



# **From Forced Growth to Sustainable Economy**

**Outi Hakkarainen et al. (2015)**





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# Welfare to the Heart of the Economy

**THE DECISIONS AND MEASURES** we take now will influence the living conditions of the next generations. There is no shortage of objectives. Global warming needs to be stopped. The use of natural resources must be reduced to correspond to the environmental capacity. Energy consumption needs to be curbed and fossil fuels replaced with renewable alternatives. Increasing inequalities have to be reversed and democracy strengthened both within states and the international community.

The international community should be able to guarantee a decent income for all people in the world and acknowledge that the richest people strain the Earth's carrying capacity considerably more than the others. It has been discovered that the damage caused to the environment by humans increases everywhere in parallel with an increase in income and property, but the experienced well-being ceases to increase after a certain income level has been reached.

People are aware that changes are necessary but opinions on their extent and the best implementation methods vary a lot. The economy has contributed to the problems of humanity and will also have a significant role in solving them. It cannot be regarded as a separate field of activity isolated from the rest of society.

The objective of sustainable economy is ambitious but not unattainable. However, changes are necessary in all levels and sectors of the economy.

This also calls for inclusive societies where decision-makers and citizens take long-term decisions together for the promotion of a sustainable economy. The economy should

be made fair and ecological, competition replaced with cooperation and the growth imperative with moderation. In addition to economic growth, the concept of growth imperative covers other imperatives that need to be questioned, such as those of capital production, increasing consumption and raising wages.

Decision-makers are certainly aware of the limited nature of natural resources and of increasing inequalities, but lot of more political will is needed to change societies towards a genuinely equal and ecologically sustainable economy.

This paper explains several concepts related to socially and ecologically sustainable economy. They include degrowth, economics of happiness, *vivir bien*, post-extractivism, commons and solidarity economy. It also presents specific examples from Finland, Mozambique, Nicaragua, Tanzania and Thailand, which especially involve initiatives for enhancing sustainable economic practices but also local communities' problems with foreign companies and national and local authorities.

Although this paper focuses on the economy, it also stresses the importance of guaranteeing adequate and equal social services and social income distribution mechanisms. The paper also calls for all people to participate in the joint effort for a sustainable economy and to require the same from their MPs and authorities. The economy is our common concern and we need to be able to discuss it without education in the field of economic theory or without mastering mathematical economic models.

# Liberation from the Growth Imperative

**ECONOMIC GROWTH** is widely regarded as a desirable objective in all sectors of society. It is believed that growth will decrease unemployment and poverty, improve the quality of life, increase resources for environmental protection, decrease income gaps, overcome economic crises or create conditions for sustainable public finances.

Actions which bring about economic growth can be either advantageous or disadvantageous to human and environmental well-being. Gross domestic product (GDP) does not account for income inequality or other harmful effects of growth, such as emissions.

Criticism of growth has, however, intensified. Numerous civil society actors, researchers, and economists have already since the 1970s been critical of the paradigm of growth in particular because of its adverse environmental impacts.

How important is liberation from the growth imperative to achieving a sustainable economy? In practice it is unnecessary to argue about growth or degrowth since neither does per se produce more well-being than the other or reveal more about income distribution or power relations influencing economy. Could economic growth or degrowth be used mainly as a statistical tool and nothing more?<sup>1</sup> We need to, first and foremost, examine what kind of well-being the economy generates, by what means and how equitably the outcome is distributed.

Furthermore, in reality different technical models used for predicting, for example, the long-term sustainability gap provide only weak guidelines. There are so many factors underpinning the economy that accurate predictions are impossible.<sup>2</sup>

Professor Peter A. Victor from the University of York has developed a macroeconomic simulation through which he seeks to prove that appropriate policy actions can decrease the GDP in Canada in a controlled manner so that the employment level remains reasonable, poverty is reduced and carbon dioxide emissions start declining.<sup>3</sup> However, the de-

growth paradigm includes various trends, some of which do not focus on the objective of economic degrowth or discussions on the role of GDP. Rather, their comprehensive goal is a society which has abandoned the growth imperative and focuses on the pursuit of ecological sustainability and social justice.

The degrowth movement has stirred the discussion on global justice by requesting the rich to give up economic growth so that the income of the poor could increase. Growth can also have a positive impact on the well-being of the poor, but this should not be sought through producing coal or oil, which both pollute the environment and cause climate change. Rich countries need to direct their social policy away from the pursuit of growth towards sustainable economic, social and ecological goals.

## Neoclassical and Keynesian Models of Economic Growth

The political debate on the economy is underpinned by numerous theories and schools. Two main trends exist: neoclassical and Keynesian theories. Both mainstreams believe in economic growth. The differences between them are particularly related to the methods of stimulating the economy to grow and the role of the state in economic policy.

To put it simply, neoclassical economics supports expenditure control, i.e. the tightening of public expenditure, and a limited role of the public sector in guiding the economy and investments. Keynesian economics, on the other hand, favours economic recovery through debt financing and an active role of the state in economic policy, as well as significant public investments. The objective is to maintain the consumption and investment demand on an adequate level to achieve a virtuous circle of growth and full utilisation of production capacity.

In principle, degrowth thinkers challenge both these paradigms, although after the financial crisis of 2008 some

1 See e.g. Eskelinen & Sorsa (2011), Eskelinen (2012)

2 See e.g. Patomäki (2015)

3 Victor (2008), Victor (2010), Victor (2012)

of them accepted temporary Keynesian measures in respect of investments in the well-being of citizens and production of green energy for preventing an increase in employment and promoting green recovery. However, to achieve a real degrowth society, society needs to go beyond Keynes. Serge Latouche from France and Tim Jackson from Great Britain call for an economy with a totally different logics of operation, arguing that modifications to the existing system only bring about cosmetic changes.<sup>4</sup>

Degrowth thinking has been criticised, for example, that it has not been able to provide credible ways of realising a degrowth economy in practice or a stable economy which ensures employment without a policy that stimulates the overall demand.<sup>5</sup> In any case, critical discussion on the direction of economic policy is necessary. So far nobody has a clear idea of how an economic system with a 130 times lower carbon intensity looks.<sup>6</sup> However, we should aim for it step by step.

### Economic Growth and Natural Resources

One of the key disputes in the ongoing debate is the relationship between economic growth and natural resources. The supporters of growth believe in the possibility of increasing the economy while reducing its adverse impact on the environment. This decoupling could be realised through eco-efficiency, for example by improving the energy intensity of products and promoting immaterial activities, including services. Decoupling can be either relative or absolute, i.e. emissions, climate change and environmental damage increase slower than GDP or they are reduced absolutely.<sup>7</sup>

Supporters of degrowth usually question the assumption that economic growth could be combined with environmental protection. The increase in efficiency has not even compensated for the population growth, not to mention the growth of wealth. The carbon intensity of production has decreased annually by 0.7 percent since 1990, the population has grown on average by 1.3 percent and GDP per capita by 1.4 percent.<sup>8</sup> Furthermore, even relative decoupling of production in the West is questionable since dirty work can be outsourced to China and other industrialising countries.<sup>9</sup>

A major obstacle to decoupling is what is known as a rebound effect: the more efficient use of resources in national economies is not translated into a decrease in use, meaning that, for example, a price reduction achieved through eco-efficiency increases demand. The inventing of a more efficient steam engine led to an increase in coal consumption.

4 See e.g. Martínez-Alier (2009), Jackson (2009), Latouche (2009), Schmelzer & Passadakis (2010)

5 Alaja (2011), Korkman (2012)

6 Alaja (2011), Jackson (2009)

7 See e.g. (UNEP 2011a), Schmelzer & Passadakis (2010)

8 Jackson (2009)

9 Turunen & Ulvila (2010)

## What is Degrowth?

**DEGROWTH** is both a concept and a social movement. It originates from ecological economics, social ecology and environmental activism.<sup>10</sup>

The degrowth movement started from France, where the concept of “décroissance” was launched already in 1979. The monthly magazine *La Décroissance* and the journal *Entropia* maintain a lively discussion on the topic, and a political party called *le Parti pour la Décroissance* provides an alternative for voters in elections. Furthermore, an institute called *Institut d’Etudes Economiques et Sociales pour la Décroissance Soutenable* produces critical information on growth.<sup>11</sup>

In Finland, environmental activists and researchers initiated discussion on degrowth in 2010. They established a degrowth movement operating through networks as well as a blog<sup>12</sup> and organised a conference “Growth in Transition” in Helsinki

Degrowth builds on the discussion on the limits of growth that started in the 1970s. The modern degrowth movement seeks to sharpen the focus of this criticism and also to extend it by focusing on the imperatives of growth and consumption that are driving the Western societies and by defeating the idea of a connection between growth and well-being.<sup>13</sup> The degrowth discussion also emphasises, for example, the politicisation of the naturalness of economic growth, change-readiness among citizens instead of consumerism and the desire to achieve more with less.<sup>14</sup>

Despite the implications of the word degrowth, the movement does not simply pursue for a reduction of GDP. The term is more about attracting attention. The movement is centred on decreasing the use of natural resources, which is assumed to lead to economic degrowth.

The degrowth thinking also comprises different trends whose priorities vary from, for example, decreasing consumption to reducing working time or to a radical social change.<sup>15</sup> For example, in the Finnish public discussion degrowth has all too often been depoliticised and defined as individual downshifting.<sup>16</sup>

10 See e.g. Turunen & Ulvila (2010), Martínez-Alier et al. (2010)

11 Alaja (2011)

12 [www.degrowth.fi](http://www.degrowth.fi)

13 Joutsenvirta et al. (2011)

14 van den Bergh (2010)

15 van den Bergh (2011)

16 See e.g. Korkman (2012)

# How to Measure Well-Being?

**IT IS GENERALLY KNOWN** that the concept of gross domestic product (GDP), which was created in the 1950s, measures economic growth and not human well-being. Neither does it account for the harm economic activities cause to the environment. Nevertheless, it has achieved a monopoly in the comparison of “well-being” and “progress” between states. It is also the main indicator used in the domestic policy of most countries, guiding their economic policy and budget decisions.

In other words, we have started to use the concept of GDP for assessing things for which it was not originally designed. Economic and social systems are controlled by signals which are not the most relevant ones in respect of the citizens' well-being. The monitoring tool has started to guide the politics.

In the 1970s various actors started to develop indicators which consider wider perspectives of human well-being. A second wave of development began at the turn of the millennium.<sup>17</sup> There is a growing awareness that human well-being does not increase along with economic growth and new indicators are needed apart from the GDP. According to research, a growth in consumption does not increase the experienced well-being after a certain limit.<sup>18</sup> In Finland well-being has also decreased since the beginning of the 1990s in spite of an increase in the GDP.<sup>19</sup> Nevertheless, new indicators have not been taken into account in decision-making.

The dilemma why very rich people are not happier than “only” wealthy people can be explained, for example, by a phenomenon known as a “hedonic treadmill”.<sup>20</sup> We do not compare our improved situation with the previous one but with the situation of those who have an equal income level. A higher income level may also mean, for example, long working days.<sup>21</sup> It is experiential things that create human well-being, such as family and other social relationships, active leisure time, self-realization, sense of security and the state of the environment.

Results of studies on well-being are controversial in terms of whether elements of well-being are universal or culture and region-specific. The truth probably lies somewhere in between. People have the same basic needs in respect of certain aspects of well-being, such as nutrition, but otherwise there may be several differences between and within cultures.

## New Indicators for Well-Being

International organisations, such as the OECD, the UN, the European Commission, political actors, universities and research institutes are developing their own indicators. International comparisons of well-being have also become more and more popular. The indicators can be classified into those correcting GDP and into non-monetary indicators. The first adjust the gross domestic product or national private consumption expenses so as to account for all activities which either increase or decrease well-being. In the second group well-being is usually proportioned to a fixed reference level, which can vary, for example, from 0 to 1 or from 0 to 100. Such indices may include numerous different indicators and coefficients, up to several hundreds.<sup>22</sup>

As regards the first group, the Genuine Progress Indicator GPI has become the most prominent one, measuring, as its name implies, progress that has genuinely taken place.<sup>23</sup> It is particularly suitable for describing long-term development trends. The indicator accounts for a diversity of environmental factors and also covers pretty well various social factors. The GPI does not include people's personal experiences of well-being. It illustrates the conditions society provides for a happy life.<sup>24</sup>

The best known indicator of the second group is the Human Development Index HDI of the UN Development Programme UNDP.<sup>25</sup> The index seeks to provide simple and accurate information on social well-being and the level of development as well as to bring education and health to the heart of international comparisons.

17 See e.g. Hoffrén (2011)

18 Costanza et al. (2009)

19 Hoffrén (2011)

20 Runciman 1966, quoted in Kahneman et al (2006), Dobelli 2013

21 Dobelli (2013)

22 Hoffrén (2011)

23 [www.genuineprogress.net](http://www.genuineprogress.net)

24 Hoffrén (2011)

25 [hdr.undp.org/en/content/human-development-index-hdi](http://hdr.undp.org/en/content/human-development-index-hdi)



This group also includes the Happy Planet Index HPI which emphasises the environment and was developed by the New Economics Foundation (NEF). Since its publication in 2006, the HPI has been used to measure how efficiently each country converts the limited resources of the Earth into well-being of its citizens. The index includes three components which are studied through questionnaires, i.e. life expectancy, experienced well-being and ecological footprint. The top-ranking countries in the newest comparison, published in 2012, were Costa Rica, the Dominican Republic and Jamaica. Finland is in place 70 due to its excessive ecological footprint.

Inequality undermines well-being. It is measured in particular with gini and palma coefficients. The gini coefficient indicates the share of income that should be redistributed for everybody to receive an equal share. The palma coefficient compares the income of the richest 10 percent with that of the poorest 40 percent. Recently inequality has also been introduced into the indicators for well-being. When the NEF published its results for 2012, it produced a ranking weighted with an inequality indicator in addition to its ordinary HPI ranking. According to a recent study by the OECD, inequality also undermines economic growth.<sup>26</sup> The more equal a country is after income redistribution, the faster and more sustainable its economic growth is.<sup>27</sup>

### Towards Well-Being Economy

Appropriate indicators are important tools in policy planning. It is difficult to guide development into a certain direction if we lack adequate assessment and monitoring tools. Manuel Barroso, the ex-President of the European Commission, has also stated that better indicators are needed, that we cannot measure future challenges with the tools from the past.<sup>28</sup> Finland also still has a great deal of room for improvement. It is common to justify political decisions with their assessed impacts on the GDP. It would be about time to start using other assessment methods for anticipating the impact of policy programmes.

All economic decision-making should aim at a situation where the decision does not only benefit the economic growth but also people and nature. This path requires a thorough and complete reform of our economic thinking and in particular of our assessment and monitoring tools.<sup>29</sup>

The international community has currently a unique opportunity of defining appropriate indicators for measuring sustainable well-being as the UN is drafting sustainable development goals (SDGs) from 2015 onwards. If there is enough political will, these universal goals could enhance global well-being and equality without forgetting the planetary boundaries.

26 OECD (2014)

27 Ostry, Berg & Tsangarides (2014)

28 Hoffrén & Tulokas (2008)

29 Hoffrén (2011)

## What is Economics of Happiness?

**THE COMMON OBJECTIVE** of the different forms of the economics of happiness is to define human happiness and general well-being as core economic goals. Also healthy environment is considered as an important foundation for human happiness.

Probably the best known example of national policy relying on the economics of happiness is from Bhutan. It has since the 1970s striven to build its society through emphasising mental and cultural well-being. The country questioned the limited nature of the GDP indicator and developed a Gross National Happiness index (GNH), which contains elements from Buddhism and the country's national tradition. In 2008 the objective of gross national happiness and the GNH indicator were written down in the Constitution of Bhutan.

Bhutan has also proposed a new development paradigm for the international community which would be based on the guiding principle of social happiness. This comprehensive development thinking would change our relationship with nature, reform the economy, transform our attitudes towards food and health and promote caring for others, altruism, inclusion and cooperation.<sup>30</sup>

However, there is still a lot to do in Bhutan to bring the ideal of the economics of happiness into people's everyday life. The country has been criticised, for example, for suppression of the nation's largest minority the Hindu Lhotshampa and for government's possibility to define GNH to suit their interests as the index depends on series of subjective judgments about well-being.

Another example of promoting economics of happiness is Local Futures – International Society for Ecology and Culture. It is dedicated to the revitalisation of cultural and biological diversity, and the strengthening of local communities and economies worldwide. Local Futures has produced popular documentary, the Economics of Happiness, and since 2012 has annually arranged an international conference on the economics of happiness.<sup>31</sup>

Local Futures' work is based on three decades of cooperation with local communities in Ladakh. This "Little Tibet" is located in the Indian Himalayas on the western edge of the Tibetan plateau. It is one of the highest and driest inhabited places on earth. For centuries Ladakh was home to a rich and self-sustaining culture before 'development' was brought to the region in the 1970's. The local economy was then undermined and cultural self-esteem eroded.

30 NDP Steering Committee and Secretariat (2013)

31 [www.localfutures.org](http://www.localfutures.org), see also Nordberg-Hodge (1991)



## What is Vivir Bien?

**THE IDEOLOGY** of the good life (*vivir bien* or *buen vivir*) has its roots in the combination of the cultural practices and world views of the indigenous peoples in the Andes and their political demands for land rights, autonomy and control over natural resources.<sup>32</sup> The desirable good life includes, in addition to the material basis, mental well-being as well as the well-being of the individual, community and nature. Society and nature are considered to be in close interaction from the local to the global level.

In today's world the ideology of the good life means, for example, pursuit for a solidarity-based economic system. It takes a critical stance towards the use of GDP as the indicator of well-being, the pursuit for economic growth in its own right and the linear concept of history according to which poor countries must follow the paths of production and consumption pointed out by the industrialised countries.<sup>33</sup>

The objectives of the good life were adopted into the post-colonial societal order of the countries in the region after the turn of the millennium. At that time indigenous peoples, small farmers and other marginalised groups, tired with increasing inequality, started to demand for a reform of biased power relations and economic policy favouring the elite.

They have managed to achieve a considerable change especially in Bolivia, where the indigenous peoples now presumably have more political leverage than ever before.<sup>34</sup> Evo Morales, who belongs to the indigenous people, became the President of Bolivia in January 2006, and in October 2014 he was elected for a third term.

In 2009 a new constitution was adopted for the country through referendum. Its drafting was not an easy process since the opposition and factions of the ruling party MAS (Movimiento al Socialismo) had varying views on pluricultural and multi-ethnic Bolivia and the contents of the constitution. However, the outcome was an act and supplementary policies which promote the status of indigenous peoples.<sup>35</sup>

The Constitution of Ecuador adopted in 2008 is also based on the principles of the good life. *Buen vivir* is written down as a key principle of the act from which several other rights are derived, such as the right to food, healthy environment, water, education, housing and health care. The Constitution of Ecuador also recognises rights of nature: nature should be protected for itself, not only for human well-being or because of damage caused by people. The Constitution of Bolivia does not include such a right. It also states that industrial exploitation of natural resources is a priority of the state, which some actors regard as contrary to the ideology of the good life (see page 20, What is "Post-Extractivism"?).<sup>36</sup>

A lot has already been achieved. For example, Bolivia has cut its dependence on the World Bank and the International Monetary Fund, directed proceeds from the natural resources industry to the state treasury, accumulated substantial foreign-exchange reserves and initiated social reform programmes. However, the change is inevitably slow when state structures rooted in the colonial history and practices are decolonised, i.e. inequalities defined by ethnic grounds are eliminated. The radical change of policies is something new even from the international perspective.<sup>37</sup> In summary, Bolivia is still searching for its direction in the ebbs and flows of strengthening the state, respecting the diversity of ethnic minorities and influence of international actors.<sup>38</sup>

Bolivia organised in April 2010 in Cochabamba an international World People's Conference on Climate Change and the Rights of Mother Earth. The summit proposed the Universal Declaration on the Rights of Mother Earth. The concept of *buen vivir* is widely used in different parts of the world. It is essentially dynamic and takes a distinctive shape in different contexts. Each language of the indigenous peoples in the Andes has a specific and partly different concept for good life.

32 Ranta (2013)

33 See e.g. Acosta (2010), Acosta (2013), Farah H. & Vasapollo (2011), Gudynas (2013)

34 Ranta (2013)

35 Ibid.

36 Gudynas (2011)

37 Ranta (2011), Ranta (2013)

38 Ranta (2014)

# Green Economy and the Earth's Carrying Capacity

**THE UNITED NATIONS** environment programme UNEP launched the concept of green economy in 2008. The green economy model aims at promoting human well-being and social equality as well as at reducing environmental risks. Its goal is a low-carbon, resource-efficient and socially inclusive economy.<sup>39</sup>

The new model of growth proposed by the UNEP was expected to bring important changes. It was hoped to solve the global recession and ecological crisis.

The green economy has given rise to various interpretations. Different attributes are often attached to it, such as an inclusive green economy that promotes employment, which is, for example, one of the priorities in Finland's Development Policy Programme.<sup>40</sup> Civil society activists and researchers have also defined their ideal visions of the green economy.<sup>41</sup>

The green economy is based on the concept of ecological modernisation. It believes in solving environmental issues without significant changes to the current course of modern life and economic system through increasing efficiency. Environmental and climate problems are solved in a growth-based market economy, while sustainability is guaranteed by means of efficient institutions and green technology.<sup>42</sup>

## The Financialisation of Nature

The green economy is criticised for its excessive growth orientation and insufficient efforts towards social justice. The UNEP has suggested that decoupling of natural resources and environmental damage would provide conditions for a sustainable economic model. At the same time, it recognises that so far we have not succeeded in implementing absolute decoupling (see page 6 on decoupling).

The monetary valuation of nature also divides opinion. The UNEP states that this is a means for protecting nature.

Different calculation mechanisms are being devised for defining a market value for environmental services, i.e. for the benefits ecosystems offer to humans. For forests it can be calculated using the timber market price or carbon sequestration capacity. Biodiversity banks can be used for compensating for the loss of biodiversity. For example, a wetlands habitat cleared for an infrastructure project can be compensated for by producing a similar habitat in another place. After basic commodities, such as food and land, have been priced, they can be traded as derivatives in the financial markets. In the European Union Emissions Trading System, trading takes place with calculated emission values.

A lot of criticism has been expressed against such systems. Cost-benefit models have been found to be socially inequitable since the market logics gives priority to the wishes of the wealthy over the wishes of the poor. Inequality has been observed in local communities because monetary rewarding produces winners and losers.<sup>43</sup> Pricing results in a situation where the proprietary rights to resources will be transferred over time from the local community to investors or wealthy individuals. Environmental commoditization means placing emphasis on market mechanisms instead of public regulation.<sup>44</sup>

Some large Western environmental organisations, such as the IUCN and the WWF, see potential in the green economy and look for points in common between it and their own objectives, while many organisations from the Global South are often more critical about the pricing of nature. The international community and well-financed international NGOs have been in the forefront of advocating the green economy for poor countries.<sup>45</sup>

Companies also have a key position in the green economic system. Green technology companies can be strengthened

39 UNEP (2011b)

40 Ministry for Foreign Affairs of Finland (2012)

41 Stoddart et al. (2012)

42 Costanza et al. (2013), Käkönen & Lounela (2011).

43 See an example from Thailand, pages 15–16.

44 Käkönen and Lounela (2011)

45 Bruun (2013), Käkönen & Lounela (2011)

by committing them to the objectives of green economy. Some of these companies have promoted the adoption of stricter emission standards to their own advantage. However, the overall success of the actors promoting the green economy has been weak in challenging the development model based on fossil fuels and industrial agriculture.<sup>46</sup>

### “Polluter Dictates”

More profound changes are necessary. The Earth Overshoot Day calculated by the Global Footprint Network was on 19 August 2014.<sup>47</sup> On that day our ecological footprint exceeded the Earth's annual capacity of producing renewable natural resources and absorbing greenhouse gas emissions from fossil fuels. Our debt for the future generations increases every year. Currently our demand for natural resources is already equivalent to that of 1.5 Earths. The figure would be nearly 3.5 if all people in the world had the same consumption level as the Finns.

In its present form “the green economy” does not ensure sustainable well-being for all of humanity.<sup>48</sup> Recently the ambition of the international community has, however, been decreasing. The United Nations Conference on Environment and Development held in Rio in 1992 agreed on a comprehensive list of goals in international environmental policy. Mainly the Montreal Protocol on halting ozone depletion has been implemented, while no real progress has been made in respect of the other goals. The Rio+20 Conference held in 2012 sought to find a broader coalition for a common agenda but the outcome was disappointing. The civil society forum organised in connection with the forum stated that

the “polluter pays” principle has been transformed into the “polluter dictates” principle.<sup>49</sup>

Continuous growth has a strong standing in the final act of Rio+20. It emphasises the necessity of growth as the source of justice, even though it is widely known that the benefits of growth are distributed more and more unequally. Ministerial Adviser Annika Lindblom from the Ministry of the Environment thinks that Rio+20 failed because ministers for economic affairs were not involved in it. She is also of the opinion that ministers for the environment and development could not give enough political prominence to the issue. She believes in an inclusive green economy as a global framework for development policy but admits that organising its content is problematic. For example, the governments of several developing countries regard the green economy as a threat to their countries' opportunities to develop and increase their economies according to their wishes.<sup>50</sup>

It would also be desirable to use local experiences as a source for models of action. Research results from Indonesia and Laos, for example, show that it is important to support projects that have been planned within communities. Lifestyles of local communities which exploit nature in a sustainable manner can provide a model for the consumption and exploitation of natural resources. Promotion of self-sufficiency could be a key to sustainable development in several areas.<sup>51</sup>

It is also important to remember that this is not a one-way or irreversible process, society is able to decide on its own commodities.<sup>52</sup>

46 Bruun (2013)

47 [www.footprintnetwork.org/en/index.php/GFN/page/earth\\_overshoot\\_day/](http://www.footprintnetwork.org/en/index.php/GFN/page/earth_overshoot_day/)

48 Costanza et al. (2013)

49 Bruun (2013), Costanza et al. (2013)

50 Hakkarainen (2013)

51 Käkönen & Lounela (2011)

52 Turunen & Wilén (2012)

## Critical Perspective from Mozambique on Green Economy

Daniel Ribeiro, Justiça Ambiental

**THE PLANET AND ITS PEOPLE** are facing ever-increasing global environmental and social crises, including energy, climate, environmental, food and financial crises. As a misguided reaction to such crises, the UNEP developed the concept of the green economy.

While it sounds appealing, with the inclusion of the word green, the reality of the green economy is very different. In simple terms, the green economy promotes new market mechanisms for the commodification and financialization of nature, life, and ecosystem services, by putting a price on the essential and free resources that plants, animals and ecosystems provide.

However, treating nature as capital carries the same risks and will most likely follow the same path that market driven systems have always followed, that of hyper-exploitation of the earth's resources and ever-increasing inequalities between and within nations, societies and peoples. How can one expect the approach and value system that caused the problem to be the solution? Wasn't it Einstein who famously said that the definition of insanity was doing the same thing and expecting a different result.

One of the fundamentals of the market driven system is that something has to have a monetary value for it to be valued by the system. The value systems of our societies and

cultures are far more complex and the monetary value is just one of the many value components that make up any given society. In the same way that diversity is vital for the well-being of nature, the diversity of value systems is vital for our equitable, just and sustainable future on the planet.

But even if we ignore this, there are still numerous problems in manipulating nature and its resources to fit this monetary/capital approach. For the “green economy” to work, it is necessary to identify the specific functions of ecosystems and biodiversity, but these are too complex for markets, so major simplifications are required to assign them monetary values. But not only is the science still weak, the simplification and transformation into tradable commodities is also heavily guided by economic interests and have very weak scientific bases.

Then one needs to evaluate their current status, which again is prone to political and economic interests, plus a body of work that is so large (especially in developing countries where very little data exists) that simplifications, assumptions and speculations will form the bulk of the evaluation. Further, one needs to set a limit beyond which they will cease to provide services, put a price on the cost of their conservation, which is vital for creating markets, set a monitoring system, and many other steps. All of this would require extensive data, research, and funds, and all of which are prone to manipulation, speculations and corruption.

However, even if the technical obstacles can be overcome, taking it from paper to practice opens a whole other can of worms, especially in poor countries. Here in Mozambique our elites are above the law and not controllable, so any market approach to nature will just add another area from which to plunder resources, hence the Mozambican government’s acceptance of the green economy without any deep analysis, public debate or local contextualization.

This leads us back to the question of whether we want to use the markets’ monetary value system as the foundation

for nature and humanity’s future. It further asserts the notion that one needs to sell it in order to save it, and reduces our options even further by relying on a system that has been continuously failing us, the capitalist market. We must be more holistic and find a solution that promotes peace, harmony, complementarity, solidarity, equality, collective well-being and many other values that are the true core of society’s value systems.

Unfortunately, the philosophy of capitalism is the dominant paradigm of the modern era and the monetary value system is the core value system of today’s global society, and the consequences of this and the crises created are clear for everyone to see. The problem is that capitalism requires continuous growth for it to survive, and this is the main driver in the promotion and interests in the green economy. As traditional markets slow down, new markets need to be created, and nature is the next big market to feed the ever-growing monster that has become capitalism.

It is true that policy makers have subscribed to the idea that a healthy environment and economic growth should be mutually supportive of each other. When this is possible then great, but often they are mutually exclusive and a difficult decision is required. But this decision within a market-based approach will always emphasise business over the environment and prioritise profit over people. It’s what history has shown us and it’s the way that markets and their rules function.

We cannot continue with a model that demands infinite growth on a finite planet. Our planet has limits and we need to find ways to live fairly, equitably, and peacefully within these limits. In order to do so we require fundamental structural change. Nature and ecosystems provide us with real models to find these changes. However, the green economy model is the opposite, it wants to take nature and its services into the inferno that has become our current market-based system.

# Pondering the Empty Economy in Thailand

Tove Selin, Kepa-Mekong

**HOW CAN THE DEPARTMENT STORES** in Bangkok survive with no customers? How can movie theatres run with just one or two people in the audience? How can luxury hotels and resorts survive at just 20 percent capacity? How can Bangkok be shut down for six weeks and demonstrators shut their business for eight months to stage demonstrations in the capital?<sup>53</sup>

These things have been on my mind in my first two years in Thailand. There seems to be lot of economic activity that looks useless and unproductive but are still kept going. They consume large amounts of natural resources, especially energy.

Three major malls in Bangkok use more energy, mainly for air conditioning, than is used in all of southern and north-eastern Thailand. People often visit the air-conditioned malls just to cool themselves down during the hot season; they are not interested to buy the big brand named items sold in the expensive stores.

One of these large malls, Siam Paragon, is a prime example of empty economy. It has expensive stores stocked with Gucci and other international brands but with no customers. There is also a reasonably priced food court in the basement and popular Cineplex upstairs, so the mall is full of people every day.

## Searching for Reasons

The question to which there seems to be no clear answer is why and how these empty economy activities are kept going? Why do not they go bankrupt? One can only wonder what the different answers might be.

One enabling factor at least for some section of the empty economy are the extremely low salaries of the sales persons, which may make even a less profitable business sufficiently

solvent. On the other hand, the department stores and malls, luxury hotels and resorts and movie theatres are often owned by tremendously rich people who do not need any extra profit to survive. In some cases there may be corruption or illicit trade in drugs or prostitution involved.

Another factor is that the Bangkok malls are merely showcases and the merchants make their profits elsewhere in the country<sup>54</sup>. For example, the big Thai retail company Central has 100 malls all around the country. It did not matter greatly when the Reds, i.e. left wing protestors torched one of them in Bangkok in 2010. Central rebuilt it, and made it even more luxurious, and recently opened a new one close to it called Embassy mall — also barely used.

Whatever the reasons for this situation, the undesirable reality is that more and more empty malls and hotels are being built while Bangkokians are crying out for more green space.

## Calculating Costs and Building Change

The empty economy is not empty in terms of cost. It imposes costs especially on nature, the climate and the people who lose their livelihoods and homes when a big mall, hotel, resort, dam or cash crop plantation comes along and displaces them.

How to stop the empty economy projects? One example in Thailand is an online campaign organisation Change.org<sup>55</sup> that has successfully opposed the building of another mall in Makkasan area in Bangkok, which was abandoned some years ago by State Railway of Thailand. Civil society organisations want to make it into a green space, and now the Bangkok Metropolitan Authority BMA is negotiating with them and the private sector on how to combine some new buildings with green space<sup>56</sup>.

53 Besides my own observations this text is based on discussion with local academics, businessmen and activists in 2013–2014 (including professor Marja-Leena Heikkilä-Horn from Mahidol University) and with several persons in the seminars organised by Mekong Energy and Ecology Network MEE Net in 2009–2014.

54 Mr Prasert, CEO of Suzuki Coffee Ltd, discussion on a trip to Doi Inthanon National Park 21.-23.2.2014

55 Change.org is an American NGO that works with local staff and concept in Thailand, Philippines, Indonesia, India and Japan in Asia. See [www.change.org](http://www.change.org).

56 Discussion with change.org Thailand coordinator Tul in 2013.

# Towards a World Free from Fossil Fuels

**THE WORLD'S POPULATION** and economic production started to increase when coal was harnessed as the source of power for industrialisation. Since then fossil energy and later on crude oil, in particular, have been the cornerstone of economic growth. Oil is used for the production and transportation of nearly all commodities.

Daily oil consumption is 89 million barrels. This means two litres per each inhabitant of the Earth, a Finn uses three times and a North American six times more than that.<sup>57</sup> The worldwide consumption of fossil fuels increases approximately by three percent every year, with China and India accounting for more than half of the increase.<sup>58</sup> It has been calculated that the known reserves of oil and natural gas will last over 40 years and those of coal over 100 years. Oil production has been estimated to start decreasing around 2020 and gas production in 2040.<sup>59</sup>

However, if we take climate change seriously these calculations do not matter as the majority of existing fossil fuels should be left untouched. Nearly 35 percent of global emissions are produced in the energy sector, and together with the emissions from the traffic the figure is 48.<sup>60</sup> Carbon dioxide emissions from fossil fuels covered nearly 80 percent of the increase in emissions between 1970 and 2010, while during 2010 and 2012 their emissions increased by 1 to 3 percent.<sup>61</sup>

## Curbing the Carbon Budget

The critical limit for global warming has often been defined as an increase of 2 degrees Celsius in the global average temperature as compared to the pre-industrial era, but even this means catastrophic consequences to several poor countries. If we are to achieve the objective of two degrees, the maximum amount of carbon dioxide that can be emitted into the atmosphere is 3,670 gigatons. This figure is known as the carbon budget. So far 1,900 gigatons of carbon dioxide

have been emitted into the atmosphere, and considering the effect of other gases warming the climate, there is still room for a good thousand gigatons.

Achieving the goal of staying below two degrees even with a probability of two-thirds means that more than two-thirds of the currently known reserves of fossil fuels should be left unused. According to an estimate by the Carbon Tracker Initiative, even four-fifths of the reserves owned by coal, oil and gas corporations and their investors should be left in the ground in order to achieve the objective of two degrees.<sup>62</sup> A study published in the Nature journal suggests that between 2010 and 2050, a third of oil reserves, half of gas reserves and 80 percent of coal reserves should be left unused.<sup>63</sup>

According to Finnish environmental activist and writer Risto Isomäki, the most significant political decision of this century is to choose a replacement for fossil fuels. No other issue will have an equally great impact on employment, wealth differences, distribution of income, social stability or the scope of operation of local communities in the future.<sup>64</sup>

From the perspective of poor countries it is important to secure energy supply and basic services for their citizens. Their production may first generate carbon dioxide emissions, while carbon neutrality should be the ultimate goal. Furthermore, all countries whose economy is focused on the export of fossil fuels should be supported to diversify their economy through development cooperation and climate financing, for example.

## Renewable Energy Sources and Decrease in Consumption

None of the renewable energy techniques alone can replace oil. There are naturally several options but it is difficult to organise energy production in a sustainable manner to satisfy the current level of consumption. Consumption must be decreased at the same time with the development of new

57 Murphy (2013), Partanen et al. (2013)

58 EIA (2013), Partanen et al. (2013)

59 Ruska et al. (2012)

60 Partanen et al. (2013)

61 IPCC (2014)

62 Carbon Tracker Initiative (2014)

63 McGlade & Ekins (2015)

64 Isomäki (2011)



energy sources. Several of these, such as solar panels, solar energy-based passive houses, wind energy and some production methods of liquid fuels, enable decentralised and self-sufficient energy production also in areas where electricity is currently unavailable.<sup>65</sup>

Biofuels may present a potential alternative, provided that they are produced in a sustainable and equitable manner; for instance, arable land crucial for human food security must be protected. All organic material can be processed into fuel relatively easily. Suitable materials include field and oil crops, trees in different forms and waste from food industry and agriculture. Their use would also decrease carbon dioxide emissions by diminishing unnecessary burning of biomass.<sup>66</sup>

However, for example well known Nigerian environmental activist Nnimmo Bassey argues that it is not possible to have sustainable biofuels as whether with first generation methods or through the use of cellulose, biomass or even by synthetic biology, the raw material and sometimes land

requirements render biofuels unsustainable.<sup>67</sup>

In some countries geothermal energy is a good energy supplement. Wide sea areas in Asia could provide sea wind energy, and solar energy could be utilised to a lot greater extent than today. India, which currently produces 3,000 megawatts by means of solar energy in a year, is planning to increase the annual production to 5,000 megawatts. This plan will also increase employment as producing one megawatt requires on average 20 employees for cleaning and manual directing of panels.<sup>68</sup>

However, a sufficient change is not possible without a strong political will. Less than hundred companies in the fossil energy sector and cement industry account for 63 per cent of all carbon dioxide and methane emissions between 1854 and 2010.<sup>69</sup> These and other actors in the fossil fuel industry annually spend a total of 213 million US dollars lobbying at the EU and in the United States, which is considerably more than half a million dollars a day.<sup>70</sup>

65 Murphy (2013)

66 See Isomäki (2009), Isomäki (2011), Murphy (2013), Partanen et al. (2013)

67 Bassey (2015)

68 Isomäki (2015)

69 Heede (2013)

70 Oxfam (2014a)

## Vital Local Energy Economy in Thailand

Nattawat Theeralertham, Kepa-Mekong

**THAILAND IS AN AGRICULTURAL COUNTRY** where biomass energy is an excellent way to create value from the large volumes of agricultural waste. Encouraged by the government, many biomass power plants are being built across the country. A power plant can contribute significantly to a local economy in terms of energy security, job creation, new business opportunities, and tax revenue. Yet, there are also many harmful side effects, particularly for local communities.

The prime beneficiaries for power plants are owners and investors. Because of the great initial investments required, only large companies can build biomass power plants. In the case of local firms, the owners are often those who already own rice mills and sugar factories. Thai legislation requires that any power plant exceeding 10 MW must undergo an Environment Impact Assessment (EIA). In order to avoid this, cunning investors often limit the capacity of each of their power plant to between 9,5–9,9 MW.

If correctly managed, a power plant can bring about many benefits to local communities. They may gain by selling agricultural waste such as sugarcane bagasse and rice husk to the power plant or find employment at the plant. The Thai economy profits from increased tax revenue and improved energy security.

In spite of the clear gains, local communities are losing out the most. Numerous plants have been built without consulting villagers. Rivers have been contaminated and locals are now forced to pay for drinking water. Many have suffered due to dust, noise and odor. Children have developed allergies. In addition, while there is more money flowing into the local economy, people are now divided into those supporting and those opposing the power plants. The leader of Kok Ta Baeng village portrays the sentiments of many communities: "They cannot relocate the power plant because they have invested over 3,000–4,000 million baht (73–98 million Euros) in it. But we also cannot relocate our community because we have lived here for more than 100 years". Kok Ta Baeng and the surrounding villagers are now petitioning the power plant owner and related authorities to address the issue.

NET Foundation, Kepa's local partner in Thailand, has studied how to minimise the damage and maximise the benefits for all stakeholders. It has analyzed various conflict cases and proposed guiding principles to be applied to all biomass power plant projects. First, it is essential to ensure the participation of the whole community at all stages and to create ownership for the locals. Second, it is also important to make a comprehensive area assessment starting from



raw material to residue disposal and to assess both actual as well as potential impacts. Finally, the foundation encourages close cooperation between investors, local communities, local authorities, and academia.

Based on these guiding principles, NET Foundation is now working with local communities and analysing their area potential to establish a “community-based power plant” that would be owned or operated by the local community.

Partial ownership with a fair distribution of benefits is also an option as long as the community maintains control over the activities of the plant. Optimally, a power plant could thus bring about economic well being for local communities while also yielding a strong and sustainable return on investment. We hope that this is a beginning toward a sustainable paradigm for the local energy economy.

## Palm Oil Production Causes Contradictions in Nicaragua

Minna Kuivalainen, Kepa-Nicaragua

**LIKE MANY OTHER COUNTRIES** in the global South, Nicaragua is rapidly increasing its production of palm oil. The Central American Agricultural Policy for 2008–2017 asserts palm oil production as an initiative to produce renewable energy and generate employment in rural areas, in all cases when the production does not compromise food production or food security. Based on this regional alignment, the Nicaraguan government declared an interest in palm oil production as a strategy to promote development, it defined the country's Atlantic coast containing two million hectares of land suitable for palm oil production, due to its tropical climate, abundant rains, and mildly acid soil.

### Kukra Hill Experience Calls for Changes to National Policies

The municipality of Kukra Hill is one of the first areas in Nicaragua where palm oil production has been experimented with already since the 1980s. Nowadays it contains the country's largest stretches of land destined for palm oil production, reaching up to 12,000 hectares in size. The impact on the land use has been huge, as land previously used for food production and forests have been cleared for palm oil production. Production is divided between two companies. The largest company operating in the region, Kukra Development Corporation, is dedicated to oil palm production while Rio Escondido concentrates on the process of extracting the oil from the palm fruit.

Palm oil production and plantations in Kukra Hill have led to a series of environmental and social problems. Vast monocultivations in general, palm oil production included, create environmental and social problems at least in three ways: (1) environmental problems mainly due to the use of fertilisers and pesticides, (2) problems involving land rights and land tenure, and (3) problems related to the loss of biodiversity loss and implications of climate change.

To maximise yield and economic gain, mono-cultivations require the continuous use of herbicides and pesticides. Palms are grown in wet soil, and so fertilisers and pesticides drain into

water sources and ground water, affecting the water supplies of local communities. The inadequate treatment of wastewater from the oil extraction process further contributes to the contamination of the local water sources. In Kukra Hill, the local communities have reported the death of fish and farm animals and prevalence of diseases in human beings, such as diarrhoea, irritation of skin and allergies.

Moreover, the yields of crops and fruit cultivated for subsistence have reportedly decreased year after year. Local authorities seem to be indifferent to these problems, mainly due to their own economic interests. Representatives of the local communities have submitted a number of complaints to local and regional authorities about the observed problems, but with no response.

Palm oil production expands in two ways. A palm oil company either buys land from farmers interested in selling, or farmers decide to cultivate oil palm in their land, selling the fruit to the oil producing company. Both strategies have turned out to be problematic for local communities. Often, local small-scale farmers find themselves in a position where they have no other option than to sell their land due to diminishing returns on traditional subsistence crop cultivation and livestock. While cultivations expanded, several communities found themselves land-locked within the palm plantations, further exacerbating the problems of these communities.

The alternatives seem to be to switch to palm cultivation, take a low paid job at the palm oil company, or to migrate. Thus, one of the outcomes is more displaced people who may have problems making a living outside their traditional occupations. It is also unclear whether those who voluntarily switch to independent small scale palm cultivation receive enough gains to support a family, as they are forced to buy the food and other items they need to survive. Finally, as the Atlantic Coast has a high proportion of land demarcated as indigenous territories, the expansion strategies of Kukra Development Corporation have led to disputes between the

company and indigenous groups.

Increased government regulation is needed to minimise the impact of palm oil production on local communities and to provide alternatives for affected populations. Current sanctions against breaching the law and standards are too low to function as incentives that regulate production. Moreover, local authorities often lack resources to monitor the situation in their jurisdictions. The government preference for promoting foreign investment at the expense of sustainable local development is evident, and unfortunately we see problems similar to those observed in Kukra Hill are repeated in other areas where the oil palm cultivation has expanded.

# Growing Extractive Industry Challenges Sustainable Economy

**MINERALS AND OTHER NATURAL RESOURCES** have been available for humans in vast amounts for centuries. They have, through the ages, aroused great passions, provided prosperity and constituted a key element of the economy. Their use has also meant considerable energy consumption, environmental problems, social injustice, human rights violations, corruption, violence, conflicts, war and crime.<sup>71</sup>

Examples of internationally known cases that have been going on for decades are conflicts and wars related to the exploitation of mineral deposits in the Democratic Republic of the Congo, where other countries have also been dubiously involved,<sup>72</sup> and human rights violations against the Ogoni people in Nigeria through the exploitation of oil deposits in their lands. All waterways in the Ogoni land have been polluted by oil and their cleaning can take up to 30 years.<sup>73</sup> In January 2015 the oil company Shell announced that it agrees to pay over 70 million Euros of damages to the fishers and local village community in the area for the damage caused by oil pipeline leakages. This way the company will avoid an awkward trial. The amount of damages has been estimated to be the highest individual amount ever paid for environmental damage. Nevertheless, it is only a symbolic compensation for the environmental murder and loss of livelihoods for several generations the company has caused through its actions.<sup>74</sup>

## Increase of Problems and Demand

The situation is difficult and controversial. The demand, for example, for minerals is increasing at an enormous rate, even though the international community is increasingly aware of the environmental and climate impacts of mining and quarrying, in particular, as well as of the difficulties in securing the energy for these activities. China, India, Brazil and other rising economies, in particular, have increasing

needs for minerals. The mining industry is more extensive and growing faster than most of us understand. This is not only about individual destroyed areas or limited pollution, but the adverse impacts of mining can be felt in anybody's habitat anywhere in the world. Mining is already the most significant individual reason for land grabbing and constitutes a remarkable threat for several indigenous peoples, farmers, local food production, water resources, forests, biodiversity and critical ecosystems.<sup>75</sup>

It is common that extractive industry pollutes the human living environment and that companies and authorities remove local people to areas with more difficult conditions for livelihood to make room for extractions and refuse to pay the promised compensation. If people revolt, the authorities often ignore their demands, arrest them and destroy their livelihoods and houses. Kepa's partner organisations, for example, have reported on such cases from Nicaragua and Mozambique (see pages 21–22, 24–26).<sup>76</sup>

The international community is navigating choppy waters. On the one hand, states and companies are seeking, together and separately, to make mining more ecologically and socially sustainable, while on the other hand they try to secure their own mineral supply. This results in a compromise which is also reflected in the international debate on sustainable development. Minerals are considered necessary for the modern lifestyle, which means that instead of significantly reducing consumption, actors try to solve problems by improving the prevailing practices, such as by taking into account the impact of the whole life-cycle of production, increasing transparency, accountability and participation, raising awareness of cross-border impacts, promoting sustainable practices in mining in the development countries and in middle income countries and by restoring polluted areas.

71 See e.g. Bardi (2014), Sibhaud (2012)

72 Basseby (2014)

73 UNEP (2011c), <http://www.maanystavat.fi/oil/charity.htm>

74 Johansson (2015)

75 Sibaud (2012)

76 Centro Humboldt (2013), [www.humboldt.org.ni/](http://www.humboldt.org.ni/), [www.foei.org/news/foe-mozambiquejusticia-ambiental/](http://www.foei.org/news/foe-mozambiquejusticia-ambiental/)

Regardless of the progress achieved after the World Summit on Sustainable Development held in Johannesburg in 2002, mining still has adverse social and environmental impacts and its economic advantages to the producer countries have been found out to be limited in several cases.<sup>77</sup> Furthermore, tax avoidance and evasion, secrecy and corruption are still largely associated with the natural resources sector. For example, the Tanzanian Parliament is not even allowed to see the investment contracts which the Ministry of Energy and Minerals concludes with companies in the gas sector. Companies are often also given tax concessions. In Tanzania, the standard tax legislation does not apply at all to the natural resources sector.<sup>78</sup> Many environmental activists argue that mining cannot be done in any circumstances sustainably<sup>79</sup>.

### Current Regulations Inadequate

The Extractive Industries Transparency Initiative (EITI), which is based on voluntary participation, has since 2002 investigated cash flows in mining. Its member states report to the EITI the payments companies have made to them. The same is done by the companies operating in the member states. EITI has 48 member states, out of which 37 have submitted reports to it. The member states include mainly low income countries. Among the OECD countries Norway has a member status and Great Britain and the United States are candidate countries.<sup>80</sup>

Among international NGOs the Revenue Watch International and Tax Justice Network consider the EITI initiative good in principle, but also partly inadequate. Reports lag several years behind and are sometimes very limited. The organisations think that the EITI has managed to increase transparency in mining, but it would have a greater impact if its reports were discussed more widely and if cooperation with the civil society were better (see pages 22–23 on EITI in Mozambique). The organisations also remind that voluntary solutions are only steps towards more ambitious and permanent decisions that promote openness and tax justice.<sup>81</sup>

During recent years the EU and the United States have imposed an obligation on companies in the natural resources sector to provide country-by-country reports on cash flows paid to the state. The legislation concerning companies from the EU countries will enter into force at the beginning

of 2016. It is currently debated whether the reporting obligations should be extended to cover the companies' tax records. Another important step forward is the "Ruggie principles", which are the first comprehensive guiding principles by the UN on business and human rights. An evaluation on the implementation and near future of the MMSD initiative in the private sector (Mining, Minerals and Sustainable Development) also discusses the Ruggie principles and argues that inadequate financing of small-scale mining, for example, constitutes a challenge. Companies are still developing a comprehensive approach, and the strengthening of state capacities has been limited.<sup>82</sup>

It is a fact that current actions are by no means adequate if we aim at securing livelihood to all people, guaranteeing environmental well-being and preventing climate change. We are far away from the ideal of ecologically and socially sustainable natural resource management as shown also by the following cases from different countries. To achieve this we need to leave a greater part of natural resources untouched, especially fossil energy sources. This naturally means remarkable lifestyle changes for those who consume more than their share of the Earth's natural resources. On the other hand, it would restore a basis for a dignified life for those who now suffer due to extractive industries.

### Where Could We Start the Necessary Change?

First of all, we can consume less. We can also more firmly request our governments to act in an ecologically and socially sustainable manner and to regulate the operation of companies. Governments should obligate companies to provide more accurate and country-by-country financial statements and prevent them from transferring profits to low-taxation countries through exploiting accounting rules and using tax havens. We can monitor the environmental impacts of mining more closely, criminalise the mining of certain minerals altogether and support production based on recycling. Metals are non-renewable but durable natural resources: they can be recycled forever without their properties weakening. Recycling decreases the amount of waste and saves both energy and nature. Recycling is economically profitable since metal processing utilising recycled raw materials saves 60 to 95 percent of energy, depending on the metal type.

77 See e.g. the Economic and Social Council (2010)

78 See e.g. ANGONET and Kepa (2013)

79 Basse (2015)

80 [www.eiti.org](http://www.eiti.org)

81 [www.revenuewatch.org/issues/eiti](http://www.revenuewatch.org/issues/eiti); [www.taxjustice.net/](http://www.taxjustice.net/); Kepa (2012)

82 Buxton (2012), see also Buxton (2013)

## What is Post-Extractivism?

**EXTRACTIVISM** refers to an economic model where natural resources are exploited maximally. This model has been used widely in Latin America. Extractivism covers any questionable “extraction” of benefits, regardless of whether it concerns oil, minerals, agricultural plants, forestry, fishing or collection of protection money in organised crime.<sup>83</sup>

Neo-extractivism refers to newer developments in the mining economy in certain Latin American countries, such as Bolivia, Ecuador and Venezuela. There the government has taken a more active role in the mining sector and regulates the operation of multi-national companies, repatriates income from minerals to the state treasury and allocates them to social purposes, such as social services.

Supporters of post-extractivism also challenge this new version since they, for example, consider it too paternalistic in relation to local communities. Furthermore, production is too heavily export-oriented and neo-extractivism is as harmful to the environment as its predecessor.

Post-extractivism seeks to present an alternative view of the development of Latin American societies in a situation where natural resources are limited, nature needs to be protected and alternatives have to be developed for the prevailing trend. Post-extractivism does not aim at stopping mining but seeks to reduce its scale considerably and decouple it from the satisfaction of global needs. Its goal is a diversified economy where poverty is eliminated through new employment and fiscal policies. An idea is to break the circle of specialised exploitation of natural resources and eliminate damage caused by this kind of mining to the environment and societies.<sup>84</sup>

The concept of post-extractivism has also taken root in Africa.<sup>85</sup> Getrude Chimange from Zimbabwe, a representative of the Justice and Peace Commission, said in her speech at the Degrowth Conference in Leipzig in autumn 2014 that criticism against unlimited growth would also be highly welcome in the Global South. She thought that it could help to prevent mining companies from invading local communities.

83 Several discussions at the Degrowth Conference in Leipzig between 2 and 6 September 2014.

84 Aguilar (2012), Gudynas (2011)

85 In respect of Africa see e.g. WoMin (2013)

## Talvivaara Mine and Problems of Finnish Mining Act

Otto Bruun, the Finnish Association for Nature Conservation

**DURING THE PAST FIVE YEARS** the metal mining boom in Finland has taken nearly everybody by surprise. Decision-makers, mining sector operators and environmental authorities have all been taken aback. The boom also came as a surprise to many local residents, who were to face a circle of temporary lay-offs and discharges into near-by lakes instead of promised jobs.

The Talvivaara mine produces nickel, cobalt, zinc and, if permitted, also uranium in the future. The “new generation” mine employing the dissolution technique was established in the province of Kainuu at the end of last decade. The area had suffered from a high unemployment rate and the mine was supposed to save the region. Jobs were promised for decades to come. The innovative bio-dissolution technique was hoped to be an energy-efficient and environment friendly process representing the future of mining technology in the

world of fewer and fewer mineral deposits. As a result of promising test dissolutions, the operation was quickly extended to cover a mining area of over 50 square kilometres. Mining activity started at Talvivaara in 2009. Three years later a leakage from a gypsum pond caused a considerable water system discharge containing heavy metals. Several dangerous situations had already taken place at Talvivaara; for example, massive salty sulphide discharges had occurred from the mine. Since 2010 the volume of excessive waste water in the mine area has amounted to millions of cubic litres, i.e. billions of litres. At the time of writing this article, the future of the Talvivaara mine depends on new investors. Repeated disappointments in production and environmental problems have forced the mining company to bankruptcy. Considering the extent of environmental problems, the supervisory authority has been endlessly understand-

ing and flexible. Between 2007 and 2011 the Centre for Economic Development in Kainuu addressed 52 complaint notes to the Talvivaara mine and 12 requests to take more effective measures. For example, the Chancellor of Justice and investigators at the Ministry of the Environment were of the opinion that supervision should have been stricter and cumulative impacts of the discharges should have been considered more carefully. Apart from supervision, the guiding policy was also naively in favour of the mine. The Ministry of Employment and the Economy did not waste time in promoting the operating conditions for the mining sector. For example, the minerals strategy of 2012 states that all profitable mining projects should be launched immediately and the excavation amounts should be increased from four million tons in 2007 to approximately 70 million tons by 2020. Consequently, barely profitable mines were established to combat the effects of the economic cycle while compromising on environmental investments. Environmental permits have occasionally been violated without any consequences, and permits have been granted without properly understanding the risks associated with mining chemicals and processes.

The current legislation is part of the problem. Mining companies have very extensive rights to exploit mineral deposits both under the old and the new mining act, effective since 2011. The new act slightly improves the right of municipalities in relation to uranium mines but new mining

projects are even now feasible in Eastern and Northern Finland because the act is still based on the natural resources right. This means that mining companies can obtain operating permits for their mining projects without consulting the local land owners about their wishes and without taking into account adverse effects on the tourism industry and reindeer herding. In summary, respect for the rights of land owners is a problem both in the Global South and in the North. In 2013 Finland had 13 operating metal mines and 30 industrial mineral mines. According to the Ministry of Employment and the Economy, the sector employs 5,000 people. Several small Finnish mines in the towns of Raahe, Orivesi and Sodankylä, for example, have had similar water management problems as the Talvivaara mine, although on a smaller scale. Mines with several social and ecological problems are being established in Finland. The problems associated with mines are often ignored by noting that the alternative is to rely on irresponsible mining in conflict areas in the Democratic Republic of the Congo. However, at the same time very little is done to search for and develop alternative solutions so as to, for example, promote recycling of metals and improve recyclability of metal-containing products. Mining can be made responsible only if we manage to reduce the worldwide demand for minerals, strengthen the environmental requirements of the sector and solve issues related to land rights in an equitable manner.

## A Common Mining Story from Nicaragua – Government and Companies Override Community

Minna Kuivalainen, Kepa-Nicaragua

**SMALL-SCALE GOLD MINING** has existed in Nicaragua for decades, but with the increase in the price of gold in recent years, we have seen an increase in the areas granted for mining concessions. In 2009, about 6 percent (7,681 square kilometres) of national territory was under exploration. By August 2014, this had increased to just over 11 percent (14,703 square kilometres).<sup>86</sup>

The vast areas granted for exploration and increasing number of active excavation projects have not translated into direct benefits for Nicaragua. While gold is one of the most important export products, metallic mining contributed to around 3 percent of GDP in 2013<sup>87</sup>, and according to official statistics, 4,700 formal jobs were created<sup>88</sup>. It is estimated that when we include informal jobs the mining

sector employs 19,000 people out of the total labour force of 3.2 million people<sup>89</sup>.

### Unequal Sharing of Consequences

Investors are mainly foreign companies operating under tax exception, and jobs created are temporary or informal. Mining also tends to have alarming environmental impacts. Most mines operate on short-term bases, conducting extractive activities for some 10 to 20 years, and leaving behind environmental damage and destruction to local ways of life.

The most common environmental problems are contamination of water and soil due from cyanide and mercury used in the separation process, and the extracted material contains heavy metals such as aluminium, lead, cadmium,

86 Ministerio de energía y minas de Nicaragua (2009), (2014)

87 Banco Central de Nicaragua (2013b)

88 Banco Central de Nicaragua (2013a)

89 Banco Central de Nicaragua (2013b)



magnesium and copper. The water and material leftovers are most often not treated adequately and they drain into local water sources, affecting people and animals. Other impacts include dust that produces allergies, asthma and skin irritation in people living near to mines. Deforestation and loss of biodiversity are also commonplace. There is rarely any adequate treatment of waste carried out when a mine is closed. Contamination may last for decades.

### Community Perspective and Resistance

The jobs offered in the mining sector do not benefit local communities, since labour that is more skilled tends to be hired. Moreover, short-term contracts, from one to three months, are usual so companies can avoid paying social benefits, such as health care and holidays.

Many communities do not welcome new mining projects in their area. Nicaraguan law requires that there are public consultations before any concessions are granted, yet this rarely happens in practice. Mostly, local people become aware of new mining initiatives when the drilling of the first exploratory shafts starts. There has been strong opposition in some municipalities to excavations.

Rancho Grande, in northern Nicaragua, is one of the municipalities where the local community has taken a stance against the initiation of mining activities. The area is dedicated to agriculture, its main sources of income being cocoa and different types of fruit. A mining concession was granted in 2004 to Minerales de Nicaragua, a subsidiary of the Canadian Be2Gold, and after an exploration period it was decided in 2011 that an opencast goldmine would be installed in the area.

Despite the active promotion of the supposed benefits of mining by the company, most of the community, including social movements and members of the church, opposed the opening of the mine. The main objection was the lack of transparency, both by the company and local and national authorities. To date, the terms, conditions and size of the concession have not been made public. There has been no environmental impact assessment published to evaluate the potential environmental and social implications of the planned mine. Access to public information is inevitable in order to evaluate the real impacts of the mine on local production, and on the quality of water and soil.

People know from previous experience that hardly any benefits will remain in the community. Several demonstrations have been organised against the company, the biggest of which had over 1,800 people. Independent studies have been made on potential environmental effects in the absence of official impact analysis. A legal complaint was submitted to environmental authorities. Information is being shared with the local population to enable people to make informed decisions about whether or not mining is a suitable activity for their community.

Gold is mainly produced for investment purposes, such as gold bars, that are prone to speculation. It is also used for jewellery and other luxury goods in line with Western-style over-consumption, though nowadays the main demand comes from India, China and USA. This overconsumption and the resulting increased demand have a direct impact on the living conditions of people in developing countries, who are the main producers of gold.

## Mozambique and the Extractive Industries Transparency Initiative – A Civil Society Perspective

Mário Machimbene, Kepa-Mozambique

**MOZAMBIQUE** has been called an excellent example for why the Extractive Industries Transparency Initiative (EITI) is needed<sup>90</sup>. The country could resist the resource curse and develop its energy and mining sectors to benefit its citizens. It is a newcomer to the energy sector and its mining sector has only recently started to grow significantly.

Mozambique is at the crossroads. 2011 in particular has been labelled as a turning point. Extensive off-shore natural gas reserves was discovered and an overseas shipment of 35,000 tonnes of coal left from the port of Beira. It was the

first overseas coal export in 20 years. The mining sector's share in GDP is expected to increase. The government is hoping that it will be 12 percent in 2015, six times greater than in 2012. Annual coal production is estimated to reach over 100 million tonnes, up from under 40,000 tonnes over the past decade. Mozambique's commercially viable mineral resources are coal, titanium, tantalum, graphite.<sup>91</sup>

Mozambican civil society actors were pro-active in advocating for transparency and accountability in the extractive sector even before the government joined the EITI in 2009.

90 Transparency International (2013)

91 See, for example, AfDB, OECD, UNDP and UNECA (2012), (2013), (2014), KPMG (2012)



They perceived the EITI commitment as a unique opportunity for civil society to play a role not only in positively influencing natural resources governance but to tackle the lack of transparency, misuse of public resources, corruption and limited access to information. There is a lot to be improved in a country that rates 36.7 points out of 100 in an accountability index<sup>92</sup>.

Mozambique received compliance status in 2012 which means meeting all EITI requirements. It will publish its fifth EITI report in 2015. Besides production data and revenue allocations of the extractive industries EITI reports cover contextual information such as legal framework and fiscal regime, and include an overview of the extractive industries and their contribution to the economy, state participation in the extractive industries, and sustainability of revenues.<sup>93</sup>

### Civil Society Experiences and Achievements<sup>94</sup>

The implementation of the EITI was initially characterised by a lack of trust between civil society and government. Civil society actors found that the EITI authorities were not prepared for effective civil society participation but would merely tolerate it to legitimise the process. The government accused civil society actors for leaking information under discussion. Civil society actors claimed that it was a way to speak out as most of their views and proposals were not being taken into consideration and citizens needed to know the process. However, the relationship has improved during the process, although many differences about the implementation of the EITI remain.

One resolved dilemma was the nomination of civil society members to the coordinating committee (Multi-Stakeholder Group, MSG), which consists of a president and a coordinator from the Ministry of Mineral Resources and four members each from government, extractive companies and civil society. The government first influenced the selection of the civil society representatives without respecting the EITI requirement on each stakeholder group's independence to appoint its representatives. Civil society actors were able to influence the issue and all four civil society representatives will be elected by the Platform of Civil Society for Natural Resources and Extractive Industries which was formed in 2009. It now has more than 35 member organisations from different parts of the country.

Civil society actors have analysed the EITI reports, and several of their concerns have been included in the reports of Mozambique. The government is also gradually publishing contracts signed by the government and companies in the mining and petroleum sectors, and the corporate social responsibility policy towards the extractive minerals industry has been approved and published.

The mining and petroleum laws as well as respective fiscal laws were approved in 2014. The sector laws are already in force and the government is in regulation process. Fiscal laws came into force in January 2015. The mining laws introduce significant changes in the mandates of key institutions in the sector, transparency and monitoring, and in maximizing the benefits within Mozambique and concerning the rights of affected communities.<sup>95</sup>

However, these sector laws may mean increased corruption in the extractive sector if appropriate policies and institutions and local industry capacity are lacking. The laws expand so called "local content" obligations, meaning that companies providing services to extractive sector operations must be associated with Mozambican companies. However, to have the desired effect the above-mentioned conditions are needed and if they do not exist, local content obligations may do more harm than good. This has been seen in countries like Nigeria and Angola where the obligations have resulted in creation of local "post-box companies". Little attention has been paid to this risk in Mozambique.<sup>96</sup> This issue is, however, related to the civil society demand that the EITI should be a forum for broader changes to improve the management of natural resources for development.

Civil society actors also claim that the EITI related reforms should cover issues such as how the funds from the extractive industry are being used, the relationship between extractive exploitation and other economic and social activities, the environmental impacts, and the impact on people's lives<sup>97</sup>. The fact is that the mega-projects and added competitiveness provided by infrastructure development, the impact on poverty reduction has been minimal.<sup>98</sup> Hence, the following article on the local communities' experiences in Tete province with the foreign companies, especially Brazilian Vale, and the national and local authorities show that there is a lot to be done to get the natural resources to serve all of Mozambican society.

92 Ibrahim Index of African Governance (IIAG) (2014)  
<http://www.moibrahimfoundation.org/interact/#srl;root>

93 Information on EITI reports at [www.eiti.org/eiti/requirements](http://www.eiti.org/eiti/requirements).

94 These notions are largely based on informal civil society discussions and Nhancale (2014)

95 CIP (2014)

96 CIP (2015)

97 Nhancale & Manjate (2012)

98 See, for example, AfDB, OECD, UNDP and UNECA (2012), (2013), (2014)

# Is this Development? Multinational Mining Industry in Mozambique

Anabela Lemos & Samuel Mondlane, *Justiça Ambiental*

**UNFORTUNATELY**, this article is not about promising steps towards ecologically and socially sustainable mining activities in Mozambique but instead about multinational companies' destructive influence on people's livelihoods in Tete province, and about the government safeguarding foreign companies' rights instead of its citizens.

Our environmental justice organisation (*Justiça Ambiental*, JA!) based in Maputo, the Mozambican capital, has followed the situation in Tete province, located in the extreme north-west of the country, and supported local communities and families in their legitimate demands concerning the multinational companies and local and national authorities. The fundamental question is: development for whom? Can the situation in Tete be called development?

## Brazilian Vale Arrives at Tete province

Since the end of the civil war in 1992, different economic sectors of Mozambique have transformed to become an attractive foreign investment opportunity, especially due to the abundance of different natural resources, such as gas, oil, and coal. Other pull factors are low wages, weak civil society and tax exemptions granted by the government.

The land area of Tete covers about 100,700 square kilometres, comprising mainly dry land but also inland waters. In August 2009, it was estimated that there were 220 licenses in force, 120 of them for the coal sector. According to the adviser to the minister for mineral resources, the Moatize district has one of the world's largest untapped reserves of coal.

The government initiated the idea of transforming the country's mineral resources as part of the country's development, bringing prosperity and combating poverty. The argument that the coal exploitation project in Moatize will boost economic growth and bring development to communities and the entire country is countered by the fact that the mega-project investments tend to bring limited benefit to target communities and the country's economy. This is because such mega projects are usually run by multinational companies, due to their high costs, and required skills and expertise. They are also usually capital-intensive and therefore do not generate direct employment in proportion to investment, production and trade.

The race for the Moatize coal basin extraction began in early 2004. The Rio de Janeiro-based Brazilian company Vale, which operates in 38 countries on all continents, emerged as the top competitor. Vale is the second largest mining company in the world and one of the largest producers of raw materials

globally. It is the world's largest producer of iron ore and pellets (the key raw material for the iron and steel industry) and the world's second largest producer of nickel.

Vale showed an interest in Mozambique's mineral resources already in the 1980s, but it was only in 2004 that it signed a memorandum of understanding with the government. This enabled the company to invest about 1,4 billion USD for a mining project occupying 23,780 hectares of land in Moatize. The license for exploration was given in 2007, the industrial complex was constructed in 2008 and the implementation of the Moatize Coal Project started in late 2011.

## Broken Promises and Indifference to Resistance

To install its project Vale displaced and resettled 1,365 families in the communities of Chipanga, Mithete and Malabwe between late 2009 and early 2010. It mismanaged the resettlement process from the very beginning by providing poor quality infrastructure and insufficient housing conditions with poor access to water. Instead of the promised two hectares of land per family, only one was given. The land was unfit for agriculture causing starvation and malnutrition among children.

Free movement of people and goods and access to natural resources were restricted in the resettlement area. The families were relocated partly in 25 de Setembro and mostly in Catema, 40 kilometres from their previous living areas in Moatize, where they had access to all basic needs and services.

Besides losing their lands, the resettled people are now experiencing health problems due to dust from the mining activities, changes in social relations, destruction of livelihoods and radical changes in traditional cultures. They have still not received the compensation promised when the company started operating.<sup>99</sup>

The Vale and Mozambican authorities were reluctant to respond to complaints and requests to resolve the problems afflicting the communities, and so the resettled people decided in January 2012 to protest by blocking coal transports to the port of Beira and barricading the railways near their settlements. They wanted the company and the government listen to their grievances and to recognise the injustice of their situation and the broken promises. Government reacted by sending the police to assault, arrest and brutally abuse the protestors, and even those not involved with the barricade.

The Mozambican Human Rights League helped people to file a legal complaint about the acts of police brutality. The court decision was in favour of the communities, and as a

<sup>99</sup> *Justiça Ambiental/FoE Moçambique & Kepa* (2012)

result, the two police officers involved and identified by the community members pleaded guilty, were sentenced and suspended from their duties and still have to indemnify the victims. Our organisation JA! also submitted a document regarding the human rights abuses in Cateme to the UN special rapporteur on the right to adequate housing in April 2013. However, we have received no response.

In April 2013, nearly 800 brick makers made their first protest by blocking the main entrance to the company and the railway to try to get Vale to hear their demands to get fair compensation for the losses to their livelihoods caused by the company. Vale promised to talk to them but also requested support from the local police, who on April 18 fired rubber bullets to disperse the demonstrators. The protest continued for few more days as the promised dialogue did not materialise.

Since then, the situation has not improved and several protests have been organised by the brick makers and other affected people. In the case of brick makers, the situation culminated in Vale using bulldozers to destroy brick makers' homes and kilns after having issued an ultimatum for them to leave the areas of land claimed by the company, and to cease their brick production activities. Vale also destroyed the fences, crops and farmers' fields and buried the bricks already produced in the Bagamoyo neighbourhood of Moatize. Vale claimed that the government provided these lands for the company when its mining project was settled in the country.

In the words of a brick-maker, Mr. Refo: "When Vale first appeared, they started to make promises, without us asking them anything. They said we had to stop working, but they would give us compensation for it. Until today, we have not received anything. It seems that we were asking them for food or begging, but it is they who are intruding because they came to where we were working. Though we have already made the proposal for how much they have to give us to compensate of what we lost and according to what we used to produce annually. I used to produce a minimum of a million bricks yearly, and by selling at the price of 1 metical each, I would then get 1,000,000 meticals yearly. Now they want to give us 60,000 meticals (2,000 USD). It does not make any sense. The company should pay a greater than or equal to what each person produced"

The protesters and their supporters are all frustrated with the local and national authorities, which do not care about the broken promises and weakened livelihoods of the local people, which have been largely destroyed due to the mining activity. The government does nothing to secure and defend the rights and sovereignty of the communities but instead defends Vale's interests.

Despite all the criticism and complaints made by differ-

ent national and international civil society groups, Vale continues with its activities and is expanding its investments and empire, violating human rights, destroying community structures and livelihoods, breaking promises and not fulfilling its commitments and agreements with the Mozambican people.<sup>100</sup>

### **Environmental Destruction**

There are also serious environmental consequences caused by the mining activity, such as damage to land and rivers, and air contamination. We do not have any exact information on this, as we are still waiting to obtain Vale's environmental management plan and a detailed plan to prevent large volumes of acid mine drainage from the Moatize mine.

Vale says it has an insurance policy that would pay the Mozambican state compensation for any future environmental pollution such as massive water pollution. According to Vale, this policy was approved by the environment coordination ministry MICOA. However, many questions remain unanswered. Who is the insurer that Vale has contracted with on behalf of the Mozambican state? What are the terms of the insurance contract, and when was it initiated? How much does the insurance run to? What would be the maximum pay out in the event of an environmental disaster? When does the insurance contract expire?

Vale is not an isolated case. This pattern of behaviour has been characteristic also of other multinational companies operating in the mining industry in Tete province, for example by an Indian mining subsidiary of the Jindal Group.

### **Intimidations and Difficulties for Civil Society Organisations**

Civil society organisations and their activists, who have been for years struggling to defend the rights of local communities and to save the environment from the impact of extractive industry, are often forbidden and physically stopped from visiting affected communities. The companies, supported by the local authorities, hamper the organisations from doing their work by intimidating and threatening people and organisations if they find out that anyone from the affected communities have been in touch with CSOs.

For example, in June 2014 members of our organisation JA! were not allowed, for a third time in less than a year, to visit Cassoca. This is one of the communities directly affected of the mining and located in the concession area. The community is constantly exposed to high levels of pollution, including contaminated water.

The JA! team was forced to enter the offices of Jindal, where they were interrogated and intimidated by company employees. They were only allowed to speak with the local leaders, who are the only community members that work for

<sup>100</sup> For more information, see <http://ja4change.org/index.php/en/2012-03-09-09-15-50/video-clips>

the company. The company representatives also accused JA! of instigating violence in the region and being responsible for strikes and demonstrations by the affected communities. However, the reason for these community actions is that the company has not fulfilled its promises.

The situation is unacceptable. Mozambique is supposed to be a sovereign state. But it looks as if we as civil society actors will soon have to carry passports with us in order to be able to go around our own country. The multinational corporations are pressuring the government to control where its citizens are allowed to be a given moment and with whom they can meet.

From outset we have been demanding the intervention of the government of Mozambique. In December 2014 we sent a letter of complaint to the General Attorney, denouncing the serious illegalities in the implementation and operation of the mining company Jindal Mozambique Minerals. We also denounced its continuous violations of the rights of local communities severely affected by the project, and which are still living inside the mining concession, less than two kilometres from where the coal is being extracted. This poses a huge threat to their health and existence. A similar letter was sent to the Ombudsman Office on March 2015. We have not received replies from either legal institution.

People from the affected communities say that they have no government in Mozambique, that they are left alone, and that the country has long been sold to foreigners and multinational companies. As Isaac, a brick maker, said: "The development which is said to be taking place as a result of these mining projects is only for a few people from outside Moatize. Here the government does not even care about us, and as far as Vale is concerned, there are no people. They consider us as ants".

If this is development, we don't want it!

# Food Security Doesn't Require Miracles

**OVER A BILLION PEOPLE** live in hunger or on an inadequate diet although world's food supply would be possible to be arranged in an ecologically sustainable and equitable manner and food production methods could be used to influence climate change, unemployment, urbanisation, desertification and the status of waters. It would require that the international community and national governments make serious efforts to tackle several significant but achievable challenges. These include, among others, ending possibility to speculate with food prices in the financial markets, tackling land grabbing, acknowledging negative ecological and social impacts of intensive farming, recognising in agricultural planning the importance of farmers' know-how and understanding of local ecosystems, admitting that increasing meat consumption threatens sustainable food security, diminishing significantly world's huge food waste, understanding the important role of urban agriculture in food security and taking it into account in urban planning.

The increasing demand for land causes catastrophes. High and middle income countries are grabbing areas for cultivation from Africa, South America and South-East Asia. For example, Ethiopia, Mozambique and Sudan have already rented out millions of hectares of their lands to agribusiness. Large-scale investments take a priority over the food security of local people. Unofficial grazing and cultivation over generations no longer safeguard the rights of local communities to the land.

We waste approximately one third of the produced food, i.e. 1.3 billion tons, in a year. In high income countries it is households that waste food, in particular, while in low income countries problems are related to harvesting methods, preservation and transportation conditions, as well as pests. Farmers and companies in the food sector need funding and advice, for example, for storage and cold stores, grain silos and sun-drying methods.

Agriculture produces nearly a third of all greenhouse gas emissions in the world, increases deforestation and exhausts

water reserves. Using appropriate cultivation techniques agriculture can be converted into a carbon sink, which absorbs carbon dioxide along with seas, plants, swamps and forests. In that case soil impoverishment has to be prevented, over-fertilisation stopped and meat consumption reduced. Fodder production, cattle breeding, slaughtering, processing and the cold chain from the factory to the table require together even hundred times more energy compared to the energy the finished product provides for its eater.

In low income countries, in particular, urban agriculture has always played a significant role in food security and decentralised food production, especially among those who have moved from the countryside to the cities. It has been estimated that currently around 800 million urban cultivators produce a fifth of the food in the world. Food farming in cities is also a good source of income for a large number of people. In Kibera, the largest slum in Nairobi, Kenya, over a thousand female cultivators grow vertical gardens in full soil sacks, producing food for thousands of city dwellers.<sup>101</sup> Urban agriculture has also started to flourish in high income countries. Cultivation has expanded to courtyards, rooftops, roadsides, asphalt fields and deserted meadows. Harmful chemical compounds accumulated in the soil are averted by planting plants in tyres, boxes or sacks.

Urban agriculture provides security against price increases. Between 2007 and 2012 the food prices increased by 70 percent. Due to speculation, food supplies cost nearly a fifth more in 2011 than the previous year. Many people have been forced to give up buying nutritious food, such as beans, eggs or vegetables.<sup>102</sup>

Agroecology has been increasingly seen as a promising approach. Agroecological farming utilises traditional conservation methods of soil to minimise the use of chemicals and to prefer organic materials for fertilization, as well as agroforestry, participatory plant breeding, effective rainwater recovery, diversification of products, rotation of crops and the use of different varieties within the same crop and seed

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101 Karanja & Njenga (2011)

102 Nierenberg (2013)



banks. Using biological methods and seed banks, high payments of supplies and seeds are avoided. The diversification of crops and use of local varieties that are adapted to particular climatic conditions are essential to produce subsistence for the family, to function as a safeguard against changing climatic conditions, such as drought or excess rains, and when the excess production is sold, diversification functions as a buffer against the volatility of food prices.

Millet, sorghum and various vegetables are in several areas more resistant, resilient and have a better nutritional value than later introduced corn, wheat and rice. Traditional knowledge on cultivation techniques and edible plants is important so that research, education and guidance can respond to the local needs. We also need to search for ecologically sustainable solutions to the changes in food security resulting from drought and floods caused by climate change.

## Thriving Urban Agriculture in Dar es Salaam

Linda Lönnqvist & Lotta Maijala

**FRUIT, CHINESE CABBAGE**, cassava, spinach and other edible plants, which are grown in the yards, roadsides and other free lands in Dar es Salaam, are a valuable addition to the citizens' plate. Just like in several other developing cities, fast urbanisation challenges the food security in the capital of Tanzania. The distribution network and availability of products have not been able to keep up with the change, contributing to an increase in prices.

Urban agriculture has become a lifeline for more and more families. It also produces a significant amount of agricultural products for sale. An income corresponding even to the wage level of a government official attracts many people to become full-time cultivators and, with the personal economy permitting, the market potential of urban agriculture can be increased by rearing cattle.

It is not surprising that urban agriculture has become common among different social classes. It is particularly popular with those who have recently settled in the city. Hardly any initial capital is necessary and the tools and fertilisers needed in cultivation can be purchased together with other cultivators. Cultivators often form informal communities and share the income from the cultivated land area.

### Free Range Eggs

Chicken farming and egg production are common activities. A study by Marc Wegerif, an advisor on food and land rights at Oxfam, showed that the sales networks of chickens and eggs in Dar es Salaam are cost-effective, independent, job-creating and customer-oriented systems.<sup>103</sup>

Some people farm chickens in their home yards and sell eggs directly from their door; even some supermarkets buy their eggs from home sellers. The egg business also employs women. For example, Marriam buys 10 to 15 egg cartons from near her home, takes them to the city by bus and sells them from door to door.

The threshold for participating in the egg business is low. A bicycle for transportation costs less than 30 egg cartons

and you can set up a backyard chicken coop with 60 to 200 euros. Chickens are fed with chicken food from a close-by factory, mainly with corn and grain products. Free range chickens have a relatively good life, and part-time egg sellers earn considerably more than the minimum wage.

### Fair and Ecological

The egg business lacks mutual competition. On the contrary, veterans in the field give advice and support to novices, and people operating in the same market do not seek to differentiate to obtain a competitive advantage. The prices and products are the same, while the clientele and sub-contractors vary. Hence, relationships, trust and interpersonal networks replace the formal quality control and food standards of industrial agriculture and food production.

Urban agriculture is characterised by short supply chains and freshness of products. Many city dwellers buy fresh vegetables directly from roadside cultivators. Urban agriculture also promotes the city's ecological sustainability as urban waste is used for fertilisation.

### Short-sighted Urban Planning

Tanzanian decision-makers and authorities have not fully realised the potential of urban agriculture for the city's food security and livelihoods. They are keen to favour other forms of land use which they consider economically more profitable. Parking garages and commercial buildings are erected on arable land in Dar es Salaam without consulting the cultivators or providing them with any compensation.

Yet, with the help of several civil society organisations, urban farming is slowly gaining a firmer foothold in the city. Dar es Salaam's new Master Plan (still unapproved as of December 2014) is supposed to appoint formal areas for farming within the city. Time will tell what the increasingly popular urban agriculture movement will achieve. Will it succeed, for example, in obtaining land use permits, which the cultivators living in constant uncertainty regard as their key goal?

<sup>103</sup> See e.g. Wegerif (2014)

# The Thai Model of Sufficiency Economy

Nattawat Theeralerttham, Kepa-Mekong

**THE MODEL OF SUFFICIENCY ECONOMY** is one concrete example of Buddhist development thinking, which has a long historical tradition in Thailand and a critical view of the materialistic understanding of progress. According to this thinking nature, earth, land, flora and fauna have all their own value and are conscious entities like people. Human beings should live in harmony with nature and with their fellow beings and use resources for need not greed. Harmony is therefore more important than growth. However, this does not mean that growth should not be pursued, in fact it should, but only such growth that adds to harmony.

The model of sufficiency economy has shown its strength even during the Asian economic crisis of 1997, when Thailand, one of the four rising Tiger Club Economies, was financially ruined. The stock market plummeted by 75 percentage points. Over 50 financial institutions went bust and other sectors were similarly hit, resulting in massive nationwide layoffs. The Thai currency swiftly lost value and eventually collapsed. The country was effectively bankrupt. But in the midst of all the chaos, the impact was only slight in communities that practiced sufficiency economy.

The framework of sufficiency economy philosophy is formed by three intertwining elements:

1. Reasonableness means evaluating the reasons for an activity and understanding its full consequences on oneself and on others, on the society and the environment, and short as well as long-term ones.
2. Moderation means not doing too little or too much, being a middle-way between needs and extravagance, between backwardness and impossible dreams.
3. Resilience means to be aware of likely changes or shocks and prepared to withstand or cope with them.

Two conditions form the enabling environment for sufficiency economy. Knowledge (also known as “wisdom”) means an all-round knowledge of relevant fields, an understanding of how they interplay and the prudence to put such knowledge to use. Ethics (also known as “integrity”) means virtue, ethical behaviour, honesty, perseverance and a refusal to exploit others.

Because the efficiency economy concept was coined in Thailand where people's lives are deeply rooted in agriculture, the term is often associated with agriculture only, but agriculture is just one of its many applications. The philosophy has been discussed in all levels of the Thai society, from household planning to national development agenda and in

2007, the United Nations Development Programme (UNDP) expressed its praise and acknowledgement of the concept and published “Thailand Human Development Report: Sufficiency Economy and Human Development”. The philosophy has been discussed in various key journals in Asia<sup>104</sup>. The widening discussion of efficiency economy shows the relevance and many applications of this philosophical thinking.

## Healthy Village Economy

Inpaeng (Sakon Nakhon Province) is a great testimony to the efficiency economy philosophy. In 1987, Inpaeng village faced a persistent problem of soaring household debt resulting from cash cropping (i.e. cassava and sugar cane). The more the village invested in cash cropping, the more indebted the villagers became. In desperation, village leaders met to search for a solution. They soon came to see the true need of people — to have enough to eat first before seeking money — and decided to prioritise growing their rice for their own consumption over cash cropping.

In the first stage, they replaced cash crops with food crops and rattan for furniture making. Some villagers adopted the so-called “New Theory,” an integrated, sufficiency-based agricultural practice, and divided their lands accordingly for the production of rice, vegetables, mushrooms, fruits, fish and chickens. As they saved more, some villagers began adding new crops and engaging in local food processing to add value to their products, such as making local herbs into wine, shampoo and detergent. Within a few years, the village was able to achieve total food security, sell its products to outside markets and pay off its debts. Today over 80 villages in five provinces are duplicating the model and the network continues to expand.

Inpaeng village is far from isolating itself from the outside world and globalization. Every household owns a TV and everyone has a mobile phone. Villagers are clearly exposed to Hollywood movies as well as current consumer fashions. The decision to shift away from cash cropping was not a withdrawal from the outside world. In fact, the villagers are now much more broadly and deeply involved in the outside world than before adopting Sufficiency Economy. But now they are more in control than ever of their lives and their futures.

This beautiful success, however, was not an easy, quick fix. It required hard work in convincing fellow villagers that sufficiency agriculture is not a step backwards. It required much ingenuity to manage the conflict with the local author-

104 For example, the *Journal of Third World Studies* (Vol. 24, No. 2, 2007), *Asian Social Science* (Vol. 4, No. 7, 2008) and *Asia-Pacific Development Journal* (Vol. 17, No. 1, 2010).



ities, which were intensively promoting cash crop farming at the time. Even after all the success, today the village is facing a new issue in maintaining its principle of middle path in a hyper-connected world, and in transferring the knowledge and ethics to the younger generation. Problems are inevitable and they always crop up. However, the Inpaeng villagers have the optimism in their slogan “Let knowledge lead and money follow”. The Children of Inpaeng scheme is producing a new generation of leaders that will carry this legacy on.

By being realistic, the Inpaeng villagers were able to focus on their true needs and priorities. They moved forward in moderation built on their local knowledge and resources, while establishing resilience through investing in human capital, creating a culture of cooperation and sharing, and cultivating a network of like-minded communities. Integrity was a requisite of the process, so other communities could duplicate the model and mutually beneficial cooperation could be formed.

## Towards Sustainable Food Production in Nicaragua

Minna Kuivalainen, Kepa-Nicaragua

**SUPPORTING** sustainable local food production is not a highly appreciated task in Nicaragua as small-scale farmers are largely forgotten in the country's agricultural policies. The existing policies are mainly designed to support large-scale agroindustries that produce for export, and yet the main producers in Nicaragua are small-scale farmers that mainly produce for subsistence and local markets.

The current agricultural model in Nicaragua favours the use of chemical fertilisers and pesticides, which tend to kill beneficial micro-organisms, leaving the soil dependent on the continuous use of agrochemicals. The increase in the price of these products and the volatility of food prices is leading to a situation where for small-scale farmers the remuneration from the crops sold hardly covers the cost of supplies needed. Moreover, current practices include burning the land, and producing in open soil that leaves the soil exposed to the sun, unable to retain moisture.

In most cases, the transition to more sustainable ecological production could benefit local small-scale production. A vast number of such initiatives have been introduced by different civil society organisations during recent decades, but these initiatives tend to be small scale, concentrated only on some communities or municipalities and lacking coordination with other initiatives.

The Mesoamerican Information Center for Sustainable Agricultural Production (SIMAS) is promoting agroecological farming through their Alliance for agroecology project. This aims to foreground the voices of small-scale farmers, bring together organisations and networks working with economically and ecologically sustainable production, and promote information sharing on best practices within Latin America.

### A promising example of determination and openness to new ideas

Blanca Landero from Chinandega region in Central Nicaragua participated in trainings on agroecologic farming and became convinced of the methods. The next step was the

most difficult: to convince her family of the benefits of more ecologically sound production. In 1996 Blanca decided to make a bet with her spouse: she would cultivate half of the land the family was renting with new methods and her husband would continue cultivating as usual. Blanca won the bet, managing better yields for two consecutive years, and the whole family switched to agroecological methods, which they have been practised for 15 years.

In summer 2014, there was a drought in many parts of Nicaragua. The accustomed rains arrived several months late and crops were lost widely. Blanca Landero was one of the only people in her community who managed to produce a crop of maize and beans, from the first agricultural cycle. According to Blanca, the secrets for producing in harsh conditions were to use a variety of adequate seeds, methods to conserve soil moisture, liquid biominerals and compost.

Nowadays, Blanca does not only produce in a sustainable way to provide food for her family, but she has also been able to buy 1,5 hectares land of her own. Moreover, she is an active promoter of agroecological methods. She has been active in her community through a local cooperative, where she has provided trainings on agroecological production, and helped the members to create a fund for micro-loans, as well as a seed bank. She is also continuously improving her knowledge of the subject by participating in training courses and workshops.

Many institutions are aware that agroecological farming and other ecologically sound production methods may function as motors for rural development, also creating resilience in the face of climate change. What is missing is information for local producers, and technical support to implement change. The government could take an active role in this, but the current focus continues to be on large-scale production. Solidarity networks of small-scale farmers exist but they need to cooperate to make their voice heard. The aim of SIMAS is to bring together these actors, and the outcomes remain to be seen.

# Sustainable and Creative Local Economy

**ATTITUDES TO LOCAL ECONOMIES** vary, and some people would argue that they do not even exist. They would say that everything is connected to the global economy and often also guided by it. However, numerous people live partly or totally outside the mainstream economy. Many people, especially in the remote areas of low income countries, do not necessarily even have any connections with the local market, not to mention the global market.

There are various initiatives which promote an ecologically and socially sustainable economy rooted in local conditions and not rocked by the speculations or financial crises of the mainstream economy. They provide livelihoods and well-being, take the environmental impacts of the economy into account and seek to achieve social justice. Many of them also try to influence the national economy.

Some of the alternative approaches involve local currencies or other similar practices, such as time banks (see pages 35–36, Helsinki Timebank – Currency as a Commons). Their popularity often follows the performance of the mainstream economy; for example, the *true que* currency launched in the suburbs of Buenos Aires in the midst of the financial crisis in Argentina had at its best more than six million users. The founder of *tlaloc* in Mexico set an ideal goal that 50 percent of the economy of families would belong to the sphere of independent local economy. This goal has not been reached in Mexico, but in some cases local currencies have grown to “threaten” the mainstream economy and have been stemmed by the governments.<sup>105</sup>

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<sup>105</sup> Mexican activist Luis Lopezllera at the World Social Forum (2004, Mumbai, India), Hakkarainen (2005)

A striking recent example of creating sustainable local economy is found in northern Syria. The Kurds, discriminated against by the government of Bashar al-Assad, seized the opportunity created by the war to transform West Kurdistan, also known as Rojava, into a democratic autonomy. This area covering 18,300 square kilometres was transferred under the control of the Kurdish National Council and the Democratic Union Party at the support of fighters of the National Defence Force in July 2012.

Nearly 4.5 million Syrians live in the three cantons of Rojava. The regions between them are largely under the control of the ultra-fundamentalist Islamic group ISIS. The ISIS is actively fighting against the government of Rojava.

The people in Rojava have, however, managed to initiate a social experiment which builds on the thoughts of American Murray Bookchin about direct democracy and a local economy based on cooperatives. Autonomy is built through respecting equality and multi-culturalism.

Rojava is not creating its community economy from scratches. Economists in the region started to develop a new model already over ten years ago. It is essential to make the economy serve the needs of the local people. The Rojavan community economy is based on local action groups consisting of around 25 to 35 people, and cooperatives are responsible for production. The intention is that the same people own, develop and take care of the production. The scale of production varies from small-volume production to oil refineries.<sup>106</sup>

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<sup>106</sup> Yousef (2014), Kumpuniemi (2015)

## What are the Commons?

**IN ENGLISH** the term ‘commons’ is used both in plural and in singular (a commons) and as an abstract general concept (the common/s).<sup>107</sup>

Ecological commons include fishing waters, treats of the forest that can be picked freely under the everyman's right<sup>108</sup>, oxygen, human genome and soil. Social commons, on the other hand, include human abilities, such as language, feelings, labour force and collaboration. Innovations of the information technology have produced new network commons. They are essentially based on peer production where a new common resource needs to be available to anybody, like the Wikipedia encyclopaedia.

There have always been disputes over the commons. Interfaces between the private, the public and the common are defined both in theoretical discussions and in real-life solutions. For example, public services in the Nordic countries can be regarded as common wealth produced through common labour under the organisation of the state. On the other hand, the fact that they are interpreted as common can require inclusion of the service users in their planning, organisation and provision.

The modern debate on the commons has its roots in the need to discuss equitable natural resource management in the 1960s. Ecologist Garrett Hardin presented an idea of the tragedy of the commons. Free use destroys the commons since each user seeks to maximise his own benefit. He proposed two solutions: a free market economy with strong ownership rights or a strong state with its machinery of violence.

Hardin's contenders have shown evidence for other kind of solutions. For example, the findings of Nobel laureate economist Elinor Ostrom showed that the production of commonly-owned forests was as good as that of privately-owned forests. The recipes vary according to

the context, but it has become clear that the common nominator for avoiding a tragedy is the possibility of communities to decide themselves on the rules on the production, maintenance and use of commons, as well as clarity of these rules and their comprehensive control.

Capitalism has substantially increased the significance of private property. Common lands that formed the basis for production and social life of communities were fenced and transformed into private property. Privatisation is continuing in the sphere of public services, for example, but there are still several commons in our world of pervasive market economy. In fact, the operating conditions of the capitalist system are largely based on collective labour input, interaction and creativity. Furthermore, the growth of immaterial production has increased the introduction of new common resources.

At the same time new forms of limitation are being devised since the capitalist economic growth is still based on taking our common wealth to the market. The commons need to be fenced, limited and quantified for determining their market value and creating a saleable product. In the field of network commons, the openness of information and source code has been a contentious issue. On the other hand, small farmer movements are combating against the immaterial protection of plant varieties. If the information hidden in seeds is regarded as common property of humanity, the thought of its pricing is contrary to common sense.

The commons do not form an ideal economic model but represent a constantly changing field of action which is sensitive to conflicts. The economic policy tensions associated with the commons are reflected in the efforts to achieve sufficient protection of the commons, adequacy of private ownership and a constructive equilibrium between the interests of the community commons and the interests of the individual.

<sup>107</sup> The main references used for this introduction are Alhojärvi & van der Wekken (2013), Toivanen (2009), Toivanen & Venäläinen (2015).

<sup>108</sup> Finland's legal concept of everyman's right gives everyone the chance to enjoy outdoor pursuits, and the freedom of the country's vast forests and fells, and many lakes and rivers, with few restrictions.

## What is Solidarity Economy?

**THE TERM SOLIDARITY ECONOMY** refers to efforts to change the economy so that it promotes the well-being of people, communities and the environment. Rather than being a certain form of economic activity, it is a global movement which searches for an alternative for economic thinking concentrated on economic growth, consumption and competition, as well as for means for coping with economic and environmental crises and for reducing inequality.<sup>109</sup>

The solidarity economy has its roots in the debates by civil society actors on alternative economic models in Latin America and France during the 1980s. It also builds on concrete experiences, such as struggles against neoliberal structural adjustment programmes in Brazil.<sup>110</sup>

In addition to Latin America, networks of solidarity economy have been established in North America, Europe, Africa and Asia. The solidarity economy has also been strongly represented at international and national social fora. The most significant actor on the international level is probably the RIPESS (Intercontinental Network for the Promotion of the Social Solidarity Economy).<sup>111</sup>

The solidarity economy regards the reform of social life in an equitable and ecologically sustainable manner as the most important goal of the economy. People are considered actors instead of consumers. This structural reform is promoted by bringing forth alternative ways of economic activity and by strengthening mutual interaction and cooperation between actors who seek to reform the economy.<sup>112</sup> In an ideal solidarity economy wealth is distributed so that it serves the basic need of people, profits are invested and the surplus is used for promoting social and environmental goals.<sup>113</sup>

The solidarity economy is based on the principle of diversity and openness of actors and methods of action as well as on accurate responsiveness to local and national operating environments. Researchers and actors cooperate with each other. For example, Antonio Cruz from Brazil has not done any empirical field work for ten years because he has obtained his research data in co-operating and supporting solidarity economy initiatives in practice.<sup>114</sup>

Solidarity economy actors are, for example, cooperatives, health or insurance associations, foundations, civil

society organisations, alternative financing groups, self-help groups or community-based organisations which pursue ethical consideration and democracy in their production of goods and services and question the pursuit of maximal profit.

An objective is to make people, in the context of practical economic experiences and mutual interaction, analyse economic structures and seek to influence them. The solidarity economy is also about visioning of economic policy goals and influencing national and international economic practices. This may involve various models of basic income, inclusive municipal budgeting, citizens' panels or reorganisation of public services. Structural reforms require new institutions, open-minded policy and revision of laws.<sup>115</sup>

Global goals of solidarity economy were written down, for example, at the thematic social forum organised in Brazil in 2012. The forum stated that societies must, as a key starting point, retake the control over debts, currencies and financing as well as the decisive power for their own production. Measures were suggested for regulating the financial markets. It was further emphasised that specific restrictions and regulatory measures should be imposed on financing which allows for speculation in agricultural and food production.<sup>116</sup> Future sustainable development goals (Post 2015), have been evaluated from the perspective of solidarity economy, especially by the RIPESS network.<sup>117</sup>

Maintaining the commons is part of solidarity economy as it is concerned with pooling of resources and creating together.<sup>118</sup> In Finland the commons thinking and solidarity economy are linked with each other and they use a common website for their communications.<sup>119</sup> The solidarity economy network wants to identify different actors and support networking between them. Its objective is to strengthen an economy rooted in local communities, such as districts, villages or neighbourhoods, to re-evaluate global economic exchange of goods and services and the money market, and to highlight the objective of meeting the basic needs as a means of democratising the economy. The network presented a draft for its first manifest at the Finnish Social Forum in 2013. In the future the network will, for example, promote commons, offer alternative economic models and develop policy initiatives in favour of the solidarity economy.

109 See e.g. Alhojärvi et al. (2015), Poirier (2014)

110 Alhojärvi & van der Wekken (2013)

111 Alhojärvi et al. (2015), for further information: [www.ripestt.org/?lang=en](http://www.ripestt.org/?lang=en)

112 Alhojärvi et al. (2015), Alhojärvi & van der Wekken (2013)

113 See e.g. Dacheaux & Goujon (2011), Utting et al. (2014), Vieta et al. (2014)

114 Cruz (2014b), see also Cruz (2014a)

115 Alhojärvi & van der Wekken (2013)

116 Grupo de Reflexao e Apoio ao Processo (2012)

117 [www.ripestt.org/post-2015-en/?lang=en](http://www.ripestt.org/post-2015-en/?lang=en)

118 Alhojärvi & van der Wekken (2013)

119 [www.commonstt.fi](http://www.commonstt.fi)

# From Agribusiness to the Solidarity Economy – Nicaraguan Experiences

José Valdivia, Kepa-Nicaragua

**AT THE BEGINNING** of the 1990s the peasant and farmer movements at the grassroots level in Latin America started to respond to their unfair and unpleasant reality by initiating community commercialisation processes based on solidarity values and visions of human development. They wanted to search for ecologically and socially sustainable models of rural development.

These movements were tired of the negative impacts of the centralised food industry based on corporate agribusiness and the irresponsible use of pesticides and chemical fertilisers — such as environmental degradation, land grabbing and diseases caused by agrochemicals. They were also critical of public programmes that only offered help for acute needs or donated domestic animals without long term commitment to the rural communities. One of the programmes is Programa Hambre O (“zero hunger”) carried out in several Latin American countries, often named also as Bolsa de Familia. While the programme has been referred as a thumping success by the governments involved, a careful assessment of its results and sustainability gives a less clear-cut picture. It has been shown, for example, that the reported reduction in poverty figures has been due to the increase in the price of products on the international market rather than public support received by the target families.

The Nicaraguan government has been proud of its welfare programme Programa Hambre O but the last commissioned impact assessment study of the programme in relation to poverty reduction is not available to the public. There is criticism that government officials hurried with the programme, as they were too eager to show its immediate success and collect votes for the elections instead of organising adequate technical support for the beneficiary families before the programme.

According to some Nicaraguan experts<sup>120</sup> in food security and sovereignty, there should have been a six-month assistance period to produce enough biomass to feed the livestock received under the programme. Most of the beneficiary families could not feed neither their animals nor their families during the dry season and their only choice was to make use of their livestock. More than half of the families were once again unable to meet their basic needs and many were forced to migrate to Costa Rica or other countries.

Poverty reduction programmes should be led by civil society or local governments, actors that are able and willing

to train rural families in social, administrative and technological aspects to improve their subsistence food production first and then support them to commercialise their surplus products at the national or international market.

The solidarity economy goes beyond public programmes. One of the most successful experiences in Latin America is RELACC (Red Latinamericana de Comercio Comunitario) which is a system of national networks working on the solidarity economy at the grassroots level. RELACC unites the concepts of economy and solidarity in order to ensure that the aspirations of solidarity are involved at all phases of the economic cycle: production, circulation, consumption and accumulation.

In practice solidarity economy is carried out and enhanced in multiple ways, for example by fostering social enterprise networks to enhance creative experiences and to share useful knowledge among all participants. The RELACC network has demonstrated that good training and access to credit and land are key elements of an efficient transformation process that yields quality products or services. An economic rationality is applied to maximise income and reduce cost. In the solidarity economy the rural and urban sectors are actively intertwined.

## Solidarity Markets Strengthen Local Interaction

Farmers' markets have been very popular and successful initiatives of the solidarity economy in Central America for more than 10 years. Local farmers bring their products for sale at prices below the usual market level. The idea is to promote fair trade between local producers and consumers, and to create a democratic and pluralistic market that permits the autonomy and self-management of popular economic units.

The solidarity market in the municipality of Siuna in Northern Nicaragua aims to develop farmers' capacity to influence the price of their products in the local market, to accumulate enough capital to overcome the shamelessly low prices imposed by intermediaries on the conventional markets, and establish a network of commercialisation. The municipality provides a space in a basketball court where every Saturday consumers and producers can face to face establish an equal relationship between themselves. Consumers get lower prices and fresh food, producers get information on the demand of their products in order to plan how much to

<sup>120</sup> Lic. Orlando Valverde, executive secretary of Movimiento de Agricultores Organicos; M.S. Adolfo Hurtado, food security expert and consultant for FAO.

cultivate and what would be a fair price for their products. Moreover, the solidarity market strengthens the local food security and sovereignty as products on sale are obtained locally, ensuring reliable sources of food.

### **Community Tourism Increases Community Capacity**

Community tourism in Matagalpa, in the central Nicaragua, is another example of the solidarity economy. Tourist groups visit communities in the municipality of San Ramon to learn about the influence of solidarity economy in the livelihood and life of rural families. Besides offering food, accommodation and visits to the coffee fields, the local cooperative may, for example, organise a hiking trip in the mountains. The cooperative is also able to sell its products to visitors who may stay for couple of days. The gains are collected by the cooperative and used for the community needs and projects, of which some may also be related to educational or health services. The benefits are evenly distributed in the communities, including between women and men.

However, the most important outcome of this activity has been the lessons learned by cooperative members to be more organised in the production process and to organise tourist

services such as sanitation which have improved their own lives as well. This kind of promising experience of collective work together with training offered by UCA (Nicaraguan Central American University) increase interest to carry out new initiatives of solidarity economy.

### **Landless Women Decided to Defeat Poverty**

In Jinotega, Northwest Nicaragua, landless women organised themselves and learned to grow vegetables in their yards. In the community of El Charcon 30 women have planted their yards to grow vegetable to feed their children. And when they produce more than they need, they sell the remaining products in the market to buy other food products. Their family economy has improved. They have savings and a revolving fund to finance their operations and acquire land. Hence, besides the economic benefits their family life has improved as their husbands respect them more than before.

However promising the local solidarity economy initiatives are it is at the same time important to achieve a transition of good experiences from the micro economy to larger economic systems by linking several economic units within and between the countries.

## **Helsinki Timebank – Currency as a Commons**

Jukka Peltokoski, Niklas Toivakainen, Tero Toivanen & Ruby van der Wekken

**A GROUP OF NEIGHBOURHOOD FRIENDS** reflected in Kumpula in Helsinki on alternatives and in 2009 ended up to founding the Kumpula Exchange Rink, changed to the Helsinki Timebank in 2010.<sup>121</sup> The number of members and exchanges grew over time and by 2014 some 3,000 members have registered. One third of them have done at least one exchange. In total some 22,000 hours have been exchanged, including organisational work for the timebank.<sup>122</sup>

There are thousands of timebanks in the world. Individuals as well as organisations of all kinds use them to exchange services and goods. Everyone's time, work and needs are of equal worth. This essential principle stands in stark contrast to the current monetary system and fundamentals of the capitalist market, in which everyone's time and effort is valued unequally. Nevertheless, timebanks are often described as self help tools, solvers of certain social problems, charities or as a new form of volunteering. They have been perceived as a platform for people to develop skills and to increase a sense of community, whilst stressing the non-professional nature of the services exchanged. Timebanks have typically not been described as "economic".

So whether or not timebanking can or will developed into a serious instrument working towards a much needed paradigm change, will depend on the vision, objectives, values and principles of working that we can envisage and put into practice. Crucially, this will also involve how far matching and supporting conditions, structures and policies are created in society.

### **Developing Currency into a Commons**

Helsinki Timebank is a platform of deliberation. An open core-group deals with issues concerning how to develop the timebank and how to react to and meet challenges. But all substantial decisions are made by consultation or voting. The decision of changing into Helsinki Timebank and to name its local currency "Tovi" ("a moment") was made through a membership vote.

When a large cosmetic firm wanted to join, we saw a need to better define the Timebank's boundaries. What kinds of services and relations could be incorporated? A meeting was held to charter values and principles. In May 2013 the charter grew to become Helsinki Timebank's ABC in which

121 This article is an abbreviated version of the article published in Bollier & Helfrich (2015).

122 Helsinki Timebank runs on the Community Exchange Systems (CES).



Timebank defines itself as platform of “cultural change, ethical economy”. The ABC is a reference to assess what kind of actors suit to Timebank but in practice every new actor is an issue of deliberation according to the principles of solidarity economy.

After a large process of deliberation and a membership vote the Helsinki Timebank decided to initiate an internal taxation mechanism. When the provider of a service receives time-credits, a percentage of the time-credits earned will automatically be transferred to the account of an ethical economic actor of choice in the Timebank. The internal time-tax functions as a tool to strengthen actors/organisations that work according to same values, are important to the members and help strengthen and develop the community. This is along the lines of what taxation is supposed to do in a welfare state.

The time-tax as well as the time-credit can be seen as a currency that strengthens solidarity economy building, and importantly furthering our Commons. Finland has a Commons and Solidarity economy collective<sup>123</sup>. The time currency in itself is not a commodity, but a (credit) commons, and the process of defining the principles and rules of the currency are instances of commoning<sup>124</sup>. Helsinki Timebank’s time credits have been a pedagogical tool to learn about cooperation and organisation. Through the time commons currency individual members as well as ethical market actors meet each other and create new ways of relating to each other. A timebank makes visible human skills as a potential to reproduce ordinary life without the mediation of markets, and is thus a platform for commoning.

The example of the local food cooperative is worth mentioning. Joining the Timebank, the cooperative has made locally produced food available to the time-credit while it gains access to the community and resources of the time-credit. Another example of commoning can be found in the “Time Heels-network” which grew out of Helsinki Timebank.<sup>125</sup>

### Facing the Challenge of State Policy

In 2013 the Finnish tax authorities issued new taxation guidelines in which skilled work services received through timebanks are taxable according to market value. Helsinki Timebank contested this decision by elaborating in several writings why taxation in Euros is a flawed decision, a main reason being that it destroys the essential principle of equality. Instead a period of Euro taxation exemption was called for to assess the potential of timebanking in Finland, including the potential of the time-tax. Timebank approached the City of Helsinki in 2014 to initiate a dialogue.

The struggle that Helsinki Timebank is now currently facing and wants to advance is how it can maintain its autonomy as a process of people’s deliberation with strong ethical values while also securing a legitimate existence in Finnish society. One of the guiding ideas is to look into how Helsinki Timebank’s internal time-tax could be recognised by, for instance Helsinki City, as an organic part of its local economy. This might mean that different forms of co-production could be supported by the time-tax. Autonomous creative projects could be started up, creating services or goods as a commons, deemed important by both the city and timebank members. This would open up new aspects on the issue of power transfer and sharing, a commonification of the public<sup>126</sup>.

Could timebanking in the future be a tool for ethical entrepreneurs to share common resources to gain relative autonomy from the markets? This would be highly beneficial for the new economy to break through the highly capitalised markets and competition. Unfortunately, in Finland this road is also now blocked by the rigid taxation guidelines that prevent professional exchange within the timebank. Thus the aim of the guidelines seems to be merely to prevent the timebanking from developing as a challenge to both private and public sectors and the capitalist order.

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<sup>126</sup> This resonates with what Michel Bauwens (P2P foundation) has referred to as a process of a Partnering State guaranteeing the basics for all, but increasingly providing infrastructure for citizens to act, and as such enabling and supporting not a privatising, but a commonifying of the public.

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<sup>123</sup> [www.commonis.fi](http://www.commonis.fi)

<sup>124</sup> See Linebaugh (2008, p. 44–45, 72)

<sup>125</sup> [www.aikaparantaa.net/english.html](http://www.aikaparantaa.net/english.html)



# Towards a New and Sustainable Economic Policy

**THIS WORKING PAPER ARGUES** that it is time to abandon the economic growth imperative and set the goal to the promotion of human well-being in an ecologically and socially sustainable manner. The world needs a new direction and a sustainable economy will have a significant role in the necessary change. This calls for bold decisions.

Besides multiple local initiatives, presented also in this working paper, sustainable economy can be promoted, for example, by shaping international trade agreements, eradicating tax havens, preventing capital flight, increasing accountability of companies, revising taxation, controlling climate change and stabilising financial markets.

A remarkable obstacle for achieving sustainable economy is the increasing of inequalities. World's wealth is distributed unevenly. The richest one percent of the population owns nearly half of the world's property, while the poorest half owns only one percent. Two out of three people live in a country where economic inequality has increased over the past thirty years.<sup>127</sup>

International institutions, such as the World Economic Forum, OECD and International Monetary Fund, state that inequality is one of the greatest problems of our era and recognise that economic growth has not had a desirable effect on the reduction of poverty. For example, in Sub-Saharan Africa, over 200 million people more than 35 years ago now live in extreme poverty despite the fact that the continent's economy has grown at a record rate in the 21st century.<sup>128</sup>

National policies need to combat inequality by means of progressive taxation systems and appropriate income transfers as well as by providing adequate health and social services. People must have the right to work and to earn a living wage. The increase of company profits at the expense of wages is one of the most powerful phenomena that has increased inequality during the past decades.<sup>129</sup> People should

also have the opportunity of making choices that contribute to a sustainable economy. Consumers must be encouraged to change their established habits and re-evaluate their everyday choices within a wider context beyond their own lives.

We also need genuinely democratic decision-making. Institutions of representative democracy, such as regular elections, universal suffrage or freedom of speech, do not guarantee the realisation of democracy if, in reality, the power is vested in the small rich minority and their interest groups.<sup>130</sup> A survey by Oxfam on the functioning of the political system in Brazil, India, South Africa, Spain, Great Britain and the United States clearly revealed a democracy deficit. A majority of the respondents from each country stated that their country's system serves the rich.<sup>131</sup>

There is a great deal to be done and numerous controversial interests; yet we also have encouraging experiences. An interesting example of a change on the national level is Bolivia, which has started to rebuild its society from a new multi-cultural perspective (see page 9, What is Vivir Bien?). The experience shows that making changes is difficult and slow. The creation of a new kind of society and economy requires patience and consolidation of the achieved objectives.

In India, the Gandhian tradition has produced several initiatives for an economic and social reform. One of them is ecological democracy, *harit swaraj*, which is related to Gandhi's vision of maximally self-sufficient and democratically governed local communities and economic relationships built on them.<sup>132</sup> In Finland, discussions on the topic have been held in the light of Indian initiatives by the Siemenpuu Foundation.

A new kind of economy is also advocated by citizens' movements, which call for a change of economic systems and seek to bring the economy back to the people. Examples include the *Movimiento15*, the *Indignados* movement,

127 Kepa (2014), Davies et al. (2013)

128 World Bank (2014b) & Dulani et al. (2013)

129 ILO (2014a), ILO (2014b), Piketty (2014), Trapp (2014)

130 Gilens & Page (2014)

131 Oxfam (2014b)

132 See Kothari (2014)

which started in Spain on 15 May 2011, and the Occupy movement, which was launched in New York in September of the same year. The movements create a pressure for change by bringing up distortions in economic policy as well as close connections between the government and the economy to the public discussion.

Local economic activities immediately improve the livelihood of people but also create new ways of action. People can take control of the situation if the national safety network fails and work spontaneously towards contributing to the well-being of their community. The relationships between the activist groups and the public institutions vary from one context to another. In some situations, people may organise their activities without any contacts with the public power as, for example, the Mexican Zapatista movement has largely done in its autonomous communities.

A topical example of local-level activism is Greece.<sup>133</sup> The economic crisis has compelled the Greeks to search for new sources of income and act collectively for the provision of services from which people have been excluded due to unemployment. The approximately 700 collective cooperatives in Greece operate as cafés, restaurants or bars, for example. Many of them purchase the products directly from the producers. Farmers also sell their products to consumers without intermediaries, which means that the farmer should receive approximately 25 percent more, while the consumer will pay approximately 25 percent less.

The community economy has grown into a national movement. There are now approximately 400 solidarity groups in the country which, for example, offer community help, legal advice, debt counselling or education. The activities are mainly based on voluntary work, and very little money is involved. This allows for avoiding suspicions about corruption, and sponsors can also be involved, for example, by asking them to go to the pharmacy to buy pharmaceuticals for donation. The groups are active: the 17 solidarity clinics in Athens, for example, have around 35,000 visitors in a month. All these activities are a respectable result of citizens' collective responsibility and new approaches for building a more sustainable economy are emerging. However, it is important to point out that any society should be able to offer basic social services to all of its citizens whatever their situation in the labour market is.

The objective of solidarity economy is to strengthen participatory organisation, search for new ways of action, provide alternatives for the culture of passiveness, dependency and consumption, as well as to promote an ethics-based economic policy. Instead of economic gain, it places values such as cooperation, equality and social justice at the heart of the economy. Communicating the experiences and views

of the solidarity economy to the national economic policy has, however, been difficult in Greece, Brazil and in several other countries. The decision-makers often regard the solidarity economy merely as an additional means for decreasing unemployment and an opportunity for outsourcing public tasks instead of reshaping their approaches on the national economic policies.

It would be crucial to find constructive connections between different actors to work better for increasing human well-being, reducing inequality and solving economic, democratic, environmental and climate crises. A socially and ecologically sustainable economic system should be a shared political goal.

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<sup>133</sup> For information on community economy and solidarity groups in Greece see e.g. Bekridaki (2014), Huovinen (2015), Kumpuniemi (2015)

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# From Forced Growth to Sustainable Economy

This working paper challenges the hegemony of economic growth as the undisputed aim for all societies, and recognises that growth has not succeeded in cutting poverty as many thought it would.

It is now time to place people's welfare at the heart of economy. The economy should be made fair and ecologically sound, replacing competition with cooperation and the growth imperative with moderation.

The economy is our common concern. The world needs a new direction.

This paper presents ideas on socially and ecologically sustainable economy, which are illustrated with examples from Finland, Mozambique, Nicaragua, Tanzania and Thailand.

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