



## **Constitution of popular and solidary economic organizations in post-pandemic for the Ecuadorian economic reactivation**

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### **Abstract**

The popular and solidarity economy is imposed as a new economic system that leaves aside the corporate interests of capitalism and focuses on human beings and their needs, through this research article that aims to analyze the Constitution of this type of popular and solidarity economy organizations in a postcovid era, and its effects within the Ecuadorian State. It is conducted through a qualitative research methodology using methods of analysis, literature review, hermeneutics and legal exegetics. Inferring that, in the postcovid era, it is fundamental for the State to develop public policies regarding the popular and solidarity economy, due to the fact that this approach contrasts with the creation of jobs and opportunities from sectors and communities that conform minorities, and to offer credits to enterprises that can decentralize the business corporations that disfavor.

## **Keyword**

Popular and Solidarity Economy; Economy; Economic System; Sumak Kawsay.

## **Introduction**

The COVID-19 pandemic has had a severe impact on the global economy, including that of Ecuador. The country's economic reactivation requires new strategies, and the constitution of popular and solidary economic organizations (PSEOs) could be one of them. PSEOs have been recognized as a viable alternative to promote socio-economic development, reduce poverty and inequality, and support sustainable development.

According to Manuel Antonio Calderón Ramírez et al. (2019), the consolidation of the neo-constitutionalism in Ecuador is influenced by various factors, including economic ones. The authors suggested that the implementation of neo-constitutionalism principles could promote the development of the popular economy, among other objectives. In this sense, the creation of PSEOs could be a relevant strategy to achieve those goals.

The neutrosophic approach has been used in different fields to analyze complex systems, including socio-economic systems. For instance, Janneth Ximena Iglesias Quintana et al. (2022) used neutrosophic analysis to examine the violation of pregnant working women's rights. Additionally, Ricardo et al. (2022) applied compensatory fuzzy logic with single-valued neutrosophic numbers to analyze university strategic management.

In this context, Vázquez et al. (2022) proposed a perspective of scientific research from neutrosophy and productivity. The authors emphasized the importance of considering multiple perspectives, uncertainties, and ambiguities in research. This approach could be useful in analyzing the potential benefits and challenges of PSEOs' implementation in Ecuador's post-pandemic economic reactivation.

In conclusion, the constitution of PSEOs could contribute to Ecuador's economic reactivation post-pandemic. The implementation of neo-constitutionalism principles and the use of neutrosophic analysis could be valuable tools in analyzing the feasibility, benefits, and challenges of this strategy.

The Popular and Solidarity Economy was constitutionally recognized in the Constitution of the Republic of Ecuador of 2008, in its article 309, where it established that the national financial system must not only compose the public or private sectors, but also a popular and solidary, is with the need to create organizations that are not only for the needs of the State or corporate individuals but of the people for the people, Being a new economic approach that leaves behind capitalism where capital is the base point but focus on the human being and what he represents for society.

That is why the Organic Law of Popular and Solidarity Economy (LOEPS) establishes that the popular and solidarity economy can be integrated by individuals

or collectives in production processes, of exchange, commercialization, financing, the consumption of goods and services to satisfy needs and generate income from it, all this based on solidarity relations, cooperation, reciprocity, privileging the work of individuals, having the human being as the subject and purpose of this economic activity and that links good living, the harmony of and with nature over appropriation, lucrative activities and communication of capital or monopolies.

However, even with the economic crisis that the country has gone through for the last five years, the COVID-19 pandemic is a trigger for an alarming crisis for the Ecuadorian state, in which in the midst of shortages in the medical and educational field, the economy entered a decline that made it impossible not to notice the precariousness of it due to the lack of job opportunities. the low supply and demand, the increase in taxes and the low profitability of entities and organizations in Ecuador.

The Popular and Solidarity Economy has taken great importance in the forms of political, social and economic organization since it is based on relations of solidarity, cooperation and reciprocity, it is oriented to good living in which activities of production, exchange, commercialization and financing are developed, to satisfy needs and generate income for those people who belong to these associations (Morales & Llamuca, 2021).

Based on the above, the constitution of popular and solidarity economy organizations is presented as a measure that was already established in the legal system, but as a possible means of economic reactivation within Ecuador after the COVID-19 crisis and the international economic crisis, since it does not take into account monopolies or corporatism, but through small and medium enterprises it creates jobs due to its own resources towards the market.

The objective of this scientific article, to analyze the figure of the Constitution of organizations of the popular and solidarity economy in the midst of the post-COVID era, developing the study variables due to the economic reactivation in the Ecuadorian state, the possibilities and scope that this type of economic approach may have on society, along with advantages for the financial sector and the individuals that make it up.

The study will be limited to an analysis of the relevant regulations in the Ecuadorian legal system, and in an exploratory and explanatory way will analyze the constitution in this popular and solidary approach, interpreting the sources of law and contrasting the benefits it brings to the objectives of good living and coexistence in society.

### **Materials and methods**

This article converges a study in its qualitative modality, since, based on the doctrine, regulations of the Ecuadorian legal system and also sources of scientific information, the study variables will be developed, due to the popular and solidarity economy and the post-covid era on the Constitution of this type of organizations, it will be of a transversal design since the variables for this analysis have not been modified.

The technique used is the initial observation with an explorative scope of how COVID has affected the Constitution of popular and solidarity economy organizations, together with methods such as: the synthetic analytical, which will help the analysis of the study variables in relation to the problem to be treated; The bibliographic method, since the bibliographic review was vital to obtain and refine scientific knowledge necessary for the realization of this article.

This without neglecting methods such as exegetical and legal hermeneutics, which were important to interpret the regulations of the Ecuadorian legal system in relation to what the legislator seeks to reflect and interpret the jurisdictional bodies in relation to the Constitution of organizations of the popular and solidarity economy in a post-COVID era.

## **Results**

In Latin America many organizations, cooperatives or enterprises are associative, have several denominations among which popular economy, popular solidarity economy or socioeconomics of solidarity stand out. All these denominations reflect a change in political and economic matters of the popular sectors in which aspects of production, consumption, distribution are addressed (Morales & Llamuca, 2021).

The existence of an economic "third sector", qualitatively different from the public and private sectors (including non-governmental organizations), has been made visible from an institutional perspective. These are all organizations that have generally emerged as a response to the mechanisms of exclusion (economic, social and cultural) characteristic of the capitalist system. Entities in which cooperation and collective and democratic organization prevail, made up of people who seek to improve their quality of life and livelihood, and satisfy their material and immaterial needs, in the face of the limitations of the State and/or the market economy (Estrella & Oleas, 2021).

Likewise, community property and the orientation towards "sumak kawsay", that is, good living, are incorporated; In this sense, the economy strategically contributes to the development of the country, associativity, access to factors of production, financing, and intermediation. What is fundamentally sought is the construction of a new, more just and egalitarian society (Morales & Llamuca, 2021).

Another aspect to highlight is that in Ecuador the organizations of the social and solidarity economy play an important role, since they show large and numerous strengths that must be taken advantage of and used to generate synergies, highlighting the economic functioning around a defined framework of principles and values, on the other hand, it is important to emphasize that this economy promotes the generation of employment giving greater priority to it, rather than the accumulation of profit (Morales & Llamuca, 2021).

In recent years, in Ecuador, the concept of "popular solidarity economy" has become a protagonist in various fields of social sciences, reflecting on the development model from a macro and microeconomic perspective (Zambrano & Romero, 2021).

According to the Constitution of the Republic of Ecuador, (2008) they protect the Popular and Solidarity Economy, and among the main articles referring to this subject are the following: Art. Article 283 of the Constitution establishes that the economic system is social and solidary and is composed of the forms of public, private, mixed, popular and solidarity economic organization. The Popular and Solidarity Economy contains the cooperative, associative and community sectors (Zambrano & Romero, 2021).

The authors (Morales & Llamuca, 2021) establish that the well-known and solidary economy is famous as the economy of workers, families, societies, associations and companies. Coraggio (2018) preserves this economy as a system of institutions aimed at ordering the economic process in a way that ensures the execution of population needs. In addition, it refers to the existence of interrelations of reciprocal recognition, cooperation, reciprocity and programmed complementarity.

On the other hand, Herrán Gómez (2013) confirms that the solidarity economy is promoted through innovative ways of cooperation that reintegrates those who were excluded from production and consumption, characterized by the satisfaction of primordial, material and immaterial needs, therefore, those who take advantage of this economy open a path towards the transformation of a totally new society more solidary, equitable and greater citizen collaboration.

The Popular and Solidarity Economy is an alternative development initiative based on the values of cooperation, balance, full collaboration and sustainability. Valle and Manjarez (2016) argue that this economy constructs its identity in opposition to individualistic thinking and liberal perspectives in economic matters.

Likewise, the perspective of this economy is based on workers who seek the expanded reproduction of life, as opposed to capitalist accumulation, who at the same time have the possibility of building ways of cooperative work without the desire for profit (Gago, Cielo and Gachet, 2018).

The solidarity economy could be seen as a complex socioeconomic phenomenon where 3 different magnitudes of study are articulated: the social displacement that promotes a new model of development, the scientific paradigm that recognizes all economic phenomena and the specific area of the economy.

In this sense, Guerra (2010) points out that in Latin America a high dynamism can be seen in anyone of these magnitudes of study, especially since the emergence and implementation of public and economic policies aimed at strengthening the economy.

In the Regulation to the Organic Law of Popular and Solidarity Economy establishes that the Constitution of these organizations subject to the law will be carried out through a constitutive assembly for the interested persons and that the directors are divided or can be selected due to the type of organization to be constituted of the popular and solidarity economy.

The current regulations establish that there may be community organizations which will choose a legal representative, the creation of associations

that must choose an administrator, president, secretary, Board of Directors, Supervisory Board, and cooperatives that must choose manager, Board of Directors and Supervisor, which will have their respective presidents and secretaries.

These chosen representatives will have to manage the approvals of the Social Statute and obtain legal personality before the Superintendence of the Popular and Solidarity Economy, which is constituted as a control entity due to the legality of this type of organizations.

However, the impact on the economy generated during and after the health crisis due to COVID-19 caused certain sectors to paralyze their activities, others to maintain their production in percentages lower than their installed capacity and only in food and health remain constant or increase their levels; the intervention of the National and Cantonal COE with the design of care strategies such as: quarantines, partial paralysis of economic and productive activities, restrictions on free movement and social distancing allowed to reduce infections but also caused lower levels of commercialization of certain products consequently lower incomes, greater unemployment, distrust in investors, etc. (Zambrano & Romero, 2021).

In the country there has always been the willingness to undertake on the part of its inhabitants, although for a decade ago there has been an attempt to promote entrepreneurs through a legal framework, the arrival of the pandemic in the country could highlight the shortcomings of the public system in several areas including the mechanisms to support the most precarious sectors and minority communities (Rosales, 2019).

Some economic analysts believe that the recovery will be slow from 2021 to 2025, given that macroeconomic imbalances are not easily resolved and require medium and long-term economic and institutional reforms, this situation is reflected in the country's financial system that shows a small number of partners with access to microcredits for productive activities, that allows them to meet their financial obligations, increase their income, promote their economic self-dependence and improve the quality of life of their families, thus constituting microcredit among the tools to reduce the crisis affecting the Ecuadorian State (Zambrano & Romero, 2021).

### **Discussions**

The problem is enclosed in the constitution of organizations of the popular and solidarity economy, which have a legal basis for their Constitution and the management to grant legal personality necessary to be recognized within the State of Ecuador, however, the constitution of this type of organizations was affected by the crisis left by COVID-19, because the health emergency determined the closure of enterprises, community activities, the corporatist monopolization of activities that provided goods and services, and that together with the economic decline that Ecuador is experiencing the situation does not look promising at all.

However, the inclusion of public policies that not only take into account the constitution of this type of organizations but also motivate through credits and

microcredits the growth of small and large-scale enterprises necessary to generate jobs and profitability within the Ecuadorian territory, since sectors such as agriculture, livestock, Textiles and handicrafts could be increased and strengthened as a reference economic source of the State, since these rural areas are more likely to have economic precariousness but exclusive economic activities that are profitable but little supported by the state economic sector.

It should not be left aside that, although this third economic model that Ecuador recognizes means an advance to post-capitalism and focus on the basic needs of society and the human being as the main object, there is little probability due to the monopolization and importance of capitalism in international economic growth that the popular and solidarity economy will become the point of reference of the Ecuadorian economy, It is because of this, the State can continue with its purely capitalist and corporatist activities with powerful companies, however it must provide economic incentives to people or groups of few non-monopolized resources for the creation of new enterprises and organizations that offer profitability without belonging to large economic spheres.

So the constitution of this type of organizations, whether community, associative and cooperative, continue to increase and respond to national economic development, because, for example, community sectors not only correspond to a locality but to various characteristics that unite people to unite which can lead to economic growth with inclusive activities either based on gender, language, territory, objective or basic need, thus being a way in which minorities can unite and create sources of employment, supply and demand that stabilizes and makes possible the economic reactivation of small sectors to large cities.

On the other hand, the State must bet on using the economic resources it has to encourage these sectors already mentioned above and that constitute new organizations that serve as economic references in Ecuador, such as the indigenous, montubios and Afro-descendant sectors, which have double vulnerability due to the precariousness of their sectors and the possibility of education and extensive economic activities.

And considering in the future that the popular and solidarity economy is on par with the Ecuadorian capitalist model in relation to economic activities, the resources, goods and services proposed by this type of popular organizations are profitable in the international framework due to the exclusive and sources of the Ecuadorian national personality, from food sectors, handmade and aesthetic.

The popular and solidarity economy faces great challenges after COVID-19, it is necessary that the lack of job opportunities and the low profitability offered by multinational companies within Ecuador can be the trigger for the creation of small popular organizations to become popular so that small enterprises grow and are supported by the state and the legal system due to their protection and profitability throughout the market.

Without forgetting that, the presence of the pandemic left concerns of society and the Government about the support of enterprises to encourage the

national economic system, due to the little stability that enterprises in general have offered so far, and that have only helped to exacerbate the crisis, the quality of life, generates demotivation and scarcity, and the increase in poverty rate in the territory, so the State of Ecuador must consider the benefits and shortcomings that this economic approach can bring with it to reinforce it and reach the objectives of good living and economic inclusion that Ecuadorians deserve.

### **Conclusions**

From what has been developed above, it can be inferred that the forms of organization established by the popular and solidarity economy are those of the community, associative and cooperative sectors, as well as the popular economic units, which are configured as vital for the development of the economy within the Ecuadorian State, since they are based in the middle of a capitalist approach, However, the same commitment to focus on the human being and his basic needs, where economic activities are decentralized and the capitalist monopoly is left behind, creating jobs from smaller to larger scale according to the sectors involved, and that gives opportunity to small and medium entrepreneurs to settle in the market providing new jobs and flowing economic supply and demand.

Although the Organic Law of Popular and Solidarity Economy of the Financial System together with its regulations establish the characteristics, elements and requirements necessary to constitute a popular and solidarity economic organization, where they establish elements due to the type of organization, the constitutive acts and the statutes that must be fulfilled to meet requirements of its dignity and legality, the truth is that the Ecuadorian State must bet on encouraging this popular and solidarity economy.

This already mentioned, increases the chances of good economic development after a health emergency such as the COVID-19 pandemic was especially in rural sectors and on communities that form minorities, giving opportunity to new jobs due to national and exclusive resources of the Ecuadorian nation, and that would make economic reactivation much more feasible in places where poverty is a common factor of social coexistence, making the State possible and profitable through public policies of economic reactivation in vulnerable sectors over the interests of Ecuadorians.

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