Banco Palmas on its 15th anniversary: resisting and innovating

Volume 1

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Banco Palmas on its 15th anniversary: resisting and innovating

Volume 1

Reflections on practice by:

Bernard Lietaer & Heloisa Primavera

Eduardo Diniz

Genauto Carvalho de França Filho

Ladislau Dowbor

Marusa Vasconcelos Freire

Paul Singer

FINEP

Research:

NESOL-USP

Sponsorship and Co-editing:

Instituto Palmas & NESOL-USP

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Organization of the book in portuguese:

Joaquim Melo
Juliana de Oliveira Barros Braz

Revision in portuguese:

Carolina Poppi
Thais Silva Mascarenhas

Translation:

Camila Shiguematsu
Cássio Aoqui
Vanessa Prata
Vitor Takeshi Sugita

Review of translation:

Scott B. Martin

Photos:

Instituto Palmas collection

Illustrations:

Barbara Messas

Graphic design & Cover:

Nilson Mendes

Research:

Coordination: Prof. Dr. Augusto Câmara Neiva

Researchers: Carolina Teixeira Nakagawa
Diogo Jamra Tsukumo
Juliana de Oliveira Barros Braz
Roberto Vilela de Moura Silva
Thais Silva Mascarenhas

Field team: Ana Luzia Laporte
Elisangela Soares Teixeira
Mariana Giroto
Regiane Câmara Nigro

Edition:

A9 EDITORA

Instituto Palmas

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Contents

1 NT – The original title is a play on words: “Palmas para a Inovação”. In Portuguese, the name of the bank “palmas” also means applause or, in colloquial English, “three cheers.”.

*To **Professor Paul Singer**, who*

has always believed and contributed

to Banco Palmas,

Conjunto Palmeira and

the Solidarity Economy.

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Message from the organization

Partnership and encounter are the words that define this publication.

In early 2009, I went to Banco Palmas for the first time. As a participant in the solidarity economy movement, I already had it as a major point of reference, but when I entered that lobby I got goose bumps. In strolling through the rooms, and the sandlot yard, my underlying instinct was to stay longer there, to learn more about the everyday life of the organization and, more than that, to take part in it. Gradually I was moving closer with an initial stay of three days, then a whole week, 15 days and, more recently, last August, the visit extended20 days. It all begun with the first meetings, then I started to chat and have coffee in the lobby, as well as have conversations in the evening after the workday. Faces previously without names, those who through daily efforts help build Banco Palmas, became dear to me.

This encounter did not happen by chance, but through a partnership. The financial support given by "Prêmio FINEP de Tecnologia Social" (FINEP Social Technology Award), received by Instituto Palmas in 2008, first opened the door. This award helped make it possible for NESOL-USP (Solidarity Economy Center – University of São Paulo) and Instituto Palmas together to make discoveries, face challenges and attain various achievements through close collaboration. This book and the research that will be presented in it are one of the results of this collaboration.

If on the first day taking part" was just a wish, today the feeling is one of satisfaction and good fortune for being able to contribute to this story, so that it continues being written about and told for a long time.

The articles that make up this book, containing both closer and more distant views, help weave the plot of a story rooted in Conjunto Palmeira (a neighborhood of 32,000 inhabitants located in the suburbs of Fortaleza - Ceará, Brazil)—a story that is intertwined with the struggles and achievements for a better and less unequal Brazil.

Let's celebrate these good encounters. And express our congratulations to the residents of Conjunto Palmeira who keep building their lives day by day, side by side.

Juliana Braz

NESOL-USP

Foreward

New Patterns, New Mindsets

This What is the most powerful force in the world?

It is a big, pattern-changing idea – *if* it is in the hands of an equally big-spirited entrepreneur.

Banco Palmas is a big idea; and Joaquim Melo is an entrepreneur, however personally modest, on a grand scale.

Moreover, he is a *social* entrepreneur (and, indeed, an Ashoka Fellow, *i.e.*, one of the best in the world).

The field of social entrepreneurship is not defined by subject matter. Certainly most bankers are neither entrepreneurs nor primarily focused on social ends.

Instead, social entrepreneurs like Joaquim are (1) entrepreneurs and (2) driven from deep within to serve the good of all. These two qualities equally define what they create.

An entrepreneur cannot come to rest or be happy in life until (s)he sees his or her vision has become the new pattern across society. The world needs people who do direct service, be it treating individual patients in a clinic or digging a well for a village. But this is not what entrepreneurs do: they change the patterns of our lives and the frameworks through which we see the world and our possibilities. (Scholars and funders who try to force social entrepreneurs to "scale" using measures appropriate to direct service – "you must educate twice as many children in year two to succeed." – are hurting the entrepreneur's work, forcing it to lose focus on pattern change). That's why Ashoka uses measures such as the proportion of Fellows who have changed national policy within five years of their election (over half do).

Because *social* entrepreneurs like Joaquim bring this power to bear for different and broader purposes than others, they see different possibilities, which further enhances their power.

There are many other types of entrepreneur with narrower objectives – self-interest, the shareholders' interest, or religious or ideological ends. They don't intend ill, but their interplay from time to time pulls society toward one cliff of dysfunction or another. The current precipitous loss of privacy at the hands of both government and business is an obvious example.

That's precisely why the world's Joaquims are so critical. The faster the world changes, the more it needs social entrepreneurs both to pull society back to the center and to map out ways to a better, safe future.

Since 1700, the rate of change has been escalating exponentially. What not so long ago would have taken 50 years, now will take 10. More than anything else, that's what is driving history.

We are now leaving millennia of humanity's past, a world organized for efficiency in repetition. Think the assembly line and the professional firm.

Now the game is contributing to change. This is not different; it is an entirely opposite game.

A changes and bumps all around it; B through Z then changes and bumps all around them. Change begets and accelerates change.

This new game is taking over: think Bangalore and the World Wide Web.

This is an "everyone a changemaker™" world. Anyone who does not have the skills and confidence of being a changemaker will increasingly be marginalized. You soon won't be able to afford to have anyone who isn't a changemaker on your team. Any society that tolerates its population not developing these skills will quickly be toast.

Those who do thus empower all their people, however, will fly. There is no way problems can outrun solutions when everyone is a changemaker. Moreover, society is structurally far more equal when it shifts from a few choreographing everyone else to everyone having the power to give and the deep satisfaction of giving.

And here lies the deep genius of Joaquim and his work.

Banco Popular is a key building block in enabling every individual and every community to contribute to change for the good.

Banco Popular, and now all the many others who have taken up its model, are, moreover, constantly exploring new ways of extending and enriching these impacts. It is a platform, in the best sense. It enables more and more people to change their lives and those of the people around them – and also to contribute to the faster, forward development and growth of the platform itself.

In other words, its organizational essence gets and is helping build the profoundly different, open, fluid team of teams architecture of the "everyone a changemaker" world that is now rapidly replacing the hierarchical, stovepiped, be-walled institutional structures that are dying but still dominant.

Joaquim himself is also wonderfully important. How many people all over Brazil and beyond today are quietly asking themselves: "if Joaquim can do all this, might I not...?"

Indeed. That is a question we all should ask. And that we should put to any young person or friend about whom we care.

Bill Drayton

Ashoka: Innovators for the Public

Foreward
(portuguese version)

This book celebrates 15 years of Banco Palmas, sharing the excitement for its successes. It contextualizes, describes, and analyzes them. It is about achievements and hope. Butlet us not deceive ourselves; this book is also about lives which are still precarious:

> The goals are clear. It is about introducing solidarity, that is, a concern for the common good in the heart of the economy so that growth leads to social progress and sustainable development, in order for companies to become socially and ecologically responsible[1].

At the same time, the figures show that the artisan will certainly pay both her electricity bill as well as her debt to Banco Palmas. And Banco Palmas has an important role in this scenario.

Building community banks and social currencies requires effort and perseverance on the part of each community. And this book shows how worthwhile these efforts are , in addition to paying tribute to everyone who builds such communities, across the various states of Brazil.

The book features two authors whose militancy, actions and thoughts were a model and inspiration for more than a generation: Ladislau Dowbor and Paul Singer.

Ladislau Dowbor, in an article entitled "The Intelligent Use of Credit", discusses the current financial system and the alternatives that are being built by civil society. In the 1970s, he was a professor of public finance in Coimbra, and he obtained his Ph.D. degree in economics in Warsaw. Later, he lived in Brazil until the military coup of 1964. Exiled, he worked as a consultant in Guinea Bissau, Nicaragua, Costa Rica, South Africa and Ecuador. He is currently a professor of graduate studies at the Pontifical Catholic University of São Paulo (PUC-SP), and consultant to several United Nations agencies and government bodies. He is a major intellectual in the debates on economic democracy and in the dissemination of initiatives organized by civil society.

1 Statement written by Mariana Giroto, a researcher who interviewed residents of the neighborhoods served by Banco Palmas for the research described in this book.

Paul Singer has been the Nation Secretary of Solidarity Economy under the Ministry of Labor and Employment since the secretariat's creation in 2003, (SENAES/MTE, in Portuguese). . In a life of activism and struggle for the workers' emancipation, he began in the union movement, taking part in the foundation of Polop in 1959 (a Brazilian left-wing revolutionary Marxist organization). Simultaneously, he studied economics at USP (University of São Paulo), from which he graduated in 1959 and there he began to teach inning to lecture the following year. In 1969 he participated in the foundation of CEBRAP - Brazilian Center for Analysis and Planning- which constituted an important core of opposition to the military dictatorship then in power (1964-1985). In 1980, he helped found the Workers' Party[1] (PT). He was in charge of the Planning Secretariat of São Paulo during the entire term of ex-mayor Luiza Erundina, from 1989 to 1992. At that time, he turned his focus to the Solidarity Economy and became a staunch supporter of the many experiences along these lines then emerging throughout Brazil. In 1998, he helped create the Technological Incubator of Popular Cooperatives at USP. He is the author of books that were highly influential to Brazilian democratic left thought.

Five other authors of utmost importance concerning community banks and social currency also bring their contribution to the book: Marusa Vasconcelos Freire, Bernard Lietaer, Heloisa Primavera, Eduardo Diniz and Genauto Carvalho de França Filho.

Marusa Vasconcelos Freire presents an overview of the Brazilian situation with regards to financial inclusion and the role of community development banks (CDBs) within this debate. She serves as legal counsel of the Central Bank of Brazil and has played an important role in the internal debate within this institution on the issues of social currencies and community development banks. In 2011, she defended her doctoral thesis entitled "Social Currencies: Contribution on Behalf of a Legal and Regulatory Framework for Social Currencies Circulating in Brazil", adding her voice to the discussion on the creation of a legal framework for these initiatives in Brazil.

Bernard Lietaer and Heloisa Primavera underline the importance of community banks for the dissemination of complementary currencies and promotion of their use. They discuss the expansion of the debate about the role of cur-

1 Dilma Rousseff and Luiz Inácio Lula da Silva's current political party.

rency and financial instruments in the economic development of territories. Bernard Lietaer is a professor and author of several works, including “The Future of Money: Beyond Greed and Scarcity” and “New Money for the New World”, focused on the study of monetary systems and the advocacy for creation of local or complementary currencies. Heloisa Primavera, in turn, is a solidarity economy expert and activist and was founder of the Latin American Network of Solidarity Socioeconomics. She is a professor in the Master’s program in Public Administration at the School of Economics at the University Of Buenos Aires, Argentina, where she coordinates a project of research and development in Complementary Currencies and the Social Economy. She was a key actor in the alternative economic processes created in Argentina during its deep economic crisis beginning in the late 1990s.

Eduardo Henrique Diniz presents the importance of banking correspondents and other microfinance products for financial inclusion, and the contribution of CDBs to enhance the use of banking correspondent services. He is currently a professor at the Getúlio Vargas Foundation, School of Public Administration in the State of São Paulo, where he coordinates several research projects and has published many articles on technology applied to banking systems. He is the editor-in-chief of “Revista de Administração de Empresas” (“Journal of Business Administration”) and of “GV-Executivo” (“GV-Executive”). One of his lines of research is related to banking technology as a factor of social inclusion.

Genauto Carvalho de França Filho states his thesis about singularity with “Why are CDBs an Original Form of Organization? There he introduces the main features of community banks by reinforcing the uniqueness of these initiatives, in addition to presenting a theoretical framework that contributes to his analysis. With several national and international publications involving community banks and social currencies to his credit, the author is an important theoretical figure in debates about solidarity finance. He is currently a professor at the Federal University of Bahia and coordinates the Technology Incubator of Solidarity Economy run under the auspices of the same university.

Two other important contributions complement the book. The first one, written by the Social Technology team at the federal agency FINEP (Financier of Studies and Projects), review’s this organization’s support for Technologies for Social Development and discusses the concept of Social Technology based on the Banco Palmas experience, which received the

FINEP Social Technology Award in 2008. The authors are the economists Alba Valéria Maravilha Lourenço, Álvaro Reis and Daniel de Carvalho Soares, production engineer and university professor Rossandro Ramos, and social scientist Vinícius Reis Galdino Xavier. The second contribution, which closes the book, offers a view of the construction process of monitoring indicators for Community Development Banks and a survey with Banco Palmas customers. Such work was developed by NACE/NESOL-USP (a supporting center for cultural activities and extension in solidarity economy based at the University of São Paulo), in collaboration with Instituto Palmas, within the framework of the project "Expansion of the Actions and Technological Improvement of Instituto Palmas", financed by FINEP. Its authors are Augusto Camara Neiva, Juliana Braz, Carolina Teixeira Nakagawa and Thais Silva Mascarenhas, from NACE/NESOL. Augusto Neiva holds a PhD in materials engineering, and is both a professor at the Polytechnic School of USP and the coordinator of NACE/NESOL. Juliana Braz has a degree in psychology and a master's degree in social psychology from USP. She has been working in the area of solidarity economy since 1999. Carolina Nakagawa has an undergraduate degree in social sciences and holds a Master's degree in architecture and urban planning from USP, and she has provided substantial advice on field research and socio-territorial indicators. Thais Mascarenhas holds a bachelor's degree in economics and a master's degree in education from USP, and has been working mainly on the solidarity economy, self-management, cooperatives incubators, development and cooperativism.

To complete this introduction, we recall that this book was executed within the framework of the project "Expansion of the Actions and Technological Improvement of Instituto Palmas", funded by FINEP, once Instituto Palmas obtained the FINEP Social Technology Award 2008. We appreciate the commitment of the teams of FINEP, NESOL, Office of Culture and Extension of USP, Instituto Palmas and the Foundation in Support of the University of São Paulo (FUSP) for the development of this project. We emphasize the essential role of Juliana Braz and Joaquim Melo in the preparation of this book, from its editorial design all the way through the final stages of editing.

Prof. Dr. Augusto Câmara Neiva

Coordinator of NESOL/USP

Preface

This story began a bit over 15 years ago today. I was there, I was one of the main actors in it. A story that in just a matter of years was able to rally thousands of people and dozens of institutions spread all over Brazil.

I'm referring to Banco Palmas, the first community development bank in the history of Brazil, established in the urban outskirts of Fortaleza, in the trenches of the Northeast. With a population of 2.5 million, recent studies have identified Fortaleza as the 5th city with the highest inequality of income around the world, furthermore approximately one third of its population are slum dwellers[1]. It is within this pocket of poverty, in the southern part of the city, in a slum called Conjunto Palmeira, where Banco Palmas is located.

However, the history of this neighborhood begins in 1973, with a group of families originating from the coastal region of the city. We were fishermen, in a part of the city that had not yet been developed. We were disowned of our land by the city government of Fortaleza, which was starting a developing project by the seafront with grand plans of hotels, restaurants and large avenues. About 2,000 families were displaced, kicked out of their homes and taken in trucks to a flooded region, full of swamps. Each new resident built their home with cardboard, plastic and tree branches, giving place to what would soon be known as Conjunto Palmeira.

At the time, Brazil was living under a dictatorship, where any kind of social resistance was prohibited. During the first 10 years of the neighborhood new migrants continued to arrive, most of them expelled from the coastal region of Fortaleza.

During the 80s and 90s we organized around collective initiatives, and little by little we built Conjunto Palmeira by hand. The money to do this came from various sources: community contributions, campaigns, NGO donations, events, and some public resources from city and state governments. All the

1 Fortaleza 2040, pg 36. Magazine of the Institute for Planning of the City Government in Fortaleza (Iplanfor – Instituto de Planejamento da cidade de Fortaleza).

money that was raised went to the Local Resident's Association (Associação de Moradores do Conjunto Palmeira – ASMOCONP), to be used to buy the materials necessary for the construction of the neighborhood.

In over 20 years we were able to build 600 brick homes, a local square, 2 schools, 1 church, 2 nurseries, the space for the Local Resident's Association, 1 drainage canal, and we paved most of the streets in the neighborhood. It was not until 1990 that drinking water and electricity became available. Conjunto Palmeira went from being a slum to a low-income neighborhood. By then there were approximately 3,000 families.

Towards the end of the 90s Conjunto Palmeira had completed part of its urbanization process. It had a sewage and drainage system, built by the residents, drinking water and electricity. We were all aware that things had dramatically improved since the 70s. However, most family incomes stayed the same. A lot of people could not even afford to pay for the water and electricity services for which they had fought for over 20 years. Furthermore the taxes that had to be levied as a result of the new attained urbanization drove many families out of their homes. New people started to arrive, buying the property from those less fortunate, who were forced to go to poorer more distant neighborhoods.

In January 1997 we polled local residents asking how long they had been living in the neighborhood. 30% replied "just under 2 years", which proved to us that the older residents were leaving. The results from the poll were presented at the Local Association's Assembly, which took the following decision based on the new information: "the next 10 years we are going to dedicate our efforts to a project which could generate jobs and income for the neighborhood". Of course, we had no idea about how to go about it or what would this income generating project look like. Most of the people in the neighborhood were semi-literate, low employability was prevalent and extreme rates of informality were the norm.

Just two months afterwards in another assembly we asked the question that became a turning point for the community. "Why are we poor?" To which most people would reply: "we are poor because we have no money". The response was so obvious that it could not be true.

The same question was asked in 97 community meetings, and the answer would never change. We are poor because we have no money. Then we decided to run another poll, this time with 4 questions. What is your monthly consumption (food, clothing, cleaning material)? Where do you do most of your shopping? What's the brand of the products that you buy? Are you able to produce something (commerce, industry, service)[1]?

We interviewed 2,300 people out of the 18,000 residents of Conjunto Palmeira at the time, to obtain the following results:

- About 1.2 million reais (approx. 500,000 USD today) was spent monthly by the local residents of Conjunto Palmeira;
- 80% of family would spend this money outside of the community;
- 0.4% of those interviewed was able to produce something, of which most of it were handicrafts;
- 90% of those employed worked in the informal sector.

From a liter of cleaning soap to a haircut, almost everything was bought outside of the neighborhood.

All these data became extremely educational for us. With it we organized meetings in the streets and local schools, showcasing the results of the research. In addition, we designed posters with the numbers and graphs and went to the streets, presenting the following message to our neighbors:

- We are not poor, but rather we become impoverished because we lose our savings, and we lose our savings because we buy most of what we need, outside of the community. When we buy outside the neighborhood the money stops circulating locally, and this slowly weakens the local economy, reducing the amount of jobs and income it can generate for the community.

During those meetings, we would end by saying:

- No matter how poor we appear to be, we are capable of achieving local development. To generate income, we just need to buy from one another.

We organized 96 street meetings and 25 at local schools. At each street meeting around 40 people would show up. These would normally take place right in front of their homes. In schools the meetings would normally be attended by teachers and parents. The meetings would normally begin by playing a simple sketch with one of the attendants:

1 Years afterwards were referred to this poll/research as "Production and Consumption" Mapping. Every 2 years we continue to map the production and consumption capability of Conjunto Palmeira.

- "Did you take a bath today?"

  – "Yes, I did"

- "Did you use soap?"

  – "Yes, I used Lux[1]"

- "So, listen up guys. When she was taking a bath today and used Lux soap to wash her skin, and the water ran down from her head, where did the money go?"

- Everyone in the meeting would rapidly say "It went straight down the drain."

  – "No way," we would say. "If she paid for the soap, when she was using it, the money actually went to the owner of the Lux factory, right?"

  – And then, as if it they had suddenly discovered something, the crowd would immediately say "Yes! That's so true."

In that involuntary "that's so true" is the essence of what would later become Banco Palmas. The residents had discovered the revolutionary power of their consumption habits. The answer was right in front of us, and it just required a bit of our will.

As we mentioned before, there were 121 meetings to arrive at the decision of creating a community bank. The role of the bank would be to stimulate local production and consumption. In homage to Conjunto Palmeira, we gave it the name of Banco Palmas.

In January of 1998, in a small office at the headquarters of the Local Association of Residents of Conjunto Palmeira, and with only 2,000.00 reais (1,000.00 USD approx) we launched Banco Palmas[2]. The community bank began with a credit line in reais to support the creation and development of small local enterprises, and with a second credit line, issued in a local social currency (Palmas), only to be used within the neighborhood, to stimulate local consumption. I like to tell the story of how on the night of the inauguration we gave out our first loans to 5 small entrepreneurs, and of course the

1 Lux is a brand of soap. Most answers would already mention a local brand of soap used in low-income families.

2 Those funds were given to Banco Palmas in the form of a loan, by Cearah Periferia a local NGO. The loan was eventually paid back six months afterwards.

money quickly ran out! We woke up the next day completely broke and with no money to give out!

For about 7 years we managed with no support at all from the Brazilian government. All our donations came from international NGOs or aid agencies (GTZ, OXFAM, CESE, MISERIOR, CORDAID and others). Most of our employees were either volunteers or interns. Our resources were always very limited. We also had the disadvantage of being in the poorest region in the country, the Northeast. The brutal regional inequality of Brazil always diverges most public and private resources to the Southeast of the country, sometimes due to prejudice, isolating even the good practices coming from the Northeast. Many were the voices that said that Banco Palmas was an insane idea that would only last a few days.

Between 1998 and 2003 the Central Bank of Brazil took Banco Palmas to court twice, allegedly for faking currency. According to the Central Bank the Palmas currency was issued to compete against the Real (official currency) and thus its circulation would be a crime against the state. Fortunately we were absolved on both cases. In November 2010, the Central Bank recognized that Banco Palmas and the Palmas currency were very important in providing the socio-productive inclusion of the poor[1].

Up until 2005 we faced many difficulties, and 30,000 reais was all the money we had been able to raise for microcredit through donations over the years. We always had a line of about 200 small entrepreneurs asking for a loan, and most of the time we were not able to provide them with one. Moreover, for consumption loans, we only had 3,000 palmas in circulation. However, things began to change that year, thanks to the support and decisive sensibility of Paul Singer, a renown Brazilian economist and activist, we managed to sign the first partnership with the Brazilian government. At the time Paul Singer was the acting secretary for the National Secretariat of Solidarity Economy (SENAES), within the Ministry of Labor and Employment of the Federal Government. Instituto Banco Palmas[2] was hired to replicate the methodology of Banco Palmas in other municipalities in Brazil. Thanks to that we were able to gain credibility and received "legal" recognition for our work, and thus

1 The Central Bank of Brazil issued a Technical Note on social currencies and community development banks in 2011. (Nota Técnica PGBC 38/2011, September 2011).

2 In 2003, Banco Palmas established Instituto Banco Palmas, with the objective of raising funds for Banco Palmas and implementing other community Banks in Brazil.

more opportunities would be available to us in the future. By 2010 we were able to establish 52 community development banks.

A few weeks after signing our partnership with the Federal Government, we were able to sign another partnership, this time with Banco do Brasil[1], which gave us credibility within the financial system, and brought with it a series of questions for the solidarity economy movement: (i)Is it valid for a community bank to establish links with commercial banks? (ii)Wouldn't the solidarity economy be giving in to capitalism? (iii) Would Banco do Brasil buy Banco Palmas? (iv) Would we lose our identity?

When we know where we are going we are not afraid to talk to anyone. Partnering with companies could be very benefitial for community banks, as long as both sides gain and it is highly advantageous for the population we serve.

We have learned a lot in this partnership with Banco do Brasil, and it has proven to be of tremendous importance in the history of our organization. Within a year we went from having 30,000 reais available for microcredit, to a portfolio of 1.5 million reais. In addition, we were able to implement 30 community banks and provide all basic banking services in all of them. We learned about the specific processes of any financial institution that is part of the financial system. We gained experience and built the skills to dialogue and negotiate with any commercial bank.

This learning accumulated and in 2010 we were able to sign a contract with BNDES (National Bank of Economic and Social Development) - with which our credit portfolio increased to 3 million reais - and with Caixa Econômica Federal to start providing some of their financial services as their intermediary.

Since 2010, we have leant out 12 million reais in microcredit, provided over a million basic banking operations and benefited over 15,000[2] families as a result, through financial and non-financial services. Today, we are a network of 104 community development banks, located in 19 states of Brazil. We are present in the poorest most vulnerable regions of the country: indigenous communities, fishermen villages in the islands of the Amazon, family agriculture settlements, and the urban and rural periphery.

1 Banco do Brasil is the largest bank in Latin America.

2 Currently, 23 community development banks are part of the portfolio of microcredit services of Instituto Banco Palmas. Furthermore, with funds from BNDES we are able to support most community.

Through the methodology of community banks, each neighborhood is responsible for managing each community bank, thus there is no hierarchical structure within the network of community banks, so no bank is a franchise or subsidiary of another bank. We follow the principles of the Solidarity Economy, which looks to foster self-management and cooperation amongst producers and consumers. Community banks organize the poor around small cooperatives and associations of producers, raising awareness so that people would buy locally made products by local businesses, thus generating jobs and bringing economic development to even the poorest neighborhoods.

We organize local fairs, solidarity shops, financial education workshops, capacity building, vocational training and other services that contribute to the local development and sustainability of the small enterprises created in the neighborhood.

Even though we have grown exponentially, we still face many difficulties. Brazil still lacks a legal framework for community banks. By legal standing, we are a Civil Society Organization of the Public Interest (OSCIP in Portuguese), and we operate under law Nº 11.110 from April 25th, 2005, which established the National Program of Productive Microcredit (PNMPO). This law was created and approved during Lula's administration and provided opportunities so that civil society organizations could operate microcredit, as long as they receive the OSCIP certification from the Ministry of Justice.

Nevertheless, as an OSCIP we are forbidden to provide certain services that are specific to commercial banks, such as, taking deposits from our clients. As a result, we depend on the financing of commercial banks, which have strict requirements before providing any sort of loan, for instance guarantees, collateral and other requirements which make it virtually impossible for any community bank to gain access to it.

We dream of reaching 500 community development banks and providing services to over 2 million people per year by 2020. In order to achieve that, we need to raise 50 million reais from the financial system. Moreover, in order to keep growing in scale, we require the signing into law of two bills that are awaiting approval in congress, which regulate community development banks in Brazil. Last but not least it is essential that we build a new model for microcredit, together with the Brazilian Government and Commercial banks, which is more attuned with the reality of the poor in Brazil.

* * *

On January 20, 2013 Banco Palmas turned 15 years old!

All that has been done over these years, we are the ones who have done it! This intentional redundancy pleonasm is necessary to firmly express how important it was for the community itself to have developed, taken ownership of, managed and performed a wide range of services provided by Banco Palmas over this period. When the community makes it happen, its members learn, creates an identity, puts their heart and soul into their project and allows it to live long. That's why we are here. This is the true meaning of sustainability.

Restrained by space limitations in this preface, I just clarify the record on three certainties that move us in the celebration of these 15 years: the first one, of course, is to the conviction that we have contributed to improving the living standards of thousands of very poor people. The second certainty is the fact we have been faithful to our belief in the solidarity economy and solidarity finance, believing that the collective organization of the community is the only way out for overcoming poverty, and we have not given in to the temptations of "magic formulas" proposed by the competitive market. A third certainty stems from nothing that 15 years ago, when we created Banco Palmas, we only had R$ 2,000 and five people in the community believing in that dream. Like an immense forest, community banks have multiplied in Brazil. Today, we are already more than 100 community banks, spread across 19 states and organized in the Brazilian Network of Community Banks. There are already dozens of universities and researchers that study and support this methodology, dozens of municipalities and governments involved in our practices, dozens of companies, awards, and supporting NGOs, and hundreds of hours have been spent by the national and international media reporting on community banks. We blossom everywhere! And as I always say, not for vanity, but because we are very proud of this project, and it feeds our militant self-esteem: it was in the small community of Conjunto Palmeira, in the most distant areas of the Northeast region, from the gift of popular knowledge, that the first community bank of Brazil was created.

Many stories were woven together in these 15 years, many hours of pleasure, but also some of hours of suffering. As it is impossible to present everything in one book, we decided to create the series "Banco Palmas on its 15th Anniversary". We will write each volume as we manage to find resources to do so.

This book is the first volume. It brings figures and analyses, results of the research achieved by the team of Solidarity Economy Center at the University of São Paulo (NESOL-USP) in relation to the objectives achieved by Banco Palmas in Conjunto Palmeira and in twelve surrounding communities where we developed our actions. And I could not miss the opportunity to highlight the brilliant immersion in the community that the researchers from USP engaged in as they carried out such research. They walked in the neighborhoods, visited the ghettos, explored the occupations and alleys, went to the river banks, they felt the smells, talked to residents, and listened to people until they reached their conclusions. This is the true path of a research endeavor that takes up the challenge of talking about people.

The results that this book will present would have been difficult to achieve if not impossible without the many partnerships we have made with financial institutions, universities, companies, governments, international cooperative workers and intellectuals. Some of them contribute with their articles in this book. The role of partnerships was essential, because they were developed in an autonomous and respectful way. In each collaboration that was undertaken there was a win-win relationship, but the greatest benefits go to the people, and the protagonist of each action was the community itself.

Finally, I would like to congratulate the brave community of Conjunto Palmeira and the wonderful team of Banco Palmas, largely composed of neighborhood residents. Without them, we would not have built the roads we have been traveling all this time.

Let’s get to know them a little more by reading this book!

Now, it is time to shake the “caipirinha”, tune the accordion and dance “forró” because it is party time!

Joaquim Melo

Coordinator Instituto Palmas

Message to Banco Palmas

November 25, 2012

On behalf of Columbia University's School of International and Public Affairs (SIPA), I am delighted to extend congratulations and best wishes to the leadership, staff and affiliates of Banco Palmas on their 15 years of ground-breaking work in community banking and community development in Brazil.

SIPA has been honored to collaborate with Banco Palmas and its affiliate, Instituto Palmas, since 2009 through our Workshop in Development Practice. Through this workshop, teams of SIPA graduate students and their faculty advisors work with community, national and international organizations on action research and consulting projects to enhance the organizations' current and future programming. Three SIPA teams have worked with Banco Palmas and Instituto Palmas to date. The first two teams collaborated on the development of a monitoring system to track both the financial and social performance of the network of community development banks operating under the umbrella of Instituto Palmas. We understand that the proposed matrix of performance indicators is now being implemented by Banco Palmas and other community development banks. The third team is working this year to help develop a three-year roadmap for the Research and Innovation Lab that Instituto Palmas recently established. This lab is intended to leverage the benefits of information and communication technology to further extend the reach and impact of Banco Palmas and other community development banks in Brazil.

We were also extremely honored that Joaquim de Melo could travel to New York City in March 2012 to be the keynote speaker at SIPA's conference on social innovation in development. Joaquim's passionate and inspiring remarks were the highlight of the conference, and demonstrated why Banco Palmas has come to be recognized worldwide as a model of social innovation, community empowerment and collaborative learning.

Our partnership with Banco Palmas and Instituto Palmas has been deeply appreciated by SIPA, since it has given our graduate students the opportunity to work directly with – and learn from – a truly innovative network of community organizations. At the same time, we hope that our collaboration has been beneficial to Banco Palmas and its affiliates, by providing comparative research and independent technical advice on priority issues for the community banking network. We look forward to continuing this partnership, as Banco Palmas and other community development banks further expand their reach and deepen their impact in the communities they serve.

Eugenia McGill

Lecturer and Director, Workshop in Development Practice
School of International and Public Affairs

Columbia University

Reflections on practice

What do you do? ***"I sell magazines"***, she says, referring to the sales of household items and trinkets ordered through a catalog. She also does sewing for a living. People leave her cut fabric and she only sews it. She receives R$ 2.00 per piece, more than other seamstresses in the region, who earn as little as R$ 0.50 per piece. The varied composition of these several tasks based on her skills and opportunities does not stop there. With 11 people living in the house and a home improvement under way, in order to accommodate everyone, she also takes advantage of the patterned cut pieces that come to her, learning how to copy them. Since she also knows how to cut, she sells her own items to the neighborhood.

Thais Silva Mascarenhas
Economist and researcher

The intelligent use of credit

Ladislau Dowbor

Economist, professor at the Pontifical Catholic University of São Paulo and consultant to several UN agencies.

The pathological reality of the financial sector is curiously creating its own antidotes. While dominant theoretical trends – and the bulk of resources – reinforce the speculative activities and the financing of corporations, another current is emerging, and it arises in response to the prosaic financing needs of small and medium enterprises, family farming and civil society organizations. Everyone knows the work of Yunus in Bangladesh, but it is worth highlighting that a lot of money in the hands of a few creates chaos, while a little cash in the hands of many generates impressive results in terms of economic and social progress[1]. In a strictly economic vision, for those who have almost nothing, a small amount of money makes a huge difference in terms of health, children's education and better production conditions. The reorientation that being sought here is one in which financial resources can prosaically serve our development.

Germany offers us an interesting example. The gigantic mass of household savings in this country is not entrusted to the so-called "institutional investors" to speculate, but rather managed by small savings banks that exist in every city or village. The magazine "The Economist" reports that more than half of German savings is managed in this way. Before the crisis, this publication considered that to be a regressive factor, since money would be applied in a more dynamic way if some international financial groups administered the savings. These groups, however, are the ones which caused the 2008 financial collapse. And, in fact, the strength of local savings, with investments dictated by local needs protected, in part, Germany during the worst part of the crisis[2].

1 Mohammad Yunus. (2000). Banqueiro dos Pobres. São Paulo: Ática. Yunus was awarded the Nobel Peace Laureate in 2006.

2 "The Economist", October 15th, 2004.

Local financing enables the funding of a wide array of initiatives, giving rise to small businesses, restaurants serving everyday dare, and the transformation of local agricultural products, a process that is not only economic, but also cultural and associative. They allow a region to be the "owner" of its territory with its own initiatives, creativity and resources. It never hurts to remember that, according to Sebrae (Brazilian Service of Support for Micro and Small Enterprises), we have 6.1 million micro and small businesses in Brazil, which represents 93% of total formal enterprises, in addition to 4.1 million family farms and more than 2 million individual entrepreneurs.

While mainstream theory evades the discussion on the crushing of individual and associative economic initiatives in globalized capitalism, in the field of applied economics, very interesting ideas emerge. In France, the book "Les Placements Éthiques" ("Ethical Applications") is a type of short guide with helpful suggestions about how to use money instead of putting it in the bank[1]. Without overtheorizing, the book assumes that people want to balance various interests such as having a reasonable financial compensation, security, liquidity in case of unexpected need of money, and the feeling that their money is being useful. The helpful financial applications presented in the book refer specifically to France, but they open universal possibilities.

In practical terms, it is a booklet in which each page conveys an ethical fund. It includes suggestions as to the average rate of return, liquidity (some funds require a certain maturity), security (it ranges from investments s guaranteed by the State to risky investments, such as in the stock market) and "ethical gains", which describe in detail what kind of social or environmental activity one is involved in. The process also took hold in France because, in addition to popular interest, local banks – community or state owned – came to guarantee the investments made in solidarity economy initiatives, creating a perfectly safe process in financial terms and with high systemic productivity.

The investments typically involve companies of the solidarity economy. A concrete example is the financing of a small company that arranges the transportation of people with disabilities in the city, an initiative that is too restricted to raise interest from traditional business groups. In general, the intermediation of

1 Les Placements Éthiques: Comment Placer son Argent. Paris: Alternatives Economiques, 2003, p.176. Available at www.alternatives-economiques.fr. Beyond that, in France, the various local systems of public management of savings (La Poste, Caisse d'Épargne, Crédit Mutuel) administer 40% of the French savings, according to "The Economist", December 24th 2005-January 6th 2006 double-issue, p. 99.

NGOs and social organizations, with deep roots and local control, leads to favoring companies that pass the scrutiny under certain criteria, such as compliance with labor standards, respect for the consumer, and so on. Moreover, there are funds that exclude a number of companies that are notorious for their negative social impact, for instance those which produce weapons, tobacco or alcoholic beverages.

This implies, in turn, a set of criteria for the evaluation of business activities that goes far beyond profit. It gives rise to several institutions that adopt a systematic monitoring of the various sectors of activities and companies, so that a person who invests in a fund can effectively get to know the final use of their money. We are all used to the "Brazil risk" indicator, which shows the risk that a particular country or company represents for financial investors. However, indicators of the social utility of companies hardly ever appear, and the risk that speculative activities represent to Brazil is never measured. For us, this concept is of great importance, because wherever small municipal banks, local savings or community development banks prevail, the populace can reasonably keep track of what is done with their money, while market mechanisms and a minimum level of competition begin to take hold. In the case of Brazil, with large conglomerates, we usually don't have the slightest idea of what happens within the private sphere and even less within the public one[1].

The system developed in France is mature and quite sophisticated. It involves legislation that allows certain investments to be treated differently by the Treasury; a corporate rating system based evaluating institutions; strong participation by civil society organizations, trade unions and local authorities; and a regular system of information for shareholders or financial investors. The system is expanding at a rate of 20% per year. There are civil society organizations that already manage more than 800 million euros, about R$ 2 billion. They do not invest in the "international casino", even though they unfortunately suffer the consequences of the irresponsibility of big banks, as the rest of us do.

1 On the corporate side, it is worth following the progress of Instituto Ethos' initiatives and its CSR (corporate social responsibility) metrics. Access: www.ethos.org.br; the NGO Akatu provides good booklets to learn how to defend oneself from aggressive credit policies. Access: www.akatu.org.br; IDEC, Brazilian Institute for Consumer Defense, contributes greatly to generate a bit of transparency in the processes. Access: www.idec.org.br. Thereby, progress is slow, but real.

In theoretical terms, the success of such experiences is extremely important, because it means that people, after all, do not want only to maximize return and security for their money. Instead, people want to practice socially useful actions if they have the opportunity, and that opportunity presents itself now. An introductory note from Henri Rouillé d'Orfeuil (2003: 18) sets the tone:

> The goals are clear. It is about introducing solidarity, that is, a concern for the common good in the heart of the economy so that growth leads to social progress and sustainable development, in order for companies to become socially and ecologically responsible[1].

This alternative axis of financial intermediation has always been subject to the attack of large speculative groups, and it is ridiculed by mainstream economics. However, when Hazel Henderson and others created the ethical market place, they discovered an immense social interest, which is materializing in an impressive flow of resources. Today, the speculative financial groups themselves and big banks are opening up niches for socially responsible activities, if only to redeem their images[2].

While market mechanisms are being undermined by giant transnationals or nationals that monopolize large economic sectors, manipulate financial flows and restrict access to information, generating imbalances and crises, it is interesting to note that alternative forms of economic regulation based on values and direct citizen participation are emerging.

We have always seen the process of policy making as an activity centered on voting, on the party, on the government. Recently, however, situations in which organized civil society rolls up its sleeves and takes upon itself to perform certain tasks have emerged. Economic activity guided by values – by political visions in the broadest sense – is taking an increasingly clear and significant shape. People are finding out that they can "vote with their money". Other activities have emerged in Brazil with the help of, among others, Paul Singer, in line with the

1 Rouillé D'Orfeuil, Henri. (2003). Finances Solidaires: Changer d'Échelle. In : Les Placements Éthiques. Paris: Alternatives Economiques, p. 18. Available at www.alternatives-economiques.fr.

2 View on www.hazelhenderson.com the Green Transition Scoreboard initiative. The financial crisis, itself created by large groups of speculators, leads to capital flight of bad debts to environmentally sustainable investments. The GTS 2012 report shows a migration of US$ 3.3 trillion for alternative energy, green building and the like. In Brazil, the www.mercadoetico.com.br portal was launched in February 2007 with similar goals.

Solidarity Economy. There are countless initiatives of microcredit, of solidarity credit, of community banks and of NGOs that serve as credit guarantors[1].

This is an area in which excellent descriptive studies on "how it works" have emerged, without a lot of economic theorizing. Also in this area, a widespread practice of holding seminars and conferences has arisen – places where people in charge of these new forms of managing our savings meet researchers and social movements and, together, build new visions. Banco Palmas, for instance, is the subject of numerous research studies within the scientific universe, inspiring similar initiatives in various regions of the country.

A small digression is important here. Our vision of the economy is still centered on the manufacturing vision of the 20th century. But the emerging sectors of the economy are not factories; they are health networks, articulated systems of education, research and knowledge management, cultural activities and so on. People are astonished by the fact that industrial activities, in clear decline in the United States, represent 14% of GDP and 10% of employment, while the health sector already accounts for 17% of GDP. If we add education, culture and security, we surpass 40% of economic activity. The economy becomes less and less based on fixed assets (machinery, equipment, buildings) and increasingly grounded on organization and knowledge. That is to say, the economy that emerges does not need gigantism to be efficient. On the contrary, gigantism in these areas generates diseconomies of scale through bureaucratization and the monopolization of access to and control of essential services[2].

There is a convergence in formation between emerging of new sectors of activities, the revamped functionality of micro and small enterprises, and the necessary forms of financing. When economic activities in the social realm, such as health, education, culture and others, become dominant in our mode of production, the concept of financing also changes. The concentrating system of financing can feel comfortable with gigantic health insurance companies: in

1 In terms of scale and methodological innovation, see in particular the experiences of Banco do Nordeste and the new "Credit Guarantee Agencies" which support small producers. Airton Saboya and Clarício dos Santos Filho bring good analysis and above all demonstrate how the large commercial banks, based in the Southeast, take more money out of the Northeast than they inject.On the ledger sheet, they do not finance but instead drain. See comment available at http://dowbor.org/riscos_e_oportunidades.pdf.

2 For more on the subject, one can find more details in Gestão Social e Transformação da Sociedade (Social Management and Transformation of the Society), available at http://dowbor.org in "Artigos Online" ("Online Articles"), 2000, p.18.

this case, we have an absurd alliance of speculative interests with the industry of disease. But if we are to make social policy that produces results in terms of quality of life or to boost micro and small businesses, the innovations of financial management, in terms of the various forms of credit that are created, prove to be perfectly coherent and much more productive economically. They are activities with capillarity that adjust well to network-based systems of financing.

The logic of funding needs to be displaced. Making planetary transactions with financial papers or speculating with commodities and futures markets can provide money to the intermediaries, but, in order to have productive investment, employment growth and wealth, it is necessary to identify good projects, know who will invest in them and have familiarity with the local economic context. If it is a good project, it will yield profits and pay interest. This requires effective proximity, decentralized systems, evaluation capacity and follow-up. It is much more laborious. And, above all, it does not work from remote transnational offices. Credit as funding generates new wealth. Financial speculation, in turn, just makes existing wealth change hands (almost always) upwards[1].

For those who missed the economics class, here is a basic fact: financial intermediation is an ancillary activity. It neither feeds nor dress anyone. But it is fully justified if it aggregates our savings to finance a shoe factory, for example, and thus it generates investment, production and employment. The factory's profits will provide the remuneration of the initiative, the modest remuneration of our savings and the intermediary's financial profit, in addition, of course, to the increase of the supply of the shoes. But everything turns on the amounts: properly regulated funding capitalizes economic activities; loan sharking decapitalizes them.

When one "facilitates" purchase in installments, and interest is high, for example, at 102%, as is the practice for individuals, people will choose an installment "that fits their pocketbook", because they are poor or do not know how to deal with interest; but, on the whole, only half of the money they spend will go to pay the producer, for example, of a refrigerator, while the other half will pay interest. The consumer can buy only half of his real purchasing power,

1 Distinguishing clearly financial investment (aplicação financiera in Portuguese) from productive investment helps to understand the differences. Banks like to name it all investment, making it difficult to understand. In French, there are placements and investissements. English has only the word investments, which is also confusing. "The Economist" sometimes uses the concept of speculative investments to distinguish the purchase of papers from building a shoe factory. More paper does not increase the wealth of society; on the contrary, it generates crises.

and the producer will receive very little for the refrigerator they produced. The intermediary will earn half of the whole amount, without having produced anything. This is called the "*tollkeeper economy*".

The case of credit cards makes this clear. Lucianne Carneiro's note in the Economy section of "O Globo" newspaper compares the average interest rate on credit cards in Brazil – of 238% a year – with 16.89% in the U.S. and 18.7% in the United Kingdom. There is no way to explain such a difference with "market mechanisms". It is loan sharking. The result is an absurd bleeding of purchasing power[1]. By making all who take on this type of credit pay more for the products, they generate a strong impact on final prices. And they tell us, calmly, that high interest rates protect us from inflation. What results are difficulties for both the consumer and the producer, and exorbitant profits for the intermediaries. The ANEFAC's data are clear[2]:

Credit line	July / 2012		August / 2012		Variation	
	Monthly rate	Yearly rate	Monthly rate	Yearly rate	%	PP
Store interests rates	4.65%	72.53%	4.55%	70.56%	-2.15%	-0.10
Credit card	10.69%	238.30%	10.69%	238.30%	—	—
Overdraft protection	8.07%	153.78%	8.05%	153.22%	-0.25%	-0.02
CDC – banks – auto finance	1.80%	23.87%	1.70%	22.42%	-5.56%	-0.10
Personal loan – banks	3.57%	52.34%	3.45%	50.23%	-3.36%	-0.12
Average Rate	**6.12%**	**103.97%**	**6.02%**	**101.68%**	**-1.63%**	**-0.10**

1 Lucianne Carneiro's article in "O Globo", Economy section, on Sep. 19, 2012. Available at: http://oglobo.globo.com/economia/juro-do-cartao-de-credito-no-brasil-de-238-ao-ano-maior-entre-9-paises-6142607.

2 ANEFAC, Interest Survey, september 2012 - The monstrosity of these rates led financial intermediaries to start presenting interest on a monthly basis. In this case, 101.68% appear as 6.02% per month, and 50.06%, as 3.44% a month as well. Technically it is not wrong, but it makes it possible to disguise the compound character of the interest, which in practice deceives people. Nobody understands financial mathematics. It is an efficient way to reduce transparency. Available at: http://www.anefac.com.br/pesquisajuros/2012/pesquisa_agosto_2012.pdf. ANEFAC, National Association of Executives in Finance, Accounting and Actuary, has nothing subversive.

Credit line	July / 2012		August / 2012		Variation	
	Monthly rate	Yearly rate	Monthly rate	Yearly rate	%	PP
Personal loan – credit companies	7.92%	149.59%	7.67%	142.74%	-3.16%	-0.25
Average Rate	**6.12%**	**103.97%**	**6.02%**	**101.68%**	**-1.63%**	**-0.10**

TABLE 1: Interest rate for individuals. *Source: ANEFAC*

Credit line	July / 2012		August / 2012		Variation	
	Monthly rate	Yearly rate	Monthly rate	Yearly rate	%	PP
Working capital	1.92%	25.64%	1.84%	24.46%	-4.17%	-0.08
Bill discount	2.62%	36.39%	2.46%	33.86%	-6.11%	-0.16
Guaranteed account	6.04%	102.13%	6.02%	101.68%	-0.33%	-0.02
Average Rate	**3.53%**	**51.63%**	**3.44%**	**50.06%**	**-2.55%**	**-0.09**

TABLE 2: Interest rate for legal entity. *Source: ANEFAC*

Financial profits such as Itaú's (one of the largest Brazilian private banks) in 2011 – R$ 14.5 billion – represent costs paid by society in the form of suppressed consumption on the consumer's side and lower profit on the producer's – when they do not not go bankrupt. Financial intermediation is necessary, but when one uses oligopoly to set stratospheric interest rates, the intermediary becomes a loan shark. Instead of fostering business, it charges tolls. Rather than generating multiplier effects, it locks up the economy by punishing both producer and consumer. International business groups, in turn, have advantages and seek money overseas through their headquarters at much lower cost, even to buy domestic companies. For the national industrial base, it is disastrous.

On the whole, this is an embezzlement from the real economy by an illegal institutional means, which is the "domination of markets, elimination of competition and arbitrary increase of profits," practices that the Constitution condemns in no uncertain terms. Facing the numbers, is there any doubt about the illegality? There are no headlines regarding legal judgments on these matters, but rather many complaints at PROCON (Foundation for the Protection and Defense of Consumers), and IDEC

(Brazilian Institute for Consumer Defense) and other institutions of consumer defense, and millions of people struggling with difficulties. Serasa, today a multinational credit rating company (specialized in registering people in default), guardian of financial morality, decrees which Brazilians are bad debtors, i.e., it punishes those who cannot pay 238%, but not the ones who actually charge them.

What we are suggesting is that there is an emerging new economic theory, perhaps without our noticing it because we are busy refuting the marginalists or David Ricardo's law of comparative advantage. This is not a socially charitable or economically marginal dynamics. It is an important space to be occupied. We do not need to wait for a government that pleases us to take our money out of the bank and apply our savings toward useful things. The rescue of control over our savings emerges as a structural axis of social dynamics, and the right to control our own money and to demand accountability in this area is perfectly democratic[1].

1 As for the new emerging visions, see the article by Ignacy Sachs, Carlos Lopes and Ladislau Dowbor. (2010). *Crises e Oportunidades em Tempos de Mudança* (Crises and Opportunities in Changing Times). Available at: http://dowbor.org/09fsmt7portuguespositionpaperldfinal (2). For Brazilian options, see Brasil: Um Outro Patamar (Brazil: Another Level). Available at: http://dowbor.org/2010/07/brasil-um-outro-patamar-julho.html/.

Here they build tents as if it were a street market, so they can endure the hot sun. Here injustice is on the streets, in the lack of a sewage system, in the absence of urban planning and of the state. A comment captures the essence of this condition: ***"Aren't you afraid of coming here? Nobody comes from the outside. A sewer pipe broke over 15 days ago and the repair company won't come because they are afraid to come here"***. Being used to social inequality, they are taken aback by our presence. Every trace of justice we see comes from those who live and suffer together, searching for solutions such as building wooden bridges over an open sewage stream or welcoming foreigners. There was not a single day, street or house that has not offered us iced water or a cup of coffee. Not a single day, street, or house passed by without the offer of iced water or coffee.

Carolina Teixeira Nakagawa
Social scientist and field supervisor

The community development bank as public policy for a solidarity economy

Paul Singer

Economist and emeritus professor at the Economics and Administration School of the University of São Paulo (FEA/USP). He is currently the National Secretary of the Solidarity Economy.

Public policy for a solidarity economy in a country like Brazil faces several challenges. These result largely from the poverty of the people engaged in creating a "different economy" characterized by collective ownership of means of production by workers, the self-management they practice according to democratic rules, and the fair distribution – as most of them perceive it – of profits among members earned thanks to the work of all. One of these challenges is the difficulty of access to financing, which stems from the bias of conventional financial institutions in favor of loan applicants who can offer real guarantees and collateral and, moreover, have possessions and a background that inspires the confidence that their business plans will succeed. Private commercial banks in general require a significant deposit in advance just to open an account for a new customer, which is enough to prevent low-income people from applying for loans.

Another challenge is to facilitate solidarity economy practitioners in the development of ties of mutual trust and a willingness to give and receive mutual aid after they have lived in environments that, from school days onward, condition them to compete with all who share the same activity without sparing efforts to outdo the competitors in order to be considered "winners" and by no means "losers". The solidarity economy has this name because it welcomes those whose fate has turned them into losers and because of the awareness that the alliance of the oppressed is a primordial condition so they can break free from oppression and poverty.

The community bank has become an important public policy instrument of the solidarity economy as it creates institutions that lead to overcoming both challenges. The purpose of the community bank is not to maximize profit as capitalist banks do, but to foster the economic development of the community where the bank has been created and by which it is used.

This contrast is easy to understand when considering the distinct properties of each type of institution. A private bank is owned by capitalists who invested in its initial capital and by other shareholders who acquired their shares later, both targeting the financial return from their investments. If the return is not satisfactory to some shareholders they can easily sell their shares in daily auctions on the stock exchange. A community bank is owned by the population living together in the same neighborhood or locality. They are not just owners but, above all, they are users of their bank. For this reason, there is no interest in having the surplus or remainder maximized by the end of the semester or year, since they are aware that the bank service fees to users are the source of these "surpluses" or "profits".

Of course it matters to the community bank members that the balance sheets are positive since this is the condition for them to expand their clientele and, therefore, provide better client service to a larger number of community members. Being both owners and users of the bank, these members aim at the economic development of their community, and in order to do so it is important that the bank have sufficient resources to finance new solidarity economy projects and the expansion of those which already run well.

In poor urban communities, nearly always there is a segment of the population which is unemployed, either because of the difficulty in finding jobs near their homes or due to not having the required professional skills. This is often the case for young people who drop out of school to work and make a living but face large difficulties in finding work since employers are not willing to train them, fearing that – once trained– they would be recruited away by competitors. It is a notorious fact that in virtually all countries unemployment amongst the youth is on average twice as much as that amongst the entire workforce.

Community banks in general – of which Banco Palmas was the first in Brazil thus making its experience emblematic – promote professional training for their members. This is not done with the purpose of making them more competitive in the race for a paid job, but so that, together, they can create solidarity economy projects. As a result, they achieve the targeted monetary gain without having to subordinate themselves to a paid job that tends to be unstable, since they may be laid off as soon as the employee is no longer – from the perspective of the employer or its representative – a satisfactory profit generator.

The research conducted by NESOL with Banco Palmas' customers, described in this book under the title "Banco Palmas: Results for Community Development and Financial and Banking Inclusion", revealed their joint projects had 288 associate workers, 83 of whom had been hired over the last year. This means solidarity economy projects in the region of Grande Jangurussu[1] have expanded

1 NT – Area comprised of the districts of Conjunto Palmeiras, Jangurussu and 12 adjacent communities.

the total of employees by about 29% in a year. This increase in the number of members of the solidarity economy is remarkable, proving Banco Palmas' actions are highly effective in promoting the development of its communities.

This high efficacy in promotion of the economic development of the communities should be attributed in great part to the issuing of a social currency, the Palmas. Banco Palmas not only created the currency but managed it in such as a way as to be accepted as ready money by local businesses of Conjunto Palmeiras and neighboring communities, which offer a discount on the prices of goods when the purchase is paid in Palmas. This agreement has led residents to concentrate a higher volume of purchases in shops, grocery stores, greengrocers, etc. in Grande Jangurussu, benefiting not only the local businesses but also production activities established there.

It should be noted that the widespread use of social currencies is one of the major reasons for the support community banks are given by the National Secretariat of the Solidarity Economy. It so happens that this action, combined with loans to promote economic activities in impoverished areas, fulfills the important role of *decentralizing production, labor and distribution within the territory*, which the competition among various sources of capital tends to concentrate in so-called "development poles." The geographic concentration of workers' and entrepreneurs' income sources is one of the reasons for the increasing inequality of opportunities in education and qualification, as well as of employment and self-employment among better endowed people who live in prosperous areas as contrasted with the conditions faced by those who are forced to live in development-deprived areas due to their low income.

The wide range of other services that Banco Palmas offers to the population living in the neighborhood is also worth mentioning. One of the most interesting ones is the Community Consultants Course (300-hour class) for 26 women who are beneficiaries of the Bolsa Família[1] program and managers of the Projeto ELAS[2], launched in March 2011 by Instituto Palmas to provide services to mothers in households that are beneficiaries of the same program. In one year, through Banco Palmas, Projeto ELAS has provided 3,100 women from Grande Jangurussu with credit, financial and professional education, commercial and citizenship training, organization of sectorial production groups – clothing and cooking – self-esteem elevation, knowledge about the city, and so on.

1 NT – Social welfare program of the Brazilian government that provides direct financial aid to poor Brazilian families.

2 NT – Project that aims at promoting the finance, banking and socio-productive inclusion of women who are beneficiaries of the Bolsa Família program and who loan credit from Banco Palmas.

Banco Palmas' action extends even further from its original location. The community bank technology dates from 1998. Instituto Palmas of Development and Solidarity Socioeconomy is a microcredit OSCIP[1] founded by the Conjunto Palmas Residents' Association – (ASMOCONP) in 2003. It aims at propagating Banco Palmas' technology and supporting the creation of other community banks in Brazil and in other countries, integrating them into a network.

In 2005, the National Secretariat of the Solidarity Economy established a partnership with Instituto Palmas to support its wide range of activities. Currently, there are more than 80 community banks in 17 states and many others are to be inaugurated soon. In March 2009, Instituto Palmas launched Economic Democracy Day at the Legislative Assembly of Ceará. It was found that, out of 116 districts in Fortaleza, only 27%, which are located in wealthy areas, had bank branches.

With the objective of democratizing access to banking services for people on the outskirts (periferia in Portuguese) of Fortaleza and with support from local associations, the Banco da Periferia project ("Periphery Bank") will aim at promoting the development of neighborhoods and slums. The Banco da Periferia will work via a network of 40 community banks and will provide services to 120,000 families per month, mainly from Bolsa Família and CadÚnico (SUnified Registry for Social Programs).

From January to May 2012, Banco Palmas provided 5,000 families with banking correspondent services, microinsurance, mobile phone payments, account openings, solidarity fairs and training.

The credit fund of those 40 community banks is insured by Instituto Palmas with resources from BNDES, the national development bank For the first four years, Banco da Periferia will require R$ 8 million for the implementation, management, operational costs, personnel, communications and technical advisory.

Banco Palmas customers' economic circumstances can be generally seen as corresponding to the popular economy: 52% of them have their own business, 95.2% of which are located within the neighborhood. These are small business dedicated to selling food, clothes, knickknacks, as well as motorcyclists that deliver gas cylinders on the back of the vehicle. Others provide services such as hair and nail treatment, making clothing and computer repair. These are informal companies and the owners themselves often carry out the work at their own households, sometimes helped by family members.

These are poor people, deprived of capital and whose objective is to keep themselves alive. That is what the Marxists would call *petite bourgeoisie*, in fact a

1 NT – Civil Society Organization of Public Interest, which is a legally defined category in Brazil.

sector of the working class. Given their economic fragility, the condition for them to achieve some development is by organizing themselves into associations or cooperatives that enable the development of mutual aid, allowing economies of scale mainly in their relations with the market, in the purchase of inputs and sale of products and services. Their poverty is documented by the banking correspondent customers' monthly withdrawals: 39.89% earn between R$ 100 to 200; 55.57% between R$ 201 to 1,000; and 16.67% more than R$ 1,000.

With the implementation of Banco da Periferia, in the form of a network of 40 community banks that receive credit funds from BNDES, it is very likely that the Brasil sem Miséria[1] program accomplishes its goal of productive inclusion in Fortaleza. The injection of R$8 million may cause a significant multiplication of job openings in the outskirts of the metropolis, even if, initially, with modest wages. An even larger network of cooperatives comprised of small businesses and small service providers will be able to establish correspond relations through that network of 40 community banks. If nearly 40% of them are in poverty as their monthly withdrawals do not reach half of the minimum wage, a minimum synergy between Economic Democracy Day and the cumulative effect of the R$8 million credit injection should result in the lifting of thousands of families out of extreme poverty. And the most remarkable aspect of this social and economic transformation is that it will have been built by the combined efforts of its protagonists. These are the first beneficiaries, but, most likely, they will neither be the only nor the last ones. If extreme poverty is a result of involuntary idleness of millions of women and young people as it seems, a situation common in our metropolitan peripheries, it is to be expected that this first large-scale impulse will serve as an example and inspiration in other Brazilian metropolitan areas.

Therefore, the community development bank is more than a new social technology, albeit that is what it is, also. It is, undoubtedly, also a form of public policy that comes at the right time as in many places around the world hope is reborn that the solidarity economy will prove itself as an effective means to overcome the crisis that the hegemony of finance capital keeps aggravating in the European urban periphery. At this time, solidarity economy policies are being launched on all continents, notably by the governments of Brazil, Québec, France, Venezuela, Bolivia, Ecuador and Cuba. It is a moment when boldness promises auspicious outcomes. Banco Palmas' 15 year history is proof that Brazil and Venezuela[2] offer more than convincing evidence that this is possible and there is no reason to hesitate.

1 NT – "Brazil without Misery" - social welfare program of the Brazilian government that aims to pull 16.2 million Brazilians out of extreme poverty.

2 There are over 3 thousand community banks in Venezuela which contribute to making it the least unequal country in Latin America.

Lost in a community around Conjunto Palmeira, I reach a well-hidden small village, a dirt road, open sewage streams, and humble houses... I am soon identified for being noticeably strange to this place. My presence prompted the neighborhood to find the house I was looking for. Suddenly, a magic question crosses my mind: "Do you know a woman who is a customer of Banco Palmas on this street?" The answer comes immediately: ***"Yes, I do. She lives in that house, she always tells me about the bank and I am eager to go there, too…"*** I go to the indicated place, the wood fence gates opens to a smiling face that welcomes me and shows me the only room made of bricks. She built it herself with the material bought with the resources she borrowed from the bank. New loans are in her plans to build other rooms, she reveals…

Mariana Giroto
Social scientist and researcher

The importance of community banks for financial inclusion[1]

Marusa Vasconcelos Freire

PhD in Law and Central Bank of Brazil attorney since 1994.

Introduction

In Brazil, the search for a more sustainable model of development and eradication of extreme poverty has led the federal government to support a number of solidarity economy[2] initiatives. They are grounded in the "right to produce and live in sustainable cooperation" (National Conference of Solidarity Economy, 2010), among which we can find solidarity finance based on community banks, which are the institutions that assume "a leading role of promoter of local development, empowerment and community organization when articulating – simultaneously – production, trading, financing, and training of the local community" (MELO, 2008: 01).

The pioneering experience of the Rede Brasileira de Bancos Comunitários (National Network of Community Banks) originated with the creation of Instituto Banco Palmas by the Associação de Moradores do Conjunto Palmeira – ASMOCONP (Residents' Association of Conjunto Palmeira). The event launching the Institute took place in 1998, in a neighborhood of Fortaleza, in the Northeastern state of Ceará. Fifteen years after its foundation, Banco Palmas, other community banks and other solidarity financial institutions have a lot to celebrate. After all, since 2003, the methodology of solidarity finance based on community banks began to be discussed in several municipalities. It was considered an instrument aimed at income generation and local territorial development with effective participation of local population.

1 This article incorporates text extracts contained in the previous study by the author. See: Freire, Marusa (2011). "Moedas Sociais: Contributo em prol de um marco legal e regulatório para as moedas sociais circulantes no Brasil." (Social currencies: Contribution in support of a regulatory and legal framework for the social currencies circulating in Brazil).

2 NT – The word "solidarity" used in this work, as an adjective both for "economy" as for "f means the qualities of practices and economic and financial institutions that take as their g promotion of local values of the communities where they are inserted.

This instrument has subsequently become the object of public policies for promotion of the solidarity economy at all three levels of government – federal, state and municipal – focused on financial inclusion for communities with a low Human Development Index (HDI).

In effect, in 2008, the *Ação Nacional de Fomento às Finanças Solidárias com Base em Bancos Comunitários e Fundos Solidários* (National Fostering Action for Solidarity Finance based on Community Banks and Solidarity Funds) became an activity referred to in annex I of the Brazilian law no 11,653, April 7, 2008, which provides for the federal Plano Plurianual (PPA –Multiyear plan) 2008-2011 within the framework of Programa Economia Solidária em Desenvolvimento (Solidarity Economy in Development Program, Ministry of Labor and Employment, 2011). Based on the actions and programs contained in the PPA 2012-2015, the government has recently established the goal to further include at least 200 communities in solidarity financing over this period, according to Annex 1 of Law no 12,593 of January 18, 2012.

This chapter examines the importance of community banks after briefly contextualizing the efforts made by Brazilian society to promote financial inclusion over the last 20 years. It covers the various functions that may be carried out and coordinated by these organizations, as they assert themselves as the institutions that enable the implementation of an important goal from the federal government: to include communities in solidarity finance, which is part of a project seeking both more sustainable development as well as eradication of extreme poverty in the country.

1. Efforts by brazilian society to promote financial inclusion

Over the last 20 years, there has been an effort by Brazilian society, the federal government and various financial and non-financial institutions to build an institutional environment and legal instruments to promote microcredit, microfinance and financial inclusion in Brazil. With this goal in mind, since 1992, the Central Bank of Brazil (BCB) has participated actively in discussions on the topic and, from 1999, intensified its studies and efforts in expanding the supply of financial products and services to the poorest layers of the population and examining the viability of this public service that does not arouse the interest of traditional banks (SOARES; DUARTE DE MELO, 2008).

Initially, the Central Bank acted in harmony with the Conselho da Comunidade Solidária (Solidarity Community Council) in adopting measures aimed at the expansion of the microfinance program in Brazil. Subsequently, the institution began to examine and evaluate the experiences with microcredit and microfinance in other countries, mainly in Latin America, to better understand the market for financial services targeted at populations with low HDI and deepen the knowledge about the most important national and international innovations in the field of microfinance and on the best practices in terms of regulation and supervision of microfinance to promote financial inclusion in Brazil (SOARES; DUARTE DE MELO, 2008).

In order to promote financial inclusion policies and to assess the impact of regulatory adjustment measures that interact with society and with the banking customer base the Central Bank of Brazil (BCB), in partnership with SEBRAE (Brazilian Service of Support for Micro and Small Enterprises), went on to carry out a series of events, starting with the First National Central Bank Seminar on Microfinance, held in Recife, in September 2002. Another seven national seminars were held in the following years (Curitiba in 2003; Fortaleza in 2004; Salvador in 2005; Recife in 2006; Porto Alegre in 2007 and Belo Horizonte in 2008), in addition to two international seminars on regulation and supervision of microfinance (Salvador in 2005 and Recife in 2006). More recently, four Central Bank forums were held on financial inclusion (Salvador in 2009; Brasília in 2010 and 2011; Porto Alegre in 2012).

In these seminars and events, there was an interest in showing the audience, by means of the exchange of experiences and discussion, that microfinance activity in Brazil can be a viable option for investors and other capital providers and also an important tool of financial inclusion, to allow the access of social segments with low HDI to financial products and services in a format that is suitable for them. From this perspective, other issues related to microfinance--such as remittances, electronic payments arrangements, microinsurance, solidarity finances based on rotating funds and community banks, and the local social circulating currencies used by local collective initiatives stimulated by the National Secretariat for Solidarity Economy (SENAES)-- were incorporated into the discussion[1].

1 In this sense, it is recorded that the Central Bank of Brazil (BCB), in 2007, as the BCB Vote 1092007, approved a research project to ascertain and evaluate the possibilities, limitations and potential of social currencies issued by community banks and, in 2008, signed an agreement of technical cooperation with the SENAES. In 2009, the Social Currency Project was incorporated into the Financial Inclusion Project I in the form of BCB Vote 400/2009.

As a result of studies and debates that occurred in these meetings and on other occasions, several catalyst mechanisms promoting banking and financial inclusion have been created (e.g. simplified procedures for opening accounts opening and targeting of demand deposits). The National Monetary Council (CMN) and the BCB, following government policy guidelines, adopted a number of legal and regulatory measures related to credit cooperativism, to banking correspondents and to remittance of resources, without leaving aside the regulation of entities specialized in consumer credit (financial institutions), as well as other measures related to housing finance and to consortium administrators as well as debit cards.

Despite the effort of Brazilian society to promote financial inclusion over the last 20 years, combined with discussions on the subject, editing of legal regulations and improvement of the activities in microfinance industry, the industry's expansion beyond simple credit supply remains as one of the biggest challenges. This challenge involves the expansion of the supply of financial services and products tailored to the needs of the Brazilian population located at the base of the financial pyramid, especially in communities with a low human development index. It is in this context that the importance of community banks to the financial inclusion in Brazil must be discussed.

In fact, in addition to the institutions that are regulated and supervised by the Central Bank of Brazil and have specific programs of microcredit, the microfinance industry in Brazil is also composed of other operators that are not regulated or supervised by the Central Bank: non-governmental organizations (NGOs) and Civil Society Organizations of Public Interest (OSCIPs) specialized in microcredit, both set up as non-profit civil associations; the institutional, state or public funds, also known as people's banks; and rotating savings associations.

Community banks fit in this category of non-profit institutions. They are not regulated or supervised by the Central Bank of Brazil, but were still present in a number of seminars and forums organized by BCB in partnership with SEBRAE. That is due to the fact that community banks provide products and services in the field of microfinance in regions with low HDI and are recognized as important actors in the federal government's strategy to include communities in solidarity finance to meet the needs of groups that are outside or on the margins of the formal financial system.

2. Solidarity finance based on community banks

The area of solidarity finance is broad and diverse, encompassing a variety of practices geared to the promotion of local values in the communities where it is embedded. Its main objective is to ensure access to financial services in a democratic, ethical and solidaristic way, giving priority to those excluded from the banking system and strengthening human and social capital. The common feature of the experiences of solidarity finance is that they derive from systems of reciprocity and mutual help that build on and strengthen community ties of proximity and, in general, are accompanied by additional training, capacity-building and educational activities, based on relationships of trust with a focus on enhancing human dignity (FAUSTINO, 2010).

Community banks are institutions organized as a non-profit civil association that provide financial and non-financial products and services aimed at supporting the development of popular economies in neighborhoods and municipalities with low HDI. They may carry out partnerships with public and private entities to achieve their social objectives. Including communities in solidarity finance and promoting non-profit experimentation with new socio -productive models and alternative systems of production, trade and *credit*, legally authorized by Law no 9,790, of March 23, 1990, is therefore the primary mission of community banks.

The importance of community banks may be better understood when examining the various functions that can be performed by these institutions to mitigate some market failures. Such failures arise from the existence of a conflict between the objectives of prudential regulation, designed to improve the "safety and soundness" of the financial system, and the objectives of public policies, directed to the inclusion of people in the productive process and in the allocation of monetary income. These market failures were observed by Joseph Stligtiz and Bruce Greenwald (2004) as follows:

> There are, in fact, several other objectives of regulatory policy directed to other market failures: (a) competition, in particular in small and medium-sized business loans, is often limited, and the consolidation of banks, with the associated reduction of competition, is a way to increase the profits of the banks; there is an important role for the government in maintaining a competitive banking system; (b) consumers (borrowers) are often uninformed, and lenders (banks) often try to explore this limitation of information; the government assumed a very important role in *consumer protection*; and (c) there are, generally, certain groups in the population that seem to be poorly served by the market; this may be due to the establish-

> ment of safety limits (*red-lining*) – we noted earlier that, when there is credit rationing, some groups may be completely excluded from the market; the banks do not lend to those for whom the social return is the highest, but to those from whom they can extract higher returns, and there may be a significant discrepancy between the two. This last concern gave rise, in the United States, to the Community Reinvestment Act (CRA, 1995), which encouraged (co-opted) the banks to lend more in poorer interior regions of the cities (BRUCE GREENWALD, 2004).

Around the world, especially in the United States and Europe, we may witness the emergence of alternative forms of credit, currency and trade (Z/YEN GROUP LTD, 2011) to mitigate the effects of such market failures associated with new forms of exclusion arising from prudential regulation of institutions dedicated to financial intermediation and the commercial exploitation of money and credit. In this sense, Manuel Castells et al (2012) consider the development of an alternative sector of the economy an irreversible fact. Although it may not necessarily reject profit based on productive activities, it is grounded in a set of community values regarding the meaning of life[1].

Reality is not different in Brazil. In the thematic program *Regional, Territorial and Solidarity Development* of PPA 2012-2015, the federal government expressly recognizes the emergence

> of new forms of exclusion and precarious work, at different points within the Brazilian territory, with new forms of organization of economic activities based on active cooperation among workers in their collectively owned enterprises or among associated family or individual autonomous producers, which are Solidarity Economy enterprises (2012-2015 PPA).

Within this thematic program, solidarity finance based on community banks is important for confronting new forms of exclusion, using a set of principles, rules and attitudes that require the deliberative participation of those affected in the structuring, organization, adaptation or reforms of economic institutions, and that preserve community values in its management. Distinct from credit organizations that are governed by economic rationality guided by profit, whose prudential regulation increases market failures and demands public policies of financial inclusion, community banks are guided by a rationality based on social profitability, contributing to the foundation of a new economy, or of a solidarity economy.

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1 These characteristics are explored in the articles published in Aftermath – The Cultures of the Economic Crisis (2012).

By representing the legitimate interests and values of local communities, community banks, while promoting the reorganization of production, marketing and funding in communities with low HDI, can assume various roles, subject to different legal rules that articulate various objectives aiming at inclusion of people in the productive process and in the allocation of monetary income, as discussed in more detail below.

2.1. Developing non-profit experimentation with new socio-productive models and alternative systems of production, trade, employment and credit

One of the most important roles of community banks is to promote non-profit experimentation with new socio-productive models and alternative systems of production, trade, employment and credit in communities with low HDI. [N]on-profit experimentation with new socio-productive models and alternative systems of production, trade and *credit*" constitutes one of the objectives to be pursued by Civil Society Organizations of Public Interest (OSCIPs), as set out in section IX of Art. 3 of Law no 9,790, March 23, 1999, and is legally recognized as an activity that serves public interests. It must be pointed out, however, that in order to develop such a trial, it is not necessary that the community bank be constituted as an OSCIP, since the relevant exercise of this activity can precede the granting of OSCIP status.

As non-profit civil society organizations, community banks cannot operate legally as "financial institutions" – although they perform similar activities– for the simple fact that they carry out active operations such as granting of loans and financing programs and projects intended for the increase of small community-based economic enterprises. Moreover, they do not collect money from the public and their activities are not characterized as a speculative activity of intermediation (commercial exploitation of money and credit) nor do they represent an organized act of intervention in financial markets. These elements are necessary to meet the definition of financial institution in accordance with the accumulated understanding of the Attorney General Office of the Central Bank over more than 25 years (FREIRE, 2011).

This interpretation, in a way, was adopted by Law no 9,790, March 23, 1999, which does not allow the granting of OSCIP status to cooperatives and credit organizations that have any type of legal connection with the national financial system (Art. 2, sections X and XIII). Thus, "non-profit experimentation with new socio-productive models and alternative systems of production, trade and *credit*" by community banks is not a regulated activity and is not monitored by the Central Bank. It is not suitable, therefore, for the municipality to manifest itself on the legality of the operations carried out by community banks or by any legal entity governed by private non-profits as defined by § 1 of Art. 1 of Law no 9,790, 1999, especially when there is no evidence of illegality or, in particular, the exercise of activities typical of financial institutions, which are not authorized for these organizations.

In the case of community banks constituted as OSCIPs, the supervision of their activities involves the Ministry of Justice, which grants such status, and should be performed by the Public Prosecutor, the Courts of Auditors, as well as by other public bodies that pass along public resources through terms of partnership or those which are involved with the activities they carry out. In this sense, Art. 11 of Law no 9,790, 1999, prescribes that the execution of the object of the partnership entered into by governments with OSCIPs will be monitored and inspected by a government agency of the area corresponding to the promoted activity and by Public Policy Councils of the corresponding areas of expertise that exist at each level of government.

We can observe, however, that Law no 9,790, 1999, as defined by § 1 of Art. 1, does not prohibit technical cooperation agreements and partnerships between legal entities governed by private not-for-profits, which can be constituted as OSCIPs under Art. 3, and the entities mentioned in Art. 2, which cannot be constituted as OSCIPs. Therefore, as far as forms of fundraising are concerned, community banks, in addition to being possibly paid for the provision of intermediary services in support of other non-profit organizations and public sector bodies working in related areas, can also receive donations in the form of physical, human and financial resources. They can enter into technical cooperation agreements and partnerships in order to execute projects, programs and action plans related to their social objectives, including the involvement of the entities mentioned in Art. 2. Specifically with regard to the possibility of receiving donated resources, we highlight the tax incentives, extended by Provisional Measure 2,158-35, of August 24, 2001, on the deduction of taxable corporate profits that are donated to OSCIPs constituted in accordance with the current legislation.

A concern with charging of interest is not very present in provisions regarding "non-profit experimentation with new socio-productive models and alternative systems of production, trade and credit" because, in general, in these alternative models, interest for granting loans is not charged, or a negative interest system is implemented, or even, a fairly moderate interest rate is charged, one that is generally smaller than the interest charged in the traditional credit system. However, there are different interest rate schemes applicable to this type of institution. In this sense, the Usury Law, Decree no 22.626, April 7, 1933, and Provisional Measure no 2,172-32, of August 23, 2001, establish two distinct interest schemes. The first is a general arrangement, limited to twice the statutory interest rate, applicable to all organizations that are not financial institutions, including civil non-profit associations and public and private funds for granting of credit by alternative means. The other, which is by special arrangement, approaches the scheme applicable to financial institutions for entities constituted as OSCIPs under Law no 9,790 of 1999. In addition, there are special arrangements established for operations carried out under the National Program of Oriented Productive Microcredit – PNMPO – established by Law no 11,110, of April 25, 2005, and regulated by Decree no 5,288, of November 29, 2004.

Together, these regulations constitute the foundation for developing a wide variety of programs that target non-profit experimentation with new socioproductive models and alternative systems of production, trade, employment and credit that can be developed by community banks to promote financial inclusion in Brazil.

2.2. Lending to those for whom social return is the highest and not to those from whom the highest financial return can be extracted

When developing non-profit experimentation with alternative credit systems, community banks also take on the role of lender to people who offer a high social return and not to those from whom they can extract the highest financial return, as it is the case in lenders linked to the national financial system. In this way, the community banks seek to foster, with differentiated loan rates, community workers who are engaged in production activities or who seek to implement ideas and projects that can generate income for the collectivity in which they are embedded. In general, these loans are made at rates that are lower than those usually applied directly by banks and lending institutions and, in some instances, even lower than the interest rates charged by microfinance institutions accredited in the National Program of Oriented Productive Microcredit – PNMPO – established by Law no 11,110, of April 25, 2005, regulated by Decree no 5,288 of November 29, 2004.

It should be noted that, in communities with a low human development index, one of the main reasons for the lack of credit is exactly the difficulty that a person from outside the community has in selecting good projects and monitoring their implementation in these areas. As a result of this difficulty, financing for ideas and projects that can generate income for the local economy and for its members is unavailable. The lack of access to credit, in turn, hampers prospects for improvements in the quality of life of poor communities. Also, the lack of improvement in the quality of life of these communities hinders the creation of necessary guarantees so that credit organizations linked to the financial system can ensure repayment of loans. This situation feeds back into the lack of credit in the local economy and perpetuates the underdevelopment of the regions in need, forming a vicious circle in which financial intermediation cannot reduce distortions since the cost of monitoring projects and loans in these regions is very high and the lack of material guarantees hampers the security of those who lend to this portion of the population. So, this vicious circle contributes to keeping these communities in a situation of constant need (COSTA E SILVA, 2010).

The importance of community bank loans to people who can offer a higher social return is exactly to break this vicious circle. The kind of credit involved in these loans is, for the most part, guaranteed by non-material values based on social relations, bonds of physical proximity, identification of common values, and the collective endorsement of the community. Thanks to intra-community peer pressure, the borrowers feel compelled to apply the resources obtained for the purposes to which they had committed when taking on the loans and to pay them off properly. It is difficult for financial intermediaries and credit organization to take this type of action--quite common when there is no room for substantial savings generation within the community-- is since their decisions are taken almost exclusively based on profit, and in distant places, far from the reality of poor communities (COSTA E SILVA, 2010).

As they encourage the solidarity commitment of the participants in selecting the borrowers and in monitoring the application of resources, and as they know the reputation of members of communities with low HDI in their region, community banks transform solidarity finance into a financing alternative in needy communities. This prevents or mitigates the problem of material guarantees, since there is available knowledge about the borrower's reputation in their community and the social return obtained with loans. In this type of loan, peculiar to community credit, the person who takes money and does not pay it back or uses it to for a different purpose from the pre-arranged one ends up being considered persona non grata by their partners in the community.

For this reason, following the example of what occurs in solidarity finance, a growing number of institutions are using social networks, creating a social collateral based on the reputation of the individual vis-à-vis the group, as an alternative to traditional guarantees based on material goods (collateral). (COSTA E SILVA, 2010).

This institutional arrangement, based on networks of social collaboration, eases access to credit at lower cost for communities in need and promotes financial inclusion in the poorest regions, contributing to the economic development of these areas. Despite government support, which greatly contributes to the expansion of partnerships and multiplies these experiences, a legal regulatory framework suitable for solidarity finance institutions has not yet been constituted in Brazil, so that they can lend effectively to those who can offer a higher social return. Prepared in accordance with the competitive demands of traditional credit systems, the legal rules of microcredit and microfinance programs do not promote, in general, deliberative participation of borrowers, do not value equality in the distribution of rights and responsibilities in social relationships, and are not compatible with the cooperation requirements of reciprocity and mutual help that underlie solidarity finance.

As a result, community banks are forced to adapt to legal rules laid down for credit systems based on economic rationality, and guided by profit, which are not suitable for lending in social collaboration networks, especially in communities with low HDI. This situation hinders the development of these institutions and puts the credibility of initiatives of this kind at risk. For this reason, the establishment of a legal and regulatory framework specific to solidarity finance has been considered a fundamental step towards the multiplication of community banks with legal certainty and sustainability, as part of effective public policies to mitigate social inequalities and local territorial economic development (FRANÇA FILHO; SILVA JÚNIOR, 2008).

2.3. Promoting financial education and local economic development in accordance with solidarity economy principles

Another role that community banks take on in communities with low HDI is that of promoter of financial education and local economic development in accordance with solidarity economy principles, offering courses and training aimed at the empowerment of community members. The granting of loans within the framework of solidarity finance must be coordinated jointly with programs of education, training, as well as technical and managerial support for workers of solidarity economic enterprises, in order to ensure institutional strengthening, proper management of the resources available in the community and a higher social return. Thus, through its own instruments, the community bank seeks to develop people's productive capacities, showing the importance of social cooperation networks as tools to add value to local products and to gain the different skills necessary for the sustainability of the solidarity economy.

Solidarity finances are associated with a new way of organizing production, distribution and local consumption based on equality of rights and responsibility of all the participants of the solidarity economy enterprises. As a result, this process of financial education is geared towards turning the dominant mentality of competition into a spirit of cooperation, which is committed to the fair, sustainable and solidaristic development (NATIONAL CONFERENCE OF THE SOLIDARITY ECONOMY, 2006). In addition to contributing technically to enable the social and economic activities in the community, community banks seek to awaken the critical conscience of workers for the development of a new subjectivity. The guiding perspective is based on the values of a shared freedom, in search of common projects that respect the diversity of actors, which can both promote peace through dialogue as a means of resolving conflicts and make brotherhood/sisterhood and solidarity in interpersonal and social relationships something universal.

According to this new way of organizing the production process, unrestricted access to all kinds of information is essential not only in the financial aspect of assessing costs and the credit value of products and services, but also in terms of evaluating credit information and work processes, such as raw materials, equipment, performance on each service level and negotiation with customers (NATIONAL CONFERENCE FN SOLIDARITY ECONOMY, 2006). Community banks contribute, therefore, to the democratization of access to information on solidarity finances and on the solidarity-based economic enterprises, through common spaces of discussion. By this means they encourage the involvement and deliberative participation of borrowers in all of these issues and create strategies for overcoming resistance, respecting the choices and the individuality of each person involved.

The activities of community banks in the development of non-profit trials with alternative systems of credit and lending for those borrowers with higher social returns entails notoriously, higher costs than the activities involved in granting credit to borrowers who already have access to the banking system or in regions with greater human development. This is true because the former loans are necessarily associated with financial education and empowerment of the local community for the development of productive activities and solidarity economic empowerment for low HDI communities. The lack of appropriate standards to guide the specific interests involved in these activities, with an eye toward ensuring their long-term sustainability, and in the absence of grant funding, places community banks at an apparent competitive disadvantage. That stems from the fact that they are compared to other non-governmental organizations that provide loans in accordance with the criteria of traditional credit systems, making it difficult to mobilize resources from financial institutions for solidarity finance.

2.4. Experimenting with innovative instruments to stimulate the creative economy

Community banks also play the role of experimenters with innovative instruments to stimulate the creative economy and ensure that poor communities are assisted, on a permanent basis, through resources applied to financial inclusion. In this way, the community bank can grant, for example, interest-free loans to the customer when they are associated with a local social circulating currency system, supported by discounts offered by a network of local merchants associated with this system in order to encourage the circulation of goods and services inside the community.

This fact is recognized in the 2010 United Nations Conference on Trade and Development (UNCTAD) report, published on May 27, 2011, with the title *Creative Economy: A Feasible Development Option*. The report displays the local social circulating currencies from Brazil issued by community banks linked to solidarity finance programs as an example of the creative economy (United Nations Conference on Trade and Development – UNCTAD, 2011). With very diverse names, Palmas, Maracanã (a type of green parrot), Castanha (Brazil nut), Cocal (name of a city), Guará (name of a bird, type of wolf and also a city), Girassol (sunflower), Pirapire (money in the Guarani language), Tupi (name of a Brazilian native people), the reports on experiences with these alternative payment instruments currently reveal more than 80 currencies circulating in neighborhoods and in small cities where there are community banks, designed to strengthen the economy of low HDI communities.

As the report mentions, the use of locally circulating social currency is very simple: local residents can exchange the Brazilian real (R$) at a community bank and use the social currency to transact business in local trade. If you need to buy something with Brazilian reals outside the community, the community bank can make the conversion in the opposite direction. The practice increases sales in the local economy and promotes the creation of activities that generate work in these areas. While Brazilian reals can be used outside the community, generating wealth in other areas, the local currency has the power to generate prosperity in the neighborhood or in the community in which it circulates. Therefore, while the nominal value of the local currency is identical to the nominal value of the real, this denomination is more valuable than the official currency for the local community, since companies will give discounts for purchases made with the alternative currency in local trade.

UNCTAD currently recognizes the existence of a number of incentives and non-traditional financing options to stimulate the creative economy that can be considered as tools to promote financial inclusion and local development. In fact, the lack of confidence in the financial markets resulting from the financial crisis of 2008 to 2010 had a great influence in stimulating public interest in alternative schemes of financing of commercial transactions. Among these new tools, the most widely used in creative economy circles are: co-financing through collaborative networks and alternative currencies in solidarity economy networks. Both involve new forms of credit or currency that work through networks of solidarity or social collaboration, used primarily by a new generation of creative ventures in different parts of the world.

It is noticeable, however, that the development of such alternative systems of financing commercial transactions--mainly used by non-profit institutions with the purpose of stimulating creative and solidarity economy and, combating new forms of exclusion associated with market failures arising from prudential regulation of commercial exploitation of money and credit-- can be found, in almost all countries; however, these alternative systems depend on further studies and the elaboration of specific rules of law that confer legal security to achieve large-scale use (FREIRE, 2011; Z/YEN GROUP LTD, 2011.

2.5. Extending the supply of financial products and services to those poorly served by the market

As correspondents of financial institutions, community banks may extend the supply of financial products and services to certain social groups that seem to be poorly served by the market. In this case, they play the role of connectors between new forms of non-traditional financing, created to stimulate the emerging solidarity economy or the alternative sector of the economy, and institutions linked to the national financial system.

As such, community banks act on their own and under the guidelines of the contracting entity, which assumes full responsibility for the service provided to customers and users in their intermediation, in addition to ensuring the integrity, reliability, security and confidentiality of transactions that are carried out through the community bank, as well as the enforcement of legislation and regulations relating to these transactions (Art. 2 of CMN resolution 3,954, February 24, 2011, which, targeted at financial institutions, sets rules on contracting to be folowed between these institutions and the correspondents inBrazil).

As this resolution provides, the correspondents' contract may cover different service activities, aiming at the supply of products and services that are the responsibility of the contractor to its financial institution customers and users, such as the routing and receipt of loan applications, applications for funding and applications to open various types of accounts as well as receipt of payments for various bills and deposits, among others.

The kind of relationship between community banks and other non-profit organizations and financial institutions is recognized internationally by the potential it has to yield interesting results both in terms of financial inclusion as well as development of local networks of trained microentrepreneurs, connected with banking institutions (FREIRE, 2011). However, the legal regime applicable to this relationship is focused, almost exclusively, on safeguarding the interests the prudentially supervised activites of financial institutions; this is due to problems related to commercial exploitation of money and credit, and not to the developmental needs for solidarity finance based on community banks – and other civil society organizations of public interest –, which act as correspondents in the country and, at the same time, are engaged in non-profit experimentation with new socio-productive models and alternative systems of production, trade, employment and credit in low HDI communities.

Final considerations

As demonstrated throughout thischapter, in the context of the effort made by Brazilian society over the past 20 years to promote financial inclusion, community banks are important because they are the institutions that enable implementation of the federal government's important goal to include communities in solidarity finance. To achieve this goal, community banks play different roles, related to the following goals directed to the inclusion of people in the productive process: a) developers of non-profit experimentation with new socio-productive models and alternative systems of production, trade, employment and credit; b) lenders of resources to those for whom the social return is higher rather than to those from whom they can extract the highest financial return; c) promoters of financial education and local economic development in accordance with the principles of solidarity economy; d) agents of experimentation with innovative instruments to stimulate creative and solidarity economy; e) suppliers of financial products and services to certain social groups that seem to be poorly served by the market.

The Brazilian experience with solidarity finance based on community banks, guided by the principles of solidarity economy in low HDI communitiesattests, by itself, to the correcness of the federal government's decision to include in the 2012-2015 PPA the goal of bringing communities into solidarity finance as part of a more sustainable model of development and eradication of extreme poverty. However, we need to be aware of some regulatory issues to avoid the failure of these initiatives, with consequent social disarticulation, frustration and disenchantment. After all, it is not possible to include communities in solidarity finance forcing community banks, legal entities of private non-profit law, to adopt the legal rules laid down for credit systems based on economic rationality and guided by profit. There is, therefore, the need to craft specific standards to give legal certainty to nonprofit organizations that are dedicated to such an important mission, guided by social profitability. It is for this reason that there are still major challenges to be overcome by community banks in the coming years to enable them to perform more effectively the various roles for which they are being created, that is, promoting financial inclusion and sustainable territorial development.

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"It's good to get into debt so we get moving".

Borrowing money to invest in the clothing store in Ancuri community, somewhat distant from Conjunto Palmeira, is part of the organization of this woman's routine. She works at an inn on the edge of the road BR 116, from which she takes part of her family income, supplemented by her daughter's work. In her garage, the loan from Banco Palmas becomes an investment in a small shop that sells clothes. When we asked her to explain her statement, we understood that the commitment to pay the bank makes her organize her own routine.

Regiane Câmara Nigro
Psychologist and researcher

Complementary currencies, community banks and the future we can build

The crisis we are going through today has some peculiarities that make us optimistic. In any event, there is no time to be pessimistic if we intend to be responsible – even if partially – for the future of new generations.

1. On crises and paradigms: a new social operating system?

Our optimism comes from the observation that the current crisis is global: economic, political and moral, to define some aspects which are easily and universally observable, from the local to the national level and extended to the whole community of rich or poor nations. And also in the face of evidence that, in the last six decades, within the current system, none of the attempts to confront the crisis or even to mitigate it were successful.

Bernard Lietaer

Researcher at the University of California and a visiting professor at the University of Finance, in Russia.

Heloisa Primavera

PProfessor at the University of Buenos Aires and advisor of Innovation Lab – ANSES Equality Connect Program.

As we know about the crisis of scientific paradigms, according to Thomas Kuhn's[1], classic, we are about to leave a stage of "normal science," which is why we should be able to enter urgently into the corresponding revolutionary stage, in which it is necessary to shuffle the cards before redistributing them to understand and remake the social game.

If we are leaving a normal stage in which politics was governed by the economy, and the latter by Newtonian physics, supported by the multiplicity of phenomena that we are seeing in the last two decades, we may propose

1 Kuhn,Thomas. (1962). A *Estrutura das Revoluções Científicas* (The Structure of Scientific Revolutions). São Paulo: Perspectiva, 9ª ed., 2006.

that the "hinge" of economics must be radically replaced by one that is free from its original sin: to conceive social relations on the basis of a market built upon scarcity as a basic condition and motor of the economy.

Scarcity of resources does not exist today. Neither does shortage of the instrument of cash – if we include the various forms of complementary currencies in multiple social arrangements that are already emerging. Therefore, upon this auspicious occasion of celebrating the 15th anniversary of Banco Palmas – an undeniable landmark of this new paradigm – we hope that the following considerations will prove to be resonating and efficient.

Although it seems utopian, given the "global" news reports that incessantly repeat descriptions of successive crises, in which money is always in the eye, we know that today we have plenty of what we need to ensure decent living conditions for all human beings in harmony with nature. We should, perhaps, in order not to fall immediately into disrepute, refer to sustainable or sufficient abundance, to move away from the idea of abundance as an excess of everything, which is a current idea.

This paradigm shift must necessarily involve the *social phenomenon of money*, since the current situation was achieved with its undeniable collaboration, if not permanently due to it. When we introduce money here as a social phenomenon and not only as a monetary system or as the economy itself, we do it because we believe that only when this idea became dominant were solutions to the root of the problem emerge, solutions that can be developed in a sustainable fashion.

If in the normal science paradigm, the economy and money have always operated in favor of the concentration of wealth, this was true thanks to some very effective strategies that could not until now be understood and addressed as integrated parts of the current monetary, economic and political system:

– the generation of exponential *external debts*, from the debt of impoverished countries, through private loans that were then nationalized, in which the endless payment of capital and of the arbitrary bank interests becomes a burden to the entire population;

- the concentration of huge monetary masses in *pension funds* of the richer sectors of impoverished countries, diverting them from the real economy, which became an orphan of the very resources it generated;
- the consecration of different formats of *tax shelters* that paralyze the economy, and close the vicious circle of money concentration that turns into wealth concentration, although both are not equivalent.

In the second half of the 20th century, more precisely from the 1970s on, we begin to organize responses that involve changes in the way we think about money and credit: the first *microcredit* systems with massive vocation are born, still within the conventional paradigm, with the inclusion of interest as an unquestionable fact. But from the 1980s on, the first LETS – Local Exchange Trading Systems – began to emerge in Canada, and they soon would spread and be transformed in countries of both hemispheres. It is also in this decade that Brazil successfully begins to experiment with the *participatory budget*, whose model, the city of Porto Alegre, is another clear example of deep change in the management of public funds with the decisive interference of citizenship. But it was in the 1990s that the experiences with complementary currencies began to multiply. They are denominated social currencies because they are produced and managed by the communities of users themselves. At the end of that decade, the first initiatives of autonomous social currencies (barter clubs) appeared in Brazil, and they still persist, even though they did not reach the figures achieved in Argentina. The initiatives of *social currencies*, which here have developed vigorously and with different perspectives, were the community banks, backed by different spheres of government, and independent cultural circuits, in full expansion.

We have proposed a triad of the virtuous circle of wealth distribution to meet the previous vicious circle, perverse concentrator of wealth, generator of increasing social inequalities and threat to the final balance of the planetary ecosystem, which is natural and social in nature.

Despite the permanent recurrence of monetary crises, it seems difficult to abandon the idea that money is what it is and it cannot be anything else.

We know that this concept has already been challenged in the 1930s, when the first global crisis affected the West. We can think especially of two cases, both paradigmatic: the "corrosive currency" of Wörgl[1], in Austria, which reduced unemployment by 25% in two years, and also the WIR[2], system in Switzerland, where in 1934 a set of 17 small businesses created a complementary currency with which they could negotiate with each other and which helped them confront the great depression. Moreover, according to recent studies, this countercyclical phenomenon seems to have contributed significantly to the construction of the legendary stability of the Swiss economy[3].

If the first currency disappeared due to the decision of a central bank that was jealous of its functions and did not allow other cities in Austria to use the same system, thus ending the experiment, the second continued and persists, despite having been transformed into a bank. The bank now operates with two currencies and reaches more than 70,000 small businesses, allowing WIR loans without interest, current use in debit card and purchases that can include apartments and cars, new or used, according to the users' negotiations.

The protagonists and conditions of possibility were small businesses, middle class sectors involved in the process, and a national constitution favorable to change. When the official currency becomes scarce, the WIR are most requested; when there is sufficient liquidity, its circulation decreases. Today, the balances of the accounts are recorded in separate accounts, in Swiss francs and in WIR. Operations in WIR pay taxes in Swiss francs – and that pleases everyone. If necessary, the World Bank will even accept the acronym $W. It is up to us now to see – or not – inspiring lessons in these examples of over 75 yearsin duration.

Recently, we have published in the Club of Rome Report an article entitled "Money and sustainability: the missing link"[4] in which one of the co-authors of this chapter pointed out five consequences of the current monetary system that seem absolutely relevant:

1 Wörgl: moeda oxidável. Lietaer, B. (2013). In O *futuro do dinheiro*. Como criar nova riqueza, trabalho e um mundo mais sensato. (Wörgl: oxidizable currency – In The future of money: creating new wealth, work and a wiser world). São Paulo: Cultrix (forthcoming).

2 Wir: moeda cooperativa. Lietaer, B. (2013). In *Op. Cit*.

3 Stodder, James. (2009). Complementary Credit Networks and Macro-economic Stability: Switzerland's Wirtshaftring. *Journal of Economic Behavior & Organization*, 72, October, 2009, p. 79–95.

4 Lietaer, B., Arnsperger, C., Goerner, S and Brunnhuber, S. (2012). *Money & Sustainability*: the Missing Link London: Triarchy Press.

1. It causes permanent expansions and contractions in the economy, an unbearable dynamic for any development model wishing to be sustainable;
2. It remains within the short-term thinking range, and it prevents us from thinking about the impact of public policies on both the disadvantaged sectors of the population as well as on the environment;
3. It assumes the possibility of infinite economic growth, whose infeasibility is easily demonstrable;
4. It concentrates wealth in growing and virtually irreversible zones, a situation which has shown its paradoxical resilience, even after the crisis of 2008-9;
5. It destroys the social capital accumulated by the operation of small local markets and prevents its reconstruction as it tends to homogenize the markets in terms of cost-benefit criteria instead of the preservation of cultural biodiversity.

This last point explains, in part, a curiosity of the system of social recognition of our time when, in 2006, Muhammad Yunus[1] was awarded the Nobel Peace Prize and not the Economy Sciences Prize. For the pioneering creator of microcredit, who has lifted millions of families out of poverty, it is impossible to achieve peace in poverty conditions. In 2011, Yunus resigned as president of the bank that bears his name because of differences with the Central Bank of Bangladesh.

We make this observation to establish a difference in the trajectory of Banco Palmas, since it knew how to build – perhaps more gradually, but aiming at permanence – relations of co-responsibility with the government and with the State. Another important difference is the fact that the microcredit systems that have developed from the 1970s have not changed the paradigm of the monetary system: they simply created access conditions for millions of people excluded from the banking system, keeping the rules of return on capital and interest. This is undoubtedly an epic and inspiring initiative, which shows to what extent it is possible to change the system within the system.

It is in this sense that Banco Palmas represents a paradigmatic innovation. It includes the creation of new instruments for boosting the local economy in

1 Yunus, Muhammad. (2008). *Um Mundo sem Pobreza*: a Empresa Social e o Futuro do Capitalismo. (Creating a World Without Poverty: Social Business and the Future of Capitalism). São Paulo: Ática.

its initial strategies of microcredit in official currency. That was the case for the Palma Card, the small businesses incubators and the local social currency Palmas. It is important to notice that it is the social currency (not microcredit) that represents a break from the current model, as it allows an increase in the money supply in circulation based on the mobilization of latent social forces.

In our understanding, the second differential and relevant step in the trajectory of Banco Palmas was the challenge of approaching public policy, which found in the National Secretariat for Solidarity Economy of the Ministry of Labor and Employment, led by Paul Singer, the context in which to scale up their initiatives territorially. Together, they add up today to a hundred promising experiences that build social capital, i.e., they return to money its lost function of social relations builder within the locality, beyond just its conventional role as a mediator of commercial circuits.

A third aspect which is also important in the evolution of what we may already call the *Banco Palmas model* is dialogue – more rough than fluid at first, then enthusiastic, and finally committed to the Central Bank of Brazil, an auspicious and unprecedented fact in the history of central banks from the West to the East.

We have no doubt that these three aspects will be key to the future of the country and other countries, in both hemispheres, which is why we also celebrate the opportunity of this encounter to celebrate Banco Palmas' 15 years of existence.

It is up to us, then, to refer to what we believe can still be done, so that other initiatives flourish according to the urgency of our time, and that they are not limited to only meet the demands of the low-income population, even if it is legitimate to start with the most needy sectors.

In our view, it is the group of nations as a whole that needs a new operating system to align itself with the current digital culture. Twelve years ago, when we published "The Future of Money" with the subtitle "Creating New Wealth, Work and a Wiser World", we did not know how little time was needed for some conditions outlined there to materialize and demand the urgency and responsibility that, then, we saw as one of the possible scenarios. The scenarios have changed. So have the crises. We need and we can build a new social operating system.

2. Currencies are (almost) all complementary: some relevant appropriations

According to a study done by Jerome Blanc[1], the existence of currencies complementary to the national currency is more rule than exception. This author rescues from the period 1988-96, especially rich in monetary crises, 465 examples of parallel monetary practices in more than 120 countries. Nevertheless, they are not always recognized as such, with important consequences for accepting the common sense that money is something untouchable, except by governments and banks. Some of the most common complementary currencies are transportation and meal vouchers; accumulated frequent flier miles, which can be used across different companies; and discount bonuses. These entrepreneurial practices aim to address the illiquidity of the market and retain clients for certain group of companies. There are also government initiatives, such as the case of state bonds in Argentina, which had a totaled of 19 currencies parallel to the local currency (the Argentine peso complemented by U.S. dollars) in the 1990s, during the strategy known as structural adjustment.

Brazil had at least four cases of monetary instruments promoted by the government and little known in the academy and politics: “brizoletas”*, “glenetas”*, transportation vouchers and the “campino real”*[2]. The “brizoletas” funded the construction of public schools in the State of Rio Grande do Sul, in the 1960s. Thirty years later, the “glenetas” were used to pay civil servants of Santana do Livramento city, allowing temporary relief from the economic situation. In 1970s, the transportation voucher of Curitiba city was used as an instrument by mayor Jaime Lerner to stimulate selective waste collection. In the 1990s, the city of Campina do Monte Alegre had its local currency, “campino real”, which lasted only for the term of its first mayor, but that would later return to the political scene.

1 Blanc, J. (1998) *Las monedas paralelas*: evaluación y teorías del fenómeno. Available at http://www.socioeco.org/bdf/_docs/doc-125_es.pdf

2 Lietaer, B. (2013). *Op. cit.*

* TN – “Brizoleta” was a complementary currency named after the former governor of the State of Rio Grande do Sul, Leonel Brizola. “Glenetas” was a complementary currency named after the former mayor of the city of Santana do Livramento, Glênio Pereira Lemos. “Campino real” comes from the name of the city, Campina do Monte Alegre.

If we now refer to bottom-up initiatives, those which are born in civil society and press public policy and the market, it is in August 1998 that the first social currency of Brazil was created in São Paulo. A barter club was created based on the inspiration of the Argentine model of "prosumers" money, i.e., a group of people created a complementary currency without interference from companies, banks or governments, with the condition that they were used in closed circuits. This social currency was called *bonus* and it still exists.

In Argentina, the initiative with the logic of the "prosumer" was born in the middle class. A prosumer is a person who is a producer and a consumer in a closed circle, where the currency is used for trade and not for accumulation. It is a simple strategy to tackle rising unemployment. It was a currency without a bank, without interest and subject to the rules dictated by the group. The crisis allowed the system to expand in large organized networks and reach about two million families. But it was short-lived, possibly due to the difficulty of managing large systems when the Internet had not yet allowed centralized control and accountability. It was the subject of five bills in Congress, but the system imploded with the crisis of 2001. Perhaps one of its merits was to have inspired the Brazilian social currency system, which began with small groups, barter clubs or solidarity markets and evolved into community banks and very diverse cultural networks. So, from the bottom up, in less than a decade, Brazil gained two new national undersecretary offices[1] (one level below cabinet rank): the Secretariat for Solidarity Economy under the Ministry of Labor and Employment and the Secretariat for Creative Economy under the Ministry of Culture.

The Palmas currency, which replaced the ephemeral Palmares, was the lever that gave rise to the first community bank, based on the strong social capital of a residents' association with two decades of struggles in its historical patrimony. It was created in 2002, during the development of the "Projeto Fomento"[2], (Support Project), financed by the Dutch organization STRO, which was notably environmentalist and with expertise in the development of alternative monetary systems, in partnership with the RedLASES (www.redlases.org.ar).

1 Editor's Note – "Secretarias nacionais" are federal offices one level below cabinet-level ministries in the Brazilian administrative system.

2 Projeto Fomento. Available at www.stro.org.

In our view, in order to properly ponder the historical dimension of the Palmas local social circulating currency, it seems important to consider:

– the constant struggle of the grassroots organization and its leaders, who knew how to deal with the resistance of the system with creativity and tenacity, promoting popular participation and reaching agreements with several companies for increasing the local use of the currency;

– the support from SENAES (the National Secretariat for Solidarity Economy), led by Paul Singer, which had the responsibility to include barter clubs using social currency as enterprises of the Solidarity Economy;

– the decisive support from the Central Bank, as well as other institutions such as Banco do Brasil (Bank of Brazil), Banco do Nordeste (Bank of the Northeast), SEBRAE (Brazilian Service of Support for Micro and Small Enterprises) and several international organizations, that contributed to the diffusion of this pioneering initiative and to sustaining it.

Once we consider the complexity of the evolutionary process of community banks and the existence of other forms of social currencies, it seems important to point out that in Brazil there was not an appropriation of social currencies by the middle class until the appearance of the movement known as "Circuito Fora do Eixo" (Off-axis Circuit), whose expansion could produce synergy with other social actors as now seems to be happening. The involvement of young people and businesses is auspicious. The existence of popular initiatives in which culture has its place, as is the case of the Solano Trindade Agency, in the neighborhood of Campo Limpo (São Paulo, SP) – where there is also a community bank –, the União Sampaio bank, could be indicative of a new trend of conceptual and instrumental appropriation.

This fact is not trivial. If we accept that the crisis is global and that a paradigm shift is required, we must incorporate the participation of other social actors in other regions of the world within the analyses such as the one developed here. It is a matter of thinking about how to legitimate, in the short term, a new monetary system that allows new social pacts for inclusion across the full extent of the set of societies.

3. How to interpret what is happening to build the future from the present

As we stated in the article written for the Club of Rome report mentioned before, there is abundant historical evidence that money and sustainability are closely related.

Unfortunately, however, this vision is not shared by those who are in favor of deconcentration of wealth and even those who struggle on a daily basis for sustainability of the human species on the planet.

In general, concerns about climate change, environmental degradation, depletion of water and food, population growth and overuse of energy sources are neither accompanied by similar concerns with the monetary system, nor by solutions that could promote forms of abundant money that would lead to sustainability in a short-term horizon, exactly where the problem of the shortage of money is seen as critical.

Although it may seem obvious, we must remember that money is a social creation and as such it can be changed if it is not fulfilling its role as facilitator of exchanges. More than an oversight – a serious one, to be sure – there is a deep and surprising cognitive blindness regarding this *missing link*, which unites the two poles of dynamic social construction and of sustainability as the destination.

Our understanding is that money is out there, its link has been lost, but this link is emerging in many initiatives that deny the existing system. We do not refer only to those initiatives that change the meaning of money itself, but also to the most diverse initiatives with integrated vision, which should be seen as an essential complement if we want to go further than locally relieving our crisis situations; if we really want to build a new social operating system, which is not a utopia, but a proximate destination that is within reach: a life of dignity for all inhabitants of the planet, in harmony with nature.

The examples are numerous: ecovillages, communities in transition, independent cultural circuits, such as “Fora do Eixo”, which is in Brazil and in other countries in the region and beyond. Ecovillages with their own currency have existed for over 40 years: Damanhur, in northern Italy, is an example where Credito is a beautiful coined currency used instead of the euro at one-to-one parity. Moreover, currently, there is another currency in use measured in units of time, which helps explains the economic wellbeing of this community[1].

But to go beyond territorially circumscribed examples, which may seem insignificant to our claims, we must recognize that, in the midst of crisis, there are also good news. And they are the fact that the revolution in information and communications that we are experiencing pushes exactly towards the necessary direction. Several democratization processes have been supported, if not caused and organized, by social networks.

Our world is facing huge challenges from a dual crisis of sustainability. On the one hand, we have climate change, the rise of gas emissions and fluctuations in food and energy prices, underlining that the way we produce and consume goods and services has definitely become unsustainable.

On the other hand, the almost monotonous repetition of financial crises, with repercussions in the politics of nations or groups of nations, indicates that the current monetary system is experiencing serious problems. The efforts made to save it after the banking crash of 2007-2008 were followed by unsuccessful attempts to contain economic breakdowns with "Keynesian stimuli", which ended up increasing significantly the debt of "savior" governments.

The current debt crisis in some countries of the European Union is a political crisis, but it is also the crisis of the euro, so that we see today both the European Union and the United States being dragged to financial extremes. Pensions, benefits and other social networks of contention, as well as the so-called post-carbon economics, are in a vegetative state at a time when they are needed most. At the same time, more and more public goods are in the process of privatization.

Therefore, returning to the proposals we made in the recent article written for the Club of Rome report already mentioned, to think about the construction of this new social operating system, in which the monetary system can be unfolded creatively, it seems appropriate to refer to nine strategies bearing different motivations, which are found in varying degrees of implementation. It is important to indicate that they can be adopted alongside the conventional monetary system, using electronic means of transaction and, as a condition

1 See www.damanhur.org

of success, they should be as transparent as possible to the users, to reduce potential fraud.

Below, we will make briefly list and summarize these systems in order of increasing complexity. The first five can be launched by NGOs or companies. They are:

Doraland: this system was proposed for Lithuania, with the purpose of creating a "country that learns", in which a volunteer who learns or teaches is reciprocated in "Doras", a currency whose purpose is to help people make their dreams come true. Easily carried by NGOs or OSCIPs (Civil Society Organization of Public Interest);

"Well-being cards": a community organization works in cooperation with preventive healthcare providers to treat situations before they occur; these cards are used to reward and encourage healthy behaviors, promoting the care of one's own body and reducing long-term costs to society;

"Nature savings": they are savings products that are fully backed by pre-existing trees. This currency would have an inflation protection, superior to any national currency, while at the same time it would promote reforestation and would create long-term carbon deposits. Another advantage is that it works well for small-scale savings;

C3: known as Commercial Credit Circuit (B2B – business-to-business), it is a system that promotes the reduction of unemployment by creating working capital for small and medium-sized enterprises. The "clearing" of the network of companies can be fully supported by insurance invoices, which can be repaid in cash when needed. Insurance companies and banks are an active part of the system, which works successfully in Brazil and Uruguay;

Trade Reference Currency (TRC): it is the equivalent business-to-business model on a global level. It could be used in multinational companies, resolving the conflict between short-term funding priorities and long-term social and environmental needs. It would be a global currency backed by a basket of commodities and services relevant to the global economy and distinct from any other national currency, reducing the risk of geopolitical tensions in monetary zones of influence.

The next four examples of monetary innovation systems depend on governmental initiative, and can be applied to cities, states or even countries. They are:

Torekes: it is a municipal initiative designed to promote volunteering, while motivating pro-environmental and social cohesion behaviors in low-resource sectors. It has been in operation since 2012 in the city of Ghent, Belgium;

Biwa Kippu: it is a proposal of the city government of Biwa, Japan, to finance ecological restoration and maintenance of Lake Biwa, the largest and oldest lake in the country. The voluntary versus mandatory nature of the project for the area residents is currently under discussion;

Civics: it is a proposal for strengthening a city or region to finance civic activities without weighing on their budgets. Such activities can generate work in educational, ecological or social projects, and their (democratic) compulsory approval can be discussed;

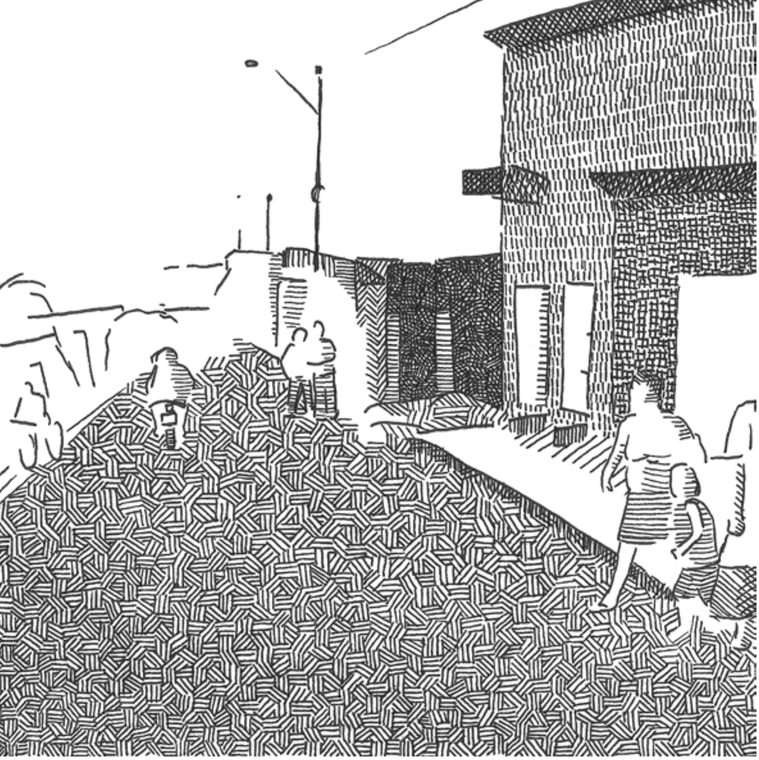
ECOs: this is a proposal for countries or sets of countries that aim at financing long-term ecological projects related to climate change. It could be a currency without bank interest issued by governments, which would require companies to pay compulsory contributions proportional to their sales, only in ECOs currency.

To think about all of these strategies as complementary allows us to also adapt approaches to each territory/community/culture in terms of starting points. Each one should be able to choose which way to go and to advance from the demonstration of their results. Therefore, new information and communication technologies are important: we should necessarily be connected in a network, learn from those who are already doing and support those who want to start, without pre-established points of arrival, or correct recipes.

As in a forest that survives a disaster, some strategies will work, others will not. The most important thing is that we believe in the necessity and in the possibility of constructing this new ecosystem, with the criterion of the most successful factory of all time: nature itself, indicating the path of biodiversity. Why not try monetary biodiversity? Why not make it our project and our responsibility?

If we really want to build this new social operating system, all of us – governments, businesses, organized or ephemeral communities, universities and probably new emerging social actors – should build the future for new generations. The conditions are given, and the examples are in sight.

Hence our optimism.



In a distant neighborhood in Conjunto Palmeira, where the streets used to be numbers on a map, they now have complicated names. It was hard to find people in those streets that had just received famous women writers' names. Search after search... and we found a list of the new names, given to a lady who had to distribute the mail. But, guess what? The list was wrong! The City Hall had sent the list with the change in the name of the streets, but swapped the signs at the moment of placing them. People welcomed us to help find the addresse.

Ana Luzia Laporte
Social scientist and researcher

Banking correspondents and community development banks

Despite being provided in the regulation of the financial system since 1973, the current model of banking correspondents began in fact to be built in Brazil in the early 2000. The regulation until then was quite restrictive with regards to the range of services offered and the profile of the institutions that could hire banking correspondents. From 1999, followed by further improvements in 2000, the regulation of the banking correspondents was made more flexible to allow for the expansion of the network of government transfers and focused on the inclusion of Caixa Econômica Federal (Federal Savings Bank – CEF) and Empresa de Correios e Telégrafos (Brazilian Post and Telegraph Corporation - ECT) as agents involved in the implementation of social inclusion policies issued by the Federal Government.

Even though it is possible to predict the possible integration of the banking correspondents model to the environment of microfinance, this has not happened as it was expected from the start. On March 5, 2001, in the city of Brasília, the "Quinta Rodada de Interlocução Política do Conselho da Comunidade Solidária" (Fifth Round of Political Interlocution from the Solidarity Community Council – 2001-2002 term) was held, on the topic of "The Expansion of Microcredit in Brazil." From this meeting a document was produced to voice the concerns of the government at the time, with regards to the expansion of microcredit in Brazil. Mostly, because despite the stabilization of the economy and the regulations of 1999, microcredit was still not progressing accordingly.

Eduardo Diniz

PhD in Business Administration, profesor at FGV and editor-in-chief of the magazines RAE, GVexecutivo and GVcasos.

NThis document mentions banking correspondents, which had already been identified as being the technological and business solution needed for the implementation of Government Transfer Programs, such as "Bolsa Escola" (School Allowance), created in 2001 to provide financial assistance to poor families who keep their children in school. Without the banking correspondent infrastructure, it would be impossible to reach the poorest regions of the country, which had no access to financial services.

At this point, an innovative aspect of Bolsa Escola should be highlighted. In its promulgation, this benefit distinguished itself from many other existing programs by requiring that its payment had to be made in the municipality where the beneficiary lives. As there was not enough banking infrastructure in the country, Caixa Econômica Federal, responsible for paying social benefits, embraced the banking correspondent model as the best alternative to pay the benefits through partnerships with small local retailers located in the municipalities in need of banking infrastructure.

At the same time, the interest of some commercial banks in banking correspondents was on the rise. Under pressure to create alternatives for market expansion and also interested in reducing the numbers of non-clients in the agencies, retail banks began to see the correspondent model as an interesting alternative to develop a cheaper channel and an opportunity to unburden their tellers, particularly the offering of lower value-added services, such as receiving bills and bank payment slips.

The development of this new banking channel was also helpful to meet the demands of water and energy supply companies. Since the mid 90, with support from international organizations such as the World Bank, Brazil had been investing in the expansion of the network of public services. The supplying companies, in turn, had already detected through research that the existing default was more linked to the difficulties of traveling to the bank branches for the payments of bills than to the desire of not paying or to the lack of resources to pay for the services. In order to solve this problem, a payment collection network was prompted. It consisted of drugstores and other agents who received the bills in regions underserved by bank branches, particularly in the Northeast of the country. Subsequently, they sent these amounts to the banks, which remitted them to the public services suppliers. These networks – which hitherto worked informally –, with the consolidation of regulations, began to become officially banking correspondents.

The banking correspondent as a channel for withdrawing government benefits and for bill and utility payments became an instant success. In 2003, only two years after the regulation which had formalized the partnership between small retailers and major banks, the network of correspondents (36,000) was already more than twice the number of regular agencies (16,000) and one and a half times larger than the network of ATMs (24,000) owned by the banks.

The rapid success of the correspondents showed, however, other needs of the population, served through this new channel, for more financial services. If the correspondents were so efficient in paying benefits and receiving bills, why not use them also for other services such as credit?

In April 2003, the Ministry of Finance, in a document that presents its priorities for the economic agenda for the year, explains that, to enlarge credit market and access to financial services for low-income population, mechanisms such as banking correspondents should be strengthened. The document's conclusion shows that the banking correspondents already represented an immediate impact for "40 million people living in the outskirts of large cities and who, until then, had no access to financial services". In July of the same year, a new resolution is promulgated, one that eases the entry of other financial institutions authorized by the Central Bank of Brazil into the model. It includes the SCMs ("Sociedades de Crédito ao Microempreendedor" – Micro-Entrepreneur Credit Societies) and OSCIPs (Civil Society Organizations of Public Interest), previously restricted to operate as correspondents, and allows the expansion of the range of services provided, formally opening the channel so that microcredit and correspondents could move forward together.

Even with the new regulation, commercial banks, with their intrinsic difficulties of dealing with low-income markets, almost did not explore the new possibilities allowed to correspondents. Microcredit was still marginal for these banks and the possibility of partnerships with microfinance institutions was not so attractive. The new possibilities opened up for the corresponding model broadened the participation of smaller banks in the credit market but without exploring partnerships with microfinance institutions.

Public banks, in turn, also began to seek alternative ways in an attempt to explore the new opportunities created to expand the offer of financial products and services through banking correspondents. At the same time, some benefits were unified and expanded in the constitution of the conditional cash transfer program "Bolsa Família" (Family Allowance) in 2004, using the power of correspondents to bring financial resources to beneficiaries as an essential tool in the promotion of local development.

In this context, the CDBs (community development banks), which had already been presented as an innovative model to serve low-income population through their vocation rooted in the social relationships of the territory, establish the first partnerships within the banking correspondent model starting in 2005. It was the opportunity to, in fact, bring together the correspondent model and the microfinance channels with a real financial inclusion perspective.

The correspondent model allowed, then, to meet the interest of public banks in supporting government policies of financial inclusion both in paying social benefits as well as in getting new customers traditionally marginalized by commercial banks. For community development banks, the correspondents allowed them to extend the range of services in their communities, increase their credit portfolio without prejudice to the application of their methodologies and also gain some revenue by charging services provided to partner banks. In the following years, the network of correspondents continued to grow, exceeding hundreds of thousands of service points. It has become the most pervasive channel of the banking system and has established itself as an important solution to the expansion of access to financial services, being studied and adopted by several countries that had the same difficulties with their less-favored populations living in remote areas.

The CDBs, in turn, have also developed both in the number of institutions as well as in the consolidation of their model, which began to incorporate banking correspondence as one of their strategic pillars. Spread over several States of the Federation and growing in importance in defining the development direction of their communities, CDBs have also contributed to consolidating a kind of partnership between traditional banks and OSCIPs through correspondents, which enabled financial inclusion with typical products of the microfinance environment. After more than ten years since the first implementation, the correspondent model has proved to be an important instrument to support local development and, thanks to it, there is practically no municipality in Brazil which does not offer financial services. However, if we consider that there is still a very large number of Brazilians who must travel to reach the nearest correspondent, it can be said that this offer is still insufficient.

Likewise, the success of partnerships between traditional banks and CDBs, despite being evident where they occur, would also need to be significantly expanded in their scale in order to meet the huge number of communities in need of financial inclusion policies, going beyond the services of government benefit withdrawals and bill payments.

We could suggest some explanations for the shortcomings that still exist in the correspondent system as a channel for real financial inclusion. The first point is that banks deal with correspondents, in general, as a mere channel for delivery of their products and services, and not as business partners. This means that banks understand little about local problems – management, security, financial education etc. – faced by businesses that operate as their correspondents. Therefore, establishments that provide valuable services in their communities are treated in many cases as a connector that may simply be "plugged" or "unplugged" according to the interest of the bank that hired them.

It is quite true that in the case of CDBs this idea of partnership is best evidenced. These institutions are much better structured in their claims than small business establishments, such as drugstores, which fit the profile of most of the correspondents around the country. Even so, it is not uncommon to find CDBs complaining about the partner banks, due to low remuneration for the services provided, lack of logistic and technological support or even the lack of balance in the business relationship in which local agents have little power to cope with one-size-fits-all rules established by big banks, in spite of the differences of each locality.

A second point that may explain the low dissemination of correspondents as a true agent of large-scale financial inclusion is related to the lack of a regulatory environment to encourage this development. As it can be noticed at the beginning of this text, when there was strong interest in the creation of correspondents as a channel for paying government benefits and receiving bills, the regulatory environment evolved rapidly with consequent improvement measures in 1999, in 2000 and in 2003. After that, the correspondent model suffered little significant regulatory changes only in 2008 and 2011, none of them aimed at ensuring the stability of the model as a point of more efficient financial inclusion.

In addition, the effective regulation of CDBs is still in Congress, making these institutions work in an environment of relative legal fragility. Despite the political difficulties to implement a legal environment that fosters the consolidation of these models, it is necessary to say that, without addressing them, we cannot hope to build a framework conducive to the development of an environment that ensures financial inclusion on a large scale in the country.

A third reason concerns financial education. This is a problem that is not expected to be resolved in just one instance of society, but it should be a constant struggle of all sectors aiming at building a sustainable economic development environment. The low capacity of citizens in having control of their own financial life associated with the unrestrained desire for short-term profit of financial institutions, which feed the excesses of consumerism manifested in various forms, is a social issue that needs to be tackled at all levels.

In any case, this text was intended to present the banking correspondent model and analyze its importance as an element that has already contributed and can contribute even more to financial inclusion, particularly through its articulation with CDBs. Much has already been done. It can be said that the path trodden so far demonstrates that many of the measures taken by government and market agents in the creation of an environment favorable to financial inclusion in the country were right. However, there is much more to be done by financial institutions, CDBs and regulatory bodies to achieve an institutional and business environment in which the qualified use of financial services by the poorest population will definitely eliminate poverty.

Men and women of different ages, from the youth to the elderly, every single person opened his/her doors for us, researchers from distant lands, known within Conjunto Palmeira for our name tags and water bottles wrapped around our necks with white strings. They could make us from afar, chatter about our interviews already spreading around the neighborhood on our first day of field work. As soon as we would appear through the corner, murmur would begin and the residents anxious to be heard would approach us to ask "*what is this research about? I live on this street... or... mine is right there, I live on street 51, in front of the bar, you're coming to my home right? can I talk to you guys*".

It is difficult to describe in words the expression of desolation of some people when they knew that they would not be interviewed. On the other hand, those who had their numbers drawn showed a huge satisfaction. Due to a miscommunication between the researchers during the interviews, one of the houses was visited by two interviewers in a row. Rather than warning that she had already been interviewed, "Dona" (Ms.) Joana received the second researcher. When I asked her why she accepted to be interviewed twice on the same day by different researchers, she replied with a twinkle in her eye and a simple phrase: ***"Our conversation was so good..."***.

Elisangela Soares Teixeira
Historian and researcher

Why are CDBs an original form of organization?

Genauto Carvalho de França Filho

PhD in Sociology from the Université de Paris and Professor of the School of Business Administration of Universidade Federal da Bahia .

Introduction

Why are CDBs (community development banks) an original form of organization? Where is the originality of CDBs as a socioeconomic practice? The answer lies in multiple places or in different interrelated factors or aspects that point to the originality of such practices.

However, any conclusion about the originality of CDBs must be preceded by a an examination or understanding about what they are and what they do. Thus, for pedagogical reasons, the following text is structured in four moments.

Initially, we present the definition of CDB as conceived by its Brazilian network. The aim is to allow the reader to see how such actors define themselves.

Then, four brief questions concerning the character of concrete actions of community development banks are answered aiming at the description of their practices, namely: What do they do? Why do they do what they do? For what purpose? How do they do it? The first issue positions the range of action of CDBs, covering their different dimensions of intervention as a socio-financial enterprise. The second justifies the raison d' être of such initiatives and confirms their importance or institutional relevance. The third issue points out their aim and higher purpose and, finally, the fourth issue is precisely the one that allows the reader to understand the specific contours of such initiatives, describing their unique nature.

From this more descriptive content, the third part deepens on a more analytical plane to suggest three defining aspects of the unique nature of CDBs. These three aspects, which are always, in practice, interconnected, explain how the CDBs contribute to the construction of a different economy.

Finally, in the fourth part of the text, we briefly present some challenges that are posed for the current dynamics of CDBs. Such challenges signal the permanent tension noted in the practice of CDBs between their vocation, on the one hand – that is, the content of what was presented in the first three parts of this text –, and their effective scope and ability, on the other hand, which proves to be extremely variable according to different factors specific to the concrete context of each CDB.

1. Definition of CDBs

The understanding built through discussion in the Second National Network Meeting (in April 2007) and expressed in one of the main working documents that guide the actions of CDBs considers the following definition for community development banks: "They are solidarity financial services in a network that is associative and community-based in nature, focused on the generation of employment and income in terms of reorganization of local economies based on the principles of the solidarity economy" (MELO NETO and MAGALHÃES, 2007:07).

In this sense, CDBs can be understood as a practice of solidarity finance in support of popular savings of localities and regions with low human development index (HDI) scores. Structured in local associative dynamics, CDBs rely on a series of tools to generate and increase local income. In order to do so, four central axes of actions are joined together in their intervention process: solidarity credit funding, locally circulating social currency, local marketing strategies and, beyond all these, training in the solidarity economy. Distinguishing themselves from conventional microfinance practices, which are geared to the person or to the individual organization, CDBs are concerned with the locality to which they belong, whether it is a community, a neighborhood or a small town. In this sense, CDBs seek to invest simultaneously in capacity of production, generation of services and territorial consumption. To this end, they finance and guide the construction of socio-productive enterprises and of businesses that provide local services, as well as local consumption. In addition to the spread of microcredit with multiple purposes according to the credit lines set by each bank (production and services, housing renovation, consumption, etc.), their biggest goal and commitment are to the construction of local networks of solidarity economy through the forging of connections among producers, service providers, and local consumers.

Such networks are also known as prosumers networks, as defined by Instituto Banco Palmas, because of the main role expected of their many participants. In other words, such networks are based on an association between local producers and consumers by establishing specific circuits or channels of exchange relations, which implies a break with the classical dichotomy between production and consumption, characteristic of the capitalist logic in the organization of economic operation. The construction of such networks can be seen as a concrete expression of a different economy taking shape in these territorial spaces. It is the means that was found to strengthen local economies, reorienting them by promoting the development, which is based on the principles of the solidarity economy. CDBs are, therefore, participants in a solidarity economy movement, whether acting within the framework of regional and national forums of that movement, or in setting up their own network: the Brazilian network of community banks.

As an experience of solidarity economy, CDBs are defined as a practice of solidarity finance, inasmuch as they are characterized by the following:

a. they are not-for-profit;
b. the purpose of the economic initiative is subject to their social purpose (or social utility);
c. they rely on proximity-based relationships;
d. they seek the social or democratic control of the money, affirming themselves as an economic democracy initiative.

2. Situating the practice of CDBs: four basic questions

a) What Do CDBs Do?

Objectively and succinctly, two categories of services position the concrete action of CDBs: actual financial services and services of a more pedagogical nature or of popular education accompanying the credit.

The first category comprises mainly four types of activities: microcredit for production, microcredit for consumption, banking correspondents and other services. Microcredit for production aims to finance local enterprises. This type of microcredit addresses the creation of activities or the supply of local products and services. Microcredit for consumption is the main means of circulation of social currency. This type of microfinance has a key role in boosting the local economy as it creates demand conditions for the economic supply that is aimed at microcredit for production. Banking correspondent services is the supply of a range of banking services provided to the local population through the CDB. To this end, it requires the construction of an institutional partnership between the CDB and some official bank, in general, a public bank. Finally, other services or new products such as microinsurance, payment of bank transactions via electronic social currency, among others, can also be offered by CDBs according to their level of institutional maturity, creativity and capacity for innovation.

The second category of services involves a set of actions and initiatives that support the first. These actions have a more educational profile and target local development. One is technical advice for enterprises supported in the so-called credit for production. To this end, the training and expertise level of credit agents are important pre-requisites to providing this monitoring service to the enterprises that are created. Another relevant action concerns the promotion and management of local forums. Such forums are public spaces for learning a democratic culture of collective decision-making regarding community development. They also aim at making pacts about a set of new rules related to the operation of the social currency. Whether under the form of a "local economic forum" (Fecol) or a "community development forum" (Fodeco), such public spaces tend to be promoted by the CDB as part of its strategy of community mobilization and stimulation for the process of local and community development. Other actions encouraged by the CDB, and of great importance in its practice, are related to promotion of fairs and other local marketing strategies such as collective purchases, in addition to other types of events such as festivals of regional cuisine on the urban periphery.

b) Why Do They Do It?

Such actions are justified by the very state of need in which people live in the various territorial spaces where CDBs operate. In these locations, the population suffers a reality of exclusion from a range of services, including financial and banking services, producing a wider and dramatic process of lack of access to a set of rights within these localities. Creating a CDB, therefore, is justified by the needs of each context. CDBs correspond to the reality of these many territories of exclusion that we know exist in our country. The CDB does not make much sense outside that context.

c) For What Purpose?

The aim of CDBs is not simply offering financial services, as described above, but contributing to a wider process of local development specific to the territory where they operate, generally a popular community or neighborhood. To this end, CDBs stimulate the creation of local solidarity economy networks.

d) How Do They Do It?

A The way CDBs act in practice is the most emblematic aspect for understanding their unique nature. Among the numerous factors that characterize their operating mode, we highlight three fundamental aspects.

The first of these concerns associative management. A CDB is a sort of community machinery managed by the community's own inhabitants who are, in general, ordinary people. The experience of associative management is, above all, an exercise in daily life of learning about collective work and self-management. Therefore, it is deeply transformative for people's lives, individually, for their dynamic as a group and for life itself in the locality or for community dynamics. It requires changes in habits and ingrained behaviors and, therefore, cultural change. It is about learning another culture of working relationships and relationships between people, in an environment, in general, marked by a conservative political culture. In this sense, associative management is not an easy task; it is a permanent group effort involving advances and setbacks, but, above all, one that allows a profound maturation for all those who take part in it. The fact that, in a humble community, ordinary people take their destiny in their own hands and undertake such feats is impressive.

A second aspect relates to the fact that CDBs, in their actions, incorporate values such as trust, solidarity, loyalty and cooperation within financial operations. This happens due to the emphasis on proximity-based relationships. That is, the practice of CDBs and, in particular, the work of their credit agents are, above all, a work of social mediation. These new professionals in the neighborhood work hard, especially in listening to residents or users of services. We are dealing with a very special type of professional competence profile, because they are people who need to develop a very particular sense of welcoming others, listening carefully to their demands and knowing how to treat them. The legitimacy of the CDB in its territory also depends on operating with this particular sense, to a large extent. In addition, proximity relations are, first of all, forms of "socio-approximation" (retrieving here an old socio-logical concept introduced by G. Gurvitch) in interpersonal relations, encouraging a strengthening of ties and forms of sociability within these localities, as opposed to the "socio-distancing" mechanisms, typical of the impersonal relations which prioritize individualism and the utilitarian interest in the relationship. Such proximate relationships also contributes, in this subordination of economic action to social values and practices, to the fact that CDBs adopt in their decision-making system on the granting of microcredit not only economic criteria (such as calculation of the borrower's ability to pay), but also social criteria (like evaluation of actual needs and living conditions of the borrower) and ethical ones (such as an assessment on the borrower's conduct in the neighborhood).

A third emblematic aspect regarding how CDBs work has to do with the fact that they adopt social technologies or instruments with a high degree of innovation and creativity, such as social currencies. These fulfill a dual purpose: on the one hand, an economic one, and, on the other hand, a social, cultural, political or symbolic purpose. From an economic point of view, social currencies play their effective role as local currencies, that is, they enable a process of local internalization of income through the increase in consumption within the territorial space, combating , in this way, the logic of poverty reproduction via income evasion through consumption outside the community. From another point of view, social currencies mark the lives of people in their neighborhoods, and may become local cultural points of reference and symbols of their identity, not only through the iconography of their paper money, but also by the fact of exercising what anthropologists call "ancestral meaning of currencies", that is, the currency as a symbol of interconnectedness among subjects in a given totality (their territory). This socio-cultural character of the currency is intertwined with its actual political character, since what is at stake in the circulation of such currencies is also social control or democratic control over money (absolutely lost in times of extreme financialization of economic life and a high degree of detachment between the real productive economy and that one more speculative and abstract). Thus, a social currency enables the effective exercise of new social rules of relationship between people who make currency circulation viable. In these situations, the community public spaces, such as different community forums, fostered by CDBs play an important role, as spaces in which another type of socio-economic relationship is exercised and learned. In this way, people experience an effectively transformative political pedagogy in the places they jointly inhabit given the very political nature of such entities.

3. Analytical Dimensions: In what way Are CDBs the Expression of a Different Economy and How Are They Contributing to Another Possible Path of Development?

Three aspects deserve to be highlighted as possible interpretations of the unique practice of community development banks. Firstly, it is the vocation of community banks in their practices to promote a **joint construction of supply and demand**. That is because they are an associative initiative that involves residents in a given territorial context and that seeks resolutions for concrete public problems related to residents' daily living conditions through the promotion of socio-economic activities. In this sense, the creation of activities (socio-productive ones) or the provision of services are built on the basis of genuine demands expressed by residents in their neighborhood. The idea is to stimulate in the locality an integrated circuit of relations (of interchange) involving producers and/or service providers in conjunction with consumers and/or users of services, better known by the term "prosumers' economy".

In this type of economy, the consideration of supply and demand as separate entities that self-regulate spontaneously, as in the market capitalist idea, loses meaning. That is because competition also loses importance in this logic that, on the contrary, is promoting cooperation between its local actors through incentives to free association between producers and consumers (or service providers and users), giving room for the concept of *prosumers*. In this economy of *prosumers*, regulation occurs through concrete public debates in the associative space, in an exercise of local democracy in which the residents plan and decide on the provision of products or services (i.e. the creation of socio-economic activities) on the basis of effective demands they themselves have previously identified. This is the reason why the stimulus for the creation of local forums becomes a basic imperative in the practice of CDBs.

Finally, the joint construction of supply and demand as a key characteristic of this different economy stimulated by CDBs assumes, at the level of action, a a close interconnection between socio-economic and socio-political dimensions. This is because the development of social and productive activities is combined with a form of public action: the residents, in a given territory, debating common problems politically and deciding their fate. This is consistent with the fact that the CDB as a socio-economic (network) vector (of development) participates a local associative dynamics. Such initiatives seek , in this sense, to constitute themselves as new forms of public space in the respective territories to which they belong.

Moreover, this joint construction of supply and demand is also reflected in the operating structure of a CDB by involving residents of a locality as, at the same time, paid professionals, businesses managers and direct beneficiaries or users of the products or services that are on offer.

Second, due to the nature of the services provided, as well as to their very diversified sources of generating resources and fundraising, CDBs are agents operating within different logics in terms of their working dynamics. These logics refer to different principles of economic behavior when we adopt a plural concept of understanding about what the economy is and how it works. Such a conception is opposed to the usual view of interpreting the economy always as an exclusive synonym of the market economy, i.e., according to eminently capitalist parameters. Thus, we contend that CDBs promote a **hybridization of various economic principles** among a market economy, a non-market economy and a non-monetary economy (LAVILLE, 1994; FRANÇA FILHO and LAVILLE, 2004). That is how sustainability, in this kind of initiative, articulates different sources of generating resources and fundraising: mercantile, for the provision of some services; non-mercantile, through fundraising in public governmental and non-governmental institutions, by subsidizing many operations and services; and non-monetary, through voluntary contributions and the logic of solidarity translated into a model of guarantee and social control of loans, based on trust relationships.

Finally, on the basis of such a plural mechanism of sustainability, whose management balance should be preserved, above all, in the imperative of solidarity as a larger record of their actions, CDBs also claim the condition of social or community utility due to their own organizational dynamics. This is because they are not-for-profit initiatives, focused on local territorial development of their through the involvement of residents in the self-management of the initiative and in the provision of products and services directly linked to the real needs of the local population.

To put it another way, the social utility of community banks lies in the fact that they constitute themselves as radically distinct from other organizations. Their operating mode within the locality, based on proximity relations and mobilizing some values and principles as basic requirements for their practice, such as mutual trust, citizen participation or redistributive solidarity mechanisms, marks their uniqueness as an organization. In this sense, their institutional role is of great relevance to the territory;

this is, it , very useful, and cannot be performed in the same manner by any other entity, be it a company, a non-governmental organization or the government itself.

4. Conclusion: Challenges Facing CDBs

All that has been discussed so far reveals the vocation of CDBs, their potential as original initiatives. Such vocation becomes effective in the practice of some CDBs, while for many others such a vocation constitutes their horizon. The ability of CDBs to reach their full potential depends on a number of factors related both to the specific context of each practice and to their broader institutional environment. In the following paragraphs, as a conclusion, we point out a number of challenges that, currently, signal the difficult journey of CDBs in the direction of reaching their full potential.

A first major challenge concerns the absence of a legal framework for the practice of CDBs, which prevents, among other aspects, the provision of regular fund resources, especially in order to offer microcredit in the communities. The establishment of a credit fund starts, then, to depend on the individual capacity of each CDB in fundraising or in building institutional partnerships, an inglorious situation for a series of new CDBs that still do not have institutional maturity to perform these tasks. Solutions have been tried via the National Secretariat for Solidarity Economy through public calls for the implementation of CDBs. Such solutions have been of great relevance, but insufficient, either by the impossibility to make credit funds viable, or by the chronic problem of continuity at the end of the project periods that, in general, are insufficient for continued support of the CDBs. There is an effective urgent need for a public policy to support these CDBs in this scope.

The remaining challenges are directly related to the first. For example, a second challenge concerns the need for strengthening the processes of training and formation of expertise of all those workers of CDBs. This is particularly important in the face of the immense complexity in the management of such forms of organization in relation to the average profile of a public with humble social origins and tending toward a low level of schooling. In terms of the social management skills profile required for these new professionals, it is important to stress the social mediation work of credit agents, as well as the technical advice and support for creating new enterprises, among others. The Brazilian Network of CDBs advocates a broad training platform. In order to achieve that goal, however, it lacks a more effective policy of support for the national network of CDBs.

A third challenge encompasses the need for institutional strengthening of CDBs in the exercise of their mission of local community mobilization and institutional interfaces with local and regional public authorities, as well as other potentially supportive entities. On a (micro) local level, CDBs deal with a process of changing the political culture in terms of the profile of community associativism towards the establishment of democratic forms of management and participation of the entire community, as well as new mechanisms of relationship with merchants and residents in general. The management of local forums, thus, becomes a task of great relevance in this process. On a (meso) local level, CDBs must be able to work jointly with municipalities and other regional entities to enhance their capacity to manage the necessary resources for the fulfillment of their activities. This is a slow process of learning and of organizational maturation that requires a permanent action of support and training, which may find in the Brazilian Network of CDBs its lodestar. Once again the importance of a policy of support for the network of CDBs emerges as paramount.

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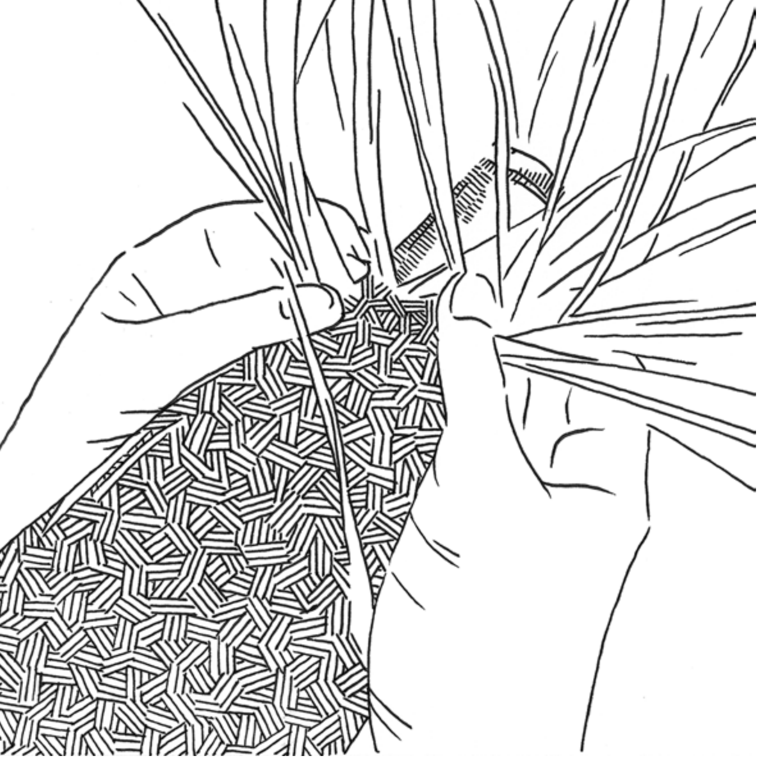

The “gogó*”. The intertwining of straw is an indigenous tradition. Ceará, in the Northeast of Brazil, decreed that there were no more Indians in this state in 1863. With the repression, many natives no longer recognized themselves as such and started to be called “caboclos” (referring to a mixed race of Indian and European origins). The cultural element, however, is too strong and persists in Conjunto Palmeira, revisited in the form of precarious work. People there make “gogó”, which is a reference to the neck of bottles of cachaça [a Brazilian alcoholic beverage made from sugar cane] produced by the Ypióca group, which is now owned by a multinational company. It was purchased for R$ 930 million by the owner of the brands Smirnoff and Johnnie Walker. Asked about their Indian ancestry, people who make this handcraft say they are not descendants of Indians, but that their family used to make straw hats before “gogó” appeared. A grid with more than 30 bottles is worth about R$ 15.

Regiane Câmara Nigro
Psychologist and researcher

Palmas* for innovation: science, technology and innovation through the experience of the Palmas Community Development Bank

FINEP team

Alba Valéria Maravilha Lourenço[1], Álvaro Reis[2], Daniel de Carvalho Soares[3] Rossandro Ramos[4] e Vinicius Reis Galdino Xavier[5].

1. Introduction

The granting of credit to solidarity economy enterprises is one of the fundamental ways to support them and promote their success. But difficulties in providing financial resources for some specific purposes, such as the acquisition of equipment and raw materials, or even for working capital, are common in public policies directed to enterprises. Loans to these groups are one of the mandatory instruments for their success and the success of supported projects. But due to legal limitations or operational definitions, public resources cannot fill this space and end up not solving this need. There is not – at least at this point – another option but to devise alternative ways to bridge this gap, innovating in the construction of new models and financing structures for a segment of society that historically stayed on the sidelines of the national financial system's operational policies.

This article is structured in four sections: this introduction; section 2, in which we provide an overview of science, technology and innovation policy in Brazil; a presentation of the concept of social technology and the successful experience of Banco Palmas as a social innovation beyond the social currency, and of community development banks, in section 3; and, finally, in section 4, we present final comments.

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1 Economista e Analista da Área de Tecnologias para o Desenvolvimento Social (ATDS) da FINEP.

2 Economista e Analista da Área de Tecnologias para o Desenvolvimento Social (ATDS) da FINEP.

3 Economista e Analista da Área de Tecnologias para o Desenvolvimento Social (ATDS) da FINEP.

4 Engenheiro de Produção, Analista da Área de Tecnologias para o Desenvolvimento Social (ATDS) da FINEP e Professor Assistente da Universidade Federal do Estado do Rio de Janeiro (UNIRIO).

5 Cientista Social e Analista da Área de Tecnologias para o Desenvolvimento Social (ATDS) da FINEP.

* TN: There is playful ambiguity here. Palmas, in Portuguese, is the same word for the action of clapping hands.

2. Science, Technology and Innovation Policy

IInnovating is doing something new or in a different way. According to Federal Law on Innovation, Law no 10,973, of December 2004, innovation can be understood as the introduction of novelty or improvement in productive or social environment that results in new products, processes or services. On the other hand, technology can be defined as a set of specific techniques, processes and methods of a science, craftsmanship, industry or any activity performed. It can also be called the science that deals with methods and development of industrial arts, the explanation of terms related to arts and crafts or special language inherent to activities (AULETE, 2012).

For Patel and Pavitt (1994: 217), developed countries have mature national innovation systems, able to keep them on the international technological frontier. The United States, Germany, Japan, France, United Kingdom and Italy are part of this first group. A second group of countries have intermediate national systems of innovation – Sweden, Denmark, the Netherlands, Switzerland, South Korea and Taiwan – and are geared primarily to the diffusion of innovation, with a strong domestic capacity to absorb technical advances generated in mature systems. In general, developing countries – such as Brazil, Argentina, Mexico, India and China – have incomplete systems, with reduced technological infrastructure. For these authors, such countries have ST (Science and Technology) systems, but have not transformed them into effective innovation systems.

Thus, countries that are characterized as having incomplete national systems should focus on an approach that recognizes the social function of science and technology in a more straightforward fashion. This perspective is possible with the field of social studies of science and technology, which point to the need to come up with a specific model of science and technology policy, particularly in Latin American countries, in which science and technology's social liability is significant (CEREZO, 2004: 15).

FINEP (Financier of Studies and Projects) has a central role in the Brazilian science, technology and innovation system, as the main innovation agent of the federal government. It is a state-owned company under the Ministry of Science, Technology and Innovation. It was founded in 1967 and aims at promoting the social and economic development of Brazil by means of public funding for science, technology and innovation in companies, universities, technological institutes and other public or private institutions (FINEP, 2012).

Since 2004, after an internal restructuring that enabled an organizational re-design, FINEP has an area of activities with themes that address the social function of science and technology. The ATDS (Technologies for Social Development Area) has the mission to promote the "creation of original technologies, processes and methodologies that are likely to be turned into proposals for new models and paradigms to fae social problems, reduce of inequalities and promote citizenship" (FINEP, 2007 apud FONSECA, 2009: 23).

The unfolding of this new organizational design results in social issues beginning to be addressed in a more direct way and taken into consideration in the assessment and development of new projects, being included in the current operational policy of the Financier.

3. Palmas for Innovation: a Social Technology

The Innovation Law expanded the concept of innovation to the social field and it is in this context that the social technology is inserted; it can be understood as "products and replicable techniques or methodologies, developed in interaction with the community and which represent effective solutions to social transformation", according to the definition adopted by the RTS (Network of Social Technologies)[1].

The technologies to be developed must be useful, create something new or facilitate access to something existing, improve people's lives, represent a gain of time, of space, of possibilities, in which the main role of groups is valued and social change is prioritized. Social technologies combine technical and scientific knowledge, popular knowledge and social organization.

Christopoulos (2011: 109) argues that social technologies can be defined as a method or an instrument that is able to solve some kind of social problem and that meets the criteria of simplicity, low cost, easy applicability and generation of social impact. Social technology stems from a process of innovation resulting from knowledge created collectively by the actors interested in its application.

Thus, in a political and social context in which interests in the development of inclusive social policies emerge, social technologies can be understood as a "set of transformative techniques and methodologies, developed or applied in

1 Check http://www.rts.org.br/rts/tecnologia-social/tecnologia-social.

the interaction with population and appropriated by it, which represent solutions for social inclusion and improvement of living conditions" (PASSONI, 2004: 26 apud VARANDA, 2009:25).

The FINEP Innovation Award was created in 1998 as a way to encourage and reward institutions and companies investing in and prioritizing innovative products or processes. In 2005, the "Social Innovation" category was created, offering prizes to strategies, concepts and organizations that tried to meet social needs in all spheres. From 2008, the Social Innovation category was renamed "Social Technology" and started to focus on awards to related projects. The institutions eligible to participate are ICTs (scientific and technological Institutions), public or private, NGOs, OSCIPs (civil society public interest organizations), cooperatives and other non-profit public and private institutions that have undertaken innovative projects in the context of social technologies, which have been implemented for at least three years.

Back in 2005, Barbosa stated that:

> within the framework of debates and publications on the solidarity economy, it is customary to give emphasis to the experience of income generation and work program of the Residents' Association of Conjunto Palmeira, in Fortaleza, Ceará – Banco Palmas (BARBOSA, 2007: 162-163).

In 2008, Instituto Palmas de Desenvolvimento e Socioeconomia Solidária (Palmas Development and Solidarity Socioeconomics Institute) received the National FINEP Award in the category Social Technology.

The experience of Banco Palmas can be considered innovative and relevant given the unique character of the proposal for a community bank amidst the adversity in which the community lived in the late 1990s. Table 1 highlights the dimension of the degree of innovation that, to a large extent, was the reason why the experience was awarded the Social Technology FINEP Award 2008.

National currency	Social currency
Official fiat currency;	Complementar à moeda fiduciária oficial;
Legal and required by law course, guaranteed and monopolized by the State;	No one is (or can be) forced to accept a social currency or to participate in a social currency system;
Connected directly to the public finances (public debt and public law);	Law of contracts and law of obligations (private obligations and private law);
Bank deposits;	Several types of incentives for local circulation;
Compound interest;	Mitigates the effects of compound interest;
Social exclusion: many people do not have access to bank services; high cost of credit and financial concentration.	Social inclusion: employment and income generation; sustainable credit; financial deconcentration

TABLE 1: Characterization of the national currency and social currency. SOURCE: adapted from FREIRE, 2008.

Considering its use in the community, however, the currency exercises three functions: a means of exchange, as it is used to mediate relations between "prosumers"[1] ; a unit of accounting, because, as the national currency, prosumers account for their acquisitions in that currency; and a store of value, because it has an intrinsic value at that location and keeping it means "saving" too.

When the social currency is used as a credit for production, it enables the addition of value to other products and activities. Inside the community, it has the ability to "create value", constituting an innovation in the form of access to productive credit. People who were until then excluded from the conventional financial system now have access to basic banking services, such as small loans for consumption or for investment. The alternative allows the inclusion of informal workers and small entrepreneurs in the financial system, constituting an important strategy for local development.

1 According to França Filho and Santana Júnior (2007: 1), in the logic of solidarity economy, the usual dichotomy between production and consumption is broken up and there are incentives to free association between producers and consumers, allowing the concept of prosumers.

4. Final Comments

One of the lessons learned from the experience of Banco Palmas, according to França Filho and Silva Junior (2009: 31-32), is that one of the necessary conditions for the creation of a CDB (community development bank) concerns the endogenous mobilization of the territory, representing the intrinsic desire of the community. It is essential that the community exercise decision-making power over the resources so that the bank is effectively a community bank and not a mere correspondent. The collective management of resources is essential for the experience to be innovative and promote local development.

With the mere fact of reducing bureaucracy and enabling workers to have access to financial resources with the approval of their own neighbors within Conjunto Palmeira, these people experience the benefits and duties of a "bank customer"-- deadlines, installments and partnerships. All of these factors have leveraged the experience into one of the most successful cases of promoting local development through the principles of solidarity economy, involving a social technology that has numerous re-applications. Currently, there are many similar experiences in several Brazilian States.

As part of the FINEP Award, Instituto Palmas presented a project named "Expansion of the Actions and Technological Improvement of Instituto Palmas", having as partner the University of São Paulo, through the NACE/NESOL, a support group to the cultural activities and extension in solidarity economy. The project is ongoing and aims at expanding the capacity of Instituto Palmas to provide services to community banks, in addition to the construction of socio-territorial development indicators that will contribute to the evaluation and monitoring of the methodology of these banks with the objective of measuring, quantifying and qualifying the impact of this strategy in its various dimensions (economic, social, political and cultural).

In the current situation, CDBs are a creative solution to the problem of financing solidarity economy enterprises, with great potential to interact synergistically with other public policies for this sector.

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NESOL-USP
Research

Here are some phrases that became part of my imagery of the days when these families decided to share their life stories with me: a bankrupt hairdresser crying; the woman who lost her daughter and is at the mercy of a loan shark; ***"we go there, talk, and get the money"***; ***"I prefer Banco Palmas because I don't need to have friends there to take out a loan"***; ***"with the loan I would get an Avon kit and with the money from Bolsa Família I would pay the loan"***; ***"I don't know how to use the ATM"***; Ms. Lúcia – the credit card woman; Joana, interviewed twice – ***"Our conversation was so good"***; an eight-months-pregnant woman: ***"I make R$ 0.25 for each pair of jeans!"***; Sonia: the woman who asks God in the first place.

Elisangela Soares Teixeira

Historian, researcher

Banco Palmas: impact on community development and finance and banking inclusion

NESOL-USP Team

Augusto Câmara Neiva[1], Juliana de Oliveira Barros Braz[2], Carolina Teixeira Nakagawa[3] and Thais Silva Mascarenhas[4].

1. Introduction

As the title of the book states: "Banco Palmas: 15th anniversary". What has changed since the bank's founding? The content of this chapter reflects result of the ensuing fifteen years. The first community development bank (CDB) was created in 1998, and currently there are more than ninety of them spread across Brazil. While fifteen years ago Banco Palmas went broke the very same day it was created because it loaned out its R$ 2,000 credit fund, as Joaquim Melo tells us, today Banco Palmas provides services not only to the Conjunto Palmeira community but also to those of Conjunto Palmeira II, Planalto Palmeira, Sítio São João, São Cristovão, Maria Tomásia, Santa Filomena, Ancuri, Castelão, Barroso, Caucaia, Ismael Silva, José Walter, Ocupação da Mana, Patativa do Assaré, Jagatá, Santa Maria and Tamandaré. Initially, it may seem we are paying a tribute to this growth when in fact it is about a new context that brings, above all, motives for reflection and challenges.

At Conjunto Palmeira, the arrangement built to encourage local production and consumption through social currency and credit was a result of a thirty-year struggle to establish a district; in Piauí[5], the community bank emerged amid the

1 Doctor and Professor at the Polytechnic School of the University of São Paulo, coordinator at the Solidarity Economy Center (NESOL/USP)

2 Psychologist, doctoral candidate in Social Psychology at the Psychology Institute of the University of São Paulo (IPUSP), project coordinator at the Solidarity Economy Center (NESOL/USP)

3 Social scientist, holds a master's degree from the Architecture and Urban Planning School of the University of Sao Paulo (FAU/USP), researcher at the Solidarity Economy Center (NESOL/USP)

4 Economist, holds a master's degree from the Education School of the University of Sao Paulo (FE/USP), researcher at the Solidarity Economy Center (NESOL/USP)

5 TN: Brazilian State located in the northeastern part of the country,

process of strengthening the support for local producers for school lunch food supply; and in the southern outskirts of São Paulo the community bank is articulated with the urban periphery's ' cultural circuit in which artists, musicians, cultural events producers, local institutions and residents participate.

Created and developed in various contexts, community development banks have become an important component of the strategy for economic dynamization of poor communities over the course of these years. This fight against poverty takes place through the joining of financial and banking services for the construction of community autonomy in the organization of their finances, community members' emancipation, and the strengthening of community bonds.

Among the important events that have been organized around these themes in recent years are the I Fórum de Inclusão Financeira do Banco Central do Brasil (First Brazilian Central Bank Forum for Financial Inclusion) held in 2009, in which the importance of the community banks and locally circulating social currencies was acknowledged; and, in 2010, the launch of the Programa Nacional de Finanças Solidárias (National Program of Solidarity Finances) of the Secretaria Nacional de Economia Solidária (National Secretariat of Solidarity Economy - SENAES/MTE), which allocated R$ 10 million toward projects for strengthening and implementing CDBs all over Brazil.

As a result of such events, there was an increase in the number of partnerships for the development of projects that foster and support community banking initiatives. Furthermore, within the political domain, Instituto Palmas and Rede Brasileira de Bancos Comunitários (Brazilian Network of Community Banks) have been key players in the debate on economic democracy and financial inclusion, as well as in the fight for a legal framework for solidarity.

Despite this whole process of strengthening of CDBs, several challenges remain to be faced in building an institutional framework that would give the necessary support for CDBs to structure and develop their activities.

In this sense, Instituto Palmas has itself faced challenges, and that led the organization to increase its activities in Conjunto Palmeira and surrounding communities, besides taking a key role in building networks with other community banks. After receiving FINEP's (Financier of Studies and Projects) Social Technology Award – National category – in 2008, they created a project for improvements in infrastructure and institutional development. Among other goals, this project includes the development of indicators to monitor and evaluate the performance of not only Banco Palmas but also that of other community banks in general.

The plan was to develop a tool to be used by the institutions managing community banks, aiming at contributing to a systematization of the results obtained by the CDBs and to give the entities assistance in the evaluation and improvement of their actions.

To this end, NESOL-USP, along with Instituto Palmas, has developed a framework of monitoring and evaluation indicators, which adapts the logical framework (logframe) methodology used in the elaboration of projects in order to facilitate the dialogue with practice and allow its use as a reference tool in daily work.

As part of the process of developing the logframe, and especially in order to analyze and systematize the impacts of Banco Palmas in its service territory, a pilot survey was conducted with residents and Banco Palmas users. The analyses described in this work can be considered as a preliminary exercise aimed at systematizing and elaborating research outcomes . The production of future articles will allow deepening and refinement of the analyses initiated here.

Therefore, the main objective of this chapter is to present the initial outcomes of the research carried out at Banco Palmas. The first part seeks to characterize what community development banks are and the points of dialogue with other related themes; the second presents the process of building the set of monitoring and evaluation indicators starting from the logical framework; and the third consists of the preliminary analysis of the research findings in Banco Palmas' service territory in light of the issues discussed above.

2. Community Development Banks: Characteristics and Points of Dialogue

As it is described in several publications of Instituto Palmas (MELO; MAGALHÃES, 2005; 2008), at the end of the 1990s, after twenty years of achievements in building infrastructure for the community of Conjunto Palmeira, combating poverty and generating employment and income were the major challenges still to be faced. In a survey conducted in the neighborhood, the residents' association of Conjunto Palmeira, ASMOCONP, noticed that some of the older residents were moving to more peripheral areas because they could not afford to live with the rising costs associated with urbanization (MELO;

MAGALHÃES, 2008). In search of local alternatives, seminars, discussions, and surveys of the economic difficulties in the neighborhood were organized, which resulted in the structuring of a development strategy that joined local consumption and production. Consumption was stimulated, initially, through a credit card called PalmaCard, a barter club with use of the social currency *Palmares* and, later, with the expansion of use of the social currency to the neighborhood as a whole, making it a locally circulating currency (MELO; MAGALHÃES, 2005). Production was encouraged by making available working loans and support for the marketing strategies of local producers and traders. That is how the strategy of solidarity finance of the community development banks arose.

In this context, the necessity to transform the experience of Banco Palmas, rooted in the community history of Conjunto Palmeira, into an integrated community development strategy became clear. For this passage from concrete experience to abstract concept, a conceptual framework was built in which the main features of a community bank were identified and published by Instituto Palmas and the Brazilian Network of Community Development Banks.

According to the Network's definition (2006), CDBs are solidarity financial service organizations composed of a network that is associative and communitarian in nature, for the generation of employment and income in the context of the reorganization of local economies, based on the principles of the Solidarity Economy. Community banks aim to boost local economies, promote territorial development and strengthen community organization by offering financial services.

The term "solidarity", in this context, means the subordination of the utilitarian logic of economics governed by maximization of profits and cost optimization to the logic of trust and cooperation (SINGER, 2003; FRANÇA FILHO, 2008).

These values are also present in the design of network actions. By jointly devising stimulus to production and consumption in the territory – creating local network of producers and consumers –, the market logic whereby producers compete and consumers are disputed is broken, in the search for an associative economy. The concept of network, therefore, constitutes a mode of action that does not have a single direction: it unfolds in the extended territory that is the community. That is, actions are not intended to achieve a specific end – to serve a client – but rather to articulate residents, local institutions and local traders.

The methodologies of financial services to poor people, microcredit in general, have been widespread since the early 1970s. The strengthening of these initiatives took place in a context of crisis in the developed countries and the weakening of the regulations of labor laws, and it meant the establishment of a new regulation of state-capital-labor relations. The belief that economic growth would be enough to absorb the population via employment of new wage earners starts to give way to the reality of a growing contingent of workers living in precarious and unstable work relationships. In the 1980s, the World Bank proposed and invested in actions oriented to offering credit for the poor population and strengthening the idea that poverty could be overcome by boosting this population's entrepreneurial skills (KRAYCHETE, 2005). Furthermore, in Asia, experiences such as the Grameen Bank and BRAC have reinforced the importance of this type of action. In 1995, CGAP – *Consultative Group to Assist the Poor* – was created, which is formed by 28 development agencies, public and private, including the World Bank, the UN and the USAID (SILVA, 2007). In 2004, this group spread the principles that should guide microcredit actions such as: the State should not be the provider of this type of financial services, but rather instead it should allow the necessary adjustments to ensure that institutions engage in this provision, and the institutions should be self-sustaining to reach their audience and gain scale (SILVA, 2007). Large investments were made in institutions for the provision of microfinance services in poor countries, and a true microcredit industry was created. Large international institutions have acted in several countries using the same methodology and operating principles following the logic of economic efficiency. In other words, these institutions are not rooted locally and play a role mainly linked to the expansion of access.

This is one of the important differences between traditional microfinance initiatives and solidarity finance, the first being more connected to a minimalist vision aimed exclusively at the provision of services to the population of low income, in general microcredit. The second difference points to the creation, within the solidarity finance model, of financial tools that promote integrated development of territories (UNIVERSIDAD NACIONAL DE GENERAL SARMIENTO, 2007).

The provision of financial services does not make sense if it is not guided by principles such as strengthening community, and planning and boosting use of local resources, both social and economic, in promoting the integrated development of territories based on principles of cooperation and democracy (SINGER, 2007; FRANÇA FILHO, 2008). The development that is sought is solidaristic development, that is, of the community as a whole and not a few of its members (SINGER, 2007). In this sense, it is not the financial tools that produce transformation, but the way they are used to turn the economy's meaning into a mode of life organization rather than a natural system of competition for resources, consumers, market niches and maximization of profits.

Another difference from traditional microfinance is the fact that the managing institution has a local and community character. This is a fundamental characteristic for initiatives in the field of the solidarity economy, which has collective construction of all involved as a necessary condition. As Singer (2007: 58) states "the required investment in development has to be done by and for the whole community, so that everyone can be the owner of the new wealth produced and benefit from it".

The associative and communitarian nature of CDBs can be thought over in their institutional dimension: the form of organization and its emergence, from history of the community, the needs and local articulations; and in terms of their purpose – rooting their actions in local social relations and strengthening community organization and participation.

Since the CDB model is rooted in local community dynamics, the idea that it should not be understood as a closed methodology is implicit. On the contrary the model needs to be articulated with and boost the creation of concrete actions to meet the demand and needs of the community and the territory where they are located. Over the years, the actions will be continually transformed due to changes in local context, in the economy and in partnerships that are being established. The nature of actions also changes along with the organization of the community itself.

The social currency also confirms the territorial character of CDBs' actions. According to Singer (2009), the innovation of the community bank was to join together and integrate two types of solidarity finances – microcredit and barter club – extending the function of social currency to a territorial scope. Besides the fact that social currency stimulates consumption in the community and contributes to keeping the generated resources circulating internally, it symbolizes the construction process of community identity around a proposal for endogenous development. There is also an educational purpose, because its use allows us to rethink the role of money and currency and, as it is accepted only in local trade, it loses the sense of accumulation and recovers its function of facilitator of products and services exchanges.

Another important feature of CDBs is the means of granting credit. Because community banks are rooted in the community and have a vocation to meet the population that is unable to offer real guarantees or collateral, it is in the community itself that information about potential borrowers is sought.

In recent years, public banks have tried to create conditions to expand the access of the population to financial and banking services, but they cannot reach the most vulnerable. As these institutions are distant from the territories in which they operate and their clients, they need to find modalities that try to minimize the so-called information asymmetry between the financial institution and the borrower. However, in face of the economic and social instability and of various productive strategies among poor population, flexibility and autonomy are necessary so that the institutions can have freedom to meet the real needs of the population.

Community banks also need information and guarantees. And these are found nearby, in the relations between people and the territory. This information is collected in conversations with neighbors and with local traders, on the visits to the applicant's home and in the residents' participation in Banco Palmas activities and within the community. There is a direct articulation between economic and social relations in the community and the granting of credit. Several studies (ABRAMOVAY AND JUNQUEIRA, 2005; RAJAN, 2006; MAGALHÃES, 2007; BÚRIGO, 2010) show that solidarity financial institutions can reduce transaction costs and yield high rates of return, as they are embedded in local dynamics and have access to information that supports the institutions' trusting relationship to credit borrowers. These means of granting credit that use social and community networks as a way to get information about their customers, for some authors, characterize what they call "proximity finance" (ABRAMOVAY, 2004; ABRAMOVAY AND JUNQUEIRA, 2005).

However, unlike solidarity groups, a classical methodology of microfinance, community bank's queries within the neighborhood entails obtaining more information about the potential borrower, but does not exercise the function of a collective credit guarantee itself. We could talk, instead, about a sense of "social approval."

After the credit analyst has obtained the information in the neighborhood, the credit analysis committee enters the scene. This committee is composed, most of the time, of the credit analyst, workers from the community bank and residents who know the community – informal leaders and representatives of other neighborhood entities. The committee is important, since decision-making becomes a collective action, in addition to being a moment of joint reflection by the participants.

The loan granting process is also a moment in which the residents learn more about their own spending and about personal finance organization. In a community bank located in the city of São Paulo, it was an important discovery for a resident that the R$ 3.00 spent at the bakery ever day added up R$ 90.00 at the end of the month.

This educational character is in the nature of the community bank. The bank, with its actions and tools, contributes to demystifying the debate on the economy as economic knowledge can be learned from practices. By learning more about economic concepts and financial mechanisms, the bank workers, the borrowers, the traders, in other words, the community as a whole, contribute to the strengthening and qualitative upgrading of the residents' participation in the debate on the development of the neighborhood and, as a result, the actions of the bank are enhanced.

The whole process of formation and development of the bank is only possible once it is done collectively and is understood as a participation tool. Thus, ways of delivering services, daily practices of granting credit and training projects all define an environment of participation. Everyone who uses the bank's services participates in this community development system. In addition to this participation, which is diffuse, there is the formation of collective and public discussion spaces, so-called development forums. This space becomes important for ensuring a public and open space for speech where not only the articulation between the various actors present in the territory is built, but also the collective sense of the actions. França Filho (2004), when speaking of solidarity economy initiatives, points to a solidarity of citizens' initiatives, which has the common good as the reference point and which enables and motivates actions in public spaces.

Envisaging integrated territorial development requires, besides mobilizing local actions, the articulation of such actions with government policies. From this point of view, the CDBs can be thought of as a local place of articulation of several spheres of action. While we were drafting this chapter, Banco Palmas granted its 10,000th credit, and its informational statement issued upon this occasion is enlightening: "The community bank was created with public resources from the State of Ceará, the credit financing came from BNDES (Brazilian Development Bank), the credit agent is paid with funds from the SENAES/MTE (National Secretariat of Solidarity Economy) and the credit is received at the community bank itself through the corresponding 'Caixa Aqui. Tá Vendo!' (meaning 'Savings Bank Here. See it?' in free translation).

All of Brazil is mobilized. But it is the community that actually works and receives the legacy of all this engineering"[1].

CDBs, thus, must be understood as a possibility of articulation between public policies for a far-reaching financial and banking inclusion and a territorially rooted form of action that allows for reaching those who are most excluded. This seems to be the vocation of CDBs and of part of solidarity finances strategies, since it is in their nature to act and create a certain atmosphere of integrated services for the poorest segment of the population. These smaller institutions are the ones that act in a more articulated way in the territories and can offer, through a closer relationship, a service that has a broader effect. Each service in community banks provides a moment of practical learning about the difficulties that appear day by day in the lives of communities' residents. As the workers are also residents of the neighborhood, they share a common symbolic universe that facilitates this process.

In addition, the community bank articulates the provision of services with the implementation of other actions such as community projects, trainings and neighborhood meetings, which can help bring poorer residents into a network of relationships and community support. In addition, it strengthens community ties as a space of encounter among residents, as they engage in conversations with bank staff and with people they know. This access to a broader network of relationships and community support, therefore, is qualitatively changed.

Thus, the articulation between public authorities and the actions of community banks is essential for building effective actions in the production of a community and a process of integrated development. However, the initiatives of solidarity finance cannot be seen by public authorities only as agents that provide a instrument for or supplement to governmental actions. They are institutions that result from popular and community organization and produce innovative arrangements, linking local culture and history to the production of the community's own development. It is a political action that gives back to communities the opportunity to produce their own history, thus transcending the position of silent recipients of government policies or passive operators of government actions.

1 Extracted from http://www.inovacaoparainclusao.com/creacutedito-10000.html. Access on 25/11/2012.

3. The Logical Framework for Evaluation and Monitoring of Community Development Banks

3.1. The Context of CDBs' Construction

Since 2003, the number of experiences of community development banks has been growing and, today, they add up to more than ninety in eighteen states of Brazil. This growth proves how important this strategy has come to be as a public policy geared toward the solidarity economy and toward financial and banking inclusion policies.

From the point of view of public policies promoting a solidarity economy, these initiatives have had the support of the National Secretariat for Solidarity Economy (SENAES/MTE), by means of agreements with Instituto Palmas. Since 2010, these initiatives have also been supported by a National Program of Solidarity Finance, in which four regional institutes were included (Solidarity Economy Center of the University of São Paulo, Technological Incubator of the Solidarity Economy of the Federal University of Bahia, Association "Ateliê de Ideias" – "Workshop of Ideas" in Portuguese – from Espírito Santo State, and Social Capital of the Amazon) as well as a national one (Instituto Palmas), promoting the development, implementation, and maintenance of community banks throughout the national territory. In addition, on the state and municipal levels, the managing institutions of community banks as well as pro-development entities engaged in these issues, such as universities, have established important partnerships with public banks and local government.

On the state level, Instituto Palmas created, in 2008, ten community banks

in Ceará, with the state's government support in promoting the "Caravana: Bancos Comunitários do Ceará" (Caravan: Community Banks in Ceará) that visited, in four days, the ten municipalities where the new community development banks were launched. In Espírito Santo State, in 2011, the Rede Capixaba de Bancos Comunitários (Capixaba Network of Community Banks), made up of seven community banks, established a partnership with the State Bank of Espírito Santo to develop a specific funding line for community banks within its credit program and another with the State Development Agency to undertake an institutional development project.

On the municipal level, governments have also fostered the implementation projects of community banks. In some cities, the relationship with the municipal public government is intrinsic to the governmental action so that the community bank articulates several actions of the public government itself. In Piauí State, for example, a law was signed so that part of the civil servants' payment should be made in social currency. In other cities such as Rio de Janeiro, the implementation is more autonomous in relation to other governmental actions, giving more emphasis to the endogenous organization and development process in the communities where these initiatives are implanted.

In 2012, SENAES released a public call for proposals. Over 40 projects were approved and these included several actions of solidarity finance. As a means of empowering public managers, training workshops on the methodology of community banks were held so that they could develop solidarity finance actions in their territories. In two workshops, held by Instituto Palmas, 88managers were trained, which shows the interest of the public sector in to investing in the CDB strategy.

In addition, since 2010, the Brazilian Network of Community Banks has strengthened its partnership with Caixa Econômica Federal (Brazilian Federal Savings Bank) for both banking correspondent services and credit services. Even though the granting of credit poses the challenge of less flexible conditions from guarantee systems of the public banks, the increasingly close relationship allows for dialogue spaces to be opened for future changes and improvements in these areas.

This partnership with Caixa Econômica Federal turned the beneficiaries of Bolsa Família (Family Allowance Program) into an important audience that accesses the community bank.

In 2011, Banco Palmas launched the "ELAS" project[1]. It integrates professional training, home visits and credit for the poorest. In this context, community banks not only opened a space for dialogue with government agencies to bring together their respective actions, but also allowed greater access to those living in extreme poverty. With the perspective of working with the policies of the "Brasil Sem Miséria" plan (Brazil without Misery), a partnership with the Ministry of Social Development has been built.

We see, therefore, that community banks have expanded their partnerships both with financial and institutional support, and have been understood as an important focal point of a strategy that brings together several public policies on various governmental levels. Within this context, the project gained ground and started to develop a tool that contributes to systematization of data and processes of monitoring and evaluation of results of actions carried out by community banks.

In partnership with Instituto Palmas, which saw the importance of assessing and monitoring its actions in their work dynamics, a framework of indicators for moni-

1 TN: "Elas" in Portuguese is the pronoun for third person plural ('they") used exclusively for women.

toring and evaluation of the strategy of community development banks was elaborated. As this is an instrument that can possibly be used by all CDBs, such a framework makes it possible, also, to provide visibility to community banks practices and to widen the dialogue with various partners (development agencies, banks, public officials, etc).

This work lies within a larger project of Instituto Palmas to improve its actions and institutional development carried out with resources from the FINEP Social Technology Award National Category in 2008. Systematizing data, organizing information and evaluating processes in order to be effective has to make sense for the organizations and be part of a continuous work process. In this sense, we believe that the instrument here proposed is part of a larger institutional process.

3.2. The Use of the Logical Framework Methodology

A The framework of indicators has been developed with the use of a "logical framework" ("logframe" for short) methodology, starting with from the elaboration of the project structure. Established in 1969 by the United States Agency for International Development (USAID), the logframe is a methodology for planning, monitoring and evaluating programs and projects, and provides tools to create, design, implement and evaluate projects. Its main purpose is to structure the process of planning and communication of critical information of a project (IDB, 2004). In a simple way, it is a framework that organizes purposes, objectives and components of a given project and posits their indicators, means of verification and assumptions in a logical and systematic way.

Under this logic, indicators measure the achievement of goals (indicators of effectiveness or impact), results (indicators of effectiveness or outcome) and activities (indicators of efficiency or process). The indicators point to qualitative or quantitative information that allow targeting a given reality, phenomenon or institution, making it subject to collection, measurement, systematization, analysis and evaluation. In this sense, it is a set of data produced to assess an object of study. Therefore, it is an objective extract from a given reality and does not represent it as a whole. It is the definition of principles which allows for the development of appropriate indicators for verification.

That is, this process involves the identification of practical guidelines that are objectified by a theoretical argument making them verifiable. Therefore, it becomes essential to make sure of we have clarity on what we want to measure, produce information in a high-quality way and exercise caution in the interpretation of data (KAYANO, 2001).

Defining the extract of reality that we aim to study precedes the elaboration of the indicators. Following this perspective, the research established the following steps: a) literature review on themes involving the strategy; b) survey with the social actors involved to understand the local and historical contexts; c) reconstruction of relevant aspects of the strategy as thematic axes on the basis of the main fields of activity; d) elaboration of the logical framework (general and specific objectives and results); e) definition of effectiveness indicators, whose application over time can lead to indicators of impact; f) consolidation of the indicators.

When discussing indicators for public policy, we highlight the importance of political assessment, i.e., the "analysis and elucidation of the criterion or criteria that underlie a particular policy: the reasons that make it preferable to any other" (KAYANO, 2001). Therefore, for the present research, we take as a point of reference the initial definition of CDB as drawn up by the Brazilian Network of Community Banks. From that, a constant dialogue with Instituto Palmas was established for the definition of objectives and expected results of the initiative. Meetings with key actors involved with the community banking strategy were also held. A particular highlight was the seminar held in Brasília , where the framework of indicators was presented followed by a round of talks with various relevant players, which included representatives of the National Secretariat of the Solidarity Economy (SENAES/MTE), Technological Incubator of Solidarity Economy of the Federal University of Bahia (ITES/UFBA), Cáritas Brasileira (Brazilian branch of an entity that promotes the defense of human rights), Federal University of Paraíba State (UFPB), FINEP and Brazilian Northeast Bank (BNB).

As the developed indicators aim to contribute to the everyday work of CDBs, there is a need for information to be easily captured and easy to read. Therefore, we used what are called simple indicators. They describe an aspect of reality in a straightforward way, easing the analysis of actions and results. It is important to stress the fact that a numeric indicator does not necessarily express a quantitative value; it can represent a qualitative value as it refers to a matter of perception or of multiple choices. For instance, an indicator of proportion of users who share a perception of an improved quality of life is not merely quantitative.

Based on these premises, the process of adapting the logical framework methodology to encompass the elaboration of the project structure helped us identify the main research topics of interest, which were expressed as "macro indicators", which, in turn, are composed of a set of specific indicators. It is important to note that we can have different themes not necessarily expressed by a single indicator, but reflected in various indicators, since the topics are intertwined. Thus, examining a particular theme requires analyses that join and juxtapose different indicators.

3.3. Community Development Banks: Objectives and Results

The development of the logical framework was based on a particular "model" of community development banks (see table 1).In this sense, the model of CDBs presents the strategy guidelines that structure the evaluation, being essential for the proposed indicators and, therefore, to lead the successful conduct of research. Thus, based on the reference term of the Brazilian Network of Community Banks and on the concepts on solidarity economy and solidarity finances, a logframe was established with objectives (general and specific) and the expected results for the strategy of CDBs.

Although we are speaking of a model of community banks, this exercise did not intend to standardize CDB actions, but rather to create guiding principles. It is characteristic of community banks to be immersed in the local dynamics and build their actions from the needs of the territory in which they are embedded. To ensure the elucidation of differences in performance of each CDB in their respective communities, there was a concern for generalizing concepts. Therefore, when developing the framework, a definition of the main objectives and results of the strategy was sought, rather than a homogenization of the practices and activities.

In the model of community development banks, the definition of their goals took into account both their territorial development strategy as well as their institutional performance. That is, the assessment seeks an overview aimed both at the effects of the actions and the way the institution can perform them. In this sense, dimensions were defined based on the structure and activities of the institution. Thus, the thematic axes of action of community development banks were defined, as detailed below.

3.3.1. Economic and Financial Inclusion Axis

Onthis axis, we focused on the dimension of the supply of financial and banking services that is based on communitarian values and the strategy for coping with poverty. For this, the question of access to these services is central. Ensuring access implies assuming a functional logic that has more flexibility on the criteria of analysis and negotiation, in addition to interest rates suitable for this reality. This means establishing economic relations based on principles like trust, solidarity and cooperation.

Since it bears on communitarian values, the educational dimension on how the provision of financial services happens becomes essential. This learning opportunity enables the appropriation of knowledge of the financial world and not only its instrumental use. In practice, this process of financial education arises from difficult experiences encountered by customers.

As community banks do not aim only at wider access but promoting development as a whole, it is necessary to look at the articulation between the network of production and consumption and the promotion of an economic driver based on solidarity economy principles. Here we deal with the dimension of territorial development, fully understood in its political, economic, social and cultural aspects.

3.3.2. Participation and Community Control Axis

This axis approaches the extent of community involvement in the management of the community bank and the incentive to community organization as a process agent of local territorial development. Measuring community management processes is quite challenging, as they are present in a cross-cutting l way in all the actions of the community bank. And such processes involve participation not only in strengthening the collective discussion spaces or stimulating the participation in activities and community actions, but also in the granting of credit and collection of loans . Therefore, both the public spaces and the spaces within the organization were taken into account: in the former, where the agenda of the community banks can be discussed; and in the latter, where the operation of the institution takes place. In relation to the strengthening of community organization, emphasis was given to actions that relate to broader local governance and better ability to deal with both private and public actors. As to the functioning of the institution, an important point to consider is the participation of residents as workers of the community bank in a democratic work setting. The intimacy between workers and customers implies that institutional decision-making targets the actual needs of the community. It is noticeable here that local character of the institution and community management of the CDB were important features of differentiation in relation to other microfinance institutions.

3.3.3. Capacity Development Axis

The community bank promotes and integrates several actions and projects with the aim of promoting the socioeconomic development of the territory. These projects exhibit an educational and economic dimension demonstrated by the implementation of educational programs that enable the expansion of both the population's income-generating possibilities as well as the autonomy and knowhow of enterprises and businesses. Thus, these educational programs, paired with the creation of opportunities within the community, may enable the development of both individual as well as collective (territory-wide) capacities of individuals. Therefore, this axis aims to assess educational programs and projects in a way that is integrated with strategy (that is, based on their community and financial nature), rather than in an isolated way, as a specific project disconnected from the institution.

3.3.4. Institutional Performance Axis

This axis seeks to provide understanding of the management institution's performance in the development of the community bank's strategic actions. Unlike the previous axes, which refer to the activities of community banks and their main objectives and results, on this axis, we focus on the managing institution and its functioning. We evaluate how the institution carries out its activities and how the strategy contributes to the strengthening of community institutions. In addition, we observe that the visibility and the possibility of establishing partnerships and projects are expanded when the organization has a community bank.

For this axis, the international platform MIX (Microfinance Information Exchange) was used as a reference, since it aggregates information of microfinance institutions (MFIs) worldwide. For the community development banks, in spite of not being well or fully captured by traditional performance conceptions and indicators, it is important to be recognized in addition as MFIs and have their specificities valued. In this way, there has been an attempt to incorporate some indicators used by the MIX, aimed at the comparison with other MFIs.

3.4. Summary table of community development bank strategy

From these axes, the logical framework was drawn up with the general and specific objectives and main results, to then define the macro indicators and the main

associated empirical indicators. See the summary table about the CDB strategy on the next page. Grounded in objectives and results, what we call macro indicators were developed. They are the dimensions of the results that make it possible to analyze the effects of community banks. In addition, the macro indicators are a way to extend and integrate the analysis, since for each macro indicator more than one empirical indicator can be referenced.

After the elaboration of the macro indicators, following the logframe, the actual indicators were then prepared, taking into account the following key criteria: ease of understanding, validity, sensitivity (i.e. expressing the essential characteristics and expected changes); amplitude; data quality and ease of data accessibility (KAYANO, 2001). See the tables with the macro indicators and empirical indicators:

GENERAL OBJECTIVE: CONTRIBUTE TO OVERCOMING POVERTY BY OFFERING BANKING AND FINANCIAL PRODUCTS AND SERVICES IN ORDER TO ENABLE COMMUNITIES TO IMAGINE AND ACHIEVE THEIR OWN DEVELOPMENT BASED ON SOLIDARITY ECONOMY PRINCIPLES

	SPECIFIC OBJECTIVES	EXPECTED RESULTS
SOCIOECONOMIC AND FINANCIAL DEVELOPMENT	1. Promote inclusion and financial education of individuals and enterprises/businesses in the communit 2. Foster territorial socio-economic development	1.1. Access to financial and banking services which match the population's living conditions and meet general needs 1.2. Enterprises/businesses and individuals financial education 2.1. Boost the community's economy (production and consumption) 2.2. Integration of a local solidarity network of production and consumption 2.3. Promotion of social and economic development
PARTICIPATION AND COMMUNITY CONTROL	3. Strengthen the community's role in conducting its own development process	3.1. Strengthening of the community's credibility 3.2. Participation of the community in managing the community bank 3.3. Participation of the community in activities and gatherings held in the neighborhood
CAPACITY BUILDING	4. Develop the skills of individuals, enterprises/businesses and territory, strengthening community development and institutional performance	4.1. Carrying out activities that enhance capabilities of individuals and of the territory 4.2. Integration between projects and financial products/services
INSTITUTIONAL PERFORMANCE	5. Ensure an organizational structure capable of strengthening its role	5.1. Adequate management structure for providing financial products and services 5.2. Acknowledgement of the public importance of the managing entity 5.3. Autonomy of credit funds management and composition 5.4. Institutional performance data comparable to those of other non-community microcredit organizations

CHART 1: Community Development Bank's strategy summary. / FSource: NESOL / Instituto Palmas, 2012.

	MACRO INDICATORS	INDICATORS
SOCIOECONOMIC AND FINANCIAL DEVELOPMENT	1.1.1. Credit granting criteria	1.1.1.1. Percentage of customers with registration restriction
		1.1.1.2. Percentage of clients without a bank account before accessing credit
		1.1.1.3. Autonomy to make credit criteria more flexible
	1.1.2. Service provision to beneficiaries of Income Transfer programs	1.1.2.1. Percentage of customers who are beneficiaries of Income Transfer Programs (ITP)
		1.1.2.2. Percentage of Bolsa Família withdrawals carried out at the community bank
	1.1.3. Service provision d to the poor and extreme poor	1.1.3.1. Percentage of customers with *per capita* income below R$ 70
	1.1.4. Service provision focused on improving gender equity	1.1.4.1. Percentage of female customers
	1.1.5. Access to financial and banking systems	1.1.5.1. Percentage of customers whose first credit was granted by the community bank
		1.1.5.2. Percentage of customers whose first bank account was opened at the community bank
		1.1.5.3. Percentage of exclusive customers by type of financial service provided at the community bank
		1.1.5.4. Distribution of borrowers income ranges
	1.2.1. Perception toward family budget organization	1.2.1.1. Percentage of customers who attribute better family budget organization to the connection with the community bank
	1.2.2. Knowledge increase and diversification of usage of financial products	1.2.2.1. Average of financial and banking services used at the community bank
		1.2.2.2. Percentage of customers who claim to be aware of more than one financial and banking product available at the community bank besides those they already use
		1.2.2.3. Percentage of customers who attribute the access to services provided by other banks to the connection with the community bank
	1.2.3. Provision of financial and banking services through new technologies	1.2.3.1. Number of technologies offered to the community by the community bank
		1.2.3.2. Number of products offered through new technologies
		1.2.3.3. Percentage of customers who use the technologies
	1.2.4. Credits granted and services provided under guidance and monitoring	1.2.4.1. Number of credits granted, conditioned upon guidance
		1.2.4.2. Number of monitored enterprises / businesses
		1.2.4.3. Percentage of active customers who claim to be aware of the implication of credit granting (interest rates, payment deadlines, amount of the installments and microinsurance)
	2.1.1. Larger volume of resources on local enterprises / businesses	2.1.1.1. Granted credit volume in Brazilian Real (R$)
		2.1.1.2. Percentage of average increase in return for active credit borrowers

CHART 2: part 1 of 5 Community Development Bank's strategy macro indicators and indicators.
Source: NESOL / Instituto Palmas, 2012.

	MACRO INDICATORS	INDICATORS
FINANCIAL AND SOCIOECONOMIC DEVELOPMENT	2.1.2. Circulation of the social currency	2.1.2.1. Number of commercial establishments that accept the social currency
		2.1.2.2. Percentage of customers who use or are aware of the social currency
		2.1.2.3. Volume of social currency in use
	2.1.3. External investments in the community	2.1.3.1. Percentage of resources from projects directly injected into the community in relation to the total amount of resources from the community bank's projects for the community
	2.2.1. Increase, diversity and territorial decentralization of local enterprises / businesses	2.2.1.1. Territorial distribution of community enterprises / businesses (Hotspots)
		2.2.1.2. Percentage of customers by type of economic activity
	2.2.2. Higher incentive for local purchases – among manufacturers, local entrepreneurs and consumers	2.2.2.1. Number of establishments, indicating an increase in the consumption of goods produced in the community has occurred
		2.2.2.2. Percentage of customers who claim to purchase most consumer staples from local enterprises / businesses (grocery, personal care, cleaning products)
		2.2.2.3. Percentage of enterprises / businesses that claim to purchase supplies and raw material from local businesses
	2.3.1. Keeping job and work offerings within the community	2.3.1.1. Number of enterprises / businesses that started up within the community from the relationship with the community bank
		2.3.1.2. Number of job positions created by the enterprises / businesses which are community bank customers
		2.3.1.3. Number of job positions maintained in the enterprises / businesses which are community bank customers
		2.3.1.4. Number of residents who are community bank workers
	2.3.2. Strengthening youth's ties with the local territory	2.3.2.1. Number of young people (from 18 to 24 years old) employed by the enterprises / businesses which are community bank customers
		2.3.2.2. Percentage of young customers (from 18 to 24 years old) who take credit
	2.3.3. Increased autonomy to manage family income and enterprise / business profits	2.3.3.1. Percentage of customers who indicate a perception of increased business revenue as a consequence of credit taking
		2.3.3.2. Percentage of customers who indicate increased average family income as a consequence of credit taking
	2.3.4. Greater financial security and improved living conditions	2.3.4.1. Percentage of customers who share a perception of improved financial security due to availability and access to financial and banking services
		2.3.4.2. Percentage of customers who indicate improvements in their living conditions due to access to financial services and products
		2.3.4.3. Percentage of customers who share a perception of reduced travel time and resources required to carry out financial and banking activities
		2.3.4.4. Percentage of customers who share a perception of reduced dependence on relationships characterized by exploitation / informality to access financial resources

CHART 2: part 2 of 5 Community Development Bank's strategy macro indicators and indicators.
Source: NESOL / Instituto Palmas, 2012.

	MACRO INDICATORS	INDICATORS
PARTICIPATION AND COMMUNITY CONTROL	3.1.1. Capacity for negotiating with the government	3.1.1.1. Number of lending institutions / partnering government departments 3.1.1.2. Number of public policies adopted in favor of the community as a result of the community bank's action
	3.1.2. Joint coordination to implement public services in the community	3.1.2.1. Number of machines and furniture / public services resulting from the organization of the community and participation of the community bank
	3.1.3. Participation of the community bank in community meetings and events	3.1.3.1. Participation frequency of the community bank in the neighborhood's group discussion events 3.1.3.2. Number of events carried out by the community bank in the community
	3.2.1. Participation of the community as employees at the community bank and in decision making processes	3.2.1.1. Percentage of community residents who are community bank workers 3.2.1.2. Percentage of community residents who are community bank workers and take part in decision making
	3.2.2. Public discussion about the community bank and communication channels for the dissemination of information and results	3.2.2.1. Number of documents (flyers, folders, publications, yearbooks) published by the community bank 3.2.2.2. Existence of a public space for discussion (e.g.: Forum) 3.2.2.3. Average of participants in the forum 3.2.2.4. Average of participants in the forum by profile (residents, traders, local entities, government) 3.2.2.5. Number of services / projects of the community bank that have been suggested by the community 3.2.2.6. Community bank's volume of capital originating from the community 3.2.2.7. Percentage of customers who indicate proximity of the community bank's managers to their suggestions and complaints
	3.3.1. Participation of the community in gatherings and activities carried out by the community bank	3.3.1.1. Number of participants in the activities carried out by the community bank
	3.3.2 Importance of the community bank in fostering participation	3.3.2.1. Percentage of customers who claim to have increased participation in activities carried out in the community due to the community bank

CHART 2: part 3 of 5 Community Development Bank’s strategy macro indicators and indicators.
Source: NESOL / Instituto Palmas, 2012.

	MACRO INDICATORS	INDICATORS
DEVELOPMENT OF CAPABILITIES	4.1.1. Participation of the community in training programs and courses promoted by the community bank	4.1.1.1. Average of participants per event
		4.1.1.2. Number of enterprises / businesses that were given development programs
		4.1.1.3. Percentage of women who took part in the training programs
		4.1.1.4. Percentage of young people aged 18 to 24 years old who took part in the training programs
	4.1.2. Promotion of new enterprises / businesses and initiatives through programs / projects	4.1.2.1. Percentage of customers who took part in the projects and have started a new business / project or have found employment / work
		4.1.2.2. Percentage of customers who took part in the projects who accredit improvements in quality of life to their participation in projects
		4.1.2.3. Percentage of customers who took part in projects and claim to have improved their planning and budget organization skills
	4.1.3. Partnerships to carry out projects	4.1.3.1. Number of partner institutions to carry out projects
		4.1.3.2. Number of lending institutions to carry out projects
		4.1.3.3. Number of projects carried out by the community bank
	4.2.1. Expanding the ability of actively attracting prospective clients and gaining their loyalty	4.2.1.1. Percentage of participants in the projects who have become customers
		4.2.1.2. Number of customers who took part in the projects who have diversified the financial services they use
	4.2.2. Reducing portfolio risk	4.2.2.1. Percentage of participants in programs / projects with portfolio paid on time (reducing default rate)

CHART 2: part 4 of 5 Community Development Bank's strategy macro indicators and indicators.
Source: NESOL / Instituto Palmas, 2012.

	MACRO INDICATORS	INDICATORS
INSTITUTIONAL PERFORMANCE	5.1.1. Managing institution's legal status	5.1.1.1. Institution responsible for the execution is a Microcredit OSCIP, SCM (Micro-entrepreneur Credit Society) or credit cooperative
	5.1.2. Systematization, analysis and evaluation of the data in the information system in a systematic way (usage)	5.1.2.1. Existence of a mechanism to record data and information
		5.1.2.2. Frequency of data systematization
	5.2.1. Volume and diversity of partnerships	5.2.1.1. Number of strategic partnerships per area
	5.2.2. Public recognition	5.2.2.1. Number of awards or recognition seals
		5.2.2.2. Number of articles and quotations from the media
	5.3.1. Credit fund composition, diversification and its conditionality	5.3.1.1. Number of partner institutions composing the credit fund
		5.3.1.2. Percentage of credit fund volume that are own resources
		5.3.1.3. Volume of own resources in Brazilian Real (R$) composing the credit fund
		5.3.1.4. Volume of resources in Brazilian Real (R$) that can be used without restrictions
	5.4.1. Reach	5.4.1.1. Number of active customers
		5.4.1.2. Volume in Brazilian Real (R$) of the gross active credit portfolio
		5.4.1.3. Average credit volume in Brazilian Real (R$) per customer
	5.4.2. Efficiency	5.4.2.1. Number of customers per community bank worker
		5.4.2.2. Operational expenses over gross active portfolio ratio
		5.4.2.3. Cost per customer – ratio between the total operational expenses and the average number of active credit customers
		5.4.2.4. Volume in Brazilian real (R$) of provision for default credit over volume of portfolio in risk ratio (> than 30 days)
	5.4.3. Risk and Liquidity	5.4.3.1. Portfolio at risk
		5.4.3.2. Portfolio in default
		5.4.3.3. Punished portfolio (> 180 days)
	5.4.4. Quality of products	5.4.4.1. Innovation in financial products
		5.4.4.2. Number of financial products created in the last year
		5.4.4.3. Average time for non-emergency credit granting
		5.4.4.4. Emergency credit offered
		5.4.4.5. Customer retention ratio – total number of customers who have taken credit more than once in relation to total customers
	5.4.5. Human Resources	5.4.5.1. Total number of community bank workers
		5.4.5.2. Number of community bank workers who are women
		5.4.5.3. Number of workers distributed by length of service in the community bank

CHART 2: part 5 of 5 Community Development Bank's strategy macro indicators and indicators.
Source: NESOL / Instituto Palmas, 2012.

It will not be possible to have a specific and in-depth discussion of each indicator.

The description of their characteristics as units of measurement, the data sources, period and their formulas will be presented in more detail in a future publication, without undermining their understanding and even their use from what is presented here, as they are simple and easy-to-understand indicators.

3.5. Benchmarking analysis

For the development of the indicators framework, we also had the benefit of collaboration with a graduate student team under faculty supervision form the School of International and Public Affairs of the Columbia University, from New York, SIPA/CU. In recent years, Instituto Palmas has established a partnership with this School offering to receive an annual group of students for research projects or other evaluations.

The 2011/2012 working team visited Banco Palmas and several Instituto Palmas network affiliates twice and produced an analysis of benchmarking[1] in which they sought to identify evaluation indicators used by other entities involved in related themes. The team surveyed 22 entities[2] working in the areas of microfinance or community development, or project finance in these areas. The institutions were identified as financial organizations, community organizations and financiers/donators. From the indicators framework already developed by the NESOL-USP team, a comparative analysis was elaborated. The previously proposed indicators were validated and refined, including those used by other entities and those which are innovative and reflect important aspects of Brazilian reality and the work of the CDB. In addition, new indicators were suggested, particularly for the "Capacity Development" axis. The suggestions from the Columbia University team were discussed with Instituto Palmas and incorporated into the framework.

1 See CACHICATARI , Medali et al. (2012). Developing a monitoring and evaluation system for Instituto Palmas, a network of Community Development banks in Brazil. Final Report: Economic and Political development concentration. Prepared for the Workshop in Development Practice, Academic year 2011-2012. School of International and Public Affairs, Columbia University

2 The following organizations were studied: financial organizations - BancoSol, BRAC, Caixa Econômica Federal (Federal Savings Bank), Grameen (Bangladesh), M-Kesho, MiBanco, ProMujer, Sembrar Sartawi; community organizations - Faces do Brasil, IRIS, Movimento de Organização Comunitária, One Acre Fund, PAT, Saúde e Alegria, Viva Rio; financier organizations - Blue Orchard, Cerise, CGAP, FINCA, Freedom from Hunger, Incofin, Mix.

Generally speaking, the benchmarking analysis allowed observing that all the surveyed organizations consider socioeconomic inclusion important, particularly for the objectives of "promoting the inclusion and financial education of individuals and business/enterprises of the community" and "fostering territorial socioeconomic development". The analysis also identified that, although this is a relevant theme in the debate within Brazil and Latin America, there is a lack of examples of how to measure participation and community control in these organizations, especially in relation to the increased visibility of the community and the community participation in the management of the institution. On the "Capacity Development" axis, although it is considered important, many organizations make periodic evaluations of specific programs, but not based on a systematic monitoring. Generally, the data come from experimental research and try to respond to some specific question. Finally, the analysis revealed that financial and institutional performance is an important and traditional monitoring and evaluation field. Some aspects that were added have not been found in the benchmarking, but were validated, because they are fundamental to the community development banks and to the Brazilian context of microfinance.

4. Banco Palmas: Results for the residents

4.1. Banco Palmas: a portrait after 15 years

It will not be possible to cover in-depth the 15-year history of Banco Palmas and its importance to the debate on overcoming social inequalities and poverty in Brazil. This story deserves and needs a lot more pages. This volume seeks to somehow make a contribution in that regard. Here, we want to present, in brief,, a current portrait of Banco Palmas to contextualize the institutional arrangements and the main actions and projects developed at the time of completion of the survey.

Established in 2005, the partnership with the Banco Popular do Brasil (Popular Bank of Brazil) can be considered today an important moment of transformation in the role of Banco Palmas. From an institutional point of view, Banco Palmas has established a partnership with a public bank, thus linking governmental action to local action. From the point of view of Banco Palmas' role in its home territory, it started to offer banking services via banking correspondents, which also allowed access to a larger credit portfolio and, therefore, the expansion of its activities. In 2010, two new partnerships were consolidated, which greatly changed once again its performance: with BNDES (Brazilian Development Bank), Banco Palmas accessed a R$ 3 million portfolio; with Caixa Econômica Federal (Brazilian Federal Savings Bank), Banco Palmas started to carry out banking correspondent services, working directly with beneficiary families of Bolsa Família (Family Allowance Program). This new audience has raised new issues and needs, which resulted in the birth of "Projeto ELAS", a project created specifically for this population. The articulation of the inclusion of the socio-productive proposal of "Brasil Sem Miséria" plan (Brazil without Misery) is already rooted in local economic dynamics. With the support of the National Secretariat of Solidarity Economy (SENAES/MTE), via the National Program of Solidarity Finances, Banco Palmas has started to bring together professional training, integrated service with the socio-productive agents and credit to beneficiaries of Bolsa Família. This action has renewed and strengthened local networks of production and consumption with PalmaFashion, Solidarity Shop and the innovation of Festival Culinário Cearense (Ceará Cuisine Festival). These initiatives have also strengthened community and public spaces, occupying the streets of Conjunto Palmeira on Fridays and Saturdays of each month. The Nutrition Center, city government, the CRAS (Social Assistance Reference Center) and the local traders are brought together and mobilized to promote action. The first culinary festival was conducted in part with funds from donations from local traders. The partnership that was formed in 1998 for the use of social currency still appears strong and powerful in promoting neighborhood development. The course for Community Consultants – training action with young people of the neighborhood –, in its 2010/2011 edition, had the participation of 23 youngsters, and 15 ended up joining the activities of the community bank. Today, there are more than 20 residents of Conjunto Palmeira and neighboring communities that work in Banco Palmas

Here follows a summary list of the main actions that were organized in the community[1]:

Banking and financial services

- Banking correspondent and ATM of Caixa Econômica Federal and Bank of Brazil;
- Palmas Microsseguros (Palmas Microinsurance);
- Social currency;
- Productive credit;
- Consumer credit in social currency;
- Mobile payments.

1 Descriptions elaborated from the Report 2010/2011 and the sites www.bancopalmas.org.br and www.inovacaoparainclusao.com. Access on 11/15/2012.

Credit lines

- "Casa produtiva" ("Productive House" – credit for small renovations in houses where there is also production) – credits up to R$ 450.00;
- Bolsa Família (Family Allowance program) – credits from R$50.00 to R$ 150.00;
- Popular and solidarity economy – credits up to R$ 500.00;
- Reseller – credits up to R$ 450.00;
- Business line – credits from R$ 2,500.00 to R$ 15,000.00.

Businesses of the Solidarity Economy Network of Conjunto Palmeira

- Palmatur – Inn located in Conjunto Palmeira with the goal of promoting the neighborhood as a tourist destination in Fortaleza, Ceará, strengthening local economic development, in addition to ensuring employment and income for women of the neighborhood, helping them to integrate the formal labor market;
- PalmaFashion – Community clothing brand. Their items are made by the women who attended sewing courses conducted by "Projeto ELAS";
- Companhia Bate Palmas[1] – Enterprise in the area of art, education and culture, whose participants are young people from Conjunto Palmeira. Main artistic and cultural activities: manufacturing of musical instruments, CD recording in studios, art workshops, shows and artistic presentations;
- Loja Solidária (Solidarity Shop) – Permanent showroom where locally produced goods are exhibited;
- Community Consultants Courses – A 400-hour training program for young people, in which the following topics are discussed: solidarity economy, formation of the neighborhood, credit methodology, economic viability, social currency and marketing. Many of the young people trained in this course start working at Instituto Palmas and Banco Palmas;

1 TN: Clapping Hands Company – Palmas, in Portuguese, is the word that means "clapping hands".

- Bairro Escola de Trabalho (Neighborhood Work School) – Project with the goal to provide young people with a work experience alongside local traders. The youngsters work as apprentices in the shops receiving a stipend, and take part in training activities at Banco Palmas;
- Project 1,000 young people 10 ideas – Project carried out with local young people in which there is a mobilization process and discussion that culminates in an event where ten ideas are chosen to be implemented in the neighborhood. In 2011, with the theme "1,000 young people, 10 ideas for a Sustainable Neighborhood", more than 2000 proposals were submitted. Eighty workshops were held by 25 young people trained through the Entrepreneurship for Environmental Sustainability Course, which reached an audience of more than 1,500 young people;
- Projeto ELAS – Project that joins together actions of promotion, training and guidance to the women of the Bolsa Família program, all borrowers from Banco Palmas, aiming at their socio-productive, financial and banking inclusion. It has a specific microcredit policy (and other financial products), professional training and a socio-productive inclusion agent, who systematically assists and monitors these women promoting their social and economic inclusion, based on the principles of solidarity economy;
- Festival de Culinária Cearense (Ceará Cuisine Festival) – These festivals are part of the actions in ELAS project, as the exhibitors are, in most cases, beneficiary women of the Bolsa Família program who take part in the training programs. It can be understood as a marketing and learning space, as many of them have never had professional experience. In addition, it is a recreation space for the community;
- Local Socioeconomic Forum – Collective space of debate and community mobilization for neighborhood issues that has the participation of the residents, the Residents' Association of Conjunto Palmeira, representatives of local authorities, and public authorities, when invited.

These are some of the activities that make up the work done by Banco Palmas in the various communities in which it operates. The descriptions here are generic and are insufficient to convey fully the social and community network that is embedded in all this action. The lives of workers of Banco Palmas, the residents and the local traders become intertwined with the collective history of their neighborhood.

4.2. Banco Palmas: a portrait in numbers

Banco Palmas 2011–2012		
Credit	**2011**	**2012**
Total number of loans granted for production	4.826	3.971
Total amount granted for productive microcredit	R$ 2.632.256,63	R$ 3.331.974,90
Total number of loans granted for production specifically to women listed on the Bolsa Família program	2.621	1.995
Loan amount for productive microcredit specifically to women enrolled in the Bolsa Família program	R$ 269.106,07	R$ 274.323,86
Banking Correspondent		
Total number of transactions carried out by banking correspondent	325.024	382.295
Total number of Bolsa Família payments	37.138	39.182
Checking accounts opened	2.700	1.536
Microinsurance		
Number of microinsurance services offered	2.124	2.181
Education		
Financial education (number of recipients)	1.043	1.769
Education for citizenship (number of recipients)	1.989	258
Technical training programs (number of recipients)	510	380
Commerce		
Number of solidarity fairs organized	18	18

TABLE 1: Instituto Palmas' 2011–2012 data. / SOURCE: Instituto Palmas, 2012.

4.3. The research

As part of the work on the monitoring and evaluation indicators, a survey was conducted with residents and clients of Banco Palmas. The aim was both to check whether the dimensions proposed in the framework were relevant or not and to obtain data on the results of Banco Palmas for the territory and the communities served. In 2008, a survey about the impact and image of Banco Palmas (Silva Jr., 2008) was carried out by the Laboratory for Interdisciplinary Studies in Social Management of the Federal University of Ceará (LIEGS/UFC), a pioneering study in the evaluation of the results of a community bank.

This study pointed out the importance of the population's access to credit, the increase in consumption in the neighborhood since 1997 and the high impact of image promoted by Banco Palmas. In this study, in addition to these dimensions already considered, other dimensions will be analyzed taking into account the framework elaborated above. The framework and the set of macro indicators presented previously enable us to visualize the main objectives of the strategy of community banks more easily. The analysis of their results requires an integrated reading that puts together the various dimensions.

4.3.1. The sample of respondents

The survey sample was divided into two subgroups: 1) credit clients – random sample of borrowers with interviews conducted in their households; 2) banking correspondent service clients – random sample of banking correspondent clients carried out in the Banco Palmas lobby.

The definition of these two groups was a way to encompass users of the various financial and banking services offered by Banco Palmas. Also it was important to guarantee a more diverse sample with regard to the relationship with the community bank, since the questionnaire deals with dimensions that are not directly related to credit services.

In this sense, those who are exclusively users of the banking correspondent could exhibit larger profile variability. It is important to state that the differentiation criterion between the two samples is the use of Banco Palmas credit services, so that in both samples the clients use the banking correspondent services.

The household sample was based on Banco Palmas customer database, with the total survey population constituted by those who took credit between July 2011 and June 2012. From this selection, credit ranges of the clients were established according to the average volume of credits granted individually in the established period. On this basis, a nominal baseline was elaborated and customers were selected proportional to the know range of variation from this baseline. From the sample drawn, customers were located using online maps tools. In this process, problems with the location of addresses have been identified, such as non-existing streets and streets with the same name and different spellings. In conversations with Banco Palmas workers to better understand local contexts, it was possible to better locate streets and divide the territory into research itineraries, which were traversed along the field research. In total, 12 itineraries were produced.

When we found the customers on a map, we were able to see their spatial dispersion (see Figure 1). Thus the great concentration of customers in the streets closest to Banco Palmas and a scattering around its surroundings were evidenced.

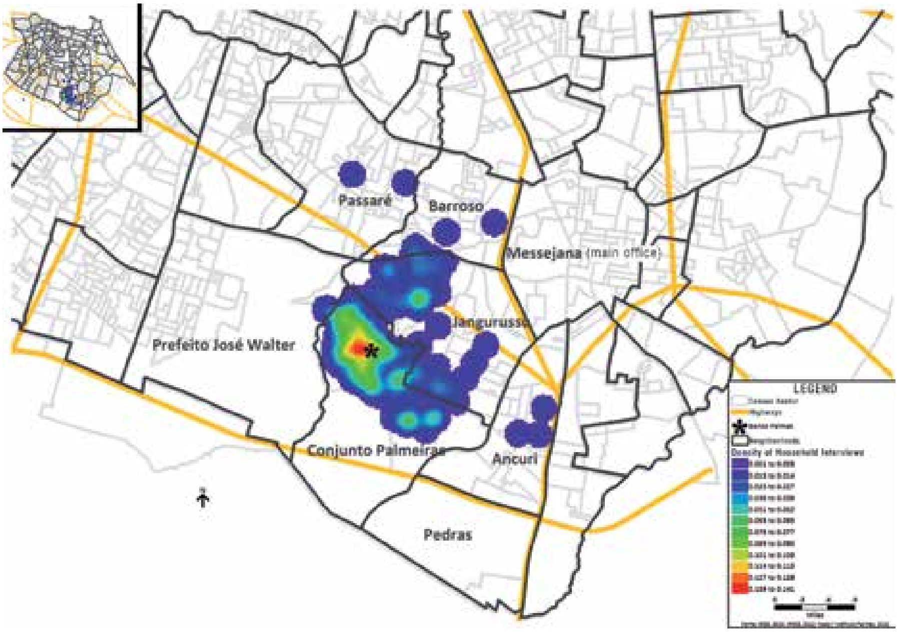


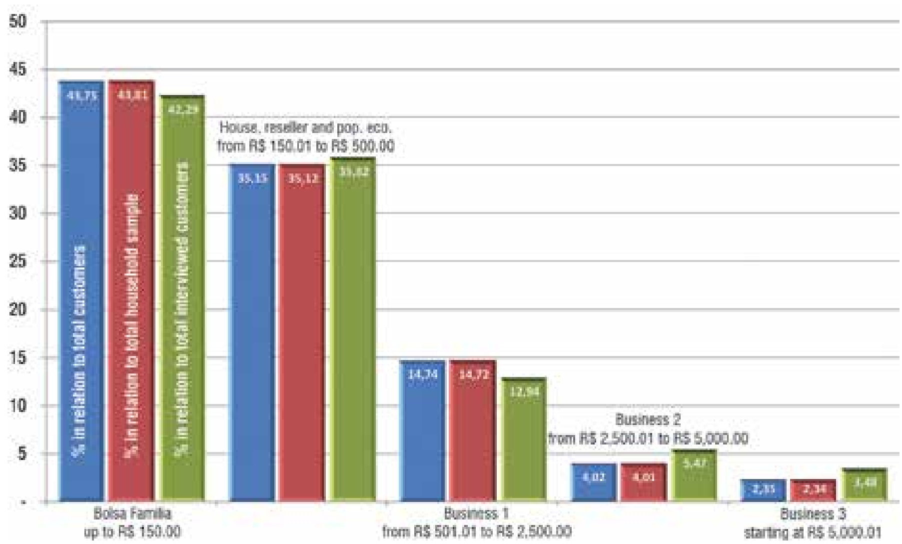
IMAGE 1: Household interview location density. / SOURCE: IBGE, 2010. Elaboration: NESOL / Instituto Palmas, 2012.

As to the sample of banking correspondent customers, it was not possible to define the total customer base in advance. So, we defined a total of 100 questionnaires to be administered in the Banco Palmas lobby with banking customers who had never used the credit service, as a way to avoid overlap with the credit sample previously described. To ensure randomness, the methodology employed consisted of: interviewing one individual out of every four that entered Banco Palmas (if there was refusal, the following client was interviewed) and asking upfront about the use of Banco Palmas credit services (being only those who had never used such service were interviewed under this sampling procedure).

On account of the differences between samples, in some moments, the analyses will be descriptive within each sample group and, at other times, relations will be established between the two groups.

The chart below shows that, with the exception of banking correspondents, the sampling universe of credit customers for average volume of credit granted in the reference period of the survey follows the same proportions of the total number of customers that Banco Palmas recorded from June 2011 to

July 2012. In the period studied, 2,686 credit customers have been identified, being approximately 44% up to R$ 150.00 (track 1), 35% between R$ 150.01 and R$ 500.00 (track 2), 15% between R$ 500.01 and R$ 2,500 (track 3), 4% between R$ 2,500.01 and R$ 5,000.00 (track 4) and 2% from R$ 5,000.00 and up (track 5). Thus, we have a total of 303 interviews, 102 of which were with banking correspondent customers and 201 of which were with credit customers. As for the proportion of credit clients interviewed, we have about 42% in the first track, 36% in the second track, 13% in the third track, 6% in the fourth and 4% at the fifth track.



GRAPH 1: Percentage of customers by range of credit in relation to total, total randomly selected sample and total household respondents . / SOURCE: NESOL / Instituto Palmas, 2012.

Note: Selected sample was larger than the goal number of interviews due to anticipated possible difficulties in finding the customers.

One of the causes of the difference between the pre-selected number of interviews and the total number of interviews conducted was the difficulty in relation to the formalization of names of streets and numbers of residences. As has already been noted in the elaboration of the itineraries, the name of streets, the lack of signs and the numbering of houses out of sequence have hindered the dynamics of the process.

Thus, in some regions, it was very difficult to find respondents previously selected for interview. Out of the total of 351 credit customers drawn at random by the survey, 201 customers had their addresses found, about 61% of the total sample. In addition to these, in relation to the total drawn, 8% of the customers did not have their addresses found or they were considered non-existent, 14% of the customers had their addresses found, but the residents could not be contacted, 4% were absent and were not confirmed by neighbors or similar as residents of that address, 8% had moved and 11% were not approached.

The first step of the fieldwork was a pre-test for validation of the questionnaires. This step was critical to the appropriateness of the questionnaire especially with regard to its language, adaptation of alternative responses and order of the questions.

The fieldwork was carried out by a team of seven researchers. We chose people with experience in research to ensure the quality of the interview and, moreover, we chose people who were not linked to Banco Palmas to avoid compromising information, since customers could feel pressured to give specific answers that would not correspond to reality, altering the survey results.

The household interviews were conducted in approximately 17 communities in the region where Banco Palmas works: Ancuri, Barroso, Castelão, Conjunto Palmeira I, II and Planalto, Jagatá, Jangurussu, João Paulo II, Maria Tomásia, Ocupação da Mana, Patativa do Assaré, Santa Filomena, Santa Maria, São Cristovão, Sítio São João and Tamandaré (see figure 2). The communities with the highest number of questionnaires applied were Conjunto Palmeira I, II and Planalto (representing 61.2% of the total of interviews) and São Cristovão (representing 14.43% of the total of interviews). The average length of residence the neighborhood is 19.4 years, and approximately 36% of the respondents have been living in the region from 11 to 20 years and 33% of them for more than 20 years. It is also worth noting that 11% have been living in the region for exactly 20 years and 10.5% have been there for 30 years.

With regard to the interviews conducted in the Banco Palmas lobby, the individual respondents were from 13 communities: Conjunto Palmeira I, II and Planalto (87.25%), Sítio São João (4%), Barroso, Caucaia, Ismael Silva, José Walter, Messejana, Santa Filomena, Santa Maria, São Cristovão and Tamandaré. The average time of residence is 18.6 years, with about 48% living there for more than 20 years, and 25.5% living in the region from 11 to 20 years. About 15% indicated that they have been living in the region for exactly 30 years and about 9% for 20 years.

IMAGE 2: Map of the researched area, with neighborhoods. / SOURCE: Google Earth, 2012. DEVELOPMENT: NESOL / Instituto Palmas, 2012.

4.3.2. Respondents' profile

Out of a total of 201 household interviews carried out with credit customers (throughout the chapter, to define this sample, the terms credit customers and household interviews will be used), the average age is 38, with 32.8% between 30 and 39 years old, about 26% between 20 and 29 years old, and approximately 22% between 40 and 49 years old. With respect to the sample of 102 interviews with banking correspondent customers in the bank lobby (throughout the chapter, to define this sample, the terms banking correspondent customers and lobby customers will be used interchangeably), the average age is 38 too, 31.4% 30- 39 years old, 21.6% 20-29 years old, and 22.6% 40-49 years old.

We should point out that the main age ranges of both samples are similar, being the largest cohort the range between 30 and 39 years old, followed by the cohort between 20 and 29 when we consider credit customers and 40 to 49 when we consider lobby customers. It is worth mentioning that, in the lobby sample, 6% of respondents and only 1.5% of credit respondents are under 18 years old.

Out of all household respondents, 91.54% are women and, in the sample of lobby respondents, the percentage of women is 62.75%. The percentage of women interviewed in the credit sample follows the trend of Banco Palmas' total loan portfolio, where 91% of services were received by women during this period. This high percentage can be explained in part by the fact that

Banco Palmas has a credit line and a specific project for women who are beneficiaries of Bolsa Família and, also, because gender relations make this population even more vulnerable, so that women have more restricted access to traditional financial services and can more easily access the community bank. According to data from the 2010 Census (IBGE - BRAZILIAN INSTITUTE OF GEOGRAPHY AND STATISTICS, 2010), the population of Fortaleza is made up of about 53.29% of women, and these numbers are higher in some sectors where the research was carried out.

In relation to the number of people per family, the average is 4.28 individuals per household in the case of the credit takers sample, and, of this total, 71.64% live in households with three to five individuals. These data indicate high values that are above against the national average, which was 3.85 in 2010, and the average of the city of Fortaleza, 3.69 in 2010 (IBGE, 2010). With respect to the lobby sample, we observed an average of 3.95 individuals per household, which is close to the national average and is higher than the average for the municipality, considering that 64.71% live with 3 to 5 individuals at home.

These data reinforce the hypothesis that, in poorer and peripheral areas, there is an average household size that is higher than the average in the richest and more central regions of the country. The data also indicate that credit is reaching beneficiaries with the most vulnerable housing conditions, bearing in mind that the greater the density of the domicile, the greater the conditions of vulnerability it faces.

On the income variable, among the household respondents, about 41% indicated a family income between one and two times the minimum wage, approximately 22% indicated having family income between 0.5 and 1 minimum wage, 17% indicated an income between 2 and 4 times the minimum wage, about 11% indicated an income up to 0.5 minimum wage and 8.5% indicated receiving above four times the minimum wage. With respect to the lobby respondents, 34.31% had family income between one and two times the minimum wage, 28.43% between two and four times the minimum wage, and 23.53% between 0.5 and 1 minimum wage. In both samples, the main income ranges are similar, however, in the case of the lobby sample, the cohort between one and two times the minimum wage is followed by the group between 2 and 4 times the minimum wage, while considering credit clients, the next cohort lies between 0.5 and 1 minimum wage. In general, among those credit takers interviewed, 33% have income of up to one minimum wage and 30% of the lobby customers have the same income.

Family Income Range	Household		Lobby	
	A.N.*	% Total	A.N.	% Total
No income	0	–	1	0,98
Up to R$ 70,00	0	–	0	–
From R$ 70,00 to R$155,00 (up to 1/4 of the minimum wage)	8	3,98	3	2,94
From R$155,01 to R$311,00 (from 1/4 to 1/2 of the minimum wage)	14	6,97	3	2,94
From R$311,01 to R$ 622,00 (from 1/2 to 1 minimum wage)	44	21,89	24	23,53
From R$ 622,01 to R$ 1.244,00 (from 1 to 2 times the minimum wage)	83	41,29	35	34,31
From R$ 1.244,01 to R$ 2.488,00 (from 2 to 4 times the minimum wage)	35	17,41	29	28,43
Above R$ 2.488,01 (above 4 times the minimum wage)	17	8,46	7	6,86
Total	**17**	**100,00**	**102**	**100,00**

TABLE 2: Distribution of respondents by indicated monthly family income range.
SOURCE: NESOL / Instituto Palmas, 2012.
**A.N. – absolute numbers.*

Certain analysis took into account the per capita income that was calculated from the average value of the income range reported by the interviewed divided by the number of people living in the same residence as reported by the respondent. Thus, it is a strategy of approximation of the average income per capita. It is also important to note that formal and informal incomes were considered to the declaration of family income, different from the criteria to register on "CadÚnico" (Single Registry for Social Programs) that only considers formal income.

4.3.5. Main results

Reaching the poorest

One of the defining characteristics of the community bank is service to the poor population, who are excluded from the formal financial system. In general, this population is characterized by a variable and low income and lack of proof of income, which makes access to credit particularly difficult. In addition, there is some difficulty in accessing bank services due to the distance from service points, such as agencies, difficulty of the population in dealing with the new banking technologies and, to a lesser extent, the unwelcoming environment.

One way to analyze whether Banco Palmas is able to serve this audience is to check the percentage of beneficiaries served by income transfer programs such as Bolsa Família, because this is a national reference point for identifying the most vulnerable population today in Brazil. According to our data, 70% of the borrower respondents receive the benefit, which indicates a high rate of service provision to this population. With respect to customers who only use banking correspondents, 35.29% said they are beneficiaries of Bolsa Família. It is worth mentioning that, out of the 141 credit takers receiving Bolsa Família, 66% also use banking correspondent services to pay bills and 22.7% for withdrawals, which indicates the importance of Banco Palmas as a means of access to banking services for this population.

However, only the indicator of receiving or not the family benefit does not guarantee that the population with the lowest income range is being served, as there are variations in the amounts received by each family on the basis of proven income to qualify for the program, as shown in the table below:

Per capita income (in Brazilian real and in minimum wage)	Bolsa Família Beneficiaries			
	Household		Lobby	
	A.N.	% of the Total Bolsa Família	A.N.	% of the Total Bolsa Família
No income	0	–	0	–
Up to R$ 70,00	19	13,48	4	11,11
From R$ 70,00 to R$155,00 (up to 1/4 of the minimum wage)	42	29,79	15	41,67
From R$155,01 to R$311,00 (from 1/4 to 1/2 of the minimum wage)	57	40,43	8	22,22
From R$311,01 to R$ 622,00 (from 1/2 to 1 minimum wage)	20	14,18	8	22,22
From R$ 622,01 to R$ 1.244,00 (from 1 to 2 times the minimum wage)	3	2,13	1	2,78
From R$ 1.244,01 to R$ 2.488,00 (from 2 to 4 times the minimum wage)	0	–	0	–
Above de R$ 2.488,01 (above 4 times the minimum wage)	0	–	0	–
Total Bolsa Família	**141**	**100,00**	**36**	**100,00**

TABLE 3: Distribution of respondents who are beneficiaries of the Bolsa Família program by average per capita income segment (in Brazilian real and in minimum wage). / SOURCE: NESOL / Instituto Palmas, 2012.

Thus, average per capita income also becomes an important indicator to assess the economic condition of bank clients. We can see in the table below that, among the borrowers interviewed, most live with a per capita income lower than one minimum wage and, of these, about 11% are below the poverty line, that is, they have an average per capita income of up to one quarter of the minimum wage, following the criteria established by the government to set the poverty line[1].

Per capita income	Household		Lobby	
(in Brazilian real and in minimum wage)	A.N.	% Total	A.N.	% Total
Up to R$ 70,00 (less than 1/4 of the minimum wage)	23	11,44	6	5,88
From R$ 70,00 to R$155,00 (up to 1/4 of the minimum wage)	53	26,37	21	20,59
From R$155,01 to R$311,00 (from 1/4 to 1/2 of the minimum wage)	71	35,32	39	38,24
From R$311,01 to R$ 622,00 (from 1/2 to 1 minimum wage)	36	17,91	23	22,55
From R$ 622,01 to R$ 1.244,00 (from 1 to 2 times the minimum wage)	14	6,97	11	10,78
From R$ 1.244,01 to R$ 2.488,00 (from 2 to 4 times the minimum wage)	2	1,00	1	0,98
No information	2	1,00	1	0,98
Total	**201**	**100,00**	**102**	**100,00**

TABLE 4: Distribution of respondents by average per capita income range (in Brazilian reals and in minimum wage). / SOURCE: NESOL / Instituto Palmas, 2012.

Comparing the research numbers to the data from "Crediamigo", the traditional microfinance program of the Banco do Nordeste do Brazil (Northeast Bank of Brazil), Banco Palmas can reach , in a more expansive way, the population that has less than one minimum wage of per capita income. According to the annual report of 2011 (BNB, 2011), Crediamigo program has 40% of its audience in the income range of up to R$ 600.00. On the other hand, Banco Palmas, according to the sampling universe of credit that was researched, has 91% of its audience with the same income range, and 11% of this population is below the poverty line. As for the average per capita income of the respondents who are only users of the banking correspondent, the values do not vary greatly in relation to

1 The parameter adopted for the minimum income is based on Decree No 7.492, June 2 2011, which established the Plano Brasil Sem Miséria (Brazil Without Misery Plan). A per capita household income of R$ 70.00/month represents a daily income of about R$ 2.22, which is close to the US$ 1.25/day established by the World Bank as the International Poverty Line from 2005.

the sample of credit takers according to the table presented above. Among the respondents who use only the correspondent services, we have about 6% with average per capita income of up to R$ 70.00, which indicates that banking correspondents are another means by which the poor are reached by Banco Palmas.

Considering the variable of "work", 71.57% of lobby respondents indicated they are working, a similar percentage to the credit sample (72.12%). However, when asked about formal work, we noticed a difference between the correspondent customers and the credit customers: in the first group, there are about 41% of people working informally, whereas in the second one they amount to 79%. That is, the sample of the lobby customers presents fewer respondents in informal working relationships. In addition, 71% of the lobby respondents said they did not have credit access restrictions, a proportion that is far superior to that of the credit sample, which is 41%. Finally, 45% of the correspondent customers declared they did not have debts against 13% of the credit customers that declared the same.

These differences can be attributed to the fact that the credit customers are, primarily, people who own economic enterprises, which modify the profile of employment relationships and, according to the data, indicate changes in relation to credit access restriction and indebtedness. According to the preliminary results of the Census sample (IBGE, 2010), in the Northeast, in 2010, 25% of workers did not have formal registration and 26% were self-employed. In the State of Ceará, 28% are informal workers and 25% self-employed; and, in Fortaleza, 23% are informal workers and 21% are self-employed. If we consider that the self-employed are made up, for the most part, of informal workers and enterprises, it can be inferred that, on average, more than 45% of the economically active population (work force) does not have formal work relations. In the scope of Banco Palmas and among the interviewees, we observed that the proportions of employees with informal relations in Brazil are similar to that presented for the banking correspondent sample, but in the credit sample the incidence is far broader.

In this sense, the variables of "informality at work" and "credit access restrictions" underline the importance of the access to credit promoted by Banco Palmas. As has already been pointed out, of total household respondents, about 75% indicated they are working, but only about 19% have a formal-sector job. As for credit access restrictions, according to our database, 41% of the total household sample has been "blacklisted" in credit bureaus, such as SERASA and SPC.

Informality is a structural characteristic of the Brazilian labor market, and the precariousness of small local shops and freelance jobs constitutes central aspect of the life condition for a large percentage of the population. Therefore, they cannot be considered as temporary or easily reversible conditions, according to the data previously presented. Kraychete (2012) points out that the sum of workers in precarious occupations and the unemployed ones is a total of more than 1.2 million people, which corresponds to almost 60% of the labor force.

Credit access restriction must also be placed into proper context. The reasons that may be responsible for the inclusion of names in credit protection services are diverse. There are undoubtedly those who buy and will default, those who are behind on installments, those who, motivated by unbridled consumption so instigated by the media, are deeply mired in debt. However, this amounts to a situation characterized by a lack of information, the perversity of the lenders and the management of poverty. The credit boom in Brazil in recent years via lenders, shops and credit card access has not been matched by improvement in access to good information and training of customers for using these tools, thus increasing people's indebtedness. It is not trivial to understand what compound interest means, that only making the minimum payment will result in a significant increase in the cost of the next bill, and that the total amount available is far superior to their ability to pay monthly.

Other form of indebtedness occurs through the mechanism of "I lent my name to so-and-so". In other words, making purchases using credit cards and installment plans through friends and relatives who have credit. Often, this payment is not carried out by the one who borrowed "the name" and this situation is responsible for a large number of people having their names listed as bad credit risks in the credit bureaus. It is interesting to realize that the expression refers to the lending of one's "name" and not the credit card itself, pointing to a positive moral value attached to keeping one's name "clean." As the popular expression goes: "Poor people only have their names". There are as well loans taken out by retirees on behalf of family members and acquaintances.

Indebtedness, therefore, cannot be considered only as a matter of economic behavior and lack of planning. Rather, it should be understood within a framework that appreciates the relationship among stimulus to unbridled consumption, high credit supply in conditions of limited information, lack of concern with means of including the poor in the financial world, management of poverty and need for income stabilization.

Although Banco Palmas checks credit bureaus, it uses these services more as one set of information that informs the analysis rather than as a criterion for exclusion. More important than having a bad credit record is the history of indebtedness that can signal the real reasons for such a situation. In addition, Banco Palmas creates mechanisms for building a positive credit record within the institution. If the client is receiving Bolsa Família and has a bad credit record, they will have to attend a meeting on financial education and they can pick up the so-called "seed credit" in the amount of R$ 50.00. If the payment is made, they are freed to take a credit of up to R$ 100.00. And if they pay this credit, they are able to take up to R$ 150.00 or even R$ 500.00 if they perform any productive activity. If after some time there is a need for a larger credit, the customer will access Banco Palmas' traditional credit lines. What matters is the customer's payment history in the community bank, and the resulting stimulus to the payment of debts in SERASA (a prominent credit bureau) comes from the financial education that these credit experiences provide.

Viewed in this context, both informality in the proof of income and credit access restrictions are not strictly speaking variables; on the contrary, they form a vicious circle that keeps the population in conditions of extreme precariousness.

Another important variable that gauges the access of the most vulnerable and poor population is the services to women. Historically we know that inequality is also represented in gender issues. Culturally women tend to find major difficulties of insertion in the labor market, as well as autonomy in the management and application of their incomes.

Unlike household or per capita income, which are not present in the main reports of traditional international institutions, the indicator of services to women is given high priority. In the sampling universe of credit service users, 92% were female clients of Banco Palmas. This number is high compared to the Crediamigo program, 60% of whose customers are female (BNB, 2011).

Budget: income transfer programs and credit

Data on the number of beneficiaries of income transfer programs and the average per capita income point to income instability as a major feature of the public served by Banco Palmas. This hypothesis is reinforced when 58.16% of household respondents indicate that family income is insufficient to cover monthly expenses, and about 33% had household income in the range of R$ 70.00 up to R$ 622.00. When we look at the public that uses correspondent services, 32.35% say their monthly income is insufficient. In both groups surveyed, this indicator of insufficient income is higher among those whose income is found between one-quarter and one minimum wage. Customers whose income is one to four times the minimum wage tend to report that their incomes are sufficient to cope with monthly expenses, as shown by the following table:

Average family income category (in Brazilian real and in minimum wage)	Income is enough to pay bills					
	Household			Lobby		
	% Yes	% No	Total	% Yes	% No	Total
No income	–	–	–	–	100,00	100,00
No income	–	–	–	–	–	–
From R$ 70,00 to R$155,00 (up to 1/4 of the minimum wage)	37,50	62,50	100,00	33,33	66,67	100,00
From R$155,01 to R$311,00 (from 1/4 to 1/2 of the minimum wage)	36,36	63,64	100,00	33,33	66,67	100,00
From R$311,01 to R$ 622,00 (from 1/2 to 1 minimum wage)	28,57	71,43	100,00	58,33	41,67	100,00
From R$ 622,01 to R$ 1.244,00 (from 1 to 2 times the minimum wage)	46,03	53,97	100,00	65,71	34,29	100,00
From R$ 1.244,01 to R$ 2.488,00 (from 2 to 4 times the minimum wage)	47,62	52,38	100,00	86,21	13,79	100,00
Above de R$ 2.488,01 (above 4 times the minimum wage)	100,00	–	100,00	71,43	28,57	100,00
Total	41,84	58,16	100,00	67,65	32,35	100,00

TABLE 5: Percentage of respondents who indicate sufficiency of family income to pay bills by average family income segment. / SOURCE: NESOL / Instituto Palmas, 2012.

These data corroborate the IBGE survey of family budgets, which shows that the poorest families are those that have expenses that exceed their monthly income. This gap may reach as high as a difference of 75% between expenses and income obtained (MAGALHÃES; JUNQUEIRA, 2007). In these conditions, coping mechanisms to deal with the difference between expenses and income include relatives and friends, moneylenders, credit cards, installment plans in shops and other forms of loans.

The high level of informality in employment relationships makes this population even more socially and economically vulnerable by reducing perspectives of social protection, such as severance pay, retirement benefits, sickness and disability benefits, among others. They are at the mercy of day to day events, which can push them down into even more precarious set of living conditions. According to Kraychete (2012), almost all self-employed people do not contribute to social security and have lower incomes than employed workers.

In this context of instability, receiving the benefits of income transfer programs becomes an important source of resources together with the small income derived from economic activity and small loans, if it exists. The importance of the benefit to the stability of consumption is highlighted not only by the data, but by several conversations with women beneficiaries of Bolsa Família who stressed that: "more important than the value of the resource is to know that there is a definite day to receive the money." Although the amounts are often small and insufficient to defray the cost of living, these stable payments contribute to the planning of expenses and a more efficient management of family and business budgets.

Out of the 141 door-to-door respondents who declared that they received the Bolsa Família benefit, 56% used it for food, 37% for study and education (which includes school supplies, school transportation etc.), 33% used it for paying bills (such as water, electricity, telephone and gas) and 33% spent it on their family (which includes buying clothes, transportation of children to school, purchase of medicines, etc.). About 6% used the benefit for health expenses and 7% spent it on personal hygiene, beauty and cleaning items. The elements of expense involving investment in business or enterprise (3%), payment of Palmas credit (4%) or payment of debts (6%) showed low percentages. In the case of the banking correspondent users sample, 36% of the respondents declared they received Bolsa Família; of these, 47% used the benefit for study or education, 33% invested in family, 31% in food, 17% in paying bills and 17% in health. From this total, 6% also spent with personal hygiene, beauty and cleaning items and 3% respectively with an enterprise or business and with leisure. Thus, we can see that the Bolsa Família benefit is being destined, primarily, to basic elements of the cost of living. That is, in both cases, 9 of every 10 people who received some income benefit use it for subsistence and 1 uses it for investments or debts.

Indebtedness, as pointed out above, can stem from insufficiency of income to meet monthly family expenses. Thus, several financial instruments are important to account for fluctuations in income. Of the total household respondents, 86.6% (174 respondents) pointed out they had debts. Since respondents were given multiple choices on the source of their debts, 34.56% had debts with Banco Palmas, 26.10% with shops and merchants, 16.18% with credit cards, and 8.46% responses with other commercial banks. Among lobby respondents,, about 55% reported having debts, especially with shops and merchants (42.03%), on credit cards (23.17%) and with other commercial banks (15.94%). It is important to clarify that debt means both overdue bills as well as purchases on installments and credit payments on installments.

Since there are those, in the total of respondents, who declare they would be able to cover their monthly payments with their income but are also in debt, we reduced the group of respondents to those who said they cannot cover all monthly expenses in order to analyze the hypothesis about the use of such instruments as a way to stabilize consumption. However, it is possible to affirm that there is a tenuous line between making ends meet or not due to the fragility and precariousness of people's income-generating activities.

Of the household sampling universe with debts, 90 respondents said they were unable to make ends meet, out of which, 48 were in debt to Banco Palmas. Out of this subtotal, 22 people pointed out they used the credit taken to pay off or pay down other loans, and the others used it for household spending, of which 12 did so for food, 10 for paying bills and debts, one for leisure, five on their families, two for health expenditures and two with housing upgrades or repairs. In other words, more than half used the loan for household expenses. In the case of the lobby interviews, we found that 56 were in debt (representing 54.9% of the total sample of banking correspondent). Out of this subtotal, 19 said that their income was not enough to cover their spending.

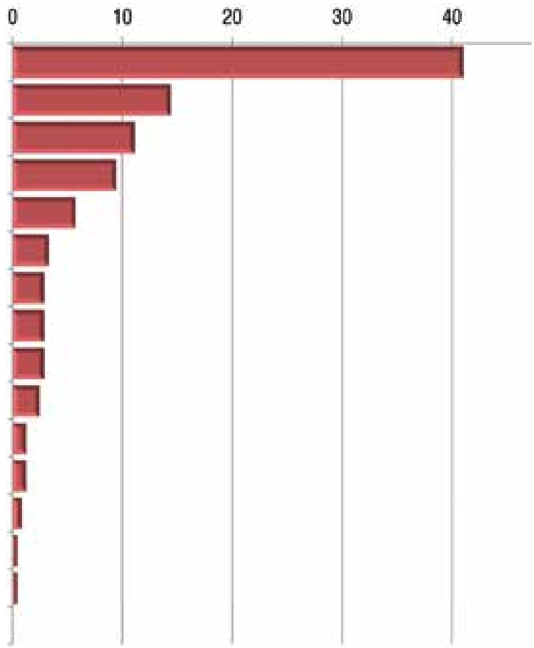
If we consider only beneficiaries of Bolsa Família, among the credit respondents, 82 were beneficiaries of Bolsa Família and were unable to meet their monthly expenses (representing 58.16% of the total of the credit customer sample of Bolsa Família beneficiaries). Among the lobby respondents, 18 were in similar conditions (representing 50% of the total of the banking correspondent sample of Bolsa Família beneficiaries).

Debt elements	Household			Lobby		
	A.N.	% Total answers	% Total sample	A.N.	% Total answers	% Total sample
Mortgage	2	0,74	1,15	1	1,45	1,79
Rent / Housing	4	1,47	2,30	1	1,45	1,79
Credit Card	44	16,18	25,29	16	23,19	28,57
Stores and commerce	71	26,10	40,80	29	42,03	51,79
Lending institutions	6	2,21	3,45	4	5,80	7,14
Family and friends	8	2,94	4,60	2	2,90	3,57
Loan sharks and their equivalent	1	1,47	0,57	1	1,45	1,79
Banco Palmas	94	34,56	54,02	0	–	–
Other commercial banks	23	8,46	13,22	11	15,94	19,64
Project / supplier	6	2,21	3,45	0	–	–
Bills	8	2,57	4,60	0	–	–
Others	5	1,10	2,87	4	5,80	7,14
Total Answers	**272**	**100,00**		**69**	**100,00**	
Total Universe with Debts	**174**		**100,00**	**56**		**100,00**

TABLE 6: Distribution of Respondents by Debt Source, in Relation to Total Answers and Total Samples. / SOURCE: NESOL / Instituto Palmas, 2012.

Regarding the use given to loans taken from Banco Palmas, for the household sample, we can infer that the results reinforce the hypothesis that the credit serves both for direct use in productive activities as well as a source of resources to help organize the family budget. When asked about the use of credit (see graph 2), where again respondents could choose more than one among a number of alternatives, 40.98% answers were that they used it for their business or enterprise, 14.34% for paying bills, 11.7% for food, approximately 5.74% for family spending, about 3.28% for studies and education, and another 12.71% for debts, burial expenses, housing, products, materials, health, leisure, among other expenses.

Use of Credit	%
Project / Business	40,98
Payment of bills	14,34
Groceries	11,07
House renovation	9,43
Family	5,74
Studies	3,28
Debts	2,87
Others	2,87
Health	2,87
Not known	2,46
Work	1,23
Housing	1,23
Leisure	0,82
Equipment	0,41
Religion	0,41
Community	–



GRAPH 2: Percentage of Palmas Credit used per Item, according to answers given by respondents from the household sample. / SOURCE: NESOL / Instituto Palmas, 2012.

There is a certain negative view among the microfinance organizations about the use of credit for activities considered as "non-productive". However, studies on the financial life of the poor population in rural and urban areas have helped reinforce the idea that considering such behavior an aberration or misguided use of resources implies not understanding the arrangements and the intrinsic relationship between domestic and productive life (MAGALHÃES; JUNQUEIRA, 2007).

Economic life and family life are intrinsically linked, so that the home is also the center of production. In this way, spending on small businesses and on home life is mixed. The separation between the resources of the family and the business is harder the smaller the enterprise is (ABRAMOVAY, 2004). With Banco Palmas users this is not different, since 83.78% of the credit customers interviewed work in local commerce or small shops, or they are hairdressers, manicurists, seamstresses or glass working artisans working in the neighborhood or, most of the time, in their homes.

By analyzing the relationship between the loan amounts and whether the borrower has an enterprise/business or not, data show that those who have a business tend to access higher credit amounts and those who do not have a business access lower amounts. Whatever the precise sums are, small amounts that may contribute to stabilize consumption do not imply large amounts of debt. Productive enterprises, on the other hand, take on higher loans as they expect to use them to increase the revenues of the enterprise. Based on these data we can appreciate the importance of Banco Palmas as a formal credit agent that contributes to the stabilization of consumption and as a financier of informal enterprises and businesses that guarantee a source of resources from a productive activity even if, sometimes, these resources are precarious and insufficient. As stated by Abramovay (2004: 38).

> it is tautological to say that the poor people need income: but it is not trivial to say they need liquidity. The assumption of this statement is that the income-generating capacity is compromised by the way they currently have access to financial resources and services which they depend on to survive. The satisfaction of these liquidity needs expands the chances of income generation and appropriation of this income (ABRAMOVAY, 2004: 38).

The stable inflows of money from income transfer programs and the access to financial services increase the recipient's capacity for financial planning and managing resources. In a time of need, access to a larger volume of resources via credit on good payment terms can minimize the instability of income and provide a better use of the resources already available. If, at first, it seems unreasonable to believe that the poor population has financial life, it is exactly because of income instability and vulnerability to unforeseen events that this population needs to multiply the financial instruments at its disposal (SINGER, 2004).

Family and the community bank: access to credit

In addition to the use of financial instruments from formal agents, family and friends appear as important informal credit agents. When credit customers were asked about the insufficiency of income and the alternatives that they find to keep control over the budget, 59% resort to friends and family, 38% resort to Banco Palmas, 39% moonlight or take on additional work and 18% fail to pay their bills. In addition, 11.5% search alternatives, such as "taking an advance on their paycheck", "buying on credit", "saving", "galego," "not resolving," "asking God", "paying by credit card", "selling food". In the case of the banking correspondent clients, about 64% resort to friends or relatives, 30% moonlight or take on additional work and 6% seek financial help in other commercial banks or finance companies.

Although the family appears as an important source of support, 29% of the credit customers interviewed who ask relatives and friends for money indicated that this request has generated some kind of conflict and embarrassment. In the sample of users only of the correspondent services, 27% said they felt embarrassed.

These data allow us to reflect on financial relationships and how they are intrinsic to the broader social relations. Abramovay (2004), in a study on the financial life of the poor, says that so-called informal finances "are, first of all, the social relations which individuals and families depend on. (...) each operation expresses relations that can mean equality, subordination, hierarchy, cooperation, exploitation (...)" (21-22).

In our interviews, we were able to see that financial relationships with loan sharks are clearly recognized as unstable and risky and most respondents exclaimed that they had never resorted to them with great relief, "thank God!". Financial relations with family can, on the one hand, ease negotiations (loans given interest-free loan, on indeterminate terms, or under flexible agreements, for example) or, on the other hand, complicate even more existing relations, creating new tensions.

The place occupied by family in the life of the poor is pivotal. It is the strongest affective bond and forms a network of support for tackling precarious public services, income instability, and unemployment generated by an economic system that has already given signs that development will not be shared among all. This support, on the one hand, reflects reciprocal relations, but on the other hand, leads families, rather than public institutions, to assume the role of mediation between the individual and society and, therefore, shapes a private symbolic reference point for understanding the world (TELLES, 1990; SARTI, 1998). It is from perspective that many times the poor the request money from a family member, for whom the borrower's lack of money is not considered to be a social condition. This lack of money may be viewed through an individualist prism as a sign of inconsequential and unnecessary spending, lack of competence or laziness to get a better job.

Some of our respondents also gave us clues of what the request to a family member or friend may involve: "family is complicated, the community bank sets a deadline to pay"; "it is more certain that I'll pay, there is a day certain"; "in the family the debt doubles"; "each one has to live up to their responsibilities"; "at the bank, if I delay I pay interest, in the family we hear complaints every day"; "the family bothers you, at the bank you take the installment"; "it is easier, it avoids conflicts"; "you have the right amount of time to pay"; "At Palmas we pay per month, with the family you have to pay per week"; "family charges more often, the bank gives you more time to pay"; "family pressures you, Banco Palmas has an invoice, a definite date"; "it is more right, you have the responsibility to pay every month."

However, there are those who express a preference for taking loans from a family member and this is because of trust and mutual help. The justifications strengthen the importance of the family as a support network, and this relationship, clearly, is not governed by the logic of economic rationality, so that it is not considered a debt because they can pay when they have are able to do so. That is what we can see by these answers: "I can pay when I am able to, and if I am not, they will wait"; "sometimes we don't need to pay"; "family does not charge".

It is interesting to realize that the phrases that characterize this relationship fit the set of answers that characterize the opposite point of view. For the first group, which has solidarity as a base, the positive argument is the absence of a deadline to pay; for the others, this is a sign of confusion. For this latter group, what differentiates the community bank from family relationships is the clarity of criteria such as the form and the date of payment, the period and the responsibility for the payment.

When we examine the main characteristics of the community bank indicated by the respondents, it is possible to observe that it reflects the ambiguous character of family relationships in relation to credit, i.e. financial relations bring clarity and formalization of the related agreements on the credit granted, but without the strict formality of conventional banks. It also brings the proximity of a known and reliable environment. It is the ability to obtain credit in a public and formal enough relationship that does not invade privacy and, at the same time, in an environment that approximates the private sphere, which is known and reliable.

If, on the one hand, respondents pointed out a healthy relationship related to the loans made by family members, the possibility of establishing a more formal credit relationship may represent the chance to build less privatized points of reference for credit. Proximity relations, thus, are pivotal for the two major forms of access to credit for the population that was studied and they are the essential basis to promote this access. Magalhães (2007), when discussing the formation of credit unions in the hinterlands of Bahia State, shows how there was some rationalization of the peasant's vision of economic life which created the foundations for the formation of these financial institutions. At the same time they were only possible due to the political culture brought by social organizations and to the construction of strong ties of mutual trust. Proximity finance, thus, is characterized by a tension between the logic of individual economic rationality and communitarian social practices.

When credit customers were asked about the possibility of choosing between Banco Palmas and other sources of funds, 125 reported they prefer Banco Palmas (62.2%) and 35 of the banking correspondent customers (34.3%) preferred Banco Palmas. When asked about the reasons for this choice, respondents of the lobby indicated the strains in family relationships (31.58%) and the ease of access (28.95%) as the main responses. Then there is the justification that Banco Palmas has better credit terms (13.16% of the responses). The reason given for 7.89% of the answers is the limited socioeconomic conditions of the family and confidence in Banco Palmas. Finally, there is the relationship of identity with the bank (5% of the total responses). Considering the credit customers interviewed in their homes who opt for Banco Palmas, the main justification is the ease of access, followed by the strains in family relationships and the flexibility in terms of payment of Banco Palmas (see tables 7 and 8).

Reasons for using credit alternatives	Household		Lobby	
	A.N.	% Total	A.N.	% Total
Limited socioeconomic situation of the family	10	7,14	3	7,89
Trust	5	3,57	3	7,89
Ease of access	63	45,00	11	28,95
Identity	7	5,00	1	2,63
There are better credit conditions	12	8,57	5	13,16
Payment terms are flexible	18	12,86	1	2,63
Tension in family relations	22	15,71	12	31,58
No information	3	2,14	2	5,26
Total	**140**	**100,00**	**38**	**100,00**

TABLE 7: Reasons for preferring Banco Palmas. / SOURCE: NESOL / Instituto Palmas, 2012.

Reasons for using credit alternatives	Household		Lobby	
	A.N.	% Total	A.N.	% Total
Limited socioeconomic situation of the family	0	–	1	1,59
Difficulty of access via Banco Palmas	2	2,63	7	11,11
Fear of running into debt	9	11,84	12	19,05
Family doesn't charge interest	11	14,47	14	22,22
Other banks offer better credit conditions	18	23,68	0	–
Solidarity in family relations	34	44,74	19	30,16
Doesn't need	0	–	4	6,35
Tension in family relations	0	–	4	6,35
No information	2	2,78	2	3,17
Total	**76**	**100,00**	**63**	**100,00**

TABLE 8: Reasons of preference for other bank. / SOURCE: NESOL / Instituto Palmas, 2012.

In the case of those who have chosen other sources of loans, 76 are credit customers and 63 are banking correspondent customers. For this group, family was indicated as the first choice by a plurality of respondents, including 44.74% of credit customers and 30.16% of banking correspondent customers. This choice was due to the existence of solidarity in family relationships, and for 22.22% and 14.47%, respectively, the lack of interest charges justified this preference.

From these data, the community bank appears as the main formal agent of credit for this population, for when it is not a first option, the family strongly assumes this function. This hypothesis can be reinforced by the responses received when they were asked about the ideal situation where there was a choice between different credit alternatives (alternatives were read by the interviewer and the answers were ranked by the respondent). In this case, Banco Palmas appears as the first choice of household respondents, and family comes in second place. For those who do not chose Banco Palmas as a first option, it appears as a second choice for most respondents both in the credit sample and in the banking correspondent sample (in this sample, family loans were chosen as first choice by the majority of respondents).

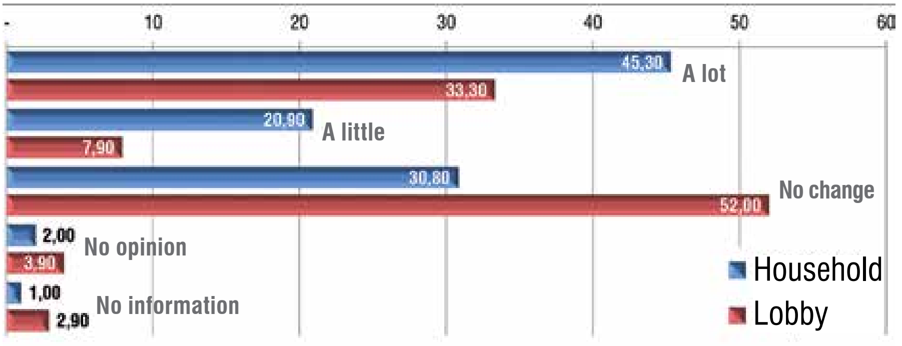
Loan Alternatives	Choice Hierarchy (% column)							
	Credit Customer				Correspondent Banking Customer			
	1st	2st	3st	4st	1st	2st	3st	4st
Banco Palmas	43,35	53,57	50,00	100,00	27,27	26,53	58,33	99,01
Family members	38,42	20,71	3,57	–	49,49	24,49	–	–
Commercial bank	5,42	14,29	14,29	–	13,13	16,33	25,00	–
Friends	8,87	10,00	14,29	–	4,04	14,29	8,33	–
Work	1,48	0,71	–	–	4,04	16,33	–	–
Loan sharks	1,48	0,71	14,29	–	1,01	-	8,33	–
Church	0,99	-	–	–	1,01	2,04	–	–
Lending institutions	–	-	3,57	–	–	–	–	0,99
Total	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**	**100,00**

TABLE 9 Main alternative credit agents ranked by percentage of credit customers and correspondent banking customers. / SOURCE: NESOL / Instituto Palmas, 2012.

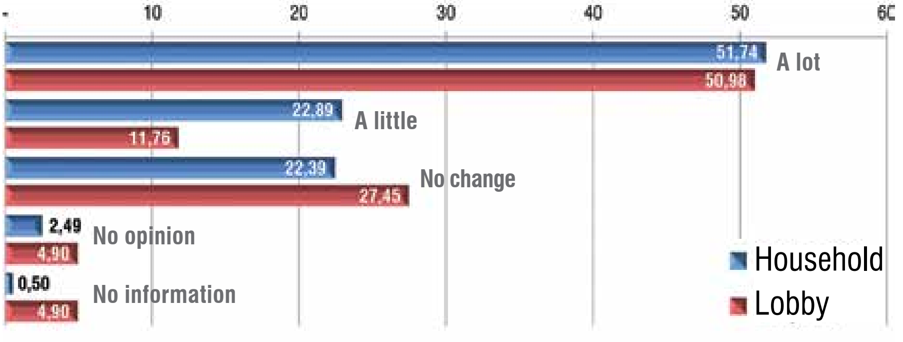
Financial security and budget organization

Access to a community bank produces changes in potential borrowers' lives that are not just economic but also psychosocial. Realizing that there is the possibility of credit for planning in the short or long term or for an unforeseen emergency helps people in the neighborhood to feel financially more secure, modifying the experience of instability and vulnerability to unforeseen events of everyday life. These dimensions could be analyzed from the topics about budget organization and financial security.

Of the total f household respondents, 51.74% indicated that Banco Palmas greatly improved their budget organization and 22.89% indicated that there has been change, even if small, in this aspect. With respect to financial security, 66.20% of respondents indicated that they feel safer in knowing they can access Banco Palmas when necessary. Of these, 45.30% indicated they feel very secure financially and 20.90% believe that the presence of Banco Palmas contributes to their security, but to a lesser degree.



GRAPH 3: Percentage of respondents who indicate an improved perception of **financial security** in relation to total interviews. / SOURCE: NESOL / Instituto Palmas, 2012.



GRAPH 4: Percentage of respondents who indicate an improved perception of **budget organization** in relation to total interviews. / SOURCE: NESOL / Instituto Palmas, 2012.

In relation to the public of banking correspondent, 41.20% said that Banco Palmas helps them feel secure with their bills, considering that 33.30% expressed they feel very secure and 7.90% stated they feel somewhat secure. In addition, among the lobby respondents, 50.98% said Banco Palmas greatly improved the organization of their budget, 11.76% believed Banco Palmas helped somewhat, 27.45% thought there was no impact and 9.8% had no opinion or did not have information.

The perception of economic security does not appear to be linked directly to the relationship with the use of the credit because, although the percentage reporting a positive impact of a relationship with Banco Palmas on this dimension is higher among the sample of clients accessing credit services, there are also a significant number of positive responses from the correspondent services sample. These data lead us to conclude that there is a social and symbolic construct in relation to Banco Palmas of protection and confidence that is shared by the whole population. This representation is based on the social function of the bank in the community and in its representation to each of the residents. It is not linked just to a representation built from the concrete use of the services of Banco Palmas. In this way, it is associated for all residents with an experience of lesser instability vis-à-vis possible life contingencies.

With respect to budget organization, the data from the two samples are similar. Considering credit customers, this perception may come from the increased resources available for monthly spending. However, in relation to the correspondent customers' sample, it is possible to suggest that this perception comes from the possibility of making payments on time both by the proximity of Banco Palmas and the accessible opening hours. This hypothesis is based on the comments of respondents when they answered on this variable: "I come several times to pay", "There is no need to put it all together and pay interest", "I can always come", "I can pay on time the invoice of the high-interest credit card."

Savings accounts

When talking about the financial life of the poor, savings account seems to be a tool beyond their reach. However, as Abramovay (2003; 2004) points out, the poor attempt to minimize income fluctuations and optimize their assets and resources, which come from both productive incomes and government income transfer programs. Thus, if savings accounts conjure up the idea of reasonable amounts saved for a long period, we saw in our interviews that the sense of putting aside small amounts for short periods ensures certain stability for an expense already forecast or even for planning for the near future.

Of the total, 35.32% of household respondents and 43.14% of lobby customers indicated that they saved some money. Among those customers who were able to save some resources, 10.45% saved up to R$ 99 and 12.75% of the banking correspondent customers indicated they saved this amount. Such savings amounts seem to be more like a way to better manage the family budget over a short period than necessarily future investments made in greater amounts. In the range between R$ 100 and R$ 399 saved per month were found 17.91% of credit customers and 21.57% of banking correspondent customers. In this range, savings could mean longer term planning. Amounts above R$ 400 were mentioned by only 5.97% of the credit customers and 7.84% of correspondent customers. Average savings capacity is around R$ 84.55 monthly for credit customers and around R$ 123.64 for correspondent customers (including those that responded they cannot save). If we exclude those who did not save, we have an average of R$ 238.36 monthly for credit customers and R$ 290.42 for banking correspondent customers.

The data show that the savings account is an important financial instrument and it is cited by a significant number of respondents. Despite the fact that the community bank does not work with savings accounts given regulatory restrictions, the discussion on how to save and the positive effects of savings for better organization of the family budget, as well as awareness-raising campaigns, can be another important educational tool of community banks. Banco Palmas has conducted financial education workshops in the communities it serves. CRAS (Social Assistance Reference Centers), local social organizations, churches and schools, in addition to the backyard of a resident's house, have been the settings for conversations among women about appropriate plans for meeting monthly expenses and strategies they use to make ends meet and reflections on other possibilities that help to better organize family budgets.

Community action and the supply of financial and banking services

Providing financial services in an educational and political process is part of the inherent mission of community banks. In this sense, the whole process of granting and providing credit is a learning moment that allows for the appropriation of financial concepts by low-income users. New knowledge can increase autonomy in decision-making and in understanding risks and the information about financial services in general, in expanding the use of various financial and banking services, and in increasing chances of access to other financial institutions.

As mentioned before, Banco Palmas increases the access to credit of the traditionally financially excluded population. In addition, it is important to look at the expansion of access, which can be analyzed from the perspective of those customers who claim to use only the community bank to carry out their transactions and those who state they have had access for the first time to any financial or banking service via Banco Palmas. The question is, how many of those, based on that relationship, have been able in turn to access other agents from the formal system.

Financial and banking services: the importance of Banco Palmas

When asked about the services that they used the most in addition to credit, credit customers indicate banking correspondent services as the most used, with 66.7% paying bills, 31.8% withdrawing benefits, 20.9% using these services for withdrawals in general and 3% for opening checking accounts. Among the banking correspondent customers, 93% say they pay bills, 31.4% use the bank for general withdrawals, 30% to withdraw income or social security benefits, and only about 1% to open checking accounts and 1% to open savings account. It is worth mentioning that these are responses given by respondents to open-ended questions, and therefore they may not have mentioned all the services they used.

Thus, the correspondent service is used by the majority of the population for payment of bills, which corroborates national data (BCB, 2011) that also indicate correspondents as the most used channel for this service.

Despite the widespread use of correspondents by the entire population, when we analyze all types of financial instruments used for payments in general, we find that there is a significant difference between classes A/B, C, and D/E (to use a nomenclature common to contemporary Brazil). According to data from Central Bank of Brazil, cash is still used by the majority of the population as the primary means of payment. However, when stratified by class, this importance varies significantly, with 57% of classes A and B (the wealthiest two segments) using cash, followed by 25% using debit card and 17% using credit. For the middle-income class C, use of cash rises to 75%, followed by 13% using credit and 12% using debt. In classes D and E, the poorest income segments, 86% indicate they use cash, followed by 8% using credit cards and 6% debit. It is clear, therefore, that the poorest are not necessarily precluded from the use of the channels in which the use of cash is possible.

In our sample, when asked about what service channel was used, 96.5% of credit customers say they use tellers, 24.88% indicated using ATMs, 5% use internet and only 1 person indicated use of cell phones. In the correspondent sample, 98% indicated the everyday use of tellers, 47% indicated using ATMs, no one indicated use of the internet and only 3 people said they used their cell phones. If we take into account that the internet is the most widely used channel in Brazil with more than 6 billion transactions[1], followed by ATMs, bank branches and correspondents, we see that there is a significant difference between different social classes.

The culture of personal relationships and the difficulty with use of new technologies signal the importance of face-to-face service channels. This importance is also visible when the financial institution seeks, through its actions, to strengthen community ties, relations of trust and, consequently, social cohesion. When respondents were asked if they tended to encounter employees outside of Banco Palmas, 45.27% of credit customers and 51.96% of correspondent customers said they did, especially in the streets. And of these, 43% of credit customers and 42% of correspondent customers indicate that this relationship changes positively the way they relate to Banco Palmas, expanding ties of trust. In other words, the fact that the workers are neighborhood residents also modifies the quality of this relationship, which, at first glance, should be instrumental in nature.

When we analyze data about the use of other banking institutions, we find that 58.7% of credit customers state they do not use another bank, and, of these, 48.3% indicate they do not need such services; 28.8% point out the distance from branches s as the reason for not using another bank; about 8% do not use other banks because they believe they do not have socioeconomic conditions for that; 8% do not feel comfortable in other banks; 2.54% of each category declare that the reasons are high interest, credit access restrictions, high rates of administration of accounts and difficulties with use of technologies; and about 4% stated they do not use other banks due to bureaucratic requirements. Among the 38.24% of the correspondent customers who said they do not use other banks besides Banco Palmas, 18.63% reported that they do not need to do so and 17% indicated that the reason is the distance from these other institutions.

1 The use of internet banking has increased 135% in recent years (BCB, 2011).

The fact that people declare they do not need other banks is evidence for understanding that Banco Palmas has managed to respond adequately to the demand of the community for financial and banking services. Moreover, the justifications for not using other banks point to challenges still posed to financial inclusion. Despite the high number of banking correspondent channels throughout the country--and the numbers indicate broad access--the distance still appears as a limiting factor. Another 16% of credit customers say that they do not have socioeconomic conditions or they do not feel at ease, reinforcing the importance of a service closer to the culture and local dynamics of this population.

Distance represents a significant increase of time spent and cost for this low-income population, since they usually get around by public transport. In addition, unstable income that they receive in different moments forces this population to make payments several times a month, adding further to transaction costs. Among the credit and banking correspondent customers, 78% and 90%, respectively, indicate they spend much less time to perform banking transactions and 62% and 79% indicate they save up to R$ 4 for each trip they save, excluding the respondents who did not report how much they save from the total. If we imagine that this population goes at least once a week to the bank, there should be a savings of R$ 16 per month. The optimum distance, therefore, is one that can be reached on foot.

The role exercised by Banco Palmas is that of a gateway to the financial system and, in addition, that of promoting a process of inclusion and financial education that allows greater autonomy of choice and use of financial and banking services. Thus, from the point of view of use of banking services, 39.30% of credit customers declared they also use services of other banks, and of these 20.24% declared they have accessed them after their first contact with Banco Palmas. In the case of the lobby respondents, 52.9% indicate they use other banks, and of these, 10% say they had it done after the contact with Banco Palmas.

Credit

With respect to the specific use of credit, of the total household respondents, 69.65% indicate that their first loan was granted by Banco Palmas. This finding points to the broadening of popular access promoted by Banco Palmas in relation to this service.

It is also important to point out that, of these, 16.43% accessed this service in other banks after the relationship with the community bank, thus underlining the role that the community bank may play as a factor in achieving access to other financial agents.

Bank accounts

All respondents, from the samples of both loan recipients as well as the banking correspondent users, were asked about whether or not they have a bank account. Among the credit customers, everyone should answer in the affirmative, since holding a checking account for deposit of credit is a condition for the granting of credit at Banco Palmas. However, 8.5% indicated they do not have an account, which indicates, in fact, that they do not use the account. Through this direct relationship between credit and holding a bank account, it is not possible to make inferences about the need for specific use of this service. However, it is possible to check the number of people who did not have an account before this relationship with the community bank since 62.7% declared they opened the account at Banco Palmas through their banking correspondents. These data show that the community bank was the gateway to the use of the bank account service via access to credit.

With regard to the data on the banking correspondent customers, it is possible to conduct a specific analysis on the use of bank accounts. Of this group, 35.29% of respondents say they do not have an account.

In comparison with the data from an IPEA study (INSTITUTE FOR APPLIED ECONOMIC RESEARCH - IPEA, 2011), carried out in 2010, in which 52.3% declared they do not have a bank account in the northeastern region, the data from Banco Palmas show a higher frequency of accounts, and may suggest some relationship between the existence of the community bank and the increase in the number of bank accounts opened.

However, to assess whether it is possible to talk about banking inclusion, we must go beyond just the number of open accounts to analyze the frequency of their use. OF the total of credit respondents, 36.41% used the account once a month or more, 26.63% never used it, 26.54% used it once every three months or once in six months or less. In addition, there are those who declared they did not have any account in this sample. However, all loan recipients must open an account so that the percentage of those who did not use it rises to 32.84%.

The data show that the use of a bank account is not part of the daily life of this population, since those who use it infrequently and those who stated the do not use it add up to more than 50%.

Among the respondents from the banking correspondent sample, 63.1% use the account once a month or more, and 20% once a week or more. In this sense, we can observe that the banking correspondent customers use their accounts more frequently. Some inferences may be warranted to understand the conditions for the increased use of the account, since the profile of this population indicates a larger number of people with formal work relations and, therefore, more stable income.

Do I have a bank account?

The following vignette from our research is revealing: At the end of a loan transaction, the customer asks the clerk if she has a checking account and how it works. The employee of Banco Palmas responds affirmatively, looking at the card, and informs the client that she could use the debit card to make purchases at the market if she had money in her account. The client gets scared, smiles and says she does not understand. Pay without money? And she says: "What do you mean, pay only with this card here?" The credit analyst reinforces that, yes, this is possible, but that it is necessary to have money in the account. She smiles again, says it is very confusing and then withdraws the Bolsa Família benefit. She leaves smiling at the strange discovery.

This is one of many examples that show that macro-level changes such as the creation of a bank account without payment of a fee and proof of income must be followed by actions at the level of everyday life. The lack of use of bank accounts can be attributable in part to the fact that money moves fast from hand to hand in this low-income population and, in part, to the various technologies involved in today's banking system being too abstract and distant from the reality of the daily lives of the low-income population.

The community: social and economic aspects

In addition to fostering participation processes, the community bank has as a main objective to boost local economies and promote community-based economic and social development. The local economy, in general, is characterized by enterprises in the commercial and services (tertiary) sector, with the streets full of small bars, grocery stores, bakeries, pastry shops, coffee shops, garages, and clothing and sundries stores. It is also common to find services like hairdressing, manicures, clothing and computer repair, electrician, bricklayer and catalog sales, like Natura and Avon. Also present are the popcorn salesmen at the school gate, the ice cream sold door to door, the snacks made by a neighbor, the motorcycle riders with the propane gas they deliver carried in the backseat.

The territory covered by Banco Palmas is no exception to the rule. As already described, of the total household respondents, 75.12% declared they were working, and, of these, 52% declared they have a business or enterprise and, of these, 95.2% claimed to be based in their own neighborhood, that is, they make up the local economy. Among those interviewed in the lobby sample, 71.57% were working. Pf these, 17.65% declared having a business or enterprise, and, of this group, 88.89% worked in the neighborhood. The difference between the household and the lobby survey respondents reflects that the fact that loan recipients, in most cases, access credit due to the existence of an enterprise or business and therefore the number is higher.

When we look at the types of activities of the enterprises, we have mainly popular and medium occupational categories. Among credit customers, approximately 34% declared having an enterprise or business related to sales and 29% related to trade, followed by 14% working with sewing. Still within this universe, 5% declared they work with hairdressing and 3% that have manicure businesses. Among the lobby customers, 50% declared they had enterprises in trade, 28% in sales and 11% in manicure. In addition to these, 6% of the correspondent clients declared having a hairdresser business and 6% a work with sewing. It is worth remembering that they are both formal and informal enterprises and, within the sales business, they are mainly from resale of clothes and cosmetics or beauty products.

Field of business (empreendimentos ou negócios)	Household		Lobby	
	A.N.	% Total	A.N.	% Total
Handcrafts	3	2,88	0	–
Hairdressing	5	4,81	1	5,56
Commerce	30	28,85	9	50,00
Sewing	14	13,46	1	5,56
Manicure	3	2,88	2	11,11
Sales	35	33,65	5	27,78
Cleaning products	2	1,92	0	–
Shipping, poultry, IT, laundry services, recycling, locksmiths, Avon supervisor, street vendor	8	7,69	0	–
Maintenance	0	–	1	5,56
No information	4	3,85	0	–
Total	**104**	**100,00**	**18**	**100,00**

TABLE 10: Distribution of projects/business by field of business. / Source: NESOL / Instituto Palmas, 2012.

Kraychete (2000; 2008), in his analysis of what he calls "economy of working class sectors," argues that initiatives that are part of this economy have as their main function generating resources to get by in life, and that these initiatives do not follow an economic rationality; rather, they are governed mainly by the principle of inclusion of community members. Thus, it is possible to distinguish them from capitalist production, as stated by the author (KRAYCHETE, 2008): "The efficiency of this economy of working class sectors cannot be measured by the ability of its members to transform themselves into small business people, but by their ability to ensure jobs and generate some income for a large number of people".

Thus, community banks can be understood as an articulating agent of actions that contribute to the construction of an enabling environment for these enterprises can develop, in addition to an agent that thinks and acts locally in this sense. Precariousness and informality are structuring characteristics of the local economy and, if they are to be overcome, this depends on a set of actions that join local actions to other economic contributions coming from outside the local economy (KRAYCHETE, 2012). Informality characterizes 83 enterprises among credit customers and a total of 104 enterprises or businesses. In the case of the banking correspondent customers, out of a total of 18 business endeavors, only one is formalized. Despite the weaknesses of the enterprises and the circumscribed action of the community bank, credit appears as a variable that can contribute to reverse this situation, since 39% indicated that credit contributed to formalization of their businesses.

The durability of the enterprises reveals a paradoxical situation, since one to three years is the average age of the largest share of credit customers' enterprises (42.32%) and, among the banking correspondent customers, it represents 27.78%. If, on the one hand, this average age demonstrates that these activities are permanent and are not characterized as mere moonlighting or odd jobs, on the other hand it can also indicate the fragility of these activities and their susceptibility to closure in a short period of time.

When we analyze incentives to the new initiatives in this sector, 29% of the credit customers declared they had started their business project due to loans.

Poor revenue generation is also an important characteristic of these businesses. If we look at the incomes obtained from the enterprises, 34% make up to R$ 200 monthly, of which 11.5% make up to R$ 99. The incomes reported by the banking correspondent customers point out that 38.89% earn from

R$ 100 to R$ 200 from their businesses. These are amounts which, clearly, are part of the composition of the family budget and are not the sole source of income. Thus, when analyzing whether there has been an increase in the revenue generated by the enterprise or not, there is also the perception of increased overall family income and of how the enterprise can cope with everyday expenses.

Despite the low incomes reported from respondents' businesses, the data point to an improvement in the income of the businesses over time. Among all respondents, 62.75% of credit customers and 55.55% of banking correspondent customers indicated they had increased revenue in the previous year, while among the credit customers, 78% indicated the loan received was of the factors that motivated this increase. As family income and business income are, in general, inseparable, they were also asked about the increase of income, and 71% of credit customers and 72% of the lobby customers indicated that their income had increased in the previous year.

These data do not allow us to say that there is a relationship of cause and effect; however, in the residents' perception, there is an improvement in economic conditions both for their enterprises and in their lives.

It is interesting to note that 99% of the credit respondents indicated that Banco Palmas contributed to improving their living conditions, with 45.9% stating that there has been improvement in their access to financial and banking services, and 27.44% stating that there has been improvement due to the expansion of job opportunities, enterprises and businesses. In addition, we highlight the cited increases in education and training (7.52% of respondents indicated this change), in financial security (2.63%), in health (2.63%), in the development of the community as a whole (2.26%) and improvements in housing (3.38%). In the case of the banking correspondent customers, 93% believed that Banco Palmas has improved their quality of life, especially in access to financial and banking services (96.8%), followed by job opportunities (5.35%) and education and training (7.4%).

There is a significant difference between loan recipients and banking correspondent customers regarding the importance given to job opportunities. For the correspondent customers, the job opportunity does not appear among the most notable dimensions, since an improvement in living conditions are observed from concrete changes on a daily basis and from a direct effect of these changes on everyday life. By contrast, for credit borrowers, job opportunities can have a direct effect on the improvement of existing enterprises or the beginning of an economic activity due to access to credit and, therefore, these opportunities appear as the second most frequent response for this group.

When asked about the effects of the actions of Banco Palmas on the improvement of the community, 91.5% of household respondents indicated that the community has improved, and this improvement was mainly evident in access to financial and banking services (45%) and in job opportunities (29%), followed by education and training (18%). Among the lobby respondents, 99% indicated some sort of improvement, and the relationship between financial and banking services (46.5%) and job opportunities (36%) were also pointed to as the main improvements, followed by opportunities for education and training (18%) and community activities (17%). Here, apart from improvements in one's own life, to the correspondent clients, the actions of Banco Palmas also have effects on other dimensions, reaffirming the recognition of the impacts of Banco Palmas beyond the provision of financial and banking services, i.e., in shaping the development of the territory as a whole.

Job opportunities

The enterprises surveyed correspond to a total of 288 jobs supported in the household interviews, and, among these, we found 18 young employees (6.25% of total jobs). In the previous year, these enterprises accounted for 83 new jobs, representing about 29% of the total jobs held by youth. It is also worth mentioning that 139 jobs have been maintained since the beginning of the enterprises, representing approximately 48% of the total, while 127 were jobs that had been in existence for at least one year. The 18 enterprises identified in the banking correspondent interviews added up to a total of 23 jobs. Of these, eight had existed for more than one year and ten posts were in existence since the creation of the business or enterprise. None of them indicated employing young people between 18 and 24 years old. In the previous year, these enterprises had not created new jobs.

These data point to the importance of small local enterprises in the maintenance and creation of jobs, as well as indicating the economic development of the territory.

Another type of data pointing to the weakness or strength of these projects and their relative importance to the local economic dynamics is their level of investment. Of the total, 42.3% of credit customers indicated they invested in enterprises in the previous year. Among these, 84% have invested in materials, 22.7% have invested in equipment and 16% have invested in space, structure and infrastructure. Among the 55.55% of the banking correspondent customers who declared having made investments, they have invested especially in the acquisition of equipment (22.22%), in renovation (22.22%), in house improvements (5.56%) and in advertising (5.56%).

Consumption in the neighborhood

The creation of a social currency aims to boost the local economy by trying to inject more liquidity into a territory with a money shortage. By injecting a certain amount of social currency=y, there will be an increase in the possibility of trading goods and products in that territory. However, social currency also serves as an important instrument for mobilization and awareness, so that not only does its literal use promote increase of in-neighborhood consumption, but also the symbolism embedded in the currency that serves as a focal point for educational campaigns can change the habits of the community and increase the potential of consumption that takes place locally. From this perspective, with changes in the consumer habits of the community over time, the population can minimize the use of social currency without resulting in a decrease in local consumption. This is one of the possible explanations for the data presented in this research. In Conjunto Palmeira, less than 20% of those interviewed declared they use the social currency, although 98% of credit respondents affirmed they do their shopping in the neighborhood; of these respondents, 99% buy food, 93% buy personal hygiene and beauty items, 61% buy clothes, 95% buy cleaning materials and 82% buy medicines.

In the case of the banking correspondent users, 95% indicate they buy in the neighborhood, especially food (95% of the total sample) and cleaning materials (90.2%), followed by personal hygiene and beauty items (89%), clothes (55%) and medicines (57%). If we compare these figures with the data on consumption and production mappings produced by Banco Palmas in 1997, 2002, 2008 and 2009 (FRANÇA FILHO, 2012), we find that, in relation to 1997, there was a significant increase in local consumption, since, at the time, only 20% of the population said they consume in the neighborhood. When we analyze the data of 2008 and 2009, which indicate 90% of consumption is local, it appears there was a stabilization of consumption in recent years, confirmed by current data, according to which 98% indicated doing their shopping in the neighborhood.

Still concerning local consumption, 33% of enterprises run by credit customers stated they bought raw materials in their own neighborhood. Local shopping in the various stages of the production chain strengthens economic relations between the residents of the community and contributes to the establishment of local economic networks. This strengthens local economic development, which extends the networks' long-term sustainability.

Participation: community action and financial and banking services

An important difference between the community bank and other microfinance institutions is its focus on the territory of which it is part, understanding that the conditions for overcoming poverty have a structural character and rely on integrated actions that promote development of the community as a whole. The financial tools are articulated with sales strategies such as fairs and solidarity shops, and to training courses, expanding local capabilities to promote work and income. Development here involves, therefore, improvement of living conditions, access to jobs, goods and services as well as changes in the quality of social relations. Development is strengthened with participation and meeting spaces, such as community meetings and events. In the community bank, the provision of financial and banking services reinforces an alternative way of running the economy and the construction of ties of trust. It aims, therefore, at strengthening collective practices and affirming economic dynamics aiming at ensuring the production, in the broad sense, of life. More important than any one of the individual actions is how they are interlinked with each other and with local economic and social dynamics.

In this sense, when we examine Banco Palmas' activities, we have to take into account both the provision of financial and banking services as well as initiatives in a more educational, social and communitarian sense. Thus, for the analysis of data on use and knowledge of the actions of Banco Palmas, there was a division between social actions (training activities, meetings and lectures, fairs, social currency, home visits) and financial and banking services (credit, banking correspondent services, account opening, microinsurance).

When asked about their knowledge about the services and activities of Banco Palmas, whether financial and banking services or community actions, 57.21% of total credit customers declared they were familiar with the social actions promoted by Banco Palmas, of which 47.76% declared they are aware of the courses and training offered, 19.9% know about the Palmas currency and 12.44% are familiar with Projeto Elas. Among lobby respondents, 52% declared they know about the bank's social activities, of which 39.44% are familiar with the courses it offers, 26.47% know about the palmas currency, 20.59% know of the solidarity fairs, 12.75% have heard about the lectures, and 5% know about cultural activities and the solidarity shop.

When asked about which Banco Palmas services they use, financial services accounted for more than 70% for the two samples. With respect to social activities, 31% of credit customers declare they participate, with 9.45% taking part in training sessions, 6.97% participating in fairs and 7.96% being beneficiaries of Projeto Elas.

In both groups of the sample, the greater use of financial and banking services was clear. However, the social actions of Banco Palmas were also familiar to the customers. It may be observed that, although the community primarily uses financial and banking services, there was the recognition of the social nature of the bank. Moreover, this joining of financial and banking services with social actions and the importance of community or social activities offered by the community bank may take on a symbolic value in describing the mission of the bank even for those who do not participate in the community and social activities.

The data gathered from the question in which respondents were asked to confirm or not some statements about their perception of Banco Palmas reinforced the social value they placed on the institution. For 91% of correspondent customers and 92% of credit customers, Banco Palmas is considered a source of new information and learning; 88% of correspondent customers and 86% of credit customers agreed that it is a place to discuss community issues and for 98% of both samples it is a place that helps people.

The recognition of the social actions performed by Banco Palmas already signals a representation that integrates the economic and financial dimension with the social dimension. This representation is the basis of social legitimacy of the institution in the community.

The way and conditions under which financial services are provided also seem to be important elements that are part of this social construct of the bank. For credit customers, when asked about Banco Palmas' difference in relation to commercial banks, from open-ended answers good service appears first in the responses. However, about 23% characterized such access as having an inclusive character. The answers confirm the representation of the institution as having a political and social character in the fight for the reduction of inequality in the community: “it is for us, for the community”, “the bank is open to the community and the needy community”, “opportunities that are given to people”, “they help people who are less able”, “it is not for rich people”, “they give us individual and collective help”, “they lend money easily to low-income people”, “they analyze people’s problems,” “opportunity,” “they care about people in the neighborhood. “ For the banking correspondent customers, the actions of community development are the ones that more strongly differentiate Banco Palmas from other commercial banks, highlighting its social character as the main response given by 29.4% of the total of respondents.

For the community bank, recognition and social legitimacy have great importance, because the basis for trust in loan provision is generated within the framework of the social legitimacy of the community bank and not based on the collective credit guarantee itself, as in the solidarity group model of microfinance. When the community bank builds on the dimension of the confidence that is implicit in the definition of credit, with criteria for granting credit without real requirements and using the networks of proximity and neighborhood relations, it embeds an economic act in social relations as opposed to perpetuating a dichotomous view between the economy and the social world. The provision of financial and banking services can be thought of, then, not only through its economic function, but as part of a process of interaction between the agents involved (ABRAMOVAY, 2004; FRANÇA FILHO, 2003).

Participation in community activities

In this section, we analyze the various measures that strengthen the feeling of belonging and identity that weave the web of participation. These dimensions are difficult to analyze as they are part of the field of psychosocial and intersubjective phenomena, but are experienced individually. Thus, these issues have been addressed in different ways throughout the questionnaire. Financial security, as discussed above, demonstrated the social representation that exists of Banco Palmas among community residents and how this representation help lessen their experience of unpredictability. Bank customers’ familiarity with its social actions and the main characteristics they identified as the differences between this community bank and commercial banks also revealed evidence of the representations of Banco Palmas current among residents and the basis of the institution’s social legitimacy.

In addition to the recognition of the bank's social and community nature, we tried to examine clients' direct participation in community activities. When asked about their participation in these activities, we noted that 52% of the correspondent clients and 22% of the credit clients declare they participate in community activities and the most oft-cited activity is attendance at church with 37.2% and 8.5% attending respectively.

When inquired about the participation in activities promoted by Banco Palmas, about 45% of the customers in the two samples declare that they participate, with 6% and 19%, respectively, saying they always take part, 23% from the two samples participating sometimes and 16% rarely. When asked about the solidarity fairs, 24% of credit customers and 41% of banking correspondent customers indicate they participate. We can thus see that Banco Palmas diversifies the spaces for coexistence and participation of the residents.

Analyzing the importance of Banco Palmas both for the promotion of collective spaces and the stimulus to this participation, 59% of credit customers and 61% of banking correspondent customers indicate that their involvement with Banco Palmas expanded their participation in and involvement with the community. When asked about Banco Palmas being a space where they could participate, 87% and 94% responded positively, respectively, and, for 84% and 79% of the respondents, it is a place with which they identify.

Another element in this process of construction of the social representation of Banco Palmas and its relationship with the identity of the community and the residents is the image that Banco Palmas has outside the community. The research on the bank's first ten years and the impact of the image of Banco Palmas (SILVA JR., 2008) already underlined the positive recognition achieved by the community bank. In our research, the actions of Banco Palmas and its presence in the territory have improved the image of the community for 96% of credit customers and 94% of correspondent customers; many pointed out the fact that it appeared in news articles and television programs, emphasizing that in these cases there is a contrast to the image of poverty and occurrence of violence commonly portrayed in relation to these neighborhoods, showing the positive capabilities and qualities that exist in the neighborhood.

Training courses: new knowledge and spaces of encounter

The educational dimension is part of the strategy of community banks. In addition to the training that takes place in everyday life on the use of the financial and banking services, there are also professional training courses, in general, focusing on the female audience. These spaces contribute to improving the knowledge of participants and to promoting a collective space for coexistence and participation.

Among household respondents, 16% or 32 respondents participated in courses and training sessions offered and promoted by Banco Palmas, with the greatest participation in courses on sewing and cooking, with 100% female participation. Of these respondents, 87.5% (28) stated that participation in these training courses extended their knowledge about Banco Palmas. But when questioned if this contact had changed the use of other services of Banco Palmas, about 28% indicated that the courses had allowed the use of other financial and banking services, mainly paying bills (12.5%), opening accounts (9.4%), other credit products (18.8%) and microinsurance (9.4%).

In relation to aspects of life that have changed by attending the courses, 82.8% understood that the course had improved some aspect of their lives, mainly expansion of knowledge (53%), employment opportunities (34%), business opportunities and business understanding (25%), autonomy (22%), income (19%), budget organization (16%), family relationships (16%), community relationships (16%), self-esteem (16%), leisure (12.5%), health (12.5%) and family planning (12.5%).

These data enable us to we see that the courses are important as learning and participation spaces. In a focus group, with participating women from the courses offered within Projeto Elas, one of the women, when asked about the improvements that the course had promoted in her life responded: "we are now on the map". This seems to be an important indication that the courses promote a collective experience and allow a distinctive experience of public space from others that participants may have experienced.

Another interesting point is to analyze this area also from the perspective of the process of financial and banking inclusion, as greater knowledge of financial and banking services and, therefore, a more knowledgeable and autonomous use of these instruments may ensure.

THE MAIN RESULTS OF BANCO PALMAS' WORK

Banco Palmas is an important formal credit agent in services to the lower-income public, with 78% of its credit customers and 35% of banking correspondent customers as beneficiaries of Bolsa Família. For the income variable, 90% of credit customers have an average per capita income of less than one minimum wage, and of these, 11% have income below R$ 70 (i.e., below the poverty line). In the case of the correspondent customers, 87.3% have an average per capita income of up to one minimum wage and 6% an average per capita income below the poverty line.

When serving this population that, in general, dose not earn enough to cover monthly expenses for the simple reproduction of family life, Banco Palmas appears as an important institution in the provision of financial services that contribute to the temporary stabilization of consumption. The credit offered, allied to Bolsa Família, produces a more certain and frequent inflow of stable income, enabling low-income residents to increase their liquidity and capitalize on their resources.

This access also has consequences for the psychosocial aspect of poverty, such as feelings of the unpredictability of life and financial insecurity. Of the total, 75% of household respondents indicated they could better organize their budgets and enjoy a greater sense of financial security, as pointed out by 66% of these respondents. In the case of the lobby sample, 41.26% believed that the existence of Banco Palmas made them feel more secure and 62.74% believed Banco Palmas had helped them in organization of their budgets.

Regarding the use of informal credit agents, Banco Palmas is an important alternative that can help break informal financial relationships, which often represents tensions in personal relationships, given that 53.57% of loan recipients chose Banco Palmas as the first option compared to other formal and informal agents.

In addition, Banco Palmas performs other actions to boost local economies and to promote the development of the community. Fifty-two percent of respondents claimed to have a business, 95.2% of which were located in the neighborhood. These are mostly informal enterprises, working mainly with sales or trade . Among the credit customers who had a business, 29% stated they had started the business due to the credit offered by Banco Palmas, corroborating its direct involvement in promoting the local economy.

The bank's integrated social actions for community development, in addition to its financial services, were recognized by 57.21% of credit customers and by 52% of lobby customers. In general, the effects of Banco Palmas' actions in terms of improving the community and the lives of its customers are perceived by the vast majority of respondents.

Regarding the community itself, 91.5% of credit customers and 99% of lobby customers mention improvements, especially in terms of access to financial and banking services, job opportunities and education and training. As for the improvement of living conditions, 99% of credit customers and 93% of lobby customers indicate improvement has occurred, with access to financial and banking services the main reason for both (45.9% and 96.8% respectively). For credit customers, job opportunities are also an important reason.

5. Final considerations

The aim of this book was to present the results of Banco Palmas' activities from the main axes of the indicator framework for monitoring and evaluating proposed for community banks. Although it was not the main focus of this study, it was also possible to start a process of evaluation of the indicators framework themselves, both from the point of view of the relevance of the indicators as well as the possibility of measuring the proposed dimensions.

Banco Palmas operates in an integrated way in its territory, as reflected in the results obtained through our research. Observing these results in light of the proposed axes in the framework and their respective macro indicators and indicators, we see that the research included them to a considerable extent, yielding significant points for further analysis as presented in the summary table.

On the axis of socioeconomic development, it was possible to analyze the results related to the majority of macro indicators. The service profile, considering the beneficiaries of income transfer programs, the population below the poverty line and the coverage of women have been evaluated directly. The means of granting credit and the flexibility manifest therein were manifest in the responses about Banco Palmas' differences vis-à-vis other banks. These data were easy to collect and contribute greatly to assessing the public profile of the population that was reached and identifying what the factors that contribute to effective access are.

As to the macro indicators linked to territorial development, we have been able to assess the local consumption of both residents and local enterprises. In addition, the increase in revenue and income and the stabilization of jobs could also be observed, and the data obtained are important dimensions of analysis. Financial security and budget organization also appeared as important dimensions to analyze the effects of the bank's activities from an economic and social point of view. As discussed previously, the psychosocial effects of Banco Palmas are connected to the construction of the social representation of the bank and its recognition within the community as providing the basis for the strengthening of relations of trust and community between the residents and Banco Palmas. For reflection on the role of Banco Palmas as a key agent in the creation and promotion of collective spaces of coexistence and participation, it is important to examine the actions promoted by Banco Palmas and the possible effects on increasing the community and collective experience of residents as well as their participation.

With respect to the axis of the development of capabilities, although the number of respondents who had attended courses and training sessions was not high, we saw that training and capacity-building actions can also be analyzed from a social point of view as a space to build new skills and psychosocial development. The importance of these spaces for the improvement of knowledge and access to financial services also constitute powerful analytical dimensions. It seems to us that a specific research project with this audience can bring more evidence to reflect on the importance of training both on the economic and financial aspects as well as in its social aspects.

The larger proposed analysis, on the one hand, took an institutional perceptive while , on the other hand, also observing processes through the prism of the perception and experience of residents. As this study discussed in depth only the survey conducted with the residents and participants of Banco Palmas, there has not yet been an evaluation of the proposed dimensions for institutional analysis. Thus, the institutional performance axis was not contemplated in the present study.

Based on the results presented, the importance of this research becomes clear. Because the study focused on territories where community banks operated, pointing out the important effects of community banking as a strategy, it revealed how, beyond the financial and banking results, community banks contributes to the strengthening of local initiatives. Beyond that, the research underlined the challenges faced and the and the need to join together and integrate various activities for the promotion of a development that is more rooted in local dynamics and in the search for more fair and egalitarian relationships.

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