Social economy practices and informality in Colombia

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On 22 March 2022, Marta Lucía Ramírez de Rincón, Vice President and Minister of Foreign Affairs of Colombia, spoke about the measures Colombia is taking to strengthen the social economy, and how Colombia’s investment in the social economy can help tackle the country’s high informality rate.

Speech transcript

1. “I would like to begin by greeting the representatives of the solidarity economy sector in Colombia, participating in this second workshop of the OECD Solidarity Economy Mission. I would also like to give a special greeting to Lamia Kamal-Chaoui, Director of the OECD Entrepreneurship Centre; to Antonella Noya, Head of the OECD Social Economy Unit and to all the team that is with her today.

2. We have been working from the Vice-presidency over the last two years to strengthen the solidarity economy. We have worked on this with the Minister of Labour because we know that the large number of people who are in the informal sector must find a solution to join the economy in a way that not only allows their formalisation, but also allows them to access economies of scale and associate to create companies and projects that are focused on the market and have much more viability and profitability.

3. The biggest challenge we have today as a result of the Covid pandemic is to reactivate the economy and recover what we lost, although we know that this is not enough. We know that before the pandemic we had double-digit unemployment, so in order to generate the jobs that Colombia needs, we have to revitalise the economy. We need to empower all sectors of productive activity, to reduce and put an end to informality because informality means a precarious income and, most serious of all, no social security.

4. We are witnessing a recovery in the Colombian economy, which grew 10.6% in 2021, a very high figure when compared with previous results and with other countries that also grew. According to the most recent OECD Economic Outlook report, Colombia is emerging as one of the countries with the highest...
growth potential for 2022 and 2023. But this is not enough. Colombia lags behind in unemployment and informality. More than the macroeconomic figures of GDP growth, it is necessary to focus on reducing unemployment and end informality.

5. The government has been conducting different studies and making efforts to identify the real cause of informality. We found that there were very difficult administrative procedures for individuals, such as tax procedures, so we simplified many of them. We also found that there were administrative formalities that made business development very difficult, so we eased about 900 of them, but despite these efforts, the informality rate remains very high. In January of this year, informality was estimated to be around 63.5%. We have to keep improving the analysis in order to devise the most appropriate solutions, because people in informality are extremely vulnerable. Addressing informality as a major issue of economic policy requires multidimensional and innovative strategies. From the Vice-presidency, we have worked hard, together with the Ministry of Labour, to promote solidarity economy organisations to help reduce informality and provide solutions that are sustainable in the long term, generating formal jobs in different sectors of the economy.

I am very excited and proud of the Productive Inclusion Social Laboratories, which were our suggestion to the president during the 2020 confinement, because we knew that informal street vendors were confined to their homes but did not know how they could survive when they depend on an income generated from day to day.

6. This is why we created the Productive Inclusion Social Laboratories, a platform to promote and develop, through experimentation and pilot projects, the support and productive inclusion of the informal population. This was done in a very focused way on informal vendors, whom we call "entrepreneurs on foot". We set a goal of supporting 40,000 micro-businesses by 2022, and by the end of our government, to support close to 200,000 additional micro-businesses. We believe that through association, we can ensure these businesses have more scale, financial muscle, productivity and close the existing gaps. As of February of this year, 31 projects have been supported, and 10 formally registered cooperatives have been created. The city of Cúcuta has been fundamental in the Productive Inclusion Social Laboratories because it receives large numbers of migrants from Venezuela. We have had the support of the mayor of Cúcuta, who has been very committed to the initiative. In Bucaramanga, four cooperatives have been formed, and in Popayán, two cooperatives. We are raising awareness and training 21 cooperatives. We have supported cooperatives in Cartagena and La Guajira, mainly Wayúu craftswomen, whose production has great potential and market value both nationally and internationally.

7. The solidarity economy represents around 4% of the country's GDP and close to 7 million Colombians are affiliated with solidarity organisations such as savings funds, cooperatives, employee and mutual funds. Colombia's potential in this area is enormous. According to the 2021 report of the World Cooperative Monitor, Colombia is the second most relevant country in Latin America. After the United States, it is the country with the greatest development of the solidarity economy in America. In Colombia there are 12 competitive solidarity economy companies. This report allows us to see that these 12 companies compete with 300 of the largest cooperatives in the world. Unfortunately, in Colombia we have a bias against cooperativism, as it is thought to be an unviable and inferior economic activity. This is a big mistake. I would like to remind you that in Europe there are large producers' cooperatives in the agricultural sector and in the production of processed foods, as is the case in Germany, France, Netherlands, South Korea and Spain, with the emblematic case of the Mondragón group, which has companies in the food, clothing and insurance sectors, among others. We have to get the bias against cooperatives out of our heads and stop underestimating the importance of the cooperative sector.

8. The National Development Plan established as a mandate the obligation to formulate and implement an integral Public Policy for the Development of the Solidarity Economy. This was a commitment that President Iván Duque and I took on during the electoral campaign. This policy was issued in September 2021 in a CONPES Document containing a roadmap with 14 public policy recommendations to turn the solidarity economy sector into a promoter of formal employment and an engine for the country's productivity.
9. Also, the National Government has developed the 2020 Law 2069, or the Entrepreneurship Law, to promote cooperatives with an entrepreneurial and business vocation. There are people who think that cooperatives cannot be companies, but cooperatives can be. One thing is that they are not for profit and do not distribute dividends to their members, and another thing is that this association is not set up in a profitable way. What we need is that all cooperatives have the objective of profitability, even if they do not distribute profits, but develop benefits for their members. We have been very insistent on giving cooperatives greater access to technical assistance and financing, reducing the number of people as a requirement for the creation of cooperatives, and the possibility that companies in the real sector can associate with cooperatives, among others.

10. We are promoting the solidarity sector so that Colombia can use all business, cooperative and solidarity organisations to continue on a path of sustained growth of 5.5%, hopefully 6%, between now and 2030. This is the only way we can reach the ambitious and indispensable goal of ending extreme poverty, reducing monetary poverty to a maximum of 18% and bringing unemployment down to 6%. These must be Colombia's goals for the next eight years.

11. As we want to keep moving forward, we are always ready to reflect and to constantly evaluate ourselves. That is why I took the initiative to ask the OECD, when our great friend Angel Gurría was there, to support us in identifying international examples of solidarity economy, to balance not having profits to distribute dividends, with having enough to have companies that can compete internationally and are able to generate formal jobs in Colombia.

12. The work we have carried out jointly with the OECD is extremely important for our country. Colombia has actively participated in the formulation of the "OECD Recommendation on the Social and Solidarity Economy and Social Innovation". It is an instrument that contains valuable principles on how to improve the regulatory framework of the solidarity economy. For example, the Recommendation mentions important measures on which the Vice-presidency has already insisted, such as access to markets for social entrepreneurs, access to finance and access to public procurement. Public procurement is fundamental for stimulating the solidarity economy, as well as for small- and medium-sized enterprises and enterprises owned by women. When well-managed, it is an economic policy tool that can channel very important resources to promote the development of other enterprises different from the big corporations.

13. For this reason, Colombia strongly supports and will adhere to this valuable OECD instrument and invites other Latin American countries to do so. We consider the proposed Recommendation a powerful instrument that can also sustain the fight against informality in the region. The framework provided with this instrument is valuable because it is based on nine principles, which have been judiciously studied by our economic team in the Vice-presidency. We are pleased because we have contributed to the Recommendation’s development.

14. We are sure that when the OECD approves the Recommendation, it will have a great impact in establishing the most relevant standards for governments to maximise the potential of the solidarity economy in their employment and growth objectives, as well as in establishing a policy framework to define future reforms.

15. I believe that after this pandemic we know that we have to rethink many things, to maintain a capitalist model of market economy, but to include small producers, micro businesses, individuals who personally and individually have the capacity to generate wealth and added value to the economy. They are much stronger together because they empower each other, and the solidarity economy is the best way to put them together.

16. Our purpose is to continue to strengthen the solidarity economy system in Colombia. To be more efficient in formalising workers and entrepreneurs through these models of organisations.

17. In the first OECD workshop, a first assessment of the public policy framework for the solidarity sector in Colombia was made, in which elements such as access to finance, access to markets and
business development were mentioned. It is also true that in the following meetings with the different country actors, we realised the importance of strengthening the production of comparable data on the solidarity sector to enable us to have better elements to make better informed policy decisions.

18. I would like to close by highlighting the commitment of the government of President Iván Duque, of the entire National Government to leverage the solidarity economy and give it the strategic place it deserves because it is undoubtedly a fundamental, necessary and irreplaceable element for national development.

19. Thank you very much"