

# **FAIR TRADE AND SOLIDARITY ECONOMY IN BRAZIL<sup>1</sup>**

**ICLEI – Governos Locais pela Sustentabilidade  
Secretariado para a América Latina e Caribe – LACS**

**2006**



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<sup>1</sup> This report was produced as part of the Buy Fair project, co-ordinated by ICLEI European Secretariat, funded by the Dutch National Government. For more information visit the project website at: [www.buyfair.org](http://www.buyfair.org)

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## INTRODUCTION

While looking to develop a state of the art report on Fair Trade in Brazil, it became clear this is a concept still under debate in the country and that it gets confused with another – that of Solidarity Economy<sup>2</sup>. They have much in common as it's being appreciated in many recent meetings and this paper presents both, trying to identify similarities and differences of the concepts – as far as it is possible in the current situation.

One of the main issues concerning Fair Trade in Brazil is the development of an internal market and this is connected with initiatives regarding organic production and the emergence of the “conscious consumer”. As identified by those involved in the debates, most organic farming in Brazil is done by small / family producers and thus those which Fair Trade looks to support. On the other side of the commercial chain, the consumer who wants to contribute to sustainability – worried about social and environmental issues – is the one who will be willing to buy Fair Trade products.

This leads to an important consideration which is also subject of an intense and ongoing debate: how Fair Trade initiatives will be recognized as such in Brazil (and internationally), and how to develop an inclusive certification scheme.

The main focus of this report should be the identification of good practices by local governments in support of Fair Trade. But this had frustrating results. Albeit all the debates and initiatives identified, there are few related to Fair Trade specifically and when looking for local government experiences, the only ones identified are connected with the buying of products for school meals. It's important to have in mind that Brazilian legislation regarding governmental buying procedures is very restrictive, as explained in a previous work done for ICLEI by Raquel Biderman.

Most municipal projects identified have some relation to Fair Trade principles but are not specifically Fair Trade initiatives. Besides those mentioned, it was possible to identify some related to the sustainable use of wood, included in this report to show that Brazilian local governments, when willing, may by-pass the difficulties posed by the bidding legislation. The report also includes experiences related to credit, which is an important issue both for Fair Trade and Solidarity Economy schemes.

Thus, as presented in the last part of this paper, there are still many challenges to be overcome. Mainly, Brazilian local governments – 5.560 (2004) municipalities distributed by 27 states – are not aware of Fair Trade concepts and initiatives and have limited powers to legislate or create policies to address the most important issues concerning the development of Fair Trade.

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<sup>2</sup> Solidarity initiatives are those involving production cooperatives, solidarity consumption or services, rotation funds and credit groups, social currency initiatives, economic organization of traditional communities and similar initiatives



## 1. LOCAL FAIR TRADE STATUS

### 1.1 Brief History

Brazil is a huge country with over 150 million inhabitants - mingling all races - a young democracy that is one of the 15 biggest economies in the world. But far from being a rich and equitable country in its distribution of opportunities, it still has one of the worst income distributions in the world. The richest 10% of the population retains 47% of all the work profits. Meanwhile, the poorest 70% have only 26%. This poor distribution is reflected geographically, with the southern part of the country showing far better indicators on education, health, life expectancy and so on. Like most countries in Latin America, Brazil has become mainly an urban country, with over 75% of its population living in cities.

Solidarity Economy started in Brazil in the 70s through the work of European NGOs - mostly connected with churches - with the organization of rural workers and the informal sale of handcrafts. In the 80s Solidarity Economy Networks were created and in the 90s flourished as an answer from the social movements to unemployment. In the rural areas, the Landless Movement organized different kinds of cooperatives, while unions guided industries' workers to organize production cooperatives. In mid-90s many Universities created Technological Incubators of Popular Cooperatives to support the creation and management of cooperatives.

Until the last century Brazilian experience with Fair Trade was restricted to the role of exporting products to the European market. But since the mid 1990's, Brazilian society has been experiencing a flourishing of movements of organized civil society boosted by other kinds of manifestation: for example, the social accountability movement promoted by companies, and a more atomized movement of members of civil society known as volunteer groups. And from 2000 on there have been progress in the debate about developing an internal solidarity market, certification rules and policies to incentive production.

Presently the debate around Fair Trade and its links with Solidarity Economy is ongoing in the country in recent seminars, meetings and debates which arrived at the Fair and Solidarity Trade concept as detailed below.

#### 1.1.1 – Fair Trade and Solidarity Economy

When looking for Fair Trade in the Internet there are few information available since this concept only started to be discussed in Brazil around 2000, while Solidarity Economy is being discussed and practiced since the 90s, and there are already governmental and non-governmental organizations, networks, forums and surveys around the theme. According to some of the persons interviewed, the concepts are very similar. With Solidarity Economy more focused on production, the creation of alternatives to jobs and formal work and on new relations capital/work, while Fair Trade looks to the whole chain and is more restrictive in its demands for environmental and gender considerations.

There has been an ongoing debate process among a group of institutions to think about how to consolidate a market for ethical, solidarity and fair products in Brazil. Since the first meetings they have been working with an attitude towards aggregating ideas and interests, make propositions and above all to build a collective process.



In November, 2002 a group of non-governmental organizations, governmental representatives, companies and workers representatives created the Forum for the Articulation of Ethical and Solidarity Commerce in Brasil – FACES do Brasil. Since then FACES has been developing activities and projects with its many partners to deepen debates, promote the concept, know international experiences and aggregate new partners.

In January, 2006 the VI World Social Forum the II Forum of Americas was held in Venezuela. In the seminars organized by the International Webs for the Promotion of Solidarity Economy with the participation of representatives from FACES do Brasil, there were some debates around this issue where it was recognized that Fair Trade is part of Solidarity Economy as their principles and practices are deeply related.

According to FACES do Brasil, **Fair and Solidarity Trade** should be understood as *a differentiated commercial flow which, from the establishment of ethical and solidarity relations among all the chain links, results in the empowerment of workers, farmers, family workers, indigenous tribes, quilombolas<sup>3</sup>, peasants and extractive workers who are disadvantaged or marginalized by the conventional system of commercial relations.*

*It's main characteristics are:*

- a) *To be based on ethical, transparent and co-responsible relations among the many actors of the Commercial and Production Chain.*
- b) *To assume fair payment and contribute to build solidarity relations inside economy.*
- c) *To take cultural diversity in consideration and value the knowledge / image of traditional communities.*
- d) *To develop an effective integration between producer (s) and final consumer(s) of the products originated from Fair and Solidarity Trade, as well as incentive the regionalization of these products in local markets.*
- e) *To favor the building of an atmosphere turned to environmental conservation and preservation.*

In the survey carried out by the Ministry of Work **Solidarity Economy** is understood as *a group of economic activities – production, distribution, consumption, savings and credit – organized and carried out in a solidarity system by workers in a collective and self-managed way. There are four main characteristics: cooperation, self-management, economical viability and solidarity.*

It's important to highlight that Brazil is nowadays the Latin American focus for Fair Trade and Solidarity Economy, where the debates are centered in the creation of a regional model with new formats for commercial relationships and certification processes.

In one recent meeting at the International Seminar on Fair and Solidarity Trade during the I Exhibition of Popular Culture and Solidarity Economy, in São Paulo, 6 – 9 April, there was an agreement to unify the concepts as Fair and Solidarity Trade – but there is still a long way to go. The proposal is to create a Fair and Solidarity Trade System in Brazil still on 2006, through a process involving different actors, including NGOs, universities, public organizations, solidarity enterprises, micro and small companies, etc. According the Working Group created to discuss it, the structuring activities in this process are:

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<sup>3</sup> Descendants of runaway slaves. The places where they used to hide were called quilombos.



- Support to the creation of production chains in the economy sectors where there is a concentration of solidarity enterprises.
- Incentive to actions that broaden the economic potential of solidarity enterprises such as: collective purchases, design and production quality improvement, capacity building and managerial assistance.
- Preparation of a national certification model (social and environmental) which broadens the commercialization potential of popular and solidarity products, together with nucleus of socially responsible consumption.
- Actions with the federal, state and municipal governments to implement public policies in favor of fair and solidarity trade having in mind the creation of a national system of fair and solidarity trade.

In order to do that, this Working Group has been debating a standard of concepts, rules and procedures, which should be organized in an intelligent way and valid for all Brazilian territory, recognizing, valuing and giving incentives to these new practices and markets. There are many challenges ahead such as: organize production, differentiate and increase the value of products, organize the sales (from local markets to exports); origin guarantees, communication and promotion, education for conscious consumption, logistics, and other.

This National System for Fair and Solidarity Trade should define some elements in order to make its intentions come true: a) build a set of norms which may guarantee a national identity to the concept being created; b) a monitoring system which allows the identification of products, processes and services which are respecting the norms; c) a control system which guarantees a trust relationship and the improvement of this system according to new challenges; and d) a label to unite producers and consumers around the proposal.

### 1.1.2 – Civil Society Initiatives

#### *Solidarity Economy*

Solidarity Economy in Brazil has its growth connected with the Social Forum meetings which gave rise to the creation of **FBES** - Brazilian Forum on Solidarity Economy (2001), to articulate and mediate Brazilian participation in the international networks of solidarity economy during the I Social Forum. It is composed by several organizations and networks: urban, rural, churches, popular bases, unions, universities, social movements, etc., involved with different practices such as credit support and information networks. The Forum is articulated with 27 State Forums, has a National Coordination, an Executive Coordination and several Work Groups.

#### *Fair Trade*

The fair trade market in Brazil developed through projects like "Suco Justo", FLO's pilot project involving orange producers who live in Paraná/PR. The project makes possible the sale of orange juice produced by the Paraná Citrus S/A in Germany, Switzerland and Austria. Supervised by the Conselho Municipal dos Direitos das Crianças e do Adolescente (Municipal Council of Children and Teenagers Rights) and the local Town council the project is monitored by B&SD, which links producers and consumers. Besides selling an excellent quality product (in a recent research, promoted by a Swiss NGO that protects consumers rights, the juice from Paraná was considered one of the best among competitors), the project made social improvement possible and the regularization of the producers as an obligation to be able to receive certification. Another area that has benefited is coffee, organizations such as ACARAM (Articulação Central das Associações Rurais de Ajuda Mútua) in Ji-



Paraná, Rondônia and FACI (Federação de Associações Comunitárias Rurais de Iúna e Irupi) in Iúna-ES, are already in the market through FLO.

There are still no answers to why Brazil nuts processed in southern Amapá, the fruit from Vale do Rio São Francisco, the honey from Piauí, the orange juice produced by small and medium-scale farmers from northeast Paraná, and the manioc flour of Cavalcante, in the heart of Brazil, are not accessible to most Brazilian consumers.

Since these products are of a high quality and as there are thousands of people willing to consume them, why has this relationship not been established in a perennial fashion and on a wide scale? While attempting to answer these questions, some institutions decided to explore this universe.

Organizations such as World Vision Brazil, FASE, Friedrich Ebert Foundation – ILDES, Viva Rio, Apaeb, among others, have been discussing informally and sharing different views on the concept of fair trade, gradually acquiring consistency and legitimacy, organizing meetings and workgroups to discuss and mobilize the economic sectors of the country. During a meeting in November 2002, in Brasilia, the group was formalized in a forum designated the Brazilian Forum for the Discussion of Fair Trade, or **FACES do Brasil**, to think about the consolidation of a fair trade market in the country. The main goal of FACES do Brasil is to foster the creation of an environment that favours the building and implementation of a Brazilian system of fair trade, promoting equity and social inclusion.

This Forum looks forward to clarify debates that refer to: public policies geared towards the strengthening of fair trade, consumers as the central axis of the purchasing system, the relationship between fair trade and large companies, scale and distribution channels, valuing of the interdependence among different links of the productive chain, transparency, ethics as a basic value to support the economic activity, territoriality and other topics.

Although the focal point of the work developed by FACES do Brasil is the national market, the process of exchanging information and experience with NGOs and international realities continues to be a reference for the Brazilian process. The solutions and difficulties presented by ethical and fair relations in international markets indicate situations that should be dealt with from the Brazilian perspective. For example, advertising campaigns, certification processes, monitoring, costs and impacts on consumers are issues that can be seen from other perspectives by central markets and in Latin American markets.

### 1.1.3 – Governmental Initiatives

In 2003, the Federal Government created the National Secretary for Solidarity Economy (**SENAES**) and soon will regularize the National Council on Solidarity Economy (**CONAES**). The Secretary is a collegiate organ in the structure of the Ministry of Work and Employment, with the objective of fostering dialogue and look for consensus around policies and actions to strengthen solidarity economy. In the Council 54 members from ministries and civil society sectors will be represented in a strategy to democratize the State and create instruments to allow a wider participation of civil society in the formulation of public policies integrating inter-ministerial actions. Its permanent composition will be decided in the I National Conference on Solidarity Economy to be held in Brasilia in June 2006. The Council will incorporate the working groups already organized and create commissions that will work as accreditation bodies, i.e. will not certificate but will give accreditation to the certifiers.

The I Conference on Solidarity Economy will be the meeting of representatives



elected in State Conferences all over the country who debated a policy paper which will be approved with the suggested modifications in the Conference and then have its deliberations integrated in the policies. The policy paper issues for debate are:

- I – Solidarity Economy Basis and its Role in the Building of a Sustainable, Democratic and Socially Fair Development
  - 1 – Basis of Solidarity Economy
  - 2 – Solidarity Economy as a Development Strategy and Policy
- II – Overview of Solidarity Economy Progress and Public Policies Implemented
- III – Priorities and Strategies for Action, Policies and Programs of Solidarity Economy and Participation and Social Control Mechanisms
  - 1 – Public Policy Concept
  - 2 – Public Policy Objectives
  - 3 – Priorities for the Solidarity Economy Policy
  - 4 – Roles and Relationship of the Federate Entities
  - 5 – Participation and Social Control

## 1.2 Mapping Results

In 2005 SENAES developed a pioneer experience to map Brazil's initiatives in the field of Solidarity Economy, mobilizing 200 organizations and more than 700 interviewers from universities and social movements, who visited 15.000 enterprises in 2.274 municipalities looking for information about their history, economical activity, management, difficulties and needs. The results are available on line and part of them was translated in the Annex. This mapping will be used by the organizations working with Fair Trade to develop their own data.

The survey identified 14.954 Solidarity enterprises in 2.274 municipalities (41% of Brazilian municipalities) with a bigger concentration in the Northeastern region (44%). It shows that 70% of the existing initiatives were created between 1990 and 2005 and 1.250.000 workers participate in them through different organizations in which we have mainly associations (54%), followed by informal groups (33%) and cooperatives (11%). The result is a wide variety of products and services all over the country.

Among the obstacles, 61% mention difficulties in the commercialization, 49% declare access to credit and 27% the lack of access to technical assistance or support.

The survey identified 1.120 support organizations mainly (51%) in the Northeast, most of them NGOs, of which 24% are linked to a religious institution. 39,5% are dedicated to capacity building initiatives and 34,7% to articulation and mobilization.

Regarding life quality and the environment, the survey shows that among the enterprises identified, 28,6% offer organic products while 31,8% say they take care to reuse its residues.

## 1.3 Internal Market for Fair Trade

Brazilian Fair Trade initiatives still depend from external markets, especially the European: In Pernambuco, State Government and World Vision have a partnership to sell melons and bell pepper to the Dutch market. In the State of Paraná small banana producers sell dried bananas to Switzerland and other countries. The city of Valente, in Bahia, sell products from sisal fibers to Spain. The Amazonas Products Market tries to sell its typical products and Kalunga, from Goiás, looks to fair trade to sell the production of slave descendents communities (quilombos).



But it's possible to identify trends indicating there is the potential for developing an internal market as shown in the survey conducted by Instituto Akatu.

### 1.3.1 – Conscious Consumption

Instituto Akatu is a non profit, non-governmental organization, created in March, 2001 in the scope of the Ethos Institute of Enterprises and Social Responsibility, to educate and mobilize society for conscious consumption. The word Akatu is tupi and means at the same time, "good seed" and "better world". To fulfill its mission Instituto Akatu works in different areas developing community action, publicizing concepts and information through Internet, and elaborating evaluation and information tools about conscious consumption.

In a recent (2005) survey by Instituto Akatu, "conscious consumption" was defined as *"the consumption act or decision (to buy or use services or industrial or natural goods) practiced by an individual taking in consideration the balance between personal satisfaction, environmental impacts and the social effects of his/her decision."*

The survey identified that 6% of the consumers are green or ecologically oriented and 37% were identified as "committed consumers", with the same concerns and preferences but less restrictions. According to Akatu, 43% of the green consumers buy ecologically and socially correct products, even if they are more expensive. 16% of the Brazilian consumers rewarded companies according to their social responsibility and 13% punished companies due to their lack of social responsibility. Looking only to the previously selected 600 green consumers, 41% regularly publicize socially responsible companies and 36% incentive other people to buy their products.

Matching questions regarding values with others concerning actions it was identified that the Brazilian consumer adheres more to values (70% of positive answers) than to behaviors (58% positive answers) and even those more conscious still have a low disposition to mobilize the community although are very willing to care for his/her own acts. Also, there are more people willing to buy products to incentive responsible companies than willing to stop buying to punish the irresponsible ones.

### 1.3.2 - Fair Shops

According to the definition adopted by IFAT there is no internal market in Brazil as mostly the producers sell their products through conventional conditions. But new initiatives are appearing such as the shop from the NGO Mundaréu, in São Paulo, an organization that supports and orient communities in the development and design of its products. The shops sells products from 37 artisans from 13 Brazilian states, benefiting 1.100 people – mostly women. According to their information, 50% to 55% of the price of each product go to the producer. The buyer profile is mainly of upper class women between 30 and 50 years old, with high level of education and politically minded.

Another recent initiative came from the Instituto Parceiros da Vida, from Paraná. In May, 2006 this NGO opened the Solidarity Boutique in a shopping in the city of Curitiba, offering handcrafts and other products from cooperatives with all the sales profits going to social institutions. The shop already has over 40 producers registered and each product is labeled with an explanation about its origin, which cause is benefiting from it and contact information. To be a supplier the criteria are the social impact of the project, its seriousness, quality and beauty of the product



besides its usefulness and sale potential. All the shop materials are ecologically correct or recycled and the shopping bags will be used to disseminate information about conscious consumption. In its first year the Solidarity Boutique aims to benefit 35 social institutions and to incentive and promote Fair Trade.

There are also a Agrarian Reform Shop in São Paulo, World Vision shop in Recife and the Shop Rede Sol in Curitiba which besides being an alternative for small producers also disseminate the concept and help to create a new kind of consumer.

### **1.3.3 Organic Agriculture Family-Based Production**

Organic agriculture is one of the internal market sectors that has been expanded. It is possible to map fairs, sales locations, supermarkets and home deliveries using a sales strategy. The majority of the organizations that work in it represent the interests of families of agriculture workers.

This growth may be exemplified by the work of the NGO AAO – Organic Agriculture Association, which has around 1.800 associates of which 500 are active owing around 10,5 certified hectares. The products certified by AAO are sold in 150 shops of 6 supermarket chains.

Family farming in Brazil is composed of more than 4 million rural properties spread throughout the country. It is estimated that 90% of the organic production units in Brazil belong to family farmers, divided in three major groups:

- farmers who have already obtained certification for their productive systems;
- a larger group, not officially quantified, that direct their production to local markets;
- a group of approximately 2 million farming establishments that use productive systems based on low introduction of chemical inputs.

The group of family farmers who produce in an ecological manner and/or within solidarity-based schemes of production and commercialization bring an important contribution to local economies.

Each of these groups requires different kinds of support and show distinct abilities in its relations with the markets. An important share of their organic production is aimed at the local markets. However, it is believed that the current process of organic production regulation will increase demand in the retail supermarket sector.

The approval of Law 10.831/2003 opens the perspective of consolidating a transparent organic market in Brazil. Considering the adjustment of organic productive systems to family farming, the MDA's (Agrarian Development Ministry) main objective in this area is to expand the number of families practicing organically-based productive systems that can be recognized by the Brazilian legal apparatus.

Among the main products one may mention: honey, cassava flour, sugar-cane brandy, brown-sugar blocks, sugar, coffee, juices, liqueurs, sweets, dried fruit, fruit preserves, seasonings, jellies, biscuits, wines, handicraft, apparel, etc.

### **1.3.4 Visão Mundial and Ética**

Visão Mundial (World Vision) is a non governmental Christian organization for development created in 1950 and now working in 100 countries and, in Brazil, since 1975.



World Vision's Program on Solidarity Commerce started in 1999 supporting small farmers and handcrafters to export their products, besides developing an internal market. Through local associations with other NGOs it was possible to broaden the project to other regions. In the international market there were initiatives with Claro (Switzerland), EZA (Austria) and CTM (Italy). An association with World Shops in the Benelux region was fundamental to the communities who works with handcrafts. All products received support from institutions as FLO and IFAT. In the internal market, there were projects with supermarkets and shops to widen the sales channels. World Vision focus it's activities in three areas: support to production, market development and creation of an ethical and aware market.

Together with the Inter-American Development Bank, World Vision developed the Ética Comércio Solidário company to market different fair trade products of organizations which congregate 3.000 producers from 37 municipalities (mainly in the sates of Pernambuco, Alagoas and Rio Grande do Norte). Ética is already supplying products to Carrefour and Wal-Mart and is looking to work with the Brazilian Tok & Stok and Pão de Açúcar chains.

Ética is part of the Program to Promote Socially Responsible Market Opportunities, an operation with investments of US\$ 1,95 million looking to facilitate the access of small producers to the national and international markets.

#### **1.4 Certification**

In terms of certification the internal market is not yet regularized. Bigger producers use expensive certification organizations. Others, that deal directly with smaller producers, certify the products with their own marks. This is the case of Viva Rio organization that puts a sticker with its name as a way to guarantee the products sold in their solidarity sales locations.

There is an ongoing debate around the best certification scheme for the country, looking for the creation of an inclusive model that attends the producer's needs and is internationally acceptable.

Since September 2004 FACES indicates as its objectives to work in the proposal for a system adapted to Brazilian reality. This should propitiate the building of a national public standard through the development of pilot cases to evaluate how the producers relate with the principles adopted, looking forward to create a proposal for conformity evaluation and check how the principles relate with Brazilian reality. The results were presented at a recent meeting and are currently under debate. The proposal presented looks for credibility from the consumer and the market and to adapt itself to Brazilian conditions, suggesting follow-up structures and evaluation tools.

The Participative Guarantee Systems under construction since the 90s, are a Latin American and Brazilian position against the imposition of certification for organic and fair trade products as the only way to guarantee their conformity as it creates dependency situations and makes the inclusion of small farmers impossible.

The main characteristics proposed for the system are: a) rules conceived by the actors, b) grassroots organization, c) appropriated for small farmers, d) principles and values which improve families wellbeing and way of life and promote organic agriculture, e) documented management and procedures systems, f) mechanisms to verify the fulfillment of standards by producers, g) mechanism to support producers, h) contracts signed by producers, i) stamps or labels, j) sanctions for



producers who do not fulfill their commitments.

The proposed accreditation system is a combination of parts coordinated in a system to recognize the conformity to principles and criteria combining instruments and structures to regulate Fair and Solidarity Trade (CJES) in Brazil: The basic components are:

- a. CJES Network
- b. CJES
- c. CJES Recognition Commission
- d. Local Articulators
- e. CJES Forum

The Ecovida experience described below is a well regarded participatory experience but there are issues to be overcome, as it works well in the kind of organization found in the Southern states but would not work in other regions of the country.

#### **1.4.1 – Rede Ecovida**

Since 1998, Ecovida Network develops its work now present in 220 municipalities in Southern Brazil, decentralized in 23 regional nodes (in diverse stages of organization), which congregates more than 260 agricultural families, around 30 NGOs, small agro industries, assistance organizations and 10 consumers cooperatives who have many initiatives to process and sell products through the network. The members organized more than 100 fairs besides sales experiences in institutional markets, supermarkets and some exporting.

Ecovida Network is an informal space, without a legal structure, who works with defined principles and objectives aiming to strengthen agro-ecology, disseminate information among its members and create legitimate mechanisms to foster its members credibility.

One aspect worth of note is its participatory certification process which may be useful in the development of a Brazilian certification / accreditation scheme. While the conventional certification systems works with distrust, creating a series of inspection demands, the participatory process works with trust, believing it is possible to create an educational process that generates credibility and may offer the same safety as a conventional certification. Another difference is that while the certification by inspection uses rules created far away – usually in the Northern Hemisphere – the participative one is based on rules created through a debate process among producers and bets on a co-responsibility system.

The idea is to promote social control of environmental risks and at the same time establish a mutual control process among the farmers in relation to the fulfillment of the agro-ecological rules established by the Network. Each group of families has an Ethics Committee in charge of forwarding to the regional coordination the issues related to the group's execution of the rules. Each regional coordination has an Ethics Council composed by representatives of each one of the Ethics Committee. This Council is responsible to manage the certification process in the region and its members make yearly visits to the farms who demand certification in order to guarantee the information related to the fulfillment of norms (besides giving orientation about procedures improvement) created by the Ethics Committee of each group along the year. The visit is reported and this report is the basis for the emission of a seal or certificate valid for one year.



To be part of the Network the farmers must participate of a group meeting every month where, among other issues, they discuss the following of the Network's certification rules. These meetings take place in the farms in a rotation system so all may verify how the production is evolving in relation to the agro-ecology principles. Like that, the social control of the environmental risks is focused in the farmers and their local network which may regularly and permanently control each other, while the certification process is ongoing, the yearly visit by the Ethics Council is the final moment of the certification cycle.

Space- Scope	Public	Control Mechanisms	Phase
1. Property ↓	Farmers	Courses, follow-up, standards, conversion plans	Training, Information and Commitment
2. Organization ↓	Groups Associations Cooperatives	Alternate visits, meetings, responsibility agreements, interchange, ethical commission and suspensions	Self-inspection and Self-regulation
3. Regional Nodes ↓	Organization which compose the Network in a region	Ethical Council, periodical training, consumers participation, suspensions	Mutual responsibility and external regard.
4. Ecovida Association	Councils and Commissions	Legally defined instances	Legal

SANTOS, L.C.R., 2002

### 1.4.2 - Instituto Biodinâmico

Instituto Biodinâmico Certification Association – IBD - is a Brazilian non-profit company that works with certification and control of organic and biodynamic production and processing, as well as of sustainable wild crop harvesting.

IBD began its certification work in 1990 and ever since operates in the whole Brazilian territory and in some countries of South America, aiding in the development of a standard of sustainable agriculture based on new economical, social and ecological connections.

Looking for its adaptation to the increasingly larger demand of a developing market, IBD achieved accreditation by IFOAM (International Federation of Organic Agriculture Movements) in 1995 and, later, was ISO 65 accredited (by DAR - Germany) and approved by USDA (United States Department of Agriculture), becoming the only Brazilian organization internationally enabled to grant certification for organic products. Besides, IBD is the representative in Brazil of "Demeter International" ( biodynamic products).

IBD certified organic production includes agricultural operations, production of inputs, food industrialization, livestock, fish farming, forestry, among others. Presently, there are about 700 operations certified and/or in certification process by



IBD, representing a whole of approximately 3.700 producers.

### **1.4.3 - Imaflora**

Imaflora started its activities in 1995, after the creation of FSC International (Forest Stewardship Council), a world renowned organization that brought a new approach to forest conservation through management. The need for a national entity to implement the system in Brazil motivated Brazilian professionals from the forest sector to create Imaflora. Although initially focused in the conservation and development of Brazilian forests, Imaflora has broadened its field to agricultural certification.

Soon the organization perceived that other complementary issues to certification were also needed to reach its objectives. Thus, besides forest and agricultural certification, the Institute also became involved with training and capacity building, public policies and incentives to the sale of community and certified products.

Nowadays Imaflora has 26 workers, national reach and a structure based in five programs: Forest Certification, Agriculture Certification, Training and Capacity Building, Public Policies and support to Market Development for Certified Products.

Besides being one of the founding members of FACES do Brasil, and member of its Political and Managerial Councils, Imaflora is responsible for the creation of standards (values, principles, criteria and indicators) to evaluate commercial relations established in the chain, defining a reference and accreditation system for Fair Trade in Brazil. These standards are being prepared in strategic meetings with diverse actors from the production and sales chain.

Imaflora has also been working with pilot cases of cooperatives in many regions of the country, developing evaluation processes for the production and business promotion.

## **2. GOOD PRACTICE IN LOCAL GOVERNMENT IN SUPPORTING FAIR TRADE**

### **2.1 – State Programs**

#### **2.1.1 Amazonas State Government Certification Process**

The State of Amazonas is developing together with Imaflora a new certification scheme. They started certifying wood and using the criteria developed by FACES do Brasil the State is now developing its own label. Imaflora uses a group system in which an NGO, for example, may gather a group of producers and indicate all for certification. Imaflora collects samples, and allows the NGO to use the stamp for all members of the group. This practice is followed-up by Imaflora and if one member fails to comply, all the group loses. The State of Amazonas will use this same system for issuing it's own stamp.

#### **2.1.2 – Legislation**

Some states as Espírito Santo e Minas Gerais have recently created legislation concerning Solidarity Economy. Espírito Santo law creates a policy to develop and foster self-managed companies, cooperatives, associations, networks and enterprises that comprise the solidarity economy sector to integrate them in the market and promote their sustainability through programs, projects and partnerships.



The law foresees the provision of access to State places, technical assistance, capacity building and agreements, access to research centers for technology transfer, support to production sales through fairs and commercial centers, incentives to integrate products and services in the internal and external markets and help to articulate networks with fair trade. It also creates a State Solidarity Economy Council to define public policies and how to proceed in the fostering of the above mentioned activities.

Minas Gerais State legislation foresees approximately the same and also creates a stamp to identify enterprises directed to the execution of public policies for credit, commerce, technological development and capacity building adequate to solidarity economy needs.

In the interviews there were mentions to other legislations but it was not possible to have access. It was not possible to find out the outcomes of the laws described above.

## **2.2 University and NGO Programs**

### **2.2.1 POEMA – Amazon Sisal Fibers Production**

The POEMA project started in 1992 in the Environment Nucleus of the Federal University of Pará to systematically experiment new ways of cooperation between the university and the Amazon society. The project is focused in fighting against poverty and environmental degradation, specially in rural areas, looking to integrate local actors in interdisciplinary actions, valuing the communities traditional knowledge.

In 1991, the community of a small village asked the University support to deal with sanitation issues. Arriving, the technicians found out that the twenty families were also very worried with the diminishing productivity of its main crops – specially coconuts, their second most important income generation source.

The adoption of new techniques allowed the soil to recover and the production increased from eleven fruits per tree to forty. At the same time, the University was involved with DaimlerBenz, nowadays DaimlerChrysler, to research natural products for the car industry.

The result was the development of a way to make use of the coconut shell fibers and the community started to produce 600 headrests pieces/ month and nowadays produces 4.500 headrests/month and 1.500 sun shades for trucks.

The whole process involved lots of support from both the University and DaimlerChrysler to buy machinery and legalize the producers.

The University identified the difficulties people had to relate with the market and intensified its capacity building work with training, technological, managerial and marketing support in partnership with a program of the Pará State Government.

With the pilot the project success the challenge became to turn it into a bigger project. After many other developments and work by the University and DaimlerChrysler, in 2001 a modern factory of fiber products was open in Ananindeua, able to produce 80 tons/year, organizing and creating fibers processing plants in 7 municipalities, managed by cooperatives or associations with support from POEMA.



### 2.2.2 - Friends of the Earth - Amazonia Program<sup>4</sup>

Friends of the Earth - Brazilian Amazonia was created as a non-governmental not-for-profit association in Brazil in 1989 to promote the sustainable use of forest products, fire prevention, support for isolated communities in the Amazon region, and develop and monitor public policies regarding environmental matters, and the Amazon region in particular. The organization is part of Friends of the Earth International, a network of environmental not-for-profit organizations, operating in 68 countries.

Friends of the Earth has one program in Brazil that promotes "green purchasing" by private and public enterprises. The project addresses the purchase of forest products and is called "Certified Forest Products Buyers". One initiative is to encourage governments to enforce sustainable development and setting up sustainable procurement practices. Three different governments have joined the project, namely the state governments of Acre and Amapá, and the city of Guarujá, in the coast of Sao Paulo state. They have signed a statement committing to:

1. Support independent and voluntary certification and help to increase the demand for FSC - Forest Stewardship Council - certified forest products.
2. Stimulate suppliers to use wood acquired from enterprises furnished with FSC credentials, with the support of the Group of Certified Forest Products Buyers, and encourage suppliers to promote awareness-building initiatives and publicize related information.
3. Send, within one year, to their respective legislatures, a bill to include clauses in tender documents concerning forest products that should allow government agencies to give priority in tender procedures for companies or entities that offer products containing independent social and environmental certification.
4. Even though there may be insufficient certified native wood in the market, governments should give priority to certified products in their purchase policies and demand that suppliers obtain certification from their forest management units.
5. Promote awareness-building initiatives on sustainable procurement, and promote the concept of independent social and environmental certification as well as of the importance of consuming certified products in order to guarantee the conservation of native forests.
6. Present a confidential report at the annual meeting of the Certified Forest Products Buyers group indicating problems and success cases in product certification.

However relevant this initiative may have been, it had no practical effect. Nevertheless, it had an educational purpose making government officials more aware of their responsibilities towards sustainable development. The NGO is still struggling to improve this part of the program.

### 2.2.3 – Greenpeace - Friends of the Amazon Cities<sup>5</sup>

Greenpeace launched a campaign in Brazil called " Friends of the Amazon Cities", to encourage local governments to establish sustainable procurement policies for

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<sup>4</sup> As presented in the paper Overview on Sustainable Procurement in Brazil, by Rachel Biderman Furriela, for ICLEI, 2003

<sup>5</sup> Ibid



wood and encourage sustainable forest management, establishing criteria and guidelines for the purchase of timber or wooden products from the Amazon. The program aims to create municipal laws to eliminate illegal wood from criminal deforestation from all municipal acquisitions to help the creation of good market conditions for sustainable produced Amazon wood. It was conceived to transform municipal buying systems in an environmental policy, including one more criteria in the bidding processes involving products and services that use Amazon wood products.

The first city invited to adhere to the campaign was Sorocaba, an industrial and services city, one hour from São Paulo. Sorocaba has 500,000 inhabitants and a high standard of living, where the civil construction business is very strong. The mayor agreed to establish a purchase policy by adopting a municipal law or decree regulating the purchase of wood or wooden products for furniture, civil construction and other uses.

Nowadays, as part of the Amazon wood is harvested under illegal conditions, without paying taxes, invading public areas and not paying well the workers, it is much cheaper than the wood produced by sustainable management practitioners and dominates the market. The estimates are that between 60% and 80% of all Amazon wood has illegal origins and 64% of the production is destined to the internal market.

Greenpeace established criteria for a city to be considered a "Friend of the Amazon" and a suitable partner in the campaign. The city should adopt the following criteria in its purchasing policy: (1) prohibit the use of mahogany (a threatened species); (2) demand that suppliers prove the sustainability of the whole supply chain; (3) give preference to products originated from sustainable management practices, including products certified by FSC; (4) instruct public builders and contractors to substitute disposable timber used in public works (scaffolding, casting), for concrete or iron whenever possible.

The 33 municipalities already involved in the program signed a Commitment with the program demands. The next step is the creation of a Working Group with representatives from the municipal government and civil society to make the needed changes in the municipal legislation and define the best legal tool to implement them. Greenpeace contributes with information and offers a model for the legislation formulated by lawyers as a reference making the work easier for the cities.

#### **2.2.4 – SEBRAE - Brazilian Micro and Small Business Support Service**

Sebrae is a non-profit private institution for supporting the development of small-sized business activity, a result of the union of both the public and private sectors and the country's main fostering and research entities. The coordination of its actions and policies is carried out by the National Deliberative Council, made up of more than 350 institutions represented by the government, business entities, and educational and research institutions.

Most of its resources are utilized in programs and actions for micro and small enterprises, including credit and capitalization support, sectorial and regional development, professional and technological qualification, among many others that strengthen and foster the creation of new productive chains. SEBRAE also has an important role influencing Brazilian legislation in support of small enterprises.

SEBRAE recently created a Fair Trade Program with the publication of an



International Survey on Fair Trade and starting partnerships with FACES do Brasil, the Brazilian Forum on Solidarity Economy and other relevant networks. The focus of their work is tending to the needs of small producers such as lack of market knowledge, lack of contacts with retailers and consumers, lack of resources to finance production and capacity building.

Since the beginning of 2006, the Program is creating Fair Trade nucleus in all Brazilian states looking forward to interact with municipalities. The initiatives are organized around a meeting with main actors and an event for opinion makers, students and the public in general to disseminate the Fair Trade concept, looking for the creation of an internal market in the country. On May there was an event in Rio de Janeiro with the National Commerce Federation for the creation of a Fair Trade Committee together with the main commercial and industrial actors in the state, looking to foster the sustainability of cooperatives, small and medium producers and fair trade and Solidarity economy enterprises. The Committee priorities will be: identify groups of small and medium producers, incentive the creation and support a state network of Fair Trade, incentive the access to market information and develop the opening of the internal and external markets.

An important initiative is a partnership with Visão Mundial aiming to develop local public policies for Fair Trade in Brazil. The pilot project will create a methodology to allow small Fair Trade producers to access markets and public procurement. The partners will publish a manual for producers and another for instructors and film all the capacity building and other events in order to later on disseminate the results to other interested institutions. There is also a partnership with Canal Futura – an education TV channel – to transmit 10 programs on successful Fair Trade initiatives.

The project has 5 themes:

- 1 – Public Purchases to help small producers access public purchases
- 2 – Fair Trade Guarantee System to develop standards and criteria to attest the producers
- 3 – Big Purchasers to organize a group of small producers to sell for a big company, starting with a cosmetics national company that is creating a special line for commemorative dates
- 4 – Access to the Internal Market organizing producers to sell to supermarkets through capacity building regarding strategies, commercialization, packing, logos, communication, promotion, etc..
- 5 – Access to the External Market

SEBRAE is member of the recently created Working Group for a Brazilian System for Fair Trade.

### **2.2.5 - APAEB**

APAEB – Association for the Sustainable and Solidarity Development of the Sisal Region is a non profit association, created on 1980, to promote social and economic development in a sustainable and Solidarity way, looking for improving the life quality of the population from the sisal producing region.

It was created after a mobilization which happened at the end of the 70s when farmers had a big demonstration against the taxes demanded from them to work in the street fairs of Salvador. Although selling the products from their subsistence agriculture was a basic need for survival, the tax for selling a bean bag was so high it was not worth selling it. Although they did not succeed then, the movement helped them to realize their organization skills and the need to organize further to



be successful. On 1980 the first APAEBs were created in six municipalities and today there are more than 900 direct jobs which represent millions in the local economy in terms of salaries and raw products sales. Presently APAEB develops the following activities:

- Sical carpets plants – with around 500 workers ;
- Communal sisal mixer – buys the farmers’ production;
- Agricultural Family School – in which 90 students from 6 municipalities spend one week at school and one at home passing on to their families knowledge about how to live in the semi-arid region;
- Rotative Fund: loans to small farmers;
- Solar energy: benefiting 300 families;
- Reforesting with native species;
- DaCabra Dairy: goat dairy products
- Technological research for the semi-;
- Valente Leather: buys and sells goat leather;
- Handcrafts
- Education and Citizenship; courses and seminars
- Communication – radio, internet, etc
- Other

## **2.3 – Municipal Programs**

### **2.3.1 - Cinpra – Inter-municipal Partnership for Production and Supply**

In 1997, worried with the end of the rural technical assistance in the state of Maranhão and with the supply of goods to its capital, São Luis, the Municipal Department of Production and Supply promoted meetings with Mayors and Agriculture Secretaries of its surrounding municipalities from which came the proposal of creating an inter-municipal partnership to guarantee technical assistance to rural producers, improve their income level and diminish the import of fruits, vegetables and dairy foods (80% used to come from the Southern states).

The partnership has 23 municipalities besides São Luis, the capital, and offers training, technical assistance and credit, drawing near municipal governments, rural producers and finance institutions. In the process, many municipalities started to offer the farmers the guarantee needed to obtain a bank loan (since most don’t have property titles), making possible the creation of many initiatives. One of Cinpra’s main activities is to help municipalities to elaborate, present and follow-up projects to expand and diversify the production. This work is important due to the difficulties small producers face to access the available resources through banks and institutions as they don’t know how to carry out the technical instructions. Also, as it helped to democratize the access to information about opportunities for credit and agreements, it helped to break the isolation in which small municipalities are immersed.

The partnership also cared for the follow-up of producers, helping the municipalities of Viana and São João Batista to create the “production community agents” who are hired by the municipalities among the communities to help producers develop basic procedures and build installations.

Even when Mayors changed due to elections the Partnership maintained its activities as it was defended by all candidates. The Partnership keeps working to sensitize and educate Mayors and Agriculture Secretaries through meetings, seminars and courses. Another important aspect was the creation of a Fund to which all municipalities contribute and may access which also helped to decentralize resources from the capital to smaller municipalities.



The Partnership is a pioneer of its kind in the state of Maranhão, which did not have even the most common Brazilian municipal partnerships, those in the health area. Nowadays such initiatives are multiplying in Maranhão and there are plans to create a Partnerships Federation.

### **2.3.2 - City of Sao Paulo<sup>6</sup>**

The city of Sao Paulo has a population of over 10.4 million inhabitants, and is surrounded by another 38 municipalities, which together constitute the Greater Sao Paulo Metropolitan Area, totaling approximately 17 million inhabitants, and 39 different local governments. The city represents 12% of the country's industrial GDP. Environmental criteria have been incorporated to some degree in the purchasing policy of the city, which constitutes the main eco-procurement experience in the country.

São Paulo administration, under Mayor Marta Suplicy, has made the decision to promote changes in unsustainable patterns of consumption and production. DECREE 42.318 of 21 August, 2002 was passed by Sao Paulo's mayor to establish the Environment Quality Municipal Program and adopt the Brazilian Program of Quality and Productivity – PBQP in the Municipality of São Paulo. The main objectives of the program include helping São Paulo to become a sustainable city, as well as promoting changes in its consumption patterns and encouraging technology innovation and eco-efficiency, by using its purchasing power as a tool to implement environmental policies. The city has chosen civil construction as a pioneer sector to introduce sustainable procurement practices, due to the high level of pressure the industry imposes on natural resources (especially in the Amazon region). Furthermore, construction sector is well organized, and it is possible to work with the whole supply chain. The idea behind the program is to use the municipality's purchasing power as a driving force to encourage sustainable practices in the market. Some of the measures the city introduced were: (1) ban on the use of mahogany by the municipal governmental agencies; (2) creation of a board to review criteria on the purchase of furniture; (3) incentive to use timber from forests that are sustainably managed; (4) incentive to substitute asbestos in civil construction. Since the government changed these programs were discontinued.

### **2.3.3 - Boa Safra Program**

The Good Harvest Program is an initiative of the Municipal Department for Rural Development and Environment of the Municipality of Limoeiro do Norte, Ceará State, in the Northeastern region, with 50.000 inhabitants, aiming to help farmers to mechanize their properties and at the same time develop and organize the farmers associations. The associated farmers also gain access to other governmental programs. In exchange, the farmers deliver part of their harvest to the municipality to be used in the schools meals.

### **2.3.4 - Hope Program**

Projeto Esperança (Hope Program) is developed by the Santa Maria diocese in Rio Grande do Sul in partnership with Caritas which has been working for 20 years with popular Solidarity economy. This is a big social program and part of it is a cooperative of small rural and urban producers connected with the Hope Bank which gathers groups comprised of five families organized in associations which after being created join Cooesperança, the central cooperative that articulates

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<sup>6</sup> Ibid.



producers around fair trade. There was mention of support from the Santa Maria municipal government but it was not possible to gather more information about it.

### 2.3.5 – Popular Credit

One example of popular credit public policies which may serve the needs of diverse economic enterprises is **PORTOSOL** in Porto Alegre – RS. It’s a civil association created by the municipality in association with other partners in 1996 to give quick credit without bureaucracy and with accessible taxes. It has already conceded R\$ 90 million in loans with an average value of R\$ 1.300,00. It was the first micro credit initiative in Brazil with governmental funds and turned micro credit into a public policy. It’s model has been replicated in many Brazilian municipalities.

### 2.3.6 - Banco Palmas

Banco Palmas is a communitarian bank from a low income neighborhood in Fortaleza – CE. It’s main innovative characteristic in relation to other micro credit / micro finances experiences is the association between credit support and other fomentation initiatives to popular entrepreneurship, income generation and social inclusion, in an integrated strategy for local development. Among the tools used by Banco Palmas there are:

- Production and Consumption Credit – besides the traditional “production credit” given under differentiated conditions, according to the profile of the micro enterprises financed, the bank also offers credit for consumption (through a credit card, accepted by many neighborhood shops) and credit to finance the self construction of houses.

- Social Currency – Banco Palmas operates with a social currency (the palma) which only circulates in the neighborhood. Besides accepting this currency, many local establishments also offer discounts on products and services paid by in palmas. The currency may also be exchanged by reais (1 by 1) with a 2% fee.

- Creation of Social Enterprises – the bank gives incentives to the creation of communitarian enterprises (in areas such as hygiene products, clothing and others) through credit, capacity building, managerial and commercialization support.

It’s innovative characteristics and positive results have given it national visibility and favored the replication of the experience.

### 2.3.7 – Hulha Negra - RS

The municipality of Hulha Negra, a small city in the South, with 5.000 inhabitants, incentives the consumption of locally produced goods in their schools which besides improving the food quality allows small farmers to aggregate value to their products, favoring the creation of new income generation opportunities. To make possible the participation of local family production a commercial association was created – the Association of Colonial Producers of Hulha Negra, in which all rural communities of the municipality are represented. At the same time, the municipality adopted a cultural standpoint in the composition of meals offered in the schools, valuing local products or those which keep typical habits and characteristics of the population such as yogurt, chimia (a sweet) and cuca ( a cake).

With the producers united under a label and controlled by the sanitary inspection, farmers were able to widen their products distribution including the institutional



market. The Merenda (school meals) Council, with the participation of society and producers, specified the products according to local habits and thus the bidding process was not a problem.

### **2.3.8 – Cities in the Southern States of Paraná, Santa Catarina and Rio Grande do Sul (Palmeira, São Lourenço do Sul, Pelotas, Canguçu, Novo Hamburgo)<sup>7</sup>**

In different cities in the southern states of Paraná, Santa Catarina and Rio Grande do Sul, the region with the highest standard of living in the country, some initiatives of local municipalities in partnership with small family owned organic farms are setting an example of sustainable procurement practice. These local governments have chosen to encourage local production of organic food by subsidizing part of the crops, and by purchasing part of the production to be used in canteens at local public schools.

The NGO CAPA - Centro de Apoio ao Pequeno Agricultor (Support Center for Small Scale Farmers), associated with the Brazilian Lutheran church, assists rural families in some of the above-mentioned cities to improve their income by teaching them means to promote sustainable (organic) agriculture. This NGO was identified by local municipalities as an important partner in promoting sustainable development at the local level. Currently, CAPA assists over 230 families in promoting organic production, consumed by over 8,000 students in public schools canteens in four different cities.

### **2.3.9 – Justa Trama**

The name Justa Trama at the same time means Fair Weave and Fair Scheme and unites 700 people around the production chain of ecological cotton – which includes farmers from Ceará, spinning and weaving in São Paulo, sewing cooperatives in the Southern States, and seed collection in Rondônia - in Solidarity enterprises in 12 states. Together they work in the several production stages and during the 2005 World Social Forum, 36 enterprises in Brazil produced 60.000 cotton bags to be distributed among participants.

The chain begins with the production of ecological cotton planted by 240 farmers in Ceará. From there it goes to the Cooperativa Nova Esperança where there are 300 workers responsible for the weaving, after which the next step is to be meshed by 100 workers in another cooperative. This material then goes to Santa Catarina where 20 people make it into fine clothing or to Porto Alegre where 23 members of a cooperative make diverse clothing. Seeds from the Açaí cooperative in the Amazon region are used for decoration and there are plans to use them for coloring.

Nowadays although Justa Trama alone cannot support all enterprises involved it already produces 8.000 clothes and has as one of its main challenges to increase the ecological cotton production and develop ecological ways of coloring them. The label uses no intermediaries and thus doubled the income of all the workers involved without increasing its sales price.

## **3. RECOMMENDATIONS FOR FUTURE SUPPORT MEASURES BY LOCAL GOVERNMENTS**

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<sup>7</sup> Ibid.



Regarding solidarity economy, we may see that in order to survive and progress, initiatives must join other communities creating local productive arrangements or organizing themselves in productive chains such as Justa Trama. In such ways solidarity economy is revealing itself as a valid tool to fight poverty and regional inequalities and starts to consolidate a differentiated economic system in which there are strategies for endogenous development and also for national development and regional integration.

As for Fair Trade, the major challenges are to transform Brazil's status of a supplier of fair trade products to foreign markets into a consumer of these products in the domestic market, and organizing the workers to find ways to finance strategies, as the majority of workers' associations have commercial and technical problems.

Another big difficulty is a consequence of the lack of articulation with the market. Mostly these families only know the local networks and mechanisms and even when these small producers have credit and technical assistance, they become dependent of intermediaries who pay less than 10% of the price paid by the final consumer (Fundação Lyndolpho Silva, 2001).

Experience shows there are big difficulties for the organization of producers to guarantee the regularity and quality of products. Mostly the production scale is small, there is no production planning or qualification to commercial management and the consumers are not organized.

Legislation creates difficulties as all policies are directed to big enterprises and as already explained in a previous paper, the bidding law (8.666) is very restrictive.

Although there is some credit available for small enterprises, there are access difficulties and lack of information.

There is the need of adequate processing technology and technical assistance as well as management capacity building.

Most policies needed are situated in the State and Federal level in Brazil. Regarding municipal government's role in the process, it must be noted that although local development policies and programs have been growing in the country, most look to fair trade as a project and not as a policy which may change the local development axis.

### **3.1 Main Challenges**

There is the need to reach a consensus about the definition of Fair Trade / Ethical and Solidarity Trade, with verifiable principles and criteria, defining standards to legally characterize solidarity economy / fair trade enterprises. This can be a first step to obtain official recognition to the movement, looking for access to financial resources.

Public sector acquisitions represent 25% - 30% of the national income and there is the need for a revision of the national legislation regarding public procurement to include fair trade and solidarity economy, or to give such enterprises some kind of preference. This official recognition is also needed for obtaining special credit lines.

Another challenge is already being dealt with through intense debates for the creation of a national certification / accreditation system, internationally recognized. This may increase Brazil's presence in the international scene, not



only to include its producers but also in terms of participation in events and association with international organizations able to show an indigenous and highly participative system.

To acquire such credibility, a national seal should:

- reduce certification costs
- reduce demands for documents from small and community properties
- promote the local accreditation of certifiers
- widen the commercial offering
- support alternative certification schemes such as in group

Regarding the producers, they need increased quantitative and qualitative technical support to enter the market, identifying opportunities in each region and addressing their production accordingly and promoting their self-management.

Another important issue faced by producers is the limited availability of financial resources to generate capacity to manage the cash flow and invest in agro-industries which could increase the value of their merchandise.

The size of the country demands the increase in communication and exchange of commercial information and experiences among all involved and articulation among initiatives through networks. The creation of a network of services and capacity building focused in production issues and technology dissemination to increase variety, quality and quantity of products to make them more attractive to the conventional shops in the internal market. Such initiatives could also contribute to the creation of solidarity / fair production chains, identifying how economic activities may be complementary and stimulating the creation of appropriate spaces for the commerce of Fair Trade products.

The general lack of awareness in relation to Fair Trade concepts and issues could be partially addressed

### **3.2 Opportunities to create an internal market**

- There is already a base for consumption and consciousness in relation to organic products whose public is approximately the same potential consumer of Fair Trade products;
- Although few, there are already conscious consumers in Brazil, mostly in the South and Southeast, where income is higher
- The initiatives related to social responsibility in companies are increasing and also the available funds for social projects
- There are already experiences of alternative models of market access that may work as an example;
- There is a first initiative or articulation and closeness between the main organizations and companies interested in the issue;
- There is a relevant agro-industrial base to aggregate value to agricultural products;



- There are available resources for training and for family agriculture in general.

### 3.3 Possible Municipal Public Policies

While Solidarity Economy already reached a status where the Federal Government created a Secretary for it and is in the process of creating a National Council, Fair Trade still has no such official support or recognition.

Even with the increasing visibility of solidarity economy in the country, most policies are federal, with some initiatives from the state level such as the mentioned legislation, beginning to be structured – but few municipalities have specific policies for the sector.

The structure of Brazilian state and legislation leaves little to be done by municipalities regarding support to Fair Trade initiatives. But the main obstacle as the concept begins to be consolidated in the country is the lack of awareness both in government and society.

#### 3.3.1 PROCUREMENT ACTIONS

As already presented, procurement in Brazil is submitted to Law 8.666 and has restrictions. Some small municipalities managed to overcome these including the demand for very specific products in the bidding process – such as seen in the Hulha Negra experience.

It is possible to include specifications in the bidding process that may contemplate Fair Trade initiatives. If the municipality specifies local products for the school meals, probably the bidding will be won by small local producers. But this is a limited strategy that will benefit small farmers only in some specific situations and it will not be possible to consider it a Fair Trade initiative if other components are not included. There will be the need to verify if the winning bid can be considered of a “fair price”, to begin with. And if it takes in consideration another principles of Fair Trade. Each initiative would have to be carefully prepared in order to not be illegal.

Currently the main obstacle to these initiatives is the lack of knowledge or political will from local governments.

#### 3.3.2 ACCESS TO FINANCE

This is possibly the main area of action for local governments interested in supporting Fair Trade. Local governments may develop initiatives in support to credit that address some important bottlenecks faced by small producers.

There is the need to widen and strengthen credit lines appropriate to the characteristics, diversity and needs of such enterprises, building mechanisms which allow access to credit and group (solidarity) guarantee.

Although there are official credit lines for them, most small producers do not understand the needed procedures and some do not the needed documents.

The Cintra experience shows that when willing, municipalities may offer the farmers the guarantee needed to obtain a bank loan. This can be an enormous help to many small producers who otherwise have no access to credit.



Local governments may establish capacity building programs to help producers access credit lines and to plan their production in order to be able to perform the payments accordingly.

Actions towards democratizing credit must value the already existing initiatives such as credit cooperatives and microcredit operations which are creating special conditions to attend to the credit needs of solidarity enterprises.

Local governments may create special credit lines for Fair Trade producers as the one created by Portosol, with special rates and offering capacity building as part of the program.

It's also possible to gather inspiration from the Banco Palmas experience and combine a micro credit initiative turned to Fair Trade producers with support to production, incentives for the local consumption of these products and capacity building for planning production and sales.

### 3.3.3 CAPACITY BUILDING

Local governments may help to publicize Fair Trade principles and provide information on how to adopt it's principles. With the increasing visibility of Solidarity Economy initiatives, it is possible to give incentives to turn some of them into Fair Trade initiatives, including Fair Trade principles in the cooperatives and other small scale business considered as Solidarity Economy.

Supporting solidarity economy demands coordinated capacity building and technical assistance besides the increasing introduction of solidarity economy and fair trade initiatives in the existing programs for raising educational levels and bring social and technical qualification, widening the national network of management assistance. The creation of a community agents network for solidarity development may help to promote the articulation of solidarity economy and fair trade initiatives with processes of local development.

Most small producers – regardless of being considered as Fair Trade or not – could benefit from capacity building regarding how to plan their crops or production, how to associate themselves in order to gain scale in their businesses, how to aggregate value to their products instead of selling raw products and how to manage the credit resources once it is obtained.

Capacity building initiatives could also be focused on the promotion of digital inclusion which may help in networking and exchange of experiences, on the social empowerment of producers, mainly of women and young people, and on community organization fomenting entrepreneurship.

It has also been identified the need for capacity building for the elaboration, negotiation and participatory management of projects, market analysis, planning, management and accreditation mechanisms.

Producers organization may help in many important issues such as the scale up of business, diagnosis of local potential and consumers, selection of crops compatible with the local environment and market, harvest and production planning, access to new practices and products certification.

The Cintra experience of “production community agents” is a good example of how even small and poor municipalities may support local producers.



Local governments may play an important role helping producers to organize themselves and creating partnerships with organizations such as SEBRAE and similar to provide capacity building.

### 3.3.4 LOCAL SALES INITIATIVES

Building and structuring networks, fairs, central warehouses and other commercialization and distribution strategies is a challenge.

Local governments may create special places for the sale of Fair Trade products and promote their placement in the already existing local fairs which mainly deal with edible products.

These could be either special events such as fairs that receive publicity and thus help to spread information concerning Fair Trade, its principles and objectives; as permanent stalls in local markets giving producers a permanent place to sell their products.

Some Fair Trade products may be associated with the image of a municipality and be sold in tourist places.

These local sales places may help producers overcome the difficulties faced to access external markets and start the creation of regional markets.

### 3.3.5 OTHER

#### **Consortiums**

Among the experiences identified the one that looked more promising for a Fair Trade initiative is the municipal consortium led by São Luis. Brazil has a good legislation for municipal consortiums, helping municipalities to share infra structure and maintenance costs.

Municipalities may unite in consortiums to offer training, technical assistance and credit, drawing near municipal governments, rural producers and finance institutions. A consortium may create a loan fund or offer the guarantee producers need to obtain bank loans.

Through a consortium municipalities may incentive the creation of regional markets, hire NGOs for specific capacity building projects or Universities to develop technical assistance to producers.

A consortium also has more visibility and may help to publicize the Fair Trade concept, besides being a good start for the creation of production and commercialization networks. Through a municipalities consortium different producers may get together and start the creation of production chains as Justa Trama, increasing the production scale.

#### **Infra-Structure**

One important obstacle for producers in Brazil is related to the transportation of their goods due to the bad conservation of roads. Although roads conservation is not an attribution of municipalities, small repairs in vicinal roads which are done by municipalities can be of help.

#### **Education**



Municipal governments may include Fair Trade principles in it's schools curricula helping to educate both future consumers and their parents.



#### 4 . ANNEX – PARTIAL DATA FROM THE SOLIDARITY ECONOMY MAPPING INITIATIVE OF THE MINISTRY OF WORK AND EMPLOYMENT

Number of enterprises per year						
1900 to 1950	1951 to 1970	1971 to 1980	1981 to 1990	1991 to 2000	2001 to 2010	TOTAL
63	101	177	1382	6468	6513	14704

#### Organization

ORGANIZATION	NUMBER
Informal group	4.890
Association	8.151
Cooperative	1.604
Companies	195
Other	111
<b>TOTAL</b>	<b>14.951</b>

#### Area

AREA	TOTAL
Rural	7.462
Urban	4.874
Rural Urban	2.546
<b>TOTAL</b>	<b>14.882</b>

#### Present Situation

SITUATION	TOTAL
On implementation	1.383
Functioning / Operating	13.571
<b>TOTAL</b>	<b>14.954</b>

#### Number of participants

PARTICIPANTS	Number of enterprises	WOMEN	MEN	AVERAGE
EES only men	1.568	0	84.987	54
EES only women	2.332	53.205	0	23
EES both men and women	10.918	389.634	702.258	100
<b>Total</b>	<b>14.818</b>	<b>442.839</b>	<b>787.245</b>	<b>113</b>

#### What the enterprise does:

DESCRIPTION	TOTAL
Production	9.204
Sales	8.481
Equipment use (machines, tools, etc.)	7.132



Use of infrastructure (buildings, warehouses, shops, etc.)	6.710
Buying of raw materials	4.378
Services	4.209
Procurement of clients or services for partners	2.261
Savings or credit	1.855
Exchange of products and services	1.771
Other	239

<b>NUMBER OF ENTERPRISES</b>	<b>NUMBER OF QUESTIONS MARKED</b>
2.799	1
3.440	2
3.375	3
2.211	4
1.511	5
912	6
386	7
180	8
47	9

#### **Main Economical Activities:**

<b>DESCRIPTION</b>
Services activities related to agriculture
Production of textiles artifacts from fabrics
Cultivation of other temporary products
Cereals cultivation
Mixed productions; Agricultural and livestock
Cultivation of vegetables
Production of manioc flour and similar
Other animals breeding
Clothes Production
Production of diverse objects from wood, straw, bark and other – excluding furniture
Recycling of non metallic scraps

#### **Main Products or Services:**

CORN
BEANS
RICE
MANIOC FLOUR
MILK
VEGETABLES
CLOTHES
HANDCRAFTS
SHEETS AND TOWELS
MANIOC



PURSES AND BAGS
HONEY
CROCHET
FISH
TRINKETS

DESTINATION	TOTAL
Sales	9.811
Part is sold and part is for the partners consumption	4.561
Not pertinent	918
Products and services are exclusively for the partners consumption	825
Exchanged	742

### How products and services are sold

DESCRIPTION	ORDEM 1	ORDEM 2	ORDEM 3	TOTAL
Directly to the consumer	8.316	1.833	179	10.328
Sold to reseller or wholesaler	3.518	2.635	177	6.330
Sold to governmental organizations	255	420	353	1.028
Exchanged with other Solidarity enterprises	61	299	229	589
Sold to	148	318	295	761
Other	518	471	184	1.173
Not pertinent	134	2	3	139

### Sales and exchange of products is destined mainly to:

DESTINATION	1	2	3	TOTAL
Local or community commerce	6.661	1.296	518	8.475
Municipal market / commerce	3.396	3.849	442	7.687
Micro-regional market / commerce	1.305	1.333	1.232	3.870
State market / commerce;	896	852	719	2.467
National market / commerce	383	332	317	1.032
Exported to other countries	78	104	166	348

### Main Selling Places

	ORDEM 1	ORDEM 2	ORDEM 3	TOTAL
Own shops or space	2.464	725	409	3.598
Collective spaces	616	435	251	1.302
Street Fairs	2.798	1.975	489	5.262
Special Fairs and exhibitions	785	1.818	903	3.506
Direct deliver to clients	5.120	2.294	1.102	8.516
Other	785	361	170	1.316
Not pertinent	381	7	2	390

### Has the group found difficulties for selling products and services?

ANSWERS	TOTAL
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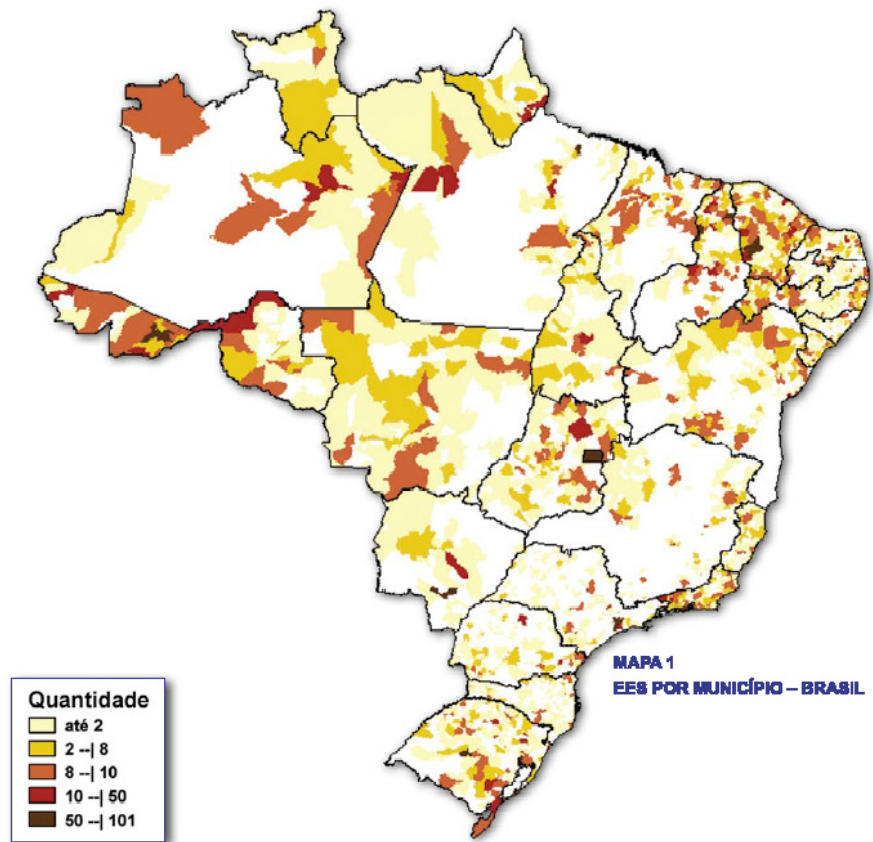
Yes	9.126
No	4.281
Not pertinent	1.479

**Main difficulties for selling products and services**

<b>DESCRIPTION OF DIFFICULTIES</b>	<b>ORDEM 1</b>	<b>ORDEM 2</b>	<b>ORDEM 3</b>	<b>TOTAL</b>
The group could not find enough clients	1.674	415	231	2.320
No one in the group wants to care for sales	174	180	80	434
No one in the group knows how to conduct a sale (negotiation, etc.)	183	189	99	471
The group was swindled many times and does not know how to avoid this	278	357	185	820
Prices practiced by the group are high	164	102	44	310
Clients demand time to pay	378	595	371	1.344
Buyers only want big quantity	268	292	178	738
Difficulties to keep regular supply	677	789	424	1.890
Lack of capital to support long term sales	1.484	1.215	639	3.338
Lack of legal documentation	573	416	330	1.319
Other	3.026	710	352	4.088
Not pertinent	48	3	3	54



## 4.1 Solidarity Economy Enterprises in the Country



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