the Securities and Exchange Commission as a non-stock, non-profit, non-governmental organization. It was then the only NGO that used pure Grameen Bank Approach (GBA) and today ASHI is the oldest existing replicator of GBA in the country.

In 1994, ASHI faced a major crisis. With CASHPOR and Grameen Trust providing technical assistance, ASHI was thereafter rehabilitated branch by branch and center by center.

By 1995, ASHI's repayment rates reached 99 percent. By 2003, ASHI added four more branches in Laguna, Rizal, Antique in Western Visayas region

ASHI's Vision statement: "We are a community of Members, Staff, Management

and like-minded Stakeholders in solidarity for poverty eradication, integral human development and societal transformation”.

The Mission Statement of ASHI is as follows:

- To become agents of change among the bottom poor women in both the rural urban and urban areas, not only in their economic life but also in their spiritual and educational well being
- Through the GBA approach, to begin to rise from poverty and lead the way in reaching out to the rest of the women in society
- To develop a strong economic base
- To ensure that their children would attain higher education
- To become empowered as agents of change as demonstrated by their involvement in decision-making
- To become leaders in their communities

The objectives of ASHI are:

- § Increase the incomes of the poor by financing self-employment activities
- § Mobilize savings among the poor for emergency purposes
- § Reduce the dependence of the poor on usurious money lenders
- § Help reduce rural-urban migration through the generation of local community growth
- § Promote the values of education and responsible parenthood among ASHI members and the virtues of unity, discipline, hardwork and perseverance
- § Help establish other Grameen replicating organizations and give assistance to them through training

In short, the social mission of ASHI is “outreach to the poorest” ASHI further distinguishes its target group as consisting of poor families, especially the women of those families, the single women, the victims of

human trafficking, the single parent, the poor mother.

To verify whether ASHI has not drifted from its social mission 16 years after it began using Grameen methodology, the ASHI Board reviewed its vision and mission. The Board gave emphasis on ASHI's vision that each member would rise from economic, spiritual and educational poverty and would reach out to other poor women.

The latest external impact assessment of ASHI took place in 2000. It was carried out by CASHPOR and PHILNET using the revised AIMS tools. The study determined the following: (i) ASHI's impact on the poverty status of its clients; (ii) Clients' empowerment after joining the program; and (iii) Client Satisfaction.

Several useful lessons emerged from this impact assessment. It was found that women members as operators of enterprises experienced multiple burdens since they still had to do household chores in addition to work in tending their business. Stereotyping of women's roles relegated women to the traditional roles of the housewife who is supposed to take care of children, cook, do the laundry, clean the house, and other household chores. Cases of subordination and marginalization were reported in spite of the new found role of women members as enterprise operators and income earners. Furthermore, cases of violence against women surfaced out as a result of the survey, which hitherto were hidden from the ASHI staff.

Since then ASHI conducts gender sensitivity seminars to raise awareness among members on gender related issues. These seminars put great emphasis on governance. They closely monitor their members' endeavour – ensuring the improvement of their members' lives.

The gender sensitivity workshops with women members oftentimes brought tears to both members and the ASHI staff as they confronted social realities that were not discussed publicly in the past. Majority of the member-participants of these workshops recommended that ASHI initiate a support system as well as a paralegal education & Counseling skills for the staff to help them deal with these issue effectively. Visibly affected by the survey results, ASHI resolved not to discount these issues and to heed the recommendation of its members

In 2002, ASHI established the Special Program Development Department (SPDD) to implement the recommendations of its members. SPPD would handle all the non-banking services, which include: social development, microinsurance, research, communications and publication, and health & housing.

The Social Development Program (SPD) provides support to ASHI clients through skills training, team building, nutrition, resolving conflicts, current events, bible reading sessions, clean & activities. SDP also assists ASHI clients enrolled as Members of the government's Social Security Sytem to ensure that they avail of health, death and retirement benefits. At the annual General Assembly, the SDP ensures that outstanding clients and ASHI staff are recognized and given awards.

In addition, SPD arranges the following activities: (i) Dialogue with the President to clarify ASHI policies and offer suggestions on how to improve ASHI services; (ii) Annual Leadership training for center chiefs and group leaders; (iii) Business Development Services for Microenterprises; and (iv) the celebration of branch anniversaries through songs, dances and games.

In the same year (2002), ASHI participated in the launching of the CERISE SPI initiative. In 2006, ASHI was one of the more 30 MFIs worldwide that pilot tested the SPI tool. ASHI eventually integrated the SPI into its monitoring and evaluation system to provide the organization a means for determining the extent to which it has achieved its social mission.

Within ASHI both the SPI specialist and the Human Resources Manager are responsible for tracking the organization's social performance and for formulating measures to ensure that ASHI fulfils its social mission. It is important for the ASHI management to achieve a balance between its financial and social performance. With the strengthening of ASHI's M & E system, it is now possible for ASHI to determine its sustainability on three levels: sustainability of members, sustainability of operations, and sustainability of the institution.

### **Case 3. Alalay Sa Kaunlaran Inc (ASKI) - Adaptation of Services to the Needs of the Poor**

Rolando B. Victoria, Managing Director of Alalay sa Kaunlaran Inc. (ASKI), explained how ASKI adapts its services to the needs of its poor clients.

Based in Nueva Ecija, a province about 90 km. south of Manila, ASKI's vision is: "A transformed and progressive community living in a just and caring society and experiencing the fullness of life".

It's mission is "to promote country wide socio-economic development and spiritual transformation by harnessing the resources of local, national and global communities".

ASKI has twenty (20) branches spread over 3 regions (2 in Region I, 6 in Region II, and 12 in Region III).

ASKI applies a holistic approach to development called Integrated Community Development Program (ICDP). ICDP is a multidimensional, continuous and dynamic process through which people in the communities improve their quality of life and standard of living comprehensively and effectively with maximum utilization of their own resources as well as resources from outside resulting in sustainable activities. ASKI embraced this approach because:

- It is a means to actualize the organization's CORPORATE SOCIAL RESPONSIBILITY.
- It makes good business sense (strategic and operational) to help develop the communities where the organization operate and get their loyalty and patronage.
- A developed community may create more business opportunities.

Furthermore, the founders of ASKI believe that the concept of MICROFINANCE is NOT ONLY wealth generation, but helping people develop themselves and others. "The best approach is one that builds ownership", Victoria said.

The ASKI ICDP framework consists of five components:

- Approach and Advocate
- Diagnose: Determine Priority Needs
- Organize
- Project Implementation and Management
- Transform to Independence

Strategy 1, “Approach and Advocate” represents the Advocacy Strategies of ASKI consisting of

- Total Family Approach – the entire family, not just the direct loan borrower, is involved in the development process
- Community Organizing Approach – families within the community are organized into a collective called a ‘center’
- Focused Targeting – ASKI uses targeting instruments to consciously include only the poor households among its clients
- Convergence – the aspirations of clients are aligned with ASKI’s drive towards financial Sustainability and social mission

Strategy 2, “Diagnose: Determine Priority Needs” brings ASKI to a thorough analysis of the economic and socio-political conditions of the target clients. It uses five tools for this purpose

- (1) Minimum Basic Needs (MBN) – ASKI uses MBN to ascertain the survival, security, and empowerment needs of the clients. The diagnosis enables ASKI to flush out the key issues felt by the community that need to be dealt with in order to bring concerned households out of poverty.
- (2) Issue-Based Strategy - Based on MBN results, ASKI then develops a development strategy that seeks to address these key issues.
- (3) Rapid Financial Appraisal (RFA) Technique -- The RFA technique allows ASKI to determine the financial situation of each household, including its capacity to save and capacity to borrow.

- (4) Market Research & Development -- Part of the diagnosis is an intensive market research which looks into the marketability of the products of clients and product development requirements to improve market uptake.
- (5) Training Needs Assessment (TNA) -- The TNA determines the training required by the clients to improve their knowledge, skills, and attitude.

Strategy 3, "Organize" consists of four phases, viz:

Phase 1. Social Preparation of Families and Communities – the families of target clients and the key actors in the community go through awareness workshops to familiarize them with the program principles, systems and procedures of ASKI

Phase 2. Capability Building/Training – the clients are trained to become responsible members of a small mutual guarantee group as well as members of a center

Phase 3. Accessing Social Services – clients are taught how to access the social services provided by ASKI or by government and/or other development agencies partnering with ASKI, e.g. Health and Nutrition, Water & Sanitation, Child Development, Pre-School Class, Youth Retreat/Camp, Fellowships

Phase 4. Monitoring and evaluation – the results of ASKI's organizational work among the communities are constantly evaluated to identify opportunities for improvements.

Strategy 4, “Project Implementation and Management” refers to the operational strategies of ASKI which consist of four components:

Component 1. Capacity Building – ASKI considers the development of the human resources of its business (clients, staff, other stakeholders) as an on-going process.

Component 2. Infrastructure improvements – ASKI puts great emphasis on the improvement of its office facilities at head office but most especially at the branch level to

make the organization more responsive to the needs of its clients. Computerization of administrative and operational procedures is given due emphasis.

Component 3. Community/Social Relations Building – ASKI maintains a strong presence in the community by building healthy and mutually beneficial relationships not only with the clients but also with other members of the community. ASKI its social responsibility in contributing to the development of the community at large.

Component 4. Integration/ Linkages – ASKI recognizes that it alone cannot respond to all the needs of the community. It, therefore, establishes collaborative ties with other institutions including the local government, church, schools, NGOs, farmers organizations, and so forth.

Victoria cited several examples of projects supported by ASKI that involved the participation of community groups and for the benefit of communities in general:

- Rehabilitation of Irrigation Deep well at a cost of Php.3M – ASKI supported this project in collaboration with the National Irrigation Administration

- Construction of a Hanging Bridge at a cost of Php 750,000. The bridge construction was initiated by the association of indigenous people of Sta. Monica, Pugad Lawin. The project drew support from ASKI and several government units.
- Construction of a Check Gate in San Antonio/ Zaragoza, Php. 800,000.00
- Supply of electricity in the villages of Tandoc, Talugtog (Php 900,000.00) and Cuyapo(Php 80,000.00)
- Cross Drainage Canal rehabilitation in Kaputikan, Talavera

A landmark achievement in empowerment of the poor is the establishment of the ASKI Mutual Benefit Association (MBA) Inc. The objectives of MBA Inc are: (i) to promote the welfare of the poor; (ii) to extend financial assistance to its members in the form of death benefits, medical subsidy, pension and loan redemption assistance; and (iii) to ensure continued access to benefits/resources by actively involving the members in the direct management of the association that will include implementation of policies and procedures geared towards sustainability and improved services.

In conclusion, Victoria cited four (4) works to summarize how ASKI empowers the poor:

1. LISTEN
2. EDUCATE
3. ENABLE THE POOR TO OWN RESOURCES AND INITIATIVES
4. WORK WITH CLIENTS

#### **Case 4. Consumer Credit and Income Generation (CC-IG) - Microfinance for Biodiversity/ Ecology Conservation**

Dr. Liu Dachang of the Nature Conservancy in Yunnan Province, China presented the Consumer Credit and Income Generation (CC-IG) Project as a case where microfinance is used to promote biodiversity and ecology conservation. Yunnan means south of Yunling Mountain. The capital of the province is Kunming.

Liu said Northwest Yunnan is one of hot spots in biodiversity in the world. It is an area populated by a mutiplicity of ethnic minorities and the site of the Three-Parallel Rivers which have been acknowledged as a World Heritage. The province contains snow-capped mountains and true tropical environments, thus supporting an unusually full spectrum of species and vegetation types.

The entire Yunnan province has a population of over 43 million. Population growth rate is very high, 10.6% per annum (Yunnan, 2008). The increasing population pressure has led to over-consumption of fuel wood and over-harvest of wood, thus threatening biodiversity in the province..

To overcome this threat, authorities have promoted the use of alternative energy sources as a strategy for forest protection. These alternative energy sources include biogas, solar heaters, fuelwood savings stoves, and micro-hydroelectricity for lighting homes, cooking, and as power source for home appliances . The common government practice of financing alternative energy sources was to give grants to rural households. But this is not financially sustainable.

The Nature Conservancy, in collaboration with the local government, initiated the Consumer Credit and Income Generation Project (CC-IG) to provide loans instead of grants to households using alternative energy sources. It is designed both as a means for nature conservation and as a livelihood improvement measure.

The objectives of CC-IG are to: (i) reduce fuel wood consumption in order to protect forests and nature through assisting rural households with alternative energy use; (ii) assist rural households in generating /increasing income and improving livelihoods; and (iii) enhance environmental awareness among villagers and their ability for income generation.

Two types of projects are financed by CC-IG. The first project type relates to the construction of alternative energy sources such as solar heaters, biogas units, fuel wood-saving stoves, and micro-hydroelectric power generator. The other project type are income generating activities such as animal husbandry (pig, chicken, cow and goat raising), fruit and vegetable cultivation including, mushrooms, medicinal plants, etc), micro/small trade/business, agro-processing, and ecotourism.

The CC-IG program is operated by the Energy and Income Generation Association (EIGA). The EIGA provides the credit to households who develop alternative energy sources and/ or who operate income generating activities. As such, the CC-IG program contributes to improving the incomes of local households as well as protecting the environment.

EIGA is the association of farm households. It is registered as a non-profit organization and protected by laws. It operates very much like a cooperative in the sense that all members comprise the General

Assembly and they participate in decision making. The income of EIGA is derived from the interest charges on loans. Profits generated during the year are distributed back to the members.

Qualifications for membership in EIGA include (i) Interest and willingness to use Alternative Energy; (ii) have some capacity for income generation; (iii) good creditworthiness; and (iv) ability to pay on time.

The rights of members are: (i) right to elect and be elected as council member and group leader; (ii) rights to use loans as agreed with other members in his/her group; and (iii) access to training ,study tours and workshops on microfinance organized by CC-IG program.

To avail of these rights, a member must fulfill his/her obligations, vis (i) compliance with Association rules and regulations; (ii) Accept guidance, management and supervision of Association and safeguard Association's interest; and (iii) Work towards the Association's objectives and repay loan in time

The EIGA Council consists of 5 to 7 members, comprising Chair, Vice-chair, Secretary General and Other members. They are elected by the General Assembly. A small working group undertakes the day-to-day activities of the association. EIGA members are organized into small groups with 4 to 8 members. They group is responsible for vetting the energy and income generating projects of each member.

The CC-IG program also provides training to members of EIGA on various areas/topics such as project operation and management, alternative energy techniques and other income generating activities (business, cultivation, and animal raising).

Members follow a set of procedure for obtaining loans. First, a member must complete a loan application form and submit this to his/her Credit Group. All members of the Credit Group then meets to approve the loan application. The loan of an individual member is co-guaranteed by all other members of the Credit Group. After endorsement by the Credit Group, the loan application is forwarded to the EIGA Council. The Council makes the final decision on who will receive loans, and the amount and terms of the loan. Loans approved are disbursed to individual member only during the Credit Group meeting. Repayment of loans is also done during group meeting.

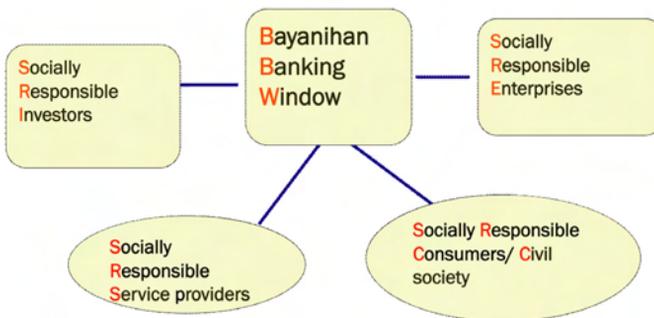
To date, CC-IG operates in 6 villages. The repayment performance of credit groups in 4 villages is an excellent 100%. The two other villages, however, are lagging behind in loan repayments.

There are still major challenges being faced by CC-IG. These are: (i) income from loan interest is insufficient to cover operation costs;(ii) the need for appropriate maturity term of loans instead of the present 6 months so as to finance short term IG activities such as cropping, fruit planting, and animal raising; and 3) the continuing prevalence of grant mentality among the villagers.

### **Case 5: Bayanihan Banking Window: Partnership between a Socially Responsible Bank and Socially Responsible Enterprises**

Dr. Emmanuel Ramos, Business Development Manager of Tekton Business Development Organization (BDO), presented the case of Bayanihan Banking Window or BBW as an example of an innovation resulting from a dialogue between CSRSME Asia and Planters Development Bank.

'Bayanihan' is a Filipino word that denotes solidarity, helping one another and caring for each other. As conceived by Ben Quinones, Chairman of CSRSME Asia, BBW is a facility of the partner bank - the Planters Development Bank - that aims to link socially responsible investors (SRI) with socially responsible enterprises (SRE). BBW seeks to attract savings and funds of institutions and individuals from the Philippines and abroad who support CSRSME Asia's vision of a solidarity-based, compassionate economy. These funds are meant to be invested in or loaned out to socially responsible enterprises (SREs) that do business not solely on the basis of financial returns but also on their commitment to social development and ecological balance.



### Stakeholders of Bayanihan Banking Window

The role of the partner bank in BBW are as follows

- Repository of financial resources
- Provides regular updates on the savings accounts of accountholders
- Allows BBW subscribers to transact among themselves
- Allow gatekeeper organizations (i.e. membership based organizations that sign a Memorandum of Agreement with CSRSME Asia for the implementation of BBW among their

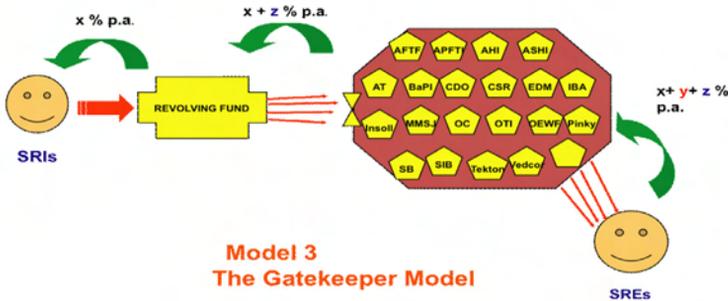
- members) to view (but not update) its group account
- Promote BBW in the bank's website for SMEs

To ensure that BBW fulfils CSRSME Asia's social mission, gatekeeper organizations are classified according to stakeholder groups. Diagram 1 below illustrates graphically the role of BBW of bringing together various stakeholders that support a solidarity-based, compassionate economy.

The basic operating processes of BBW illustrated in the diagram below are the following:

- BBW sources funds from socially responsible investors (SRI)
- BBW lends to socially responsible entrepreneurs (SRE).
- Socially responsible service providers (SRS) supply appropriate knowledge, technology, and human/ material resources to SRI and SRE.
- Socially responsible consumers/civil society (SRC) promote and buy the products of SRE.

As of October 2007, six gatekeeper organizations have signed a Memorandum of Agreement with CSRSME Asia to implement BBW. These are the Tetkon BDO, Bayanihan Pilipino Inc., Christian Businessmen's Fellowship Intl (CBFI), OTI Consulting Philippines, Development Consortium for Migrants Philippines (Devcomphil), and On Eagle's Wings Foundation (OEWf).

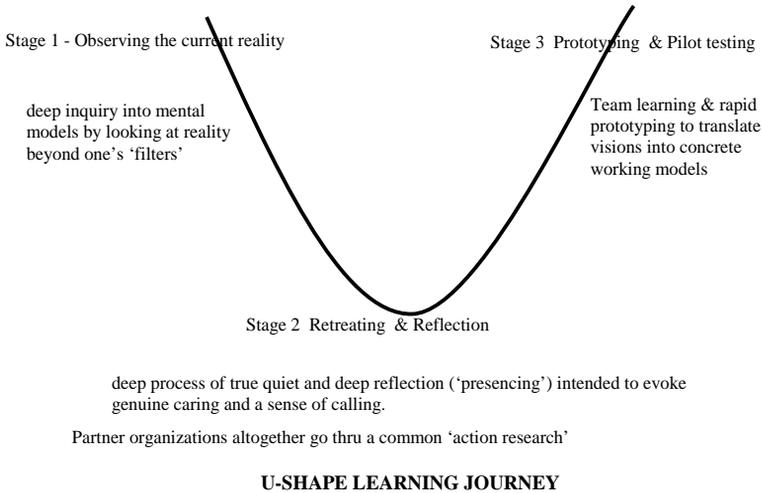


## BBW Learning Journey

BBW stakeholders participate in a monthly **Learning Journey** that aims to inform stakeholders on available resources that could address their various developmental needs. In a nutshell, the BBW Learning Journey is:

- a framework for various stakeholders of Solidarity Economy to learn/re-learn together
  - a means for building bridges between SRIs and SREs
  - an occasion wherein partner organizations (both SRIs and SREs) visit one partner at a time in order to get to know each other in a deeper way
  - a process aimed at : (i) building up trust and confidence among partner organizations; and
- (ii) paving the way for concrete proposals and business transactions among stakeholders.

As shown in the diagram below, the Learning Journey is a U-shaped process consisting of three stages. The dates indicated in Figure 1 are the inclusive dates when the stages were applied among participating organizations in the Philippines.



## Stages of the Learning Journey: What Transpires

*Stage 1 - Observing the current reality, carefully and in depth.*

During Stage 1, the Learning Journey Facilitator invites various stakeholders of Solidarity Economy to an initial orientation meeting during which one of the participating organizations would volunteer to host the first Learning Journey. At this orientation meeting, the rules of engagement are explained to participating organizations. A fundamental rule is that the host organization (i.e. the organization that hosts the meeting) is the object of learning. The host organization explains its vision, mission, goals, objectives, achievements, and areas for partnership. The visiting organizations listen and asks questions with the view of understanding the current reality of the host organization.

Individual participants from other stakeholder organizations undertake a deep inquiry into their own mental perception of what the host organization represents. They have to "see" the current reality of the

host organization beyond their mental “filters” (i.e. biases, presumptions, etc.).

Deeper inquiry by other stakeholders should be allowed by the host organization including talking directly with the latter’s staff and clients, its suppliers, and other partners. This stage of deeper inquiry is represented by the downward sloping curve that ends at the bottom of the diagram above.

One (1) stakeholder organization may host the Learning Journey per month, if it is conducted on a monthly basis. Each meeting could last up to 5 hours. Hosting is rotated among stakeholder organizations. If there are 24 stakeholder organizations participating in the Learning Journey, one organization will have the opportunity to host the Learning Journey only once every two years.

The host organization makes available the venue for the meeting, follows up on the other stakeholder organizations for the confirmation and registry of their participants, and serves snacks to the participants

At the end of each Learning Journey, the Learning Journey Facilitator distributes small pieces of paper where participants write their answers to the question “What Have I Learned Today?”. The Facilitator records the Lessons Learned/ observations of participants and share these among all the participating stakeholders

*Stage 2 – Retreating and reflecting to allow new insights and wisdom to emerge from within*

During Stage 2, participants will move to a deep process of true quiet and deep reflection. This quiet time (also called ‘presencing’) is intended

to evoke genuine caring and a sense of calling. Ideally, the Retreat and Reflection Stage should last for 3 to 5 days and held in a place far away from the office or work area of participants. Mobile phones should be shut off. This is to keep participants free from concerns outside the Retreat area and focus on reflections about the current reality of stakeholders in the industry/supply chain.

Every stakeholder organization contributes to the costs of the Retreat. The Learning Journey Facilitator coordinates the preparations for the retreat and reflection, and records the Lessons Learned by participants for subsequent distribution to the latter.

### *Stage 3 – Prototyping and piloting system innovation*

At Stage 3, participants move into rapid prototyping to translate visions into concrete working models from which feedback can be garnered and further adjustments made. This process is represented by the upward sloping curve of diagram above. Team learning becomes especially important because the creation of alternative systems involves continuous deepening of shared understanding and clarifying visions.

The Learning Journey Facilitator coordinates the formation of workshops among stakeholders working on a particular collective action or “initiative”, and records the Lessons Learned by each Workshop/ Initiative for subsequent distribution to all participants

The **Expected Results** of the Learning Journey may consist of the following:

- *Mapping of Stakeholders of Solidarity Economy*: Participating organizations have classified their clients and allies according

to stakeholder groups, given the following basic framework:. SRI – socially responsible investor; SRE – socially responsible entrepreneur (producer); SRS – socially responsible service provider; and (SRC) – socially responsible consumer group/ civic organization.

- *Exchange/Sharing of Knowledge & Information:* Results of Learning Journeys are shared among participating countries. A web-based dialogue platform can be arranged through the Asian Forum website to expedite the exchange of information.
- *Facilitation of socially responsible trading or Fair Trade exchange of 'socially responsible' products/ commodities (those produced by socially responsible enterprises):* South- south Fair Trade is promoted and enhanced between and among organizations participating in the Learning Journey in their respective countries.
- *Upgrading of knowledge and skills of human resources:* Staff of participating organizations are better informed about the marketing and export promotion initiatives of host organizations and their compliance of ethical/ social, and environmental standards...

## 7

**SOCIALLY RESPONSIBLE ENTERPRISES**

Demand for socially responsible investment (SRI) can only legitimately come from the SRE (socially responsible enterprises) sector. Without the SRE sector, there is no justifiable place for SRI. The hoped for influx of SRI will not happen until developing countries have adequately built up and strengthened their SRE sector. This challenge appears even more daunting when considered against the fact that small and medium enterprises (SMEs) comprise the bulk of enterprises in developing countries. These SMEs struggle to survive and could hardly give a thought to social responsibility.

The subjects of business ethics and corporate social responsibility continue to polarize economic actors. NGOs usually suspect the “socially responsible projects” of multinational companies as no more than “window dressing” acts or part of their marketing strategy that do not really produce substantial benefits to a significant number of people. On the other hand, NGOs tend to be critical of any initiative of the business world in ethical matters, no matter how sincere these efforts may be. These tensions slow down the emergence of more ethical ways of producing and upset the consumer who would wish to enter into a more responsible way of consumption. Against this backdrop, the Workgroup on Socially Responsible Economic Agents headed by Vincent Commenne

of Consummateurs Responsables in Belgium proposes a consensual dialogue among various stakeholders with the aim of restoring balance.

A fundamental issue that needs to be addressed by a stakeholders dialogue is what constitutes 'social responsibility' of enterprises. Once more, the views of the Asian Forum panel of interviewees are reported here.

Frank Renaudin envisaged a socially responsible producer of commodities to be a benevolent and compassionate risk taker. According to Renaudin, a socially responsible producer dares to use raw materials and natural resources which contribute to the safeguard of planet Earth, even if as a consequence the product's price might be a little bit higher. He provides health insurance coverage to his employees and pay them salaries above the minimum. He appreciates the fact that without the basic worker, the company cannot produce. He considers all positions in a company as substantially important, and being a manager, he would never justify a salary for himself that is 10 times more than that of his basic employees. Although he might have gone through higher studies, he considers this a privilege that a few people have access to. He is consciously aware that to receive a pay much higher than his workers only reinforces social inequality. He maintains good working conditions for his workers and reinforce this with the values of the social economy, such as transparency, respect for fellowman, open communication, and exemplary behaviour.

Bienvenido Padilla expounded on the benevolent and compassionate management practices that ought to be adopted. He said socially responsible producers should preferably employ at all levels of the organizational structure the members of the immediate community over and above the "outsiders". If this is not possible at start-up, management should seek to attain 50% local employment when they have attained

full recovery of capital, and then increasing to 100% local employment when capital is doubled. Additionally, producers (manufacturers, processors, factory owners, etc) should encourage/ support (a) skills- and competence- building, (b) innovation and entrepreneurship, (c) equal opportunities and diversity, (d) health and safety, (e) environmental protection, (f) open communication and transparency between management, staff, suppliers and the consuming public; and (g) fair-trade practices.

Charisse Baldo looked at socially responsibility of producers of commodities in terms of compliance with the country's labor laws and respect for the basic rights of the child. She would also look at their employment practices and ensure that they do not discriminate against any person because of their gender, color, creed, or religion. She would also require producers to have respect for the environment by implementing an effective waste treatment system.

Arun Raste defined social responsibility of producers in terms of their concrete contributions to environmental conservation as well as their empathy towards the consumers. They should put both of these concerns above financial returns. They should not be greedy for temporary benefits.

Jeanne Marie Bernardo echoed this concern. She said that producers must ensure that their production or manufacturing processes do not have any negative impact on the environment, the consumers, and the community as a whole.

Dr. Mike Niez added that "good produce" must also mean good quality and affordable price.

Sonny Domingo is more specific. According to him, the producer

of basic commodities to be socially responsible should put in the market only quality products at the right weight and price of not more than 15% over and above the production and transport costs.

Cecile Lapenu considered it highly important for the producer to adopt ethical practices such as not employing child labor, decent working conditions, protection of the environment, and the like. But she also maintains that they should be paid a fair price, without which they cannot be financially sustainable and won't be able to continue serving the people and conserving the environment.

Viviane Vandemeulebroucke and Yvon Poirer held similar views. They said that socially responsible producers should respect human rights, the workers, the environment, and the community. Socially responsible producers should respect not only the people who are working for them but also the people who will use the products. They should provide sustainable and safe products.

In addition to ethical practices, Jimmy Ching added "integrity and transparency" among the desirable traits of a socially responsible producer.

Dr. Chris Shun deemed it relevant for the socially responsible producer to maintain efficiency in manufacturing processes and the utilization of resources because only then will be able to fulfil social needs rather than those wants created by marketing promotions, which oftentimes lead to over-consumption. Their management strategies/systems should be based on democratic processes like cooperation and participation rather than on control and top-down decision making.

Graham Harper upheld the importance of maintaining efficiency.

He urged producers to look at the entire supply chain and product life cycle to determine how best to produce

Natalia Septiana concurred with this view. She said that socially responsible producers should include in their supply chain the small producers so they can effectively compete in the mainstream market and not be isolated as a local producer.

Dr. Tito Contado described the limits of socially responsible production with three “no’s”. No exploitation and marginalization of labor. No gender, race and age discrimination. And no pollution or degradation of the natural resources and the environment.

Giovanni Acquati was concerned about the mental framework of producers. He said that producers must understand that their products have a great importance for the population of their territory. The main challenge for them is how not to be trapped in the market rat race for maximizing income. Their production processes should be ecologically sound because this is essential to the consumer’s health. Their prices should be adequate and within reach of the population so that everyone has access to them. If possible, the Government should extend help to them (e.g. in terms of tax exemptions), or they can adopt price discrimination by charging richer communities and countries to pay for their products more than the poor.

### **The Fair Trade Model**

Amidst the plurality of views of what constitutes social responsibility of producers/ enterprises, alternative trade practices have emerged among companies that subscribe to a set of ethical principles and practices. Generally known as “Fair Trade”, this growing trade system

evolved as an alternative to the mainstream global trading system which marginalizes micro and small enterprises. Fair Trade is as an instrument for realizing sustainable development 8, but not all solidarity economy initiatives abide by its principles.

A Fair Trade network is a solidarity-based supply chain consisting of Producer Groups, Traders/ Buyers, and End-users/consumers. Producer groups of Fair Trade networks usually comprise of marginalized but organized small and medium enterprises (SMEs) that are labeled “Fair Trade producer” and have the ability to export. They are fair to their workers by providing them freedom of association. Their business practices are democratic and transparent. Fair Trade buyers buy largely from registered producers and sell to fair trade consumers through accredited outlets. They provide business, design or credit support, and they engage in long-term cooperative relationship with producers.

Stakeholders of a Fair Trade network are encouraged to be constantly conscious of their social responsibility and to practice it by: (1) integrating social objectives with other buying functions; (2) engaging with stakeholders throughout the value chain; (3) understanding the supplier; (4) conducting their business in the community context, not in isolation from the community; (5) understanding business risks; (6) adopting transparent communications; (7) maintaining a pricing policy to cover cost of labour and capital employed; and (8) developing partnering relationships.

The key principles of Fair Trade were discussed and elaborated in the Asian Forum. This section of the report highlights the views of the Asian Forum panel of interviewees on the issue “How could Fair Trade advance the borders of solidarity economy”?

**Luis Caldeira**, CEO of Asha Handicrafts, a fair trade organization representing more than 6,500 craftspersons living in 19 towns and villages in 10 states of India, presented an overview of Fair Trade in the plenary session.

Caldeira explained that Fair trade is a trading partnership which seeks greater equity in North-South trade. It contributes to sustainable development by offering better trading conditions to, and securing rights of, disadvantaged producers in the South. The fair-trade movement is actively engaged in supporting producers, in raising awareness, and in campaigning for changes in the rules and practice of international trade.

#### KEY PRINCIPLES OF FAIR TRADE

- **Creating opportunities for economically disadvantaged producers** Fair Trade is a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for producers who have been economically disadvantaged or marginalized by the conventional trading system.
- **Transparency and accountability** Fair Trade involves transparent management and commercial relations to deal fairly and respectfully with trading partners.
- **Capacity building** Fair Trade is a means to develop producers' independence. Fair Trade relationships provide continuity, during which producers and their marketing organizations can improve their management skills and their access to new markets.

- **Promoting Fair Trade** Fair Trade Organizations raise awareness of Fair Trade and the possibility of greater justice in world trade. They provide their customers with information about the organization, the products, and in what conditions they are made. They use honest advertising and marketing techniques and aim for the highest standards in product quality and packing.
- **Payment of a fair price** A fair price in the regional or local context is one that has been agreed through dialogue and participation. It covers not only the costs of production but enables production which is socially just and environmentally sound. It provides fair pay to the producers and takes into account the principle of equal pay for equal work by women and men. Fair Traders ensure prompt payment to their partners and, whenever possible, help producers with access to pre-harvest or pre-production financing.
- **Gender Equity** Fair Trade means that women's work is properly valued and rewarded. Women are always paid for their contribution to the production process and are empowered in their organizations.
- **Child Labour** Fair Trade Organizations respect the UN Convention on the Rights of the Child, as well as local laws and social norms in order to ensure that the participation of children in production processes of fairly traded articles (if any) does not adversely affect their well-being, security, educational requirements and need for play. Organizations working directly with informally organised producers disclose the involvement of children in production.

- **Working conditions** Fair Trade means a safe and healthy working environment for producers. The participation of children (if any) does not adversely affect their well-being, security, educational requirements and need for play and conforms to the UN Convention on the Rights of the Child as well as the law and norms in the local context.
- **The environment** Fair Trade actively encourages better environmental practices and the application of responsible methods of production.
- **Trade Relations** Fair Trade Organizations trade with concern for the social, economic and environmental well-being of marginalized small producers and do not maximise profit at their expense. They maintain long-term relationships based on solidarity, trust and mutual respect that contribute to the promotion and growth of Fair Trade. Whenever possible producers are assisted with access to pre-harvest or pre-production advance payment.

The first 'fair trade' activities began in America in the late 1940's. A volunteer from a church based organization called the Mennonite Central Committee (MCC), on her travels to Puerto Rico, took samples of embroidery to the U.S. and sold them there. She saw this as a way of improving the livelihoods of her students. This venture soon became an official program of her church called 'Self-Help Crafts of the World', and in 1996, it was reborn as 'Ten Thousand Villages' with a network of 150 fair trade shops in America today.

In the late 1950's in Europe, Oxfam started to sell in the U.K. crafts made by Chinese refugees in Hong Kong. The first product was a stuffed pin cushion. At the same time, parallel initiatives were taking place in

Netherlands. Civic groups started to sell cane sugar with the message “By buying cane sugar, you give poor countries a place in the sun of prosperity”.

In 1967, the first fair trade importing organization was established in the Netherlands. This is the Fair Trade Organisatie (FTO). Now, FTO stands for Fair Trade Original. Also at the same time, the first fair trade retail shop known as World Shop was opened. And for many years, fair trade was confined to this alternative trading circuit composed of the small Southern producers, fair trade importers and retailers, and consumers in the ‘charity’ craft market.

Beginning late 1970’s, unregulated competition in global commodity markets has began to cause a downward spiral in the prices for many agricultural products of developing countries such as sugar, cotton, cocoa and coffee by as much as 30-60%, driving millions of small producers down the poverty line. Thus, a fair trade certification and labeling system was slowly developed based on the concept of a minimum price to farmers. In 1988, the ‘Max Havelaar’ labeled coffee began to be sold in supermarkets and other commercial retail outlets in Netherlands.

Following the example in Netherlands, other countries created their own national labeling initiatives. Between the 1980s and 1990s, the following organizations were birthed:

- FLO created in 1997 an association of 3 producer networks and 20 national labeling organizations whose mission is to harmonize fair trade standards and certify
- IFAT founded in 1989 as a global association of fair trade producer organizations and networks with now over 300 member organizations in 60 countries in the South and the

North. IFAT promotes market opportunities, build trust in fair trade, speak out for fair trade, and empower the regions.

Fair trade organizations like FLO and IFAT create opportunities for economically advantaged male and female producers. They build skills and capacity of producers and promote fair trade and greater justice in world trade. They ensure that producers get a fair price for their products. They promote transparency and accountability as well as a safe and healthy working environment – respecting the UN convention on the Rights of the Child and minimizing their impact on the natural environment

Caldeira made a distinction between Fair Trade and Free Trade. The Free Trade theory is based on the assumptions that: there is perfect market information; there is perfect access to markets and credit; and there is a strong capacity to adapt production techniques and outputs in response to market information.

Neoclassical economic thinking considers trade as the “engine of growth” and growth as the key to the alleviation of poverty in developing countries. It argues that trade can and will raise wages and benefits to workers, as foreign markets for their goods to grow and expand. In reality, Free Trade has contributed to disenfranchisement of many producers in developing countries and marginalization of small and micro-enterprises.

Fair trade does not adopt the unrealistic assumptions of neoclassical economics. It starts with the realization of the stark conditions of small producers and creates an alternative model which attempts to address the failures of conventional trade. The basic approach of Fair Trade is to assure producers a stable price for their crop/products and provide

them better trading conditions, business support and access to markets in developed countries.

The Fair trade structure consists of 4 key players: producer organizations, importing organizations and worldshops.

*Producer Organizations* are the “heart” of the Fair Trade System; they are fair trade’s reason for existing. They cultivate and produce a wide variety of commodities such as coffee, cocoa, tea, fresh and dried fruit, spices, etc, as well as a wide variety of handicrafts including baskets, glassware, jewelry, musical instruments, toys, etc. and export them to the consumer countries. The producer is fair trade’s reason for being.

*Importing Organizations* buy products from producer organizations at a ‘fair price’. In their respective countries, importing organizations operate as wholesalers or retailers, or a combination of both. They assist producer partners in many ways such as providing advice with product development, help them with skills & management training or offer them additional support in difficult economic and social conditions; participate in campaigns aimed at raising consumer awareness. In 2007, there were more than 200 importer-distributors dealing exclusively in fair trade products and about 1,500 commercial importer-distributors.

*World Shops* are specialist shops whose merchandise are 70-100% fair trade. They sell products directly to consumers and organize consumer awareness campaign. There are at least 3,000 WorldShops in Europe retailing almost exclusively in fair trade products, and more than 80,000 supermarkets in Europe, North America and Pacific Rim carrying fair trade products on their shelves.

*National Labeling Initiatives* are responsible for labeling and licensing the Fair trade Label in their respective countries. The Fair trade Label guarantees that a particular product conforms to Fair trade standards

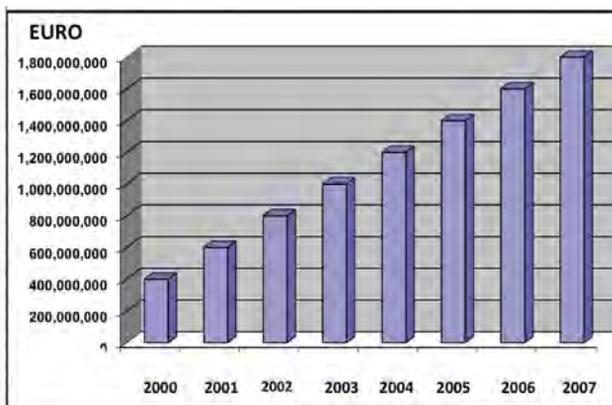
and contributes to the development of disadvantaged producers. There are now 20 national labeling initiatives in 19 countries.

There are also *Commercial partners* consisting of exporters, importers, processors and distributors whose businesses carry only a small percentage of fair trading activities. But they are emerging as a major driving force behind the enormous growth of fair trade in the past five years by bridging the gap between fair trade producers and supermarket customers.

### The Fair Trade Market Today

Today, the fair trade market is one of the fastest growing markets in the world today. In 2000, the net retail value of fair trade products, both labeled and unlabeled, was estimated at Eu 400 million. In 2007, it was estimated at Eu 1.8 billion, representing a sustained average annual growth of 20% per year for the last 5 years (see chart below). For some EU countries, fair trade sales in 2006 grew much higher, e.g. . 102% in France, 50% in Belgium and 60% in Italy.

#### Net retail value of fair trade products both labeled and unlabeled



## Challenges to Fair Trade

There are challenges facing fair trade. Among the more contentious are ensuring that the benefits of fair trade accrue to the disadvantaged producers; maintaining the credibility and integrity of the fair-trade certification and labelling system; increasing market share, and developing new and wider markets.

There are several issues that cannot be resolved overnight and which currently occupy an important space in the discussions among fair trade organizations.

- Does “wider market” hold potential for Fair Trade?
- How may Fair Trade producers gain more market share?
- What are we doing to analyse difficulties, develop strategy, reach out to new markets, establish our own ways of learning?
- Would a handicraft product label help?
- What should be the responsibility of importers?
  - Is the business model of non fair trade organizations (NFTOs) a problem?
  - Can there be more professionalization of sales & marketing?
  - Should product development processes be reviewed?
  - Is it possible for NFTOs to work together to mainstream Fair Trade handicrafts/food?
- What should be the responsibility of producers?

Producers need to improve quality and productivity, and make their products more functional (e.g. water/ heat resistant). They should think about specialization, add value to their specialty products rather than delve in “commodity” crafts. They have to invest in appropriate

technology and upgrade skills so as gain efficiency and reduced working hours, and produce better products.

These issues and more are the drivers that move the fair trade movement at present to greater vigilance in innovation.

**Dr. Chris Shun** acknowledged the practice of fair trade to the early pioneers of North America and Europe. Its objective is to fight unfair trading conditions and the dependency of Southern countries on Northern ones. The goal is to enable Southern countries develop themselves through “Trade not Aid”. The fair trade approach to development is a response to the failure of the liberalisation process to achieve its objective of bringing “growth for all”. To be sure, liberalization has brought about some economic growth, but it also led to a highly unequal distribution of the benefits from this growth. The ideology of Globalisation does little to hide the fact that the greatest share of the circulation of value occurs in the regions of the world with the highest concentration of capital and industrial resources, namely the Northern countries.

Shun further noted that globalisation reproduces the relationships of dominance and subservience seen in past colonial and imperial systems. The current international division of labour restricts the poorest countries to the job of merely exploiting their primary resources. Southern countries find themselves dependent on Northern ones, a situation which leads to the loss of economic and food autonomy, the destruction of once habitable areas, and annexure to a global production system.

In essence the emergence of Fair Trade is the resulting response to the growing international trade that accentuates inequality and insecurity,

and contrary to expectations, does nothing to meet development demands.

For consumers the emergence of Fair Trade, especially Fair Trade networks, has contributed to the development of ethical consuming and consumer awareness. This awareness has spawned a higher aspiration, amongst a section of the population, to build trading relationships based on values different from those prevailing in conventional international trade.

Shun believed that Fair Trade is based on the establishment of mutually beneficial (solidarity-based) trading relationships, the most direct relationship between consumers and producers possible, and the payment of a fair price to producers. As such, Fair Trade's contribution to the Solidarity Economy is immeasurable.

**Marcos Arruda** cited the Fair Trade experience of Latin America on how it has contributed to expanding the space of solidarity economy. In Latin America fair trade is defined very broadly and holistically, viz: "Fair Trade is a process of commercial exchange oriented to the acknowledgement and valuation of work and the expectations of producers and consumers, leading to a substantial improvement in people's quality of life, making viable their human rights and respect for the natural environment, in the perspective of human, solidarity-based, sustainable development".

The Latin American Fair Trade model adopts equity and sustainability criteria in local, national and international commercial exchanges. It covers a network of stakeholders consisting of cooperative chains from production to consumption. It extends beyond exchanges of physical commodities. Innovations in continental equitable trade in

Latin America and the Caribbean are being undertaken by the Bolivarian Alternative for the Americas (ALBA) and the Peoples' Trade Treaties. As examples of such equitable exchanges, there are direct exchanges of Cuban doctors with Venezuelan fossil fuel, Cuban educators and technicians with Bolivian gas, Venezuelan subsidized gasoline to the poor areas of New York and of tornado-stricken New Orleans.

Arruda differentiated "North-South" from "South-South" fair trade, and the weaknesses of these approaches. In principle, the North should not only seek to import products that are fairly produced, but also stimulate the economic, technical and social development of their Southern counterparts, including the increase in the value-added of their products. Within the South there are also a variety of disparities to take into account, and equitable trade should follow the proportionality principle: from each person, community or nation according to its capacity, to each person, community and nation according to its needs.

Arruda emphasized that the subjective dimension of Fair Trade is as important as the objective. Fair trade means equitable relationship between persons, communities and nations. Fairness results from an ethical social commitment to the well being of others, not only oneself. This is why ALOE has helped diffuse the concept of Solidarity Socioeconomy, insisting on the social and ecological dimensions of economic activity.

**Charisse Baldo** affirmed that Fair Trade, in the sense that it involves global trade, can help advance the geographic boundaries of solidarity economy, and therefore exert a positive influence on globalization. First of all, Fair Trade works with the marginalized producers in developing countries. In this manner, Fair Trade passes on the values of solidarity economy to the most needy. In effect, the marginalized are no longer just

the “beneficiaries” of the system; they also become part of the initiative and can “own” it. They are transformed from being marginalized and left outside the development process, into equal partners of development. They take proactive steps to advance the fair trade movement which redound to their benefit. Fair trade producers do increase the space of solidarity economy initiatives in their own localities by involving other stakeholders from one geographic boundary to another.

Baldo further noted that the Fair Trade movement itself is continually expanding to include not only the manufacturing sector, but also other industries. Fair Trade tourism is on the rise; this can very well lead to the inclusion of other sectors in the services industry.

**Graham Harper** was quick to point out the application of fair trade principles in the tourism industry in Northern Thailand. He stressed the importance of recognizing “Fair Travel” or “socially responsible tourism” as an integral part of the global fair trade movement.

**Giovanni Acquati** suggested a practical way by which fair trade could expand the space of solidarity economy. He said it is necessary to develop a specific marketing promotion among consumers. There must be a large variety of commodities to be made available through fair trade outlets, and that more investments should be made in establishing sales outlets. Fair trade practitioners should avoid the pitfall of being risk averse especially when it comes to enlarging the sales outreach of fair trade products. They should continue to focus on “fair and transparency price” while building more market outlets.

**Dr. Tito Contado** argued that Fair Trade can only be achieved if there is a meeting of the minds on the following parameters: a) agreed cost of capital, b) agreed cost of labor, c) agreed cost of raw materials, d) agreed cost of inputs into the production process, e) agreed cost of marketing,

e) agreed profit margin for the producer, f) agreed value of the product that consumers are willing and able to buy (effective demand). In other words, Fair Trade in a solidarity economy must be beneficial to all the players in the production and consumption of goods and services. When one player is sacrificed for the advantage or gain of others, that is not a fair trade environment.

Dr. Contado suggested that Fair Trade should be advocated within the context of a win-all social and economic environment. Consumer needs and spending should stimulate the availability (production, processing, packaging) of needed goods and services and the accessibility of these goods and services to the consumers (marketing associated services).

The advance of Fair Trade is an advance of solidarity economy to the extent that those advances are good for the consumers, the employees/labour, the service providers, the producers and the investors.

The other interviewees were caught up in the process of thinking through the essentials of Fair Trade and how it relates to solidarity economy. For instance, Viviane Vandemeulebroucke wanted to make it clear that Fair trade is part of solidarity economy. She underscored the idea that solidarity economy is a global package which includes fair trade, responsible consumers, social-ethical-solidarity finance, social integration companies, responsible tourism and all aspects of daily life. In other words, the ethical foundations of solidarity economy are grounded on social responsibility, equity, and fairness. "We are all producers, consumers, savers/investors", she reminded everyone. "If we want a solidarity economy we need to apply fair and responsible principles in all our acts. You cannot dissociate the different part of a global process; you must be coherent all along".

**Jeanne Marie Bernardo** also pointed out that Fair Trade falls within the domain of solidarity economy because it adopts the solidarity economy principles of dialogue/cooperation, transparency and respect. Fair trade advances the goals of solidarity economy, where all stakeholders are benefitted, by ensuring that farmers receive fair prices for their products, all stakeholders carry out sustainable environmental practices and commit to long-term trade relationships.

**Sudha Reddy** believed that Fair Trade could extend the boundaries of solidarity economy by building people- to- people contacts, friendships between different nations, cultures not only for economic solidarity but also for social, environmental & political support.

**Arun Raste** put emphasis on transparency in Fair Trade practices, while Bienvenido Padilla underscored education/awareness raising among greater number of people, as key factors for advancing the borders of solidarity economy.

**Jimmy Ching** contemplated the role of Fair trade in advancing solidarity not only in terms of setting the standard for the production and trading of products, but also in terms of guiding the entrepreneur towards becoming more responsible, fair, and equitable in the conduct of his business.

**Dr. Mike Niez** reasoned out that “fair price” is a price acceptable to all stakeholders, producers, traders and costumers. Therefore, if they agreed on a price that is mutually beneficial then such solidarity and cooperation will inevitably advance the borders of solidarity economy.

Answering her own question “What is fair price?”, Yoko Kitazawa explained that in the case of trade on commodities (e.g. agricultural

goods), fair price includes not only the cost of labour but also the cost of nature (e.g. soil, water, sun shine etc.). In the case of industrial goods, fair price should include all the cost, starting from development and research, reproduction, etc.

**Yvon Poirer** acceded that Fair Trade is a good tool for determining the fair price of goods sold by producers (mostly in the South) to consumers (mostly in the North). But at the same time he harboured some hesitation about expanding its borders “because of environment issues.” His advice: “buying fair trade is good, buying local is better”.

**Cecile Lapenu** called attention to the challenge of ensuring fair principles in advancing solidarity economy, and the need for a doable means of verifying fairness in business all through the value chain.

**Franck Renaudin** said Fair Trade is interesting but it also contributes to partitioning the Economy between “socially responsible” and “socially irresponsible” actors. He drew attention to what is happening with the microfinance sector, where more and more banks and investors are getting involved and offering financial services to middle poor households. “This makes me think that there will be no need to keep the label ‘Microfinance’ within a few years”, he said. This thought visited him because the term “Microfinance” is increasingly applied to all types of clients, including the non-poor. He therefore foresees that, within a short period of time, there will be no more need to distinguish between “Fair Trade” and “Unfair Trade”. Renaudin points out a paradox -- “many small or big companies in many different countries have a very fair way of trading but do not fall under the Fair Trade appellation... which is unfair “!

**Sonny Domingo** was a bit more thoughtful in his discourse. Fair Trade is very relative, similar to PEACE, he said. What may be fair to one may not be fair to another. This problem of perception is usually a source of conflict in the same manner when one talks of PEACE to opposing parties. Each party will ask...“for whom will the PEACE be? My side or your side?” When you talk of PEACE in a fertile valley where there are two tribes fighting for it, the talks will never end. But when you ask both tribes where to place the dam that will irrigate the valley, then they will all participate, since all will benefit wherever they are producing in the valley, whether they are located in the east or west of the river. In this light, it should be more constructive to talk about concrete projects of fair trade organizations rather than debate on the concept of fair trade. Then every one will participate, since all will be interested to know how the project will benefit them.

## **FROM THEORY TO FAIR TRADE PRACTICE - ILLUSTRATIVE CASES**

The succeeding section presents some illustrative cases for the purpose of enhancing understanding of fair trade in practice. The cases were selected by Asian Fair Trade Forum in line with the objectives of the Workshop on Socially Responsible Enterprises.

### **Case 1: Creative Handicrafts, India – Socially Responsible Producer**

Jhony Joseph, Executive Director of Creative Handicraft, presented the case of Creative Handicraft as a model of a socially responsible enterprise. It is located in Andhen, a northern suburb of Mumbai (Creative Handicraft, 2008).

Creative Handicrafts is a social and fair trade enterprise that strives to empower disadvantaged women of the slum communities of Mumbai. Its mission is to empower women and thus build sustainable and self-reliant communities in the slums. It provides women training to eke out a living. It firmly believes that economic independence is the first step towards self-reliance and empowerment. Over the years hundreds of women of different religious backgrounds, often married, separated or divorced have benefited from the skill training provided by the organization. Now, they manufacture a variety of articles, embroidered or stitched, bags, tablecloth, napkins, bedcovers, plush articles, decorative objects such as letter holders, wall hangings, collections of dolls and of packed lunch pouches for sale at offices.

A crucial supporting role of Creative Handicrafts is to look for new customers and take care of existing customers. It also develops new designs that cater to customer needs. It coordinates production at the center level and observes strict quality control of products.

### *Community Development Projects*

One of the two types of projects of Creative Handicrafts is Community Development. The objectives of Community Development Projects are to: (i) organise communities and build them up to become sustainable and self-reliant; (ii) extend relief to the poor; and (iii) tackle social and environmental issues and to provide local services.

*Education Sponsorship for children:* This project enables benevolent individuals and organizations to sponsor the education of a deprived child.

*Creche:* This is a child care service that takes care of the children while their mothers are at work. The Creche is essential since most of the women producers are mothers of very small children.

*Balwadis/Play schools:* Play schools help create a habit and awareness of schooling in the minds of the people in the slum communities. The Play School caters to a large number of children in the age group of 4 to 10.

*Balvikas Kendra/Child Development Centre.* This Centre helps children develop their overall personality. It caters to various needs of both school going and non-school going children from the community of beggars. The Centre covers the educational expenses of the children, and provide them food and medicine.

*Microcredit:* This was initiated to rescue the women producers from local loan sharks and to provide them a safe and secure way to invest in their future. Saving is an integral component of this program.

*Adult Education Program:* This program imparts functional literacy to the women producers.

The second type of project undertaken by Creative Handicrafts is Economic Development and Capacity Building. Its objectives are to: (i) provide opportunities for under-privileged women in entrepreneurship and community businesses; (ii) encourage self-employment among poor and needy women, and (iii) train interested and needy people of the marginalized community to build, operate and own businesses.

*Self Help Groups:* Women producers are organised in groups, each group having 20 members. Six women groups constitute a Centre. Every chain in the production process is completely managed by the women.

*Exports:* Creative Handicrafts earns 50% of its income from exports of its products to fair trade organizations in Spain, France and Italy.

*Domestic Sales:* The other 50% of Creative Handicrafts' income is from the sale of products in the domestic market.

*Asli Foods:* This project employs 20 women who have no handicraft skills to prepare lunch and respond to food catering orders. It supplies 400 packed lunches every day.

**Training Centre:** The training centre gives training to women who would like to be members of Creative Handicrafts. The training is for 6 months and on completion they are inducted into one of the self-help groups.

*Personality Development:* This program is organised to enhance the self-image and personal deportment of women producers.

## **Case 2: TradeAid New Zealand – Socially Responsible Buyer**

Geoff White presented the case of TradeAid New Zealand as a model of a socially responsible buyer.

TradeAid is a not-for-profit fair trading organisation (TradeAid, 2008). Its mission is to educate New Zealanders about the structural nature of poverty and to engage in Fair trade. Its objectives are:

*Partnerships* - to engage in effective trading partnerships according to fair trade standards, choose trading partners who work with the most disadvantaged producers, and assist producers to move from poverty to self reliance.

*Change* - to increase awareness of trading injustices and its impact on our trading partners, campaign for change to unjust trading systems, and promote fair trade as a positive alternative.

*Sustainability* – to maximize sales of fair trade product, and trade in such a way that the TradeAid Movement and its partners are financially sustainable.

The Guiding Principles that give direction to TradeAid’s actions are:

- respect and support trading partners and their aspirations
- understand the broader issues that affect our trading partners
- provide healthy and safe workplaces in which staff and volunteers are valued and respected
- work cooperatively and encourage participation at all levels of the movement
- honour the Treaty of Waitangi, respect the environment, and support gender equality

TradeAid actively encourages better environmental practices and the application of responsible methods of production, while at the same time supporting communities in need throughout the developing world by purchasing their products at fair trade prices. Typically the food products its trading partners can provide are not grown in New Zealand – eg. coffee, tea, cocoa.

Part of TradeAid’s focus and longer term goal is to help Fair Trade producers to improve their capacity to operate better within their local markets and thus to reduce their dependence on world markets and exports.

It is important to also recognise indirect advantages to producers from the partnership with TradeAid, which include greater access to

more affordable credit, access to training, increased self-esteem, and enhanced family stability

As regards fair trade pricing, TradeAid has a number of small “at risk” producers where very low margins are applied. A typical mark-up ratio for TradeAid would be 1:5; that is, the landed cost of the product is about one fifth of the retail price (for mainstream craft retailers ratios vary from 1:5 for discount operators to 1:20 for top brands). TradeAid also has either a direct relationship with producers, or works through a local not-for-profit organization, enabling the producers to receive a higher price than they would through a conventional supply chain.

Much of the remaining four-fifths go into costs which are aimed at benefiting the producers – costs such as education, lobbying, fair trade campaigns and marketing support. In 2005 and again in 2006 TradeAid rebated one third of its profit back to its trading partners – a rebate equal to about 10% of the value of the order it placed with them. The rebate was generally used by the co-operatives (i.e. the fair trade producers) to either further strengthen their infrastructure, or else to provide further services to their members (in Yirgacheffe, they used the money to buy desks for their new but unfurnished classrooms).

In general, however, there is no simple way for TradeAid to claim ‘X% more money’ goes back to growers thanks to its orders but from its practical experience, including the consistent feedback it receives from the growers themselves, it is clear that buyers such as TradeAid working within the fair trade certification system are benefiting coffee farmers to a much greater degree than uncaring, normal market forces will allow.

### **Case 3. Bote Central – Fair Trade Producer of “Cofee Alamid”**

The couple Basil and Vie Reyes, owner-entrepreneurs of Bote Central, shared the experience of Bote Central as a fair trade producer. Established in 1955, Bote Central currently supplies roasted coffee beans as well as green beans. It specializes in Philippine arabica. The company currently exports to Japan, Taiwan, South Korea and the USA. It employs between 5 to 10 people in a year. Its annual sales volume is below US\$1M.

Aside from coffee beans, Bote Central also produces beverages, alcoholic drinks, sauces, condiments, spices, mixes, and salad dressings.

What could be a surprise to most is that Bote Central produces “coffee alamid”. This caught the attention of BBC in 2006 which reported that coffee alamid “comes from an unusual source – the droppings of a nocturnal, cat-like animal called the palm civet, known locally as alamid. Civets like the sweet taste of ripe coffee beans. They swallow the beans wholly, the beans are fermented in their stomachs and eventually pass through the civet’s backside in one piece. This gives “coffee alamid” its unique taste and aroma. (Tomas, 2006). One of the most expensive in the world, civet coffee sells for more than \$115 a kilogram in the Philippines with only 500 kg produced in one a year. In Japan, civet coffee sells for US\$600 per kg.

Bote Central buys the beans from mountain farmers who used to collect them for their own consumption. An important practice of Bote Central that is relevant to the Asian Forum’s theme is its strict adherence to social accountability. It uses a seven-step quality control system of strict bookkeeping, sorting of beans by expert hands, and accountability measures which filter out only quality beans. Not all the gathered beans pass the quality test, but those that do fetch a handsome price as far as the farmers are concerned.

Bote Central built its business in solidarity with disadvantaged farmer groups who take concrete steps to protect their environment and maintain ecological balance. Among the partners of Bote Central is a cooperative of a cultural minority group called Blaa'ns who reside at the foot of Mount Matutum in General Santos, South Cotabato (Childers, 2007). Prior to their partnership with Bote Central, the Blaa'ns were routinely ripped-off by unscrupulous traders who bought the Blaa'ns vegetables at very low prices. This kept the Blaa'ns poor through the years. Today, with their earnings from "coffe alamid", Blaa'ns could buy nutritious food for their families and send their children to school. In order to sustain these gains, the Blaa'ns monitor and protect Mount Matutum and the civets against illegal loggers, animal poachers and other undesirables with their lives. They are also careful to stay within strict quotas of both hand-harvested and civet cat coffee, so as to not ruin the balance of this delicate ecosystem, or to "kill the cat that lays the golden bean", says Basil Reyes.

Basil and Vie Reyes have started a crusade to make "coffee alamid" accessible to coffee-loving Filipinos. With the aim of "giving Filipinos the best cup of coffee" and "making the coffee farmers rich", they have set up the 18 Days CofiShop in the Insular Life Building in Alabang and a nationwide distribution network to bring the "country's best coffee" directly to the customer within 18 days of roasting.

#### **Case 4. Moondish Foods Corporation – Socially Responsible Enterprise**

Moondish Foods Corporation is a Philippine food manufacturing company established in 1999. Owned and managed by the couple June and Ana Manrique, Moondish Foods Corp pioneered the production of a specialty product that originated from Bicol, Philippines --- Laing, Taro Leaves in Coconut Cream in can. Since then, Moondish Foods continuously develops healthy vegetable dishes and indigenous products

made from natural ingredients that suit the modern day convenience and lifestyle. Its products under the brand name “moondish” are sold in both local and export markets. The export destinations are North America, South America, Western Europe, Eastern Europe, Eastern Asia, Southeast Asia, Mid East, Africa, and Oceania.

The corporation also has capacity for toll processing and manufacturing of food products, other than the ones the company currently carries. It employs between 51 to 100 people at various periods of the year.

Jun and Ana Manrique started their business venture in 1991 when they put up a neighborhood bakery named Moonbake Breadhouse located in Moonwalk, Las Piñas City, Philippines (Moondish Food Corporation, 2008). The bakery made different varieties of bread that eventually led to specializing in the manufacture of chocolate crinkles that was well-distributed as far as Quezon in Southern Luzon and Bataan in Northern Luzon.

In 1999, the couple diversified product lines with the assistance of DOST (Department of Science and Technology) and produced for the first time Moondish Laing Taro Leaves in Coconut Cream. This led to the birth of Moondish Food Corporation which specializes in the manufacture of canned foods, while the Moonbake Foods Inc specializes in bakery products.

The canned taro leaves in coconut cream was launched through numerous trade fairs and exhibitions that it eventually penetrated both the local market and markets abroad. The growing demand for the product prompted the corporation to introduce new product lines which are variants of the original. These include:

- Taro leaves in coconut cream
- Green chili pepper in coconut cream
- Breadnut in coconut cream
- Banana blossom in coconut cream

Bittermelon in coconut cream

Sauteed Shrimp fry with coconut cream

Sweet corn in coconut cream

Dried Herring in oil

From the very start, Jun and Ana Manrique operated their business with a clear business philosophy of business and public service.

The vision of Moondish Foods Corporation is to create value to vegetable dishes and other indigenous products for local market, and create a niche in the international scene by bridging our Filipino exotic blend to Asia and the rest of the world based on convenience, wellness and affordability, which only Moondish product can offer.

The corporation's mission statement affirms its commitment to social responsibility towards alleviating poverty, conserving the environment, and adhering to fair trade principles viz "We are dedicated to satisfy our customers by producing quality Filipino foods environmental- friendly technologies. We are committed to be socially responsible for providing employment and livelihood opportunities to people to help alleviate poverty. We endeavor to bring out healthy food products made of natural ingredients taken from indigenous crops. We adhere to the principles of fair trade and equal opportunity for all gender in the workplace".

In support of its mission, the corporation developed three policies that guide its operations.

**Environmental policy:** We commit to a clean, green, safe and healthy environment for the sustainable development of our company, employees, stakeholder, community and country.

**Corporate Social Responsibility:** We are a socially responsible Corporation that aims to create value in Philippine products through the wise utilization of our resources and enhancement of the full potential of our people towards sustainable growth and development.

**Quality Policy:** We are committed to pursue excellence in the conduct of our business, results in economic, social and environmental benefits to our company, people, community and society in general. We aim to do this by achieving efficiency and effectiveness in our operations and by adopting Total Quality Management, continual improvement, innovations and HACCP accreditation as our highest priority.

The corporation's Core Values (Pilipino words italicized in parentheses) guide the attitudes and behavior of its employees.

- H**umble (*mapagkumbaba*)
- E**nvironmentalist (*mapangalaga sa kalikasan*)
- A**ctive and Alert (*masipag at maagap*)
- R**esourceful (*masinop at mapanaliksik*)
- T**rustworthy (*mapagkakatiwalaan*)

**and**

- M**otivated (*maykusa at masiglang mag-aral*)
- I**nnovative (*malikhain*)
- N**ationalistic (*makabayan*)
- D**iscipline (*may disiplina*)

**Case 5. PREDA Foundation Inc. – A Social Enterprise Dedicated to People's Recovery and Empowerment**

PREDA stands for People's Recovery, Empowerment Development Assistance. The PREDA Foundation is a group of idealistic people working to save and heal abused children and exploited women (PREDA, 2008). They oppose sexual abuse and sex trafficking and they endeavour to change society where these inhumane acts are a common practice. The Foundation also challenges people of good will to act and help change society and encourage the authorities to respond and implement laws, do justice and protect the innocent and bring the guilty to justice and repentance.

The **PREDA Vision** states: "We, the members of the PREDA Foundation, our friends and supporters envision a just, free, peaceful and prosperous society that serves the common good, respects human rights, especially the rights of children. A society built on faith and virtue and spiritual values that overcomes poverty by a fair distribution of wealth, opportunity and resources. It restores and preserves the environment and builds up self-reliant communities through the participation of the people and respects and restores the culture of indigenous peoples".

Preda's mission is to:

- work for just laws and their implementation that will empower the poor, and protect their rights.
- protect the weak and the defenseless especially children and women exploited in demeaning labor, especially prostitution.
- come to the assistance of the sexually abused and develop Fair Trade programs that will help alleviate poverty and exploitation.

To attain its goals, Preda adopts a **multi-project approach** to dealing with the poverty and the exploitation and child abuse that comes from it. It is tackling the roots of the problem in various ways while responding

positively and directly to rescue and help children be empowered and recover from abuse and neglect.

Preda's projects include several social, legal, and economic activities. Social activities are aimed at providing the following services; rescue, treatment and recovery for sexually and physically abused children. Legal activities are focused on investigating and prosecuting abusers, and coupled with social services that seek to prevent and protect children and youth against child abuse, substance abuse and AIDS. Economic activities are centered on developing the enterprises of members through fair trade. Preda works with media to develop public awareness on the need and ways and means of protecting children. It also works with international law enforcement.

Preda helps as many as 150 children in the four of Preda **children's homes** at any given time having rescued them from dire and difficult circumstances. It provides direct care through high quality best practice programmes that give protection and a new start in life to many and give quality education to many more in the community.

Preda has a **special child rescue team** and a protected home for sex trafficked children and youth exploited in the brothel industry. It takes legal action to bring the suspected traffickers to justice and have their establishments closed by law enforcement officers. This is a risky work as some sex clubs are owned or protected by wayward police officers. Preda social workers have received threats for their efforts.

Preda also engages in advocacy and public awareness building and education about the trafficking of people into the sex industry and what can be done to stop it. Preventing abuse and sex trafficking is as important as changing the unjust practices, polices and systems

that exploit and deny children and women their rights. Preda works to improve laws that protect human rights and indigenous people and have them implemented justly.

**Educational seminars** of Preda encourage the public to act justly to save children and youth to report abuse and to contact and avail of the Preda rescue and social services to give protection and therapy to abused kids. Preda lobbies and challenges government officials to undertake actions that protect children and to stop issuing permits and licenses to sex bars that assist the proliferation of the sex industry and child pornography.

Preda trains youth in arts and advocacy theatre. Through powerful theatre performances, the youth can enlighten and encourage Filipino youth to get involved in helping others. Once a year they travel abroad inspiring people to action.

**Preda's Fair Trade** is exporting dried fruits and purees and handicrafts ([www.preda.net](http://www.preda.net)). It is developing organic mangos. Engaging in Fair Trade is a path to self-reliance for Preda. The fair trade sales make it possible for Preda to fund its development projects such as providing interest free loans, enhancing markets access and just earnings and partnership with producers in undertaking community development projects. Internally generated funds are also instrumental in funding Preda's advocacy campaigns such as preventing and fighting child labour and exploitation in the work place, encouraging labour rights, and so forth.

**Preda's Fair Trade** also assist handicraft producers and small farmers throughout the Philippines. Preda helps the people and the environment by planting thousands of trees, providing help to indigenous people, and

using recycled drink pouches to manufacture high quality backpacks , purses, wallets, and bags of every kind.

Preda has a **Spiritual Renewal** program that promotes spiritual renewal and transformation, strengthen Filipino dignity and self-esteem. This program is essential for motivating Preda members and supporters to work for social and economic justice for the poor and the oppressed.

Preda challenges every Filipino to lobby legislators in the Philippines to enact just laws protecting the people's rights and to campaign to change the national policy to make the poor and marginalized the national priority.

#### **Case 6. PHIL. MORINDA CITRIFOLIA, Inc. (PMCI) - Socially Responsible Non-Fair Trade Producer**

Dr. Tito E. Contado presented the case of Phil. Morinda Citrifolia Inc. (PMCI) as a socially responsible producer which is not yet certified as a fair trade producer.

Contado disclosed that it was in Tahiti in 1993 where two Americans discovered that Tahitians were using Noni fruit juice reportedly for the "the last 2000 years". The Tahitians' traditional practice of drinking pure Noni fruit juice is cited as the reason why they are all healthy and living long years of age.

Contado learned that the Noni fruit grows aplenty in his hometown in Leyte, Samar. The fact that Noni juice is good for people's health and that it is growing abundantly in Samar and the other islands of the country led Contado to study the agronomy of the plant, the process of producing the juice commercially, (with product testing at at the Central Analytical Services Laboratory, BIOTECH, University of the Philippines

at Los Baños), and how to make a business out of this amazingly powerful natural health product that have withstood the test of time and the laboratory.

In June 1999, Contado had a six-artery heart by-pass at St. Lukes Medical Center. He recovered well with medicine and home made Noni juice. In 2001, he registered PMCI with the Securities and Exchange Commission. In June 2003, PMCI received its registration and certificate of approval from the Bureau of Food Drugs (BFAD). In June 2003, PHILNONI juice was launched in the Philippine market.

The vision of PMCI is: “Let millions of people everywhere, who need what PhilNONI juice has to offer, enjoy good health, wellness, happiness and longer productive life”. Its mission is: “making PhilNONI juice readily available in safe and excellent quality and quantity and to make it accessible physically, socially and economically to all people who need it any time, anywhere”.

As of 2007, PMCI produces 4 types of bottle sizes of PhilNONI juice to suite the paying capacity of its customers. PMCI also subsequently registered with the U.S. Food and Drug Administration (FDA, which enabled it to export PhilNONI juice to the U.S. and to South Korea. The factory price of PhilNONI is about P1000 per liter, its export price is \$12 per liter or \$12,000 per ton.

PMCI cites the following actions as reflecting the company’s socially responsible policies:

1. Formulating its mission and policy to make safe and quality Noni juice available to people who have need of it

2. Availing of BFAD certification to ensure that PhilNONI juice is a safe, good quality health product with no known ill effects, and before its market launching.
3. Making the PhilNONI juice accessible physically, socially and economically to all people who need it anytime, anywhere by packaging it in different types of bottle sizes to meet different buying power, formulating sweetened Noni juice for non-diabetics, and manufacturing noni capsules for easy transport and cost reduction. Smaller bottles are made especially for the benefit of low-income users.
4. For every ton of PhilNONI juice sold per month, it helps approximately 1,000 people improve their health and wellness and improve their productivity in life.
5. Not using the roots (not environmentally correct) as a raw material for processing. Some other companies uproot and kill *Morinda citrifolia* trees as they use the roots as medicinal herbs.
6. PMCI opted not to have its own plantation of *Morinda citrifolia* trees because this will deprive rural folks an alternative source of income. Instead, it employs and trains rural folk gatherers to pick the fruit at the right degree of ripeness.
7. Paying a top price of Php 30.00 for rightly picked Noni fruits. This is significantly higher than normal prices of rural products such as rice, corn, sweet potatoes, banana which range from P8.00 to P15.00 per kilo.

8. Deliberately avoiding the **multi-level-marketing (MLM) system** because this will substantially increase the product price. Furthermore, PMCI's direct marketing approach has enabled its sales agents to tap existing reputable marketing channels such as Mercury Drug and a chain of 500 stores.
  
9. PMCI complies with the Philippine labor laws. Every month, the 12 PMCI employees receive allowance of 1.5 liters of PhilNONI juice.

One other important aspect of the PMCI story is the transformation of a scientific researcher such as Dr. Tito Contado into a businessman and socially responsible entrepreneur. It is hoped that the PMCI story will inspire many more scientific researchers to turn their innovations into economically sustainable as well as socially responsible enterprises.

### **Case 7. Bayanihan Food Pack - A Food-based Supply Chain for the Poor Established by Socially Responsible Stakeholders**

Pipo Lina, trading director of Bayanihang Pilipino Inc (BaPI), presented the case of Bayanihan Food Pack (BFP) to demonstrate the possibilities of providing poor households nutritious food at affordable prices.

Hunger, malnutrition, high prices, unemployment, low income, and a cycle of poverty characterize the current situation of millions of people in the Philippines. Based on the Labor Force Surveys of 2005, about one (1) out of three (3) Filipinos is either unemployed or underemployed (having job only during certain parts of the year). This is a major cause of poverty in the country. According to the 2006 Survey on Hunger by

Social Weather Station (SWS), one (1) out of every six (6) Filipino families suffers from hunger.

The ex-Director General of NEDA Dr. Romulo Neri traced the root cause of poverty and social chaos in the Philippines to 'booty capitalism' (Neri, 2007). This is a system where an oligarchic elite dominates the economy. They finance elections in the country, giving them enormous influence on government policies and appointments, and the privilege to capture government financed projects. This leads to distorted policies and weak institutions, which makes the investment climate in the country highly risky, resulting in low investments. Low level of investment means high unemployment, low income, poor education, poor health, and low respect for law (social chaos).

BaPI believes that the problem of poverty and social chaos is not insurmountable. What the country needs are servant leaders who are God-centered, compassionate, and competent. As a self-help promoting institution, BaPI has promoted the development of Bayanihan Savings Centers throughout the country by training community organizers and account officers. The operations of Bayanihan Savings Centers are guided by a five-point core values, namely:

- *Without God, there is no real success:* leaders who do not fear God and who do not seek the Kingdom of God and His righteousness easily succumb to graft and corruption
- *Always seek the welfare of the community:* a servant leader puts the welfare of the community first. The Bible says: "Whoever wants to rank first among you must serve the needs of all" (Matthew 20:27)

- *There is power in unity: “kung sama-sama, kayang-kaya”* (We can, if we work together)
- *Everyone can save:* Therefore, everyone can be an investor.
- *No dole-out:* People can combat poverty and social chaos by helping each other. Dole outs encourage mendicancy among people.

Pipo Lina argues that nobody can help the Filipino people except their own selves. “We are only as strong as our weakest link,” he said. We can we take care of the land of our birth by working together” His trumpet call is “Let’s do Bayanihan!”.

Pipo Lina explained the Bayanihan Food Pack (BFP) as BaPI’s response to the problem of hunger and poverty in the Philippines. The design of BFP takes into account three factors: Price, Nutrition, and Savings. The average daily budget for food of a poor household with 3 to 5 members (husband, wife + 1 to 3 children) in Philippine urban areas amounts to Php 70.00 (Exchange rate: US\$1 = Php 43.00 as of October 2007). This budget is used to purchase the following food items:

Rice 1 kg	Php22.00
Noodle, 2 packs per meal Php 7.00/ pack, 2 meals	28.00
Condiments	5.00
Fare	15.00
Total	70.00

The table below shows that BaPI prices for these food items are comparatively lower than those of the government (i.e. National Food Authority or NFA), the wet markets, shopping malls, or meat shops. BaPI’s prices are comparatively lower than other sources largely because the stakeholders involved in the BFP network source their raw materials

directly from producers on a wholesale basis. The BFP network assemble all these food raw materials in a processing plant and process them into small, ready-to-cook packs of fresh food. Each food pack is a full meal consisting of rice, meat, vegetables, and condiments. Processor has certifications from: The processor has certification from Hazard Analysis Critical Control Point (HACCP, and Good Manufacturing Practices (GMP).

### Comparative Prices of Slected Food Items, By Source

Item	Quantity	Source	Retail Price, Php
Rice	1 kilogram	NFA	14.00
		Well Milled	24.00
		Fancy	30.00
		Bayanihan (Sinandomeng)	18.00
Pork	1 kilogram	Wet Markets	140.00
	(Regular cut)	Shopping Malls	135.00
		Meat Shops	130.00
		Bayanihan	105.00
Chicken	1 kilogram	Wet Markets	110.00
		Shopping Malls	105.00
		Meat Shops	100.00
		Bayanihan	80.00
Beef	1 kilogram	Wet Markets	200.00
	(Regular cut)	Shopping Malls	180.00
		Meat Shops	175.00
		Bayanihan	140.00

The BFP (examples below) is good for two (2) meals for a family of 3 5 members

#### Pork Pack

350 grams Pork	Php 35.00
Rice	18.00
Vegetables	15.00
Condiments	2.00
Processing Costs	5.00
Operational Costs	2.00
Total cost	77.00
<b>RETAIL PRICE</b>	<b>Php 80.00</b>



#### Chicken Pack

500 grams Chicken	Php 35.00
Rice	18.00
Vegetables	15.00
Condiments	2.00
Processing Costs	5.00
Operational Costs	2.00
Total Cost	77.00
<b>RETAIL PRICE</b>	<b>Php 80.00</b>

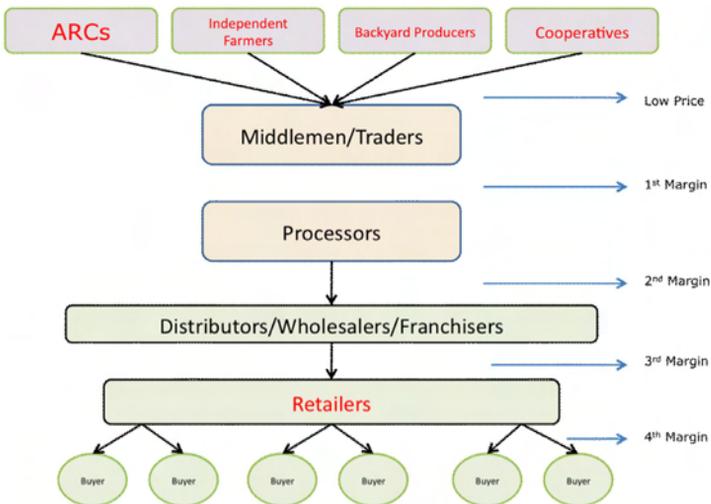


A Beef Pack is also available at Php 80.00 per pack with 200 grams beef and ingredients similar to that of the Pork Pack.

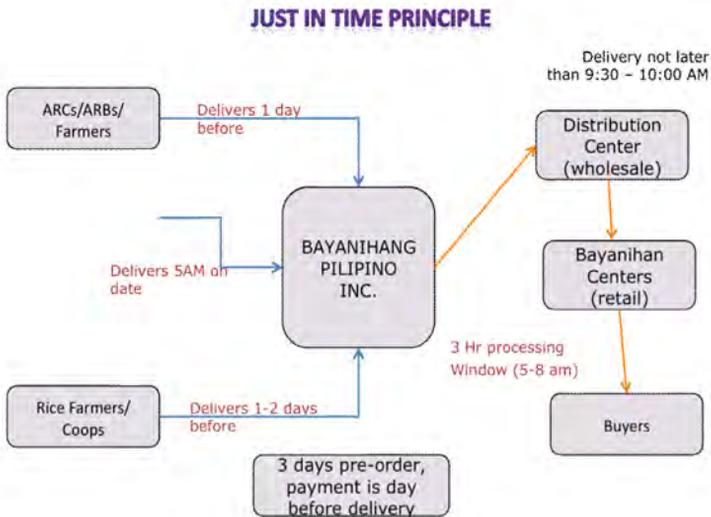
Three factors contributed to the ability of the BFP network to control the BFP price at a fixed selling price of Php 80.00 per pack. The first factor is the depreciation of the dollar and the relative strengthening

of the purchasing power of the Philippine peso. This contributes to cheaper imported feeds. The second factor is the solidarity among the stakeholders of the BFP network. As illustrated in the diagram below, the processor acts as a middleman/ trader by sourcing raw materials directly from farmer-producers. Some of the producers are organized (e.g. Agrarian Reform Beneficiaries or ARCs, cooperatives) while others are independent farmers and backyard livestock raisers.

BaPI acts as the wholesaler/distributor while the BaPI network of Bayanihan Savings Centers retail the BFP to its members and to the community at large. By integrating the network of Bayanihan Savings Centers and the network of producer-suppliers of the processor, BaPI virtually created a cost-effective food distribution network.



The third factor contributing to cost minimization is the adoption of the Just-In-Time (JIT) principle in the delivery of the food packs. As shown in the diagram below, deliveries are pre-scheduled based on the placement of orders exactly 72 hours (3 days) prior to the delivery of food packs. Payment is on cash-on-delivery (COD) basis at the retail-consumer level. But since payment at the producer-supplier level is also on COD basis, the financing burden is placed wholly on the shoulders of the processor. BaPI is currently collaborating with CSRSME Asia to develop a financing mechanism that could ease the financing burden of the processor.



## 8 **SOLIDARITY ECONOMY AND ARTS**

*An art exhibit was organized by Norma Liongoren, owner-entrepreneur of the Liongore Gallery, to demonstrate how social realist artists depict solidarity economy in art work. The art exhibit is also a concrete expression of the social realist artists' solidarity with other stakeholders of solidarity economy.*

*This article, originally entitled "Bayanihan Revisited" was contributed by Lisa Ito. It reviews the artworks exhibited in the light of their relevance to the ideals of solidarity economy.*

It was an art exhibition different from those usually mounted in silent, whitewashed galleries. Set in the middle of the University of the Philippines Bahay ng Alumni's expansive hall, which was bathed with warm yellow lights and filled to the brim with participants for the Asian Forum for Solidarity Economy, the show set up by Norma Liongoren—curator and proprietor of a Cubao-based art gallery-- attracted the attention of a diverse crowd beyond the regular gallery-goers and artists: fair trade advocates, foreign and local delegates, entrepreneurs, businesspeople and students, for instance.

The show was organized around the central theme of bayanihan, a traditional Filipino term referring to the value of communal unity or initiative to achieve a specific goal. Derived from the word bayan (town, nation, or community in general), the term strongly denotes and affirms practices of collective unity, selflessness, and cooperation which in turn all contribute to forging deeper values of nationhood and solidarity.

The exhibition brought together a wide range of works by contemporary Filipino and Filipina artists, which in various ways reflect the particularities or aspects of bayanihan as a general concept.

Traditionally, artistic and historical representations of bayanihan often involved idealized depictions of the old tradition of town mates or neighbours volunteering to help a family relocate from one place to another: a practice where people would position traditional houses or huts, usually built on stilts back then, on bamboo poles and literally move the space into a different location amid festivities and celebration.

The exhibition, however, presented less of these traditional figurative representations of bayanihan as a celebrated, though intermittent, community exercise. Instead, the collection attempted to situate the idea of bayanihan in concrete images of the daily practices and rituals we face, the people we interact with, and the local economies and cultures in which these encounters occur. As the individual art works in the show were sourced from different collections and were produced under different circumstances, it was a curatorial challenge to put various works together to collectively demonstrate and reflect aspects of bayanihan as a concept.

## Local economies

In terms of themes, the show featured clusters of art works representing *bayanihan* either through domestic economic activities or political events or phenomena. These are exemplified in the watercolor works of famed cartoonist and illustrator, the late Larry Alcala. The show features several of Alcala's cartoons from his immensely popular *Slice of Life* series, which are distinctive for their ability to capture an entire microcosm of daily scenes and activities in the lives of ordinary Filipinos, in candid humor and keen observation. The show features cartoons, *Fruit Market*, *Market Day in Legaspi*, *Pineapple Plantation and the Guitar Makers of Cebu*, which represent the popular participation and flux of the people in local economic formations down to the minutest details and smallest of gestures.

Alcala's works demonstrate how the masses, from the humble street sweeper and tricycle driver, to store keepers, buyers and contractual workers, form a dynamic matrix comprising and supporting the domestic economy. Alcala's cartoon strips may seem light and trivial on the surface, but underlying their humorous images is the implied message that the production and movement of goods and products in the economy is primarily due to the efforts and movement of the people. In the works of Teofilo Mendoza, the vividness and vibrancy of daily market scenes is expressed through lively colors and strong, short strokes.

## People's Power

*Bayanihan* was also demonstrated in works that depicted popular and assertive historical protests by the Filipino people. The phenomenon of People Power, for instance, is represented through Alcala's portrait of the events of People Power I, back in 1986 – something which was to

reverberate in the massive protests of 2000 and the ongoing dissent of recent years.

The historical context and precedents of these popular protests can be also inferred in the oil on canvas work by Social Realist painter Pablo Baens Santos, entitled *Manifesto Sequel*, which symbolically depicts *Inang Bayan* (Motherland) leading the people in breaking free from the bonds of colonial (and by extension, local elite) powers. Works such as these captured the spirit and the rationale of the revolts that have reverberated throughout Philippine contemporary politics, showing why it has become imperative for the people to unite in massive shows of *bayanihan* to achieve social changes.

### **Symbols of culture**

Other works in the show provided visual and symbolic metaphors for *bayanihan*. A central piece in the exhibition was the sculptural work, *Styled Paddle*, by National Artist Napoleon Abueva, which belies its simple and literal title when placed in the context of the exhibition theme. The kinetic wood and steel work composed of paddles assembled on a vertical frame forms an image of the traditional *balangay* (boat) used by our sea-faring ancestors. By extension, the *balangay* is said to be the linguistic origin of the Tagalog word *barangay*, the smallest officially-recognized socio-political unit in the Philippines. Viewed in the context of this exhibition, Abueva's work becomes a symbol for the traditional communal formations and values which may benefit from a revitalization in these increasingly-isolationist times. The show also includes works that reference the Filipino family, the basic traditional unit of society, in works such as *Struggle for Life* by Edgar Talusan Fernandez.

Values similar to *bayanihan* are also reflected in representations of Philippine culture. *La Jota*, Alvaro Jimenez's paintings of Filipinos dancing to music, and Daniel Coquilla's *Combo Lagbu*, representations of the ubiquitous blind musicians seen on street corners and malls, testify to the lively and dynamic musical traditions in Philippine culture. Wilfredo Alicdan's geometry-based figures of musicians in this show demonstrated that *bayanihan* may also be construed as a component or practice of collective cultural work: as a process undergone or replicated by cultural workers intent on honing their crafts and delivering to their audiences the fruits of collective effort and discipline.

### **Societal sectors**

A significant portion of the exhibition's collection was devoted to representing the societal sectors, or stakeholders, to benefit from practices involving economic and political *bayanihan*.

These included sectors which comprise the majority of the population yet which have been historically marginalized and excluded. The plight of Filipino workers, carrying the weight of the world on their shoulders, is poignantly and realistically portrayed by Social Realist painter Antipas Delotavo in an oil on canvas work entitled *Burden of Proof*. Arlene Villaver presents an intimate and sympathetic portrait of a peasant woman, giving a vivid and dignified face to Philippine society's largest yet most exploited sector. Fellow woman artist Remy Boquiren also paints the toiling Filipina in a positive and sympathetic light, garbed in traditional attire. In this archipelagic paradise, images of sturdy fisherfolk are idealized in Athena Lopez's portrait of *Mangingisda sa Dalampasigan* (Fisherfolk on the Shore).

The voices of indigenous people, Muslim communities, women, and children were reflected in other works such as Julie Lluch's life-sized

clay figure of a Maranao woman, Athena Lopez's *Habing Ifugao*, and Bert Monterona's rubbercut works reproduced as posters advocating for peace in Mindanao – demonstrating the use of both fine art and a popular propaganda medium to disseminate socially-relevant messages. Repositories of traditional knowledge and values was represented in Ral Arrogante's copper and brass figure of an *Albularyo* (traditional medicine healer), while the ranks of persons with physical disabilities by Daniel Coquilla's *Combo Lagbu*.

Works by Social Realist painters also elaborated on the points of solidarity between stakeholders. Renato Habulan's work, entitled *Di Paghanap ng Paglaya*, was a fitting testament to the suffering patiently borne by marginalized sectors – suffering which may be eventually transformed into a means for solidarity among exploited peoples. This state is also subtly alluded to in the watercolor work entitled *Lungsod Pang Gloria* by Pablo Baens Santos, where figures of the poor populate the fringes of a facade of development. While the aforementioned works are mostly produced by seasoned Social Realists, it is also refreshing to see young blood rising to meet the challenge of social critique, as seen in the work *Talambuhay ni Juan* by Mel Cabrana. The painting articulates the daily realities of Filipinos through the headlines of print journalism: extrajudicial killings of government critics, protests, scandals, war in the countryside, the euphoria over boxing champ Manny Pacquiao.

In contrast, on the fringes of the exhibition were figures on the top of the social hierarchy. Elite politicians who are also often the target of protests by the people are represented as sole figures in Raymond Go's *Strictly Politics* and Neil Doloricon's *Larawan ng Pulitiko*. This choice of representation is significant in the context of the show because it depicted these personalities – who are often described as all-powerful and “big-time” – as being in the minority and therefore capable of being overcome

or superseded by the efforts of *bayanihan* if the latter is earnestly pursued.

### **Visions of a better world**

The show also included images denoting the wealth and potential of the country's national patrimony and natural resources — a finite reserve that efforts at *bayanihan* would do good to protect for the future. The bounty of the country's mineral and agricultural riches and biodiversity is partially portrayed in works such as Alfredo Liongoren's *Antipolo Hills* and Neil Doloricon's prints portraying *palay* (rice), *kalabaw* (carabao) and *tagak* (stork). Local agricultural and cottage industries in dire need of protection and support is denoted in paintings of local fruits, such as that of Dindon Cordova, or idyllic portraits of basket vendors and flower gatherers by Remy Boquiren. Interestingly, Alvaro Jimenez makes use of actual local materials (banana stalk) as an art material in the pieces *La Jota* and *Pamaypay Vendor*.

Lastly, the exhibit hinted at a better societal system as an alternative to the existing status quo. This was evident in the work *Ikot ng Buhay II* by Edgar Talusan Fernandez, which expounds on the common and complimentary interests of stakeholders aspiring for a more democratic society: where agricultural production and national industrialization achieved through the efforts of workers and farmers will work hand in hand for a more prosperous and ecologically-sound social system. Talusan's painting was a fitting end image to the show: a testament to the fact that the people united will never be defeated and the dream that another world is indeed possible.

## 9 **SOWING THE SEEDS SOLIDARITY ECONOMY IN THE PHILIPPINES**

*The following article is contributed by Dr. Cielito Habito, Chairperson of the Asian Forum 2007. It was published with the title “Seed of Bayanihan Economy” in the national newspaper Philippine Daily Inquirer issue of October 28, 2007 under Habito’s business section column ‘No Free Lunch’.*

MANILA, Philippines--A RECENT gathering of representatives from 26 countries held at the UP Diliman campus brought together people unhappy with the way their respective economies, and the global economy as a whole, have perpetuated ever-widening disparities within and among countries.

The Asian Forum for Solidarity Economy drew hundreds of people from various walks of life, all sharing a desire to find an alternative economic order to the one we know, where a few typically reap benefits at the expense of many others. As the name suggests, the economy they seek is one where all players work together toward a shared goal of uplifting the lives of all – that is, an economy built on solidarity rather than on competition and conflict.

## **Inherent conflict**

The problem is, conflict and tension are inherent in the market economy as we know it. Consumers want to pay as low a price as possible for the goods and services they buy, but producers and sellers want to charge as high a price as possible for the same goods and services. Workers want to receive as high a wage as possible from employers. On the other hand, employers are out to pay as low wages as possible to the workers they hire.

Borrowers want to pay as low interest as possible on the loans they obtain from their creditors, but the latter want to charge as high interest as possible. This basic conflict of motives is seen many times over among the players in the various kinds of transactions made in any market economy day after day.

The modern economy, it seems, is built on such conflicting motives among its various players.

## **Invisible hand**

To Adam Smith, considered the father of modern economics, such inherent conflict is natural and necessary. He once postulated that the combined actions of all players in the economy, acting on the basis of each one's self-interest, gives rise to an "invisible hand" that yields efficient outcomes.

For as long as there are large enough numbers of such players and there is free competition among them, market forces will automatically yield the right allocation of the economy's resources and the goods and services they produce. But does "right" allocation here mean a fair or equitable allocation? This, unfortunately, is where Smith's "invisible hand" fails.

In the direct conflict of motives between buyers and sellers, workers and employers, and debtors and creditors, there is rarely a balance of power between the contending sides, and one side or the other is bound to get the proverbial shorter end of the stick. In everyday transactions within a competitive economy, there are bound to be winners and losers; win-win outcomes are not the rule, but the exception.

### **Social responsibility**

Solidarity economy advocates believe that such outcome need not be inevitable. Along with our basic instinct for pursuing self interest, human beings also possess an instinct for altruism, that is, for caring and sharing. This same instinct leads us to value the common good and moves us to certain behaviors that may not necessarily promote our own best self-interest all the time.

This instinct comes into play, for example, when a banker or financier chooses to extend credit to smaller, struggling enterprises when dealing with fewer but larger borrowers would appear to be more profitable. Or an investor deliberately chooses to put funds into a socially responsible enterprise over another that is clearly more lucrative but with possibly adverse social or environmental impacts. Or an entrepreneur opts to forego maximizing profits in favor of providing wider benefits for the firm's workers or customers

The recent Asian Forum showcased, through exhibits and presentations, real-world models of socially responsible finance, socially responsible investments and socially responsible enterprises, both here and abroad.

In so doing, the forum demonstrated that a more caring economy is indeed possible, while sowing the seeds of a movement that would propagate the ideal of an economy that exemplifies the Filipino concept

of bayanihan, which aptly captures the very concept of the solidarity economy.

### **'Bayanihan' products**

Prominent Philippine entries included the recently established Bayanihan Banking Window, a partnership between Planters Bank and the CSRSME Asia, which provides a venue for caring investors to deliberately make their funds available to finance socially responsible enterprises.

Also featured was a company that produces the Bayanihan Food Pack, an inexpensive package composed of ready-to-cook meat, vegetables and rice designed to feed a typical poor family for up to two meals.

The company is able to keep the food pack cheap by cutting through the supply chain and procuring directly from farm producers, and envisions supplying low-income communities around the country with decent meals that are both nutritious and affordable.

The movement for a solidarity economy has already taken root in North America and Latin America, as attested by forum participants from those regions.

The recent Asian Forum planted the seeds for a similar movement in the Philippines and the rest of Asia, and culminated in pledges of commitment from numerous stakeholders in the finance, enterprise, academe and media sectors to help in spreading and nurturing the seeds of what would be better described in the Philippines as a Bayanihan Economy.

10**BEYOND THE CALL OF PROFIT**by **Jeanne Marie O. Bernardo**

I have never regarded myself as an entrepreneur or having an entrepreneurial spirit, at the very least. I grew up thinking that to be an entrepreneur you have to be good at one and only one thing – making money. As this was simply not one of the many gifts GOD has generously given me, I resigned myself to the idea that I could never go into business, much less succeed in one.

At a very young age, I had always known I would devote myself to a life of service. I wanted to be a doctor, but when things turned out differently, I ended up doing government work. Come to think of it, had I become a doctor, I would probably be one of those “doctors to the barrios” instead of having the more lucrative private practice. For me, service could not possibly go hand-in-hand with profit-making business.

This is perhaps why going into business never became a serious part of my agenda. I always thought business was purely about making profit and enriching oneself. After all, why would anyone want to go into business if not to make money? Well, that’s what I believed until I learned, much later in life, that business need not have profit as its only bottom line.

Unfortunately, most of us have been educated in the former. We live in a world that teaches us that the only way to succeed in business is to make as much money as you can, notwithstanding the consequences. We live in a world where money has become our “god”, pursuing it regardless of the cost to others or our environment. We live in a world where all the resources GOD has given us are used and exhausted for the benefit of a few, with no consideration as to the needs of future generations.

While it is true that “sustainable development” and “corporate social responsibility” have been the buzzwords among business circles in recent years, one can still question the extent to which these so-called advocacies have made an impact in the lives of so many individuals and communities who continue to suffer from exploitation, unfair labor practices, unregulated and uncontrolled disposal of toxic and hazardous wastes, and many other “socially irresponsible” business practices.

The problem lies not in the business or enterprise itself, but in the values of the person or persons who own and run the business. Instead of values like generosity and selflessness, most entrepreneurs, though they would not admit it, have greed and self-centeredness as the primary motivations for doing business. It is sad that our prevailing economic system allows and even nurtures these motives.

Certainly, there are far more important things in this world than profit and money.

One is our home, the earth.

“GOD blessed them and said to them, ‘Be fruitful and increase in number; fill the earth and subdue it. Rule over the fish of the sea and

the birds of the air and over every living creature that moves on the ground.” (Genesis 1: 28)

This verse from the Bible tells us that when GOD created the earth and everything in it including man, HE commanded man to be the steward of all creation. Man was to fill the earth and subdue it, and to him was given the authority to rule over every creature on earth.

While searching for the definition of “steward” online, this one struck me as the most appropriate – “one who manages another’s property, finances or other affairs.” True enough, Genesis 1:28 reveals GOD’s command for man to manage HIS property, the earth. The earth is GOD’s property because it was HE who created it. Man was merely appointed to manage what belongs to GOD. Therefore, man has no right to use the riches of creation for his own benefit because it is not his.

“And if you have not been trustworthy with someone else’s property, who will give you property of your own? No servant can serve two masters. Either he will hate the one and love the other, or he will be devoted to the one and despise the other. You cannot serve both GOD and money.” (Luke 16: 12-13)

It is clear that we are expected to be trustworthy stewards of GOD’s creation. Why then do we cry out to GOD when nature devastates our cities, when raging floods cover our lands, when earthquakes destroy all property that we have so diligently acquired for ourselves? Why do we blame GOD when we have been unfaithful stewards of HIS property? If we cannot be trusted with GOD’s property, why then should GOD entrust us with our own?

For the love of money, we have forgotten our basic responsibility to take care of this earth. We have to remember that to whom much is given, much is required. To those of us who have been blessed with the resources, the skills, the wherewithal to go and succeed in business, to us GOD has given much. HE expects no less than our faithfulness in return.

But the earth is not all GOD has entrusted to us.

“Nobody should seek his own good, but the good of others.” (1 Corinthians 10: 24)

GOD also commands us to take care of his most important and most valuable creation – mankind. But in the day-to-day affairs of our organizations, have we been faithfully obeying this command? Do we treat our employees well? Do we give them the benefits and remuneration due to them? Are our labor practices fair? Do we make sure that people are not exploited or disenfranchised in our business operations? And these are all just internal to our business.

How about the people outside our organizations? Are our prices fair to our clients and customers? Do we ensure that we produce goods and services that will not harm our customers’ health? Do we ensure the quality of our products and services regardless of the cost? Do we consider client needs when developing product lines? Do we value customer feedback? Do we continually find ways to improve customer service?

I could go on and on, but I believe I have made my point. GOD wants us to love our neighbor as we love ourselves. What better way to show GOD’s love than to take care of and nurture the people whose lives we

touch everyday. Surely GOD, the owner of all things and source of all life, will bless us richly if we do.

As a final note, let me point out how management guru Peter Drucker defines entrepreneurs - "those who create something new, something different."

So to all those who call themselves entrepreneurs out there, I pose a challenge.

Dare to make a difference. Dare to go beyond the call of profit.

"Command those who are rich in this present world not to be arrogant nor to put their hope in wealth, which is so uncertain, but to put their hope in GOD, who richly provides us with everything for our enjoyment. Command them to do good, to be rich in good deeds, and to be generous and willing to share. In this way they will lay up treasure for themselves as a firm foundation for the coming age, so that they may take hold of the life that is truly life." (1 Timothy 6:17-19, emphasis mine)

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## IMPRESSIONS ON THE ASIAN FORUM

*Some participants could not help but express their impressions about the Asian Forum 2007. Here is a compilation of greetings, words of solidarity and encouragement, and expressions of gratitude that all of us who collectively made Asian Forum 2007 an historic breakthrough deserve to keep in our hearts and minds. It is hoped that these messages will serve as inspiration to others*

### **John Samuel, Action Aid International**

It was wonderful to be at the Asian Forum. Congratulations to all friends who organized a very fruitful Asian Forum 2007. Thank you very much for all your affection, solidarity and support. I am really happy that we are moving forward on this and we have already started thinking about Asian Forum 2009. I am sure Reiko San, Yoko San and all our friends will work together to make Asian Forum 2009 a big success.

Meanwhile, we need to find ways and means to consolidate the process and begin to work towards Asian Forum for Solidarity Economy as an ongoing semi-formal - open network of practitioners, researchers and institutional actors. We can begin with a regular resource website

and e-newsletter (may be once in two months). It will be also good to have alliances/network at the national level.

Many of us are planning to initiate a Solidarity Economy Network in India sometime in the beginning of next year (2008). This will help us initiate a process and stable constituency so that India can host the Asian Forum in 2011.

I hope to follow up on some of the responsibility that I have taken. We hope to have a follow up meeting in Bangkok sometime by April 2008. I look forward to work with all of you to strengthen the movement for Solidarity Economy in Asia and elsewhere.

### **Inoue Reiko, PARC**

I sincerely appreciate all the work done in preparation, implementation and following-up of Asia Forum 2007. I sincerely congratulate all colleagues in the Philippines for the success of Asia Forum 2007. Thanks for the early release paper on the steps towards Asian Forum 2009. We also need to prepare for it. All of us need to take into consideration the items pointed out by Dr. Cielito Habito in the process of moving towards Asian Forum 2009 in Tokyo.

### **Kyoko Sakuma, Sustainability Analysis and Consulting**

I am very excited to see the process of going through the next steps towards the Asian Forum 2009. The dedicated webpage for SRI will surely facilitate our conversation with the circle of SRI actors around the globe. I re-contacted Melissa Brown of ASrIA (Association of Social responsible investment in Asia ) so that she can look at the results of the

Forum 2007. I hope that she and her organisation will join our journey to the Asian Forum 2009.

**Arun Raste, International Resources for Fairer Trade**

I had sort of challenged you guys in July 2008 and I am happy to admit that you did it, and did it very well. It was a real pleasure to attend the Asian Forum 2007, and I'm sure that we would see changes happening sooner than later, if we could maintain the momentum and the focus. Please convey my sincere thanks and appreciation to all those people who made this event a success specially the young volunteers who worked hard. On my part, I would continue to associate myself in the process of mobilizing for Asian Forum 2009.

**Gert Jan Shuite, Triodos Facet**

What a joyful evening we had last Friday (October 19). I'm looking back on a very interesting and meaningful event. I've met some wonderful people and I am honored that the Asian Forum gave me the opportunity to be part of it! I like staying in Asia and working with the Asian people (in recent years with MFI's in Mongolia , Cambodia , and India). Although this is my first time to visit the Philippines, I immediately felt comfortable.. I will report back to the people in the Triodos organization and to Frans de Clercq (I promised him an eyewitness report ). I myself was not in a position to represent Triodos Bank formally of course, and to be honest with you, I think that Triodos should try to be somehow more connected and involved in this (although that is done through INAISE of course). There is still a lot to discover and to learn, but I'm convinced that we have started a strong movement and you have Great Energy at your side!

**Mabel J. Q. Apostol, OTI Consulting Philippines, Inc.**

Congratulations to all for the overwhelming success of the Asian Forum 2007. Please be assured of my personal commitment to participate in the Solidarity Economy initiatives that will be spearheaded by the CSRSME. My friends from Davao City are inviting us to bring the Asian Forum in Mindanao . They suggest timing it during the FRUIT FESTIVAL, sometime September 2008.

**Dr. Christopher Shun, Foundation for Community Studies and Social Development**

I take this opportunity to tell everyone Asian Forum how grateful I am for the opportunity to participate in the Asian Forum 2007 as a Resource speaker. I appreciate the generosity and fellowship and look forward to Japan in 2009.

**Romulo Romero, OTI Consulting Philippines Inc.**

I want to personally honor (the organizers and resource speakers of the Asian Forum 2007) for imparting the vision of the Asian Forum for Solidarity Economy to us and for advancing it to a successful run. To be honest, I was not sure how things will turn out even on the day of the opening itself. But as it unfolded session by session, activity by activity, I couldn't help but be awed at how the Lord was unfolding and connecting everything in a very meaningful tapestry. Let me share with you a short conversation I had with Vincent Commene as I brought him back to the hotel after the closing ceremonies. I asked him what he thought of the forum and he said:

“Firstly, I am very impressed by your organization [CSRSME Asia] and how you put this together. In Europe, Ben Quiñones enjoys a very good reputation among us and it’s good to see that around him are men and women of similar attributes.

“Secondly, I am very impressed by how you put the forum together – the speakers, the workshops and the activities around it.

“Thirdly, and this is personal, I was moved by the way you openly worshipped before the start of the session. In Europe this is not the same. Although we may have been uncomfortable at first, we were all moved and touched by the daily worship.

“Finally, I found it very touching to be given tokens of appreciation at the end and the way we warm up to each other and welcome each other in each of the activities”.

### **Vincent Commemme, ALOE Workshop on Social Responsibility of Economic Actors**

I have a feeling of recognition to you all for, each one at your level, having managed this wonderful event which was the Asian Forum for Solidarity Economy. I was very impressed by the quality of the organization and at the same time the quality of taking care of the people. As a temporarily sick person (at the time of the Asian Forum), I personally felt this last quality. And I also noticed it in the way you acknowledged and rewarded the so many people who, at any level, collaborated to the success of the event. The way you honoured these people has been a good mirror of the way you honour God. And I was very touched to feel that in the religious rituals you put into the Forum. I have heard many great things about the Forum from the participants. God bless you

**Pinky Cupino, CHR Philippines**

I appreciate the opportunity of being part of the Asian Forum. I am sure this is only the start of our long collaboration! Every member of the team enjoyed the whole journey.

**Marcos Arruda, PACS**

It was a great Forum. The results of the Philippine team's work was magnificent! And the launching of ALOE was eloquent, with a touch of symbolic beauty - Yoko, Ben and I set doves free at the end of the ceremony!

## 12 THE WAY AHEAD

On October 20, delegates who pledged to become members of the Asian Forum Stakeholders Assembly attended a Business Meeting to discuss the next steps into the future. By way of summing up the discussions in the Stakeholder Assembly of the Asian Forum for Solidarity Economy, Asian Forum Chair Dr. Cielito Habito presented the following key points which are useful to highlight:

**1. ALOE and INASE.** As we witnessed the launch of ALOE on October 19 by Marcos Arruda, Yoko Kitazawa and Ben Quiñones, and heard INASE President Giovanni Acquati about the contributions made by INASE, these two acronyms remind us of important qualities of the solidarity economy that have brought us together here in Manila for the past four days. We couldn't help thinking of ALOE (vera) and enzymes, the latter because INASE sounds like the typical name of an enzyme. Aloe (vera), as most of us know, is known (among other things) to help hair grow, and the imagery it suggests is how important this new alliance under ALOE can indeed be instrumental in the growth of the Solidarity Economy. INASE, on the other hand, has been a catalyst (like an enzyme) of worthy initiatives in the SE, and we need more institutions

like INAISE in as many places around the world to catalyze even more SE initiatives worldwide.

**2. Language.** Some of us have expressed discomfort and concern about supposed inadequacies in expressing themselves in the chosen language for our discussions in this meeting (i.e. English). Perhaps it would be reassuring for us to assert that all of us here speak a common language of Solidarity – a language that speaks not just from our lips, but more importantly, from our hearts. As we know, hearts have a way of communicating with each other more easily than brains or lips do.

**3. Bayanihan Economy.** For Filipinos, SE can just as well be called a bayanihan economy, as the Filipino custom of bayanihan, i.e. of community cooperation and sharing, aptly captures the spirit and concept of the SE. It is no accident that some of the concrete initiatives we have seen and heard about in this forum come by that name, e.g. the Bayanihan Food Pack, Bayanihan Banking Window, etc.

**4. Journey of Love.** In our discussions, we have been critical of elements of what Dr. Habito called at the Inaugural session on Oct. 17 an “Unsolidarity Economy” (or “Non-Solidarity Economy for better English?). But even so, we assert that the journey to a Solidarity Economy is not a journey of anger or hate. Rather, it is meant to be a journey of love, whereby through our own labor of love, we can show the elements and purveyors of the “Unsolidarity Economy” that their ways cannot be sustainable in the long run, and the ways of the Solidarity Economy represent the better way.

**5. Core Values/Principles.** There were some interventions that highlighted the importance of defining a set of core values or principles for SE at the outset, with openness and transparency being among the

more critical ones. Indeed, an agreed set of core values/ principles is important in attaining a common understanding of what Solidarity Economy really means, especially in operational terms.

**6. Role of Youth.** Some of us emphasized the crucial role of the youth in promoting solidarity economy. Dr. Habito stressed the importance of highlighting this as a personal conviction, given that he has five youths in his own family (plus the recent addition of a daughter-in-law and a granddaughter) – which has reminded him even more acutely that the driving reason for all our efforts is to provide a much better world for these generations who will succeed us. Perhaps in the Asian Forum 2009, we should see an even stronger presence and participation of young people.

**7. Website.** Some interventions stressed the importance of having a virtual resource center, initially via an Internet website. This would provide a medium for fostering and facilitating partnerships among those of us whose particular initiatives in our own countries can be mutually reinforcing. Through such a virtual resource center, we can explore opportunities for active partnerships, or at the very least, benefit from learning about each other’s lessons from experience.

**8. Global Vision.** While our gathering has focused on Asia, it was also suggested that we clearly define a global vision for SE as we seek to link up with SE initiatives in other continents of the world. We are, after all, global citizens who are bound together by common challenges in our respective parts of the world, and it would be useful to establish a “world citizens network” and the suggestion for a SE website would be a first step to making this come about.

**9. Asian Values.** Even as we assert global citizenship, we also recognize that Asia is probably the most diverse continent on the globe, and at this point in time, is also acknowledged to be the new emerging focal point for the global economy and global community. Thus, Asia is expected to set the tone and the pace for the rest of the world in the coming century and beyond. There is much that the rest of the world can learn from us in Asia, and it is important to assert our distinct Asian values for solidarity economy (as suggested by Reiko Inoue of PARC, among others) in setting the tone for the rest of the global economy.

**10. Asian Forum 2009 & 2011.** The Stakeholders Assembly unanimously accepted the offer of Japan to host Asian Forum 2009, and the offer of India to host Asian Forum 2011. As we look forward to the next Asian Forum in 2009 to be held in Japan, it has been suggested that the next Forum be more than a sharing of experiences as this first Asian Forum has been, but also be more practical and more problem-solving in its approach. In doing this, the objective is to learn from both successes and failures. After all, the Learning Journey that has been our instrument for promoting SE is a journey that includes mistakes. We should not ignore those mistakes but in fact try to gain lessons from them, as much as from the success stories.

**11. Socially Responsible Workers.** It was also suggested that apart from socially responsible finance, investment and enterprise, we also consider adding another category of socially responsible workers. Workers, after all, are the other crucial stakeholder group in the economy, who are both key instruments and objects of whichever manner an economy is run. This idea may be considered as we plan for the next Asian Forum.

**12. Accelerating the Pace.** Everywhere in the world, the poor cannot wait. There are just too many victims of the “Unsolidarity Economy” that should make us realize that the solidarity economy must come about sooner rather than later. Thus we have to aspire for a shorter time frame, for faster movement towards solidarity economy. The journey must be taken on a faster-moving vehicle!

**13. Solidarity With The Earth.** Our friends from the real property development sector remind us that Solidarity Economy should go beyond solidarity among people from different sectors. We should also be conscious of the need for solidarity with Mother Earth. We need to remember that sustainability requires that whatever economic activities we do, and whatever manner we do them, must recognize the need to be acutely conscious of their environmental implications. In other words, “socially responsible” also means “environmentally responsible.”

**14. Role of Media.** It is quite significant that we have witnessed a concrete commitment made in this Forum by representatives of the mass media to help in advocacy for solidarity economy. They are critical in the effort to communicate the ways of solidarity economy and they would like to help propagate it to the wider public and to the movers and shakers of our societies. We hope to see even more media practitioners join us in this crusade as we journey on in our quest.

**15. Concrete Steps Forward.** Some suggestions have been made on other concrete steps we should take as we move on towards the next Asian Forum in 2009, namely:

Continue and sustain the learning journey in our respective countries, and in the process, establish and agree on **core principles** for socially responsible finance, investment and enterprise on an individual **country**

**basis**, inasmuch as certain differing circumstances among countries may require slight differences in these core principles.

Even as we seek core principles for each country, work towards achieving a set of working principles common to Asia as a whole. Produce country papers – one per country – to share experiences on what SE means in each sector in each country. Engage professionals (economists, social scientists) to write an authoritative book on SE to serve both as intellectual guide and inspiration for propagating the concept of SE.

### **Concluding Remarks**

This Asian Forum has given all of us participants the opportunity to hear about what others have been doing in pursuit of SE. Apart from initiatives that the Asian Forum Secretariat (i.e. CSRSME Asia) will be pushing based on suggestions and recommendations arising out of this Forum, we should all feel welcome to embark on our own initiatives as the Spirit may lead us – especially now that we have learned of other groups elsewhere whose work may have something to enhance what we are already doing in our own respective organizations in our own countries. Our only request is that as we embark on new initiatives (and new partnerships, perhaps) as inspired or catalyzed by this Forum, let us please keep the Asian Forum Secretariat informed about these, so that they can in turn spread the word to others. This dissemination of information on our respective learning journeys is important because:

There is value in getting comfort in the knowledge that we are not alone in doing work that may be unconventional in the eyes of many. There are lessons to learn from each other's experiences, which includes successes and failures. Through such information-sharing, we could learn about others elsewhere who may benefit from our own help.

The information sharing should facilitate a two-way sharing process, involving people who can help us, as well as those whom we can also help.

### **Closing Prayer**

Dr. Habito invited everyone to rise and join him in his short prayer.

*Father Almighty, we thank you for these past three days and the wisdom and goodwill that has flowed freely among us. We pray that You continue to provide us with WISDOM to know the right way to the Solidarity Economy that we aspire for; ENERGY to pursue these challenges in the face of many hurdles, trials, critics and skeptics along the journey; PASSION to pursue our goals with single-mindedness and dedication; PERSEVERANCE to persist in spite of setbacks and even failures along the way; and HUMILITY to accept that we cannot do these tasks on our own, but will need Your help, and the help of partners and individuals around us in our continuing journey. All this we pray, Amen.*

## NOTES

1 The author wishes to acknowledge with deep gratitude the speakers, facilitators, and rapporteurs of the Asian Forum for Solidarity Economy for their contributions to this report in terms of papers, powerpoints, and session reports. The funding support of the Charles Leopold Mayer Foundation for the Progress of Humankind (FPH) and the Canadian International Development Agency (CIDA) are also gratefully acknowledged. The views and opinions presented by the resource speakers do not necessarily reflect those of CSRSME Asia. The author claims responsibility for any error or omission that may be found in this report

2 The countries represented in the Asian Forum 2007 were: Australia, Bangladesh, Belgium, Brazil, Cambodia, Canada, China, East Timor, France, Ghana, India, Indonesia, Italy, Japan, Laos, Malaysia, Myanmar, Nepal, Netherlands, New Zealand, Sri Lanka, South Africa, Thailand, U.S.A, Vietnam, and the Philippines

3 Franck Renaudin could not attend the Asian Forum but Entrepreneurs du Monde sent a sizeable delegation that participated mainly in the Workshop on Socially Responsible Financing (Microfinance)

4 The eight pillars of society, as presented by Pastor Ed de Guzman, are: family, church, government, business and economy, education, science and technology, media and arts, entertainment and sports.

5 80% of Japan's top 100 publish a separate CSR report, the ratio as high as in the UK, according to 2005 KPMG survey. A survey of Keizai Doyukai (2005) also showed 23% of its 1324 corporate members published a CSR report (Sakuma 2007).

6 Argument of Dr. Naohiro Kitano of the Japan Bank for International Cooperation (JBIC), as quoted in Quiñones & Romulo, 2007.

7 CERISE is a network of development organizations based in Paris, France which support microfinance programs in developing countries. CERISE stands for “Comite’ d’Echanges de Reflexion et d’ information sur les Systemes d’Epargne-Credit”.

8 UNDP defines ‘sustainable development’ as a process which enables all people to realise their potential and to improve their quality of life in ways which protect and enhance the Earth’s life support systems.

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