THE OCTAGON

TOWARDS A SOLIDARITY ECONOMY INVESTMENT FUND[1]

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1.   DIGEST.

This document outlines a structure and certain processes of an investment fund, dedicated for the

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[1] This document is the INITIAL voice in conceptual and design process.

solidarity economy area.

The model fund, called „The Octagon", will be an intermediary between the realm of solidarity economy and the external entities, at the inter-community level.

The main role of The Octagon is to mediate between solidarity and non-solidarity entities, providing flow of funds to the solidarity sector and non-financial benefits to the external stakeholders. It will also play a role of a firewall, separating solidarity entities from the pressure put by non-solidarity environment.

The whole system will be based upon principles of solidarity economy, open technologies and cooperative movement.

2. SOLIDARITY ECONOMY (SE)

A **solidarity economy** is an economy based on efforts that seek to increase the quality of life of a region or community through not-for-profit endeavors[2].

We are talking about certain approach to economy[3], which has some distinct features, including:

- It is focused on fulfilling local and regional needs, as defined by all participants in the process.

- It uses business strategies and tools while interacting with the external world, but it applies community-style governance methods internally.

- It avoids capitalist tools and priorities, replacing them with socially driven ones in the area of allocation of resources and redistribution of surplus value.

Solidarity economy is naturally focused on local communities and cooperatives as main entities. On networking and replication instead of scaling up. On natural and direct social control instead of institutional structures. And finally, it takes into account „profit/loss" factors beyond any possible financial measurement.

The needs the solidarity economy aims to fulfill can be categorised as follows[4]:

Material needs	Psycho-social needs
Food and water – clean, abundant, healthy.	**Participation** in social life, according to local standards.
Shelter – locally acceptable level of housing standard.	**Education** – means and infrastructure to increase knowledge among members of the community.

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2   https://en.wikipedia.org/wiki/Solidarity_economy
3   http://en.solecopedia.org/index.php?title=Solidarity_economy#Definitions
4   Please note that „being rich" is not recognized as an essential personal need here.

Safety – resources and ways to keep community members alive, healthy and secure from any danger.	**Empowerment** – making members of community keen and able to control their own lives and to shape actively the life of the community.
Energy – Energy independence is necessary to keep the infrastructure and people alive.	**Cooperation** – providing safe space and infrastructure for community members to work together within community and with external entities as well.

Solidarity economy tends to fulfil all needs through community actions rather than via individual efforts.

3. GOALS.

The goal of the Octagon project is to design and possibly implement an entity to intermediate between the realm of Solidarity Economy and other actors – especially state-related ones or those of capitalist provenience. By providing a safe zone for interaction, The Octagon would facilitate cooperation and transfer of benefits among all entities involved, according to the internal regulations.

4. PARTICIPANTS.

We are about to create an economic ecosystem, including several distinct actors.

4.1. COMMUNITY SUPPORTED COOPERATIVES (CSC).

In a form of cooperative, social cooperative or a civic association, the CSC will play crucial role in the system. It will be an „interface" between local community, project groups and the Octagon. On the local level, as an oficially registered entity, it will be a „face" for every related activity, providing administrative and infrastructure services for all local groups (business and community projects). It means that all infrastructure will be owned or otherwise controlled by the CSC, giving it accumulation of resources and empowering it to face bigger challenges.

As a dominant entity in the area, CSC should be as inclusive as possible. However, in case of conflicts or discrepancies, it is always better to have a CSC split peacefully and create two independent entities, still able to form a consortium, should they find it useful.

Following the principles of social cooperatives, CSCs will generate surplus funds from their business activities

4.2.   EXTERNAL STAKEHOLDERS.

This is a fairly inclusive category. It covers all entities that are not CSCs, but are interested in supporting the solidarity economy on the long term basis as well as taking part in shaping its development. As the main role of the Octagon is to be a „firewall" between two realms, the criteria of inclusion are simple: an entity declares compliance with the articles of the cooperative and the required number of members accept the admission.

Initially, in this category we shall focus on finding one or two external funding stakeholders to provide liquidity from the very beginning.

4.3.   EXTERNAL DONORS AND PARTNERS

For certain projects, the Octagon may get into short term partnerships with external entities, wishing to support certain projects (or categories thereof). Disregarding the form and scope of a partnership, the Octagon will act as a proxy and managing entity, to free CSCs from the burden of dealing with incompatible entities.

4.4.   SOLIDARITY ECONOMY PROJECT GROUPS

Solidarity Economy projects are the core activity of this system. Project groups will form around given idea, running the project from the conceptual phase to its maturity. The project group will be responsible and accountable for all aspects of the project being possibly under human control. Their performance will be aggregated into their CSC reputation score, as well as thier individual scores as well.

5.   THE OCTAGON AND ITS ACTIVITIES.

Under the chief principles of self-governance, power dissemination and subsidiarity, the Octagon will be organized approximately as follows[5]:

5.1.   LEGAL FORM AND STRUCTURE

Existing at the crossroads of solidarity economy and EU/State imposed legal system, the Octagon has to choose the legal framework wisely. Fortunately, there is cooperative entity defined in the EU law as „The European Cooperative Society (SCE)[6]". It features a lot of cooperative principles and can be shaped easily into a social cooperative[7], close to the paradigm of solidarity economy.

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5   Please keep in mind that, while we strive for completness here, this is the beginning of conceptual and design process, not the end.

6   http://ec.europa.eu/growth/smes/promoting-entrepreneurship/we-work-for/social-economy/cooperatives/european-cooperative-society/index_en.htm

7   Examlpe: http://www.escoop.eu/

5.2.   STAKEHOLDERS

The Octagon will include two groups of members (stakeholders): SCSs and external stakeholders. Natural person membership idea needs to be thoroughly discussed.

5.3.   SAFE ZONE.

From the beginning, the Octagon will serve as a meeting place for SE entities and their counterparts from the outside world. In the spirit of cohabitation, solidarity economy has to develop a set of practices (sort of a protocol) to interact with the state and capitalist realm, without getting damaged. The Octagon will be one of places where necessary discussions and attempts will take place in a safe and friendly environment.

5.4.   FUNDING AND PARTNERSHIP MANAGEMENT.

One of the major activities of the Octagon will be managing the financial and partnership relations between the entities wishing to support solidarity economy from outside and SCSs. SCSs largely are unable or unwilling to meet the formal criteria imposed by the external entities as a condition to obtain funding of any kind. The Octagon will act as a proxy between these two groups, providing smooth cooperation and fund transfer. It will also be accepting donations of various kinds and use them as an independent funding equity for its CSC members.

The goal of Octagon is not to earn money as a return on investments. It will, however, monitor and keep scores of the efficiency of CSCs, measured through the internally defines score and reputation systems. It will provide an indicative ranking of entities and projects within the Octagon. It will replace usual financial measures, thus including social and other non-financial values into the consideration. The fact it would only have an indicative role still allows members to override it should they decide so.

5.5.   EDUCATION AND NETWORK BUILDING.

According to the cooperative movement principles, the Octagon will be actively spreading the knowledge about cooperatives and solidarity economy. One of its goals will be to support creation of SCS wherever they may be needed and replication of the Octagon itself in various areas.

Another important goal is to support CSCs in their work. Not only the Octagon will provide assistance and training in the area of project preparation, but also in every area 'commisioned' by the CSCs. It will make the Octagon a go-to educational resource for the whole ecosystem.

As a hub for the ecosystem, it will also be in a good position for information brokerage. All kinds of reporting, partner matching and PR activity may be done this way.

5.6.   RESEARCH AND DEVELOPMENT.

While the financial benefits of solidarity economy are supposed to stay where they are – in local communities – there is going to be a stream of innovative solutions generated by the SE groups. Thanks to the open licensing principle, all developed documentation will be available to use. Apart from large scale, indirect social benefits (which are in fact the main goal of the whole project), the „contribution to the upstream" will be very important output of solidarity economy. It includes also all innovative ways of financial engineering and management that will hopefully emerge.

Also, as a self-creating entity, the Octagon will be spending quite a lot of resources on building its own internal structures and processes.

5.7.   BUSINESS MODEL.

The business model of the Octagon is similar the food coop (or, more exactly, community supported agriculture[8] as a farmer-shareholder cooperative). Instead of farmers and consumers, here we have funders and CSCs forming and managing together an entity to serve the needs of both groups. In order of priorities, the ways to sustain the Octagon should be:

- Income from business projects run by Octagon-affiliated project groups.

- Donations and other direct support for the Octagon SEC.

- Administrative fee deducted from all funding transfered throgh the Octagon.

- Membership fees.

5.8.   GOVERNANCE.

As a cooperative, the Octagon will be run in compliance with the Rochdale Principles. As a not-for-profit entity, it will accumulate all surplus cash and reuse it for the benefit of CSCs.

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8   https://en.wikipedia.org/wiki/Community-supported_agriculture#Structure

The governance system will be based on direct decisions of the assembly of members. All elected positions will be purely technical and short-termed. Every memeber of the cooperative will always have the right to be heard by the assembly.

Major challenge is to provide safeguarding solutions against hijacking the entity by any group of actors and changing its behaviour towards their particular goals.

One of the key problems is also how to regulate position of the Octagon in respect of running its own business projects. They are needed to provide fund to keep the Octagon running, but at the same time they should not set up a competition between the Octagon and CSCs. This question has to be thoroughly discussed and mindfully solved.

One systemic „safety breaker" will be a mechanism of mandatory internal audit of all regulations and decisions. While voting any regulation, the assembly will be obliged to set up a periodic (or irregular) time for reviewing it. The goal is to provide a way to adapt all regulations, including the charter articles, to the changing environment.

The Octagon will also hire employees. Their situation in respect of the governance system will have to be discussed and decided by the founding members.

6.   TYPES OF PROJECTS.

Funding, provided through the Octagon, will support business projects only. For the sake of completness, we are also providing brief description of the remaining projects, to be funded from CSCs' own funds (accumulated via business operations).

6.1.   BUSINESS PROJECTS.

Business projects will be generating money income and increasing wealth of the community. They have to meet certain criteria (see „The project score system") and to stay within the area of solidarity economy. The Octagon members will discuss and establish exact content of a score list. An initial layout and minimal list of parameters is presented below in „Special Features" section.

6.2.   COMMUNITY PROJECTS.

Community projects will be focused on fulfilling direct needs of the local community (or a consortium thereof). They will be funded from own resources of CSC[9]s involved. Community projects do not need to provide a surplus, but the recommendation is that they should be sustainable.

6.3.   SOLIDARITY PROJECTS.

Solidarity projects do not fulfill any direct need of the local community. They are a way to express

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9   Which includes external funding, acquired beyond the Octagon ecosystem, of course.

support and solidarity with other entities, defined or not, by way of funding any action, political or otherwise. They may be of a social, political, artistic or any possible nature. This is the way for community to spend their resources for the common good in the broadest sense.

7.   PRINCIPLES.

Three principles that overcome every other ones are: self-governance, dispersion of power, subsidiarity.

We are also going to adopt (and adapt in a creative way) certain sets of principles from relevant areas of social life.

7.1.   ROCHDALE PRINCIPLES[10]

This set of principles, which is globally accepted as a core of cooperative identity, contains seven major norms. Here is the list of them, with the comments adjusted slightly to our current context.

   a) **Voluntary and open membership**. Every inhabitant of the region may become a member of the cooperative, after meeting the conditions officially established in the cooperative charter. Conditions cannot be discriminative, in the sense that they cannot base on the occurences the person has no control over. They also cannot refer to political, religious and other views of a person. This also means that there is a strong "No Logo" principle, barring political colors to be raised over the cooperative ones.

   b) **Democratic member control**. The fundamental democratic rule of cooperatives is "one member, one vote". No amount of money brought into the coop, no function performed in its operations makes anybody more influential in the voting procedure. The cooperative members are free to choose how they define details of the democratic system of the cooperative. The unchangeable part is that the final authority in the cooperative is general assembly and every decision can be discussed there. There is also no permanent delegation of power to any person or group within te cooperative.

   c) **Member economic participation**. Members of the cooperative are obliged to contribute, at least by buing shares in the cooperative fund. The shares should be low, to keep the cooperative acessible for everyone. There are various solutions regarding the number of shares one member may buy and there may be some (except for voting) privileges attached to them. Members -- by way of the decision of the cooperative assembly -- may also be obliged to contribute in other ways, depending of the situation.

   d) **Autonomy and independence**. Unless forced by the state law, the cooperative accepts no external authority, other than imposed by the assembly of members. If there is any attempt to force the cooperative into any unwanted action or decision, it should use all legal and

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10   https://en.wikipedia.org/wiki/Rochdale_Principles

non-violent means to oppose.

e) **Education, training, and information**. The obligation of the cooperative is to inform, inspire and integrate its members and the surrounding community, to raise awareness and competence in the area of solidarity and cooperation.

f) **Cooperation among cooperatives**. By definition, cooperatives support each other. Existing cooperatives support new ones, whether independently created of splintered from the existing ones. In case of serious differences within an existing cooperative, the solution of choice is to split peacefully and to start cooperating as two independent entities. Also, all new projects performed by the cooperative should be available as blueprints for other cooperatives.

g) **Concern for community**. The cooperative is not supposed to be alienated from the community. In all circumstances, the long-term benefits of the local community has to be preserved. Also, the financial surplus should be -- at least in part -- used diretly for the community, by way of grants, stipends and other support for noncommercial projects.

7.2.   OPEN LICENSING PRINCIPLES

Open licensing is and umbrella term covering the way regulating terms the use of technological (broadly speaking) solutions, generated within the ecosystem of solidarity economy. For the beginning, we suggest to use the Creative Commons standard, namely CC Attribution-ShareAlike (CC BY-SA)

> *This license lets others remix, tweak, and build upon your work even for commercial purposes, as long as they credit you and license their new creations under the identical terms. All new works based on yours will carry the same license, so any derivatives will also allow commercial use.*

This licence allows everyone to use the licenced work within its scope without any additional arrangements, let alone payment. However, it does NOT prohibit any other use, only makes it necessary to agree on it individually.

The 'virality' of CC-BY-SA licence promotes open licensing and protects the works of solidarity economy realm from being appropriated and enclosed. The weakness of that solution is that still it relies on the state power to protect and – if necessary – enforce the regulation.

An additional regulation should also be an unconditional obligation to publish all documentation of developed solutions, to allow adopters follow the lead.

7.3.   THE PROTOCOL OF SOLIDARITY ECONOMY.

The Octagon is going to be a hub of a solidarity economy network. In the process of forming it, there will be a need to establish minimal standards of behaviour and communication, making a CSC

compatible with the network. The chief principle will be minimalism – solidarity economy is not about creating uniform entities. It is about letting various entities cooperate on the basis of a „communications protocol" for the common good.

8.   SPECIAL FEATURES

As we do not intend to apply capitalist financial accounting principles, let alone make them a rigid and obligatory decision factor, we need to introduce more versatile and flexible systems, inspired by the gaming sector. The score system will be focused on projects themselves and the reputation system – on teams and individuals.

The goal is to attach some kind of semi-automatic ranking value to any new project, calculated from the project declared scored comined with the credibility/reputation of the people involved.

It is very important to remember that these systems, inspired by the gaming (RPG) environment will be just indicative. The essence of self-governing organization – the Octagon in this case – is that its members are fully allowed to bypass all mechanisms and take a sovereign decision against all odds.

Both systems will have to be started in the simplest form possible and then periodically reviewed and developed.

8.1.   THE PROJECT SCORE SYSTEM

We want the projects (especially business ones) to fulfill more than just a single financial efficiency criteria. We want them to keep the balance of several parameters, along the lines of solidarity economy. Some of them will be indeed:

- Sustainability – how the project recreates resources used to run it, especially the commons.

- Openness – how the knowledge and other non-rivalrous products of the project are distributed.

- Replicability – how easily the project itself can be replicated by other community and external entities.

- Subsidiarity – what needs are fulfilled by the project, which could not be fulfilled otherwise (through the resources existing already).

- Social support – how many people in the community involved support the idea of the project.

The list is by no means complete. At the same time we do not want to make it too complicated. It has to be a simple set of landmarks letting people to establish their opinion, unless they have one.

It is also a way to check the project performance. Projected parameters – given as a score levels or verbosely – will be compared to those actually achieved. The result will be a part of accumulated

reputation of the individuals, teams and CSCs.

8.2.   THE REPUTATION SYSTEM

Communities, teams and institutions are built by people. The solidarity economy environment, being built upon the principles of cooperation and direct social relations, need the reputation system[11]   showing credibility of individuals, then aggregated into their teams and communities.

Supposedly the reputation system (at the individual level) should include three factors:

- Achievements – derived from past project scoring

- Meritocratic reputation – showing how much a person is respected for her knwldege and technical skills.

- Social reputation – showing how much one is appreciated as a member of a team or community.

By no means this system is easy to build. Making it efficient and practical, balanced between simplicity and meaningfullness will be one of the standing challenges for the Octagon R&D team.

9.   ROAD MAP.

9.1.   CONCEPTUAL DISCUSSION, HONING THE IDEA.

9.2.   FINDING THE ADVOCATES/AMBASSADORS IN VARIOUS CIRCLES. SEED TEAM.

9.3.   SELECTING F(O)UNDING STAKEHOLDERS. SEED MONEY.

9.4.   FORMATION OF THE NETWORK. SEED CSCS.

9.5.   DRAWING THE OCTAGON CHARTER.

9.6.   OFFICIAL START.

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11   https://en.wikipedia.org/wiki/Reputation_system