

# **Participation in Economic Advancement: The Experience of the Brazilian Network of Community Banks (BNCB)**

**Gabriel De Sousa Aragao with  
Asier Ansorena**

**February 2020**

**Citation** De Sousa Aragao, G. with Ansorena, A. (2019) *Participation in Economic Advancement: The Experience of the Brazilian Network of Community Banks (BNCB)*, Brighton: IDS

**Authors** Gabriel De Sousa Aragao with Asier Ansorena

**Published** February 2020

The Institute of Development Studies (IDS) and Authors cannot be held responsible for errors or any consequences arising from the use of information contained in this report. The views and opinions expressed do not necessarily reflect those of IDS and the Authors.

**ISBN** 978-1-78118-597-1

 Except where otherwise stated, this is an Open Access case study distributed under the terms of the Creative Commons Attribution Non Commercial 4.0 International licence (CC BY-NC), which permits use, distribution and reproduction in any medium, provided the original authors and source are credited, any modifications or adaptations are indicated, and the work is not used for commercial purposes.  
<http://creativecommons.org/licenses/by-nc/4.0/legalcode>

**Copyright** © Institute of Development Studies 2020.

**Funding** Supported by a grant from the Open Society Foundations.

This case study forms part of the collection of materials produced for the 'Linking Participation and Economic Advancement' project led by the Institute of Development Studies and funded by a grant from the Open Society Foundations. This research project recognises that economic processes impact the lives and livelihoods of people who frequently have little or no power in these processes. Through this research we identify alternatives: ways that communities, governments and enterprises are making economic decisions in which 'ordinary' people have a real voice. The aim of this research is to build an evidence base of these alternatives in order to explore the question: What constitutes meaningful participation in economic advancement?

## Summary

This case study was designed to investigate how people in poor communities in Brazil are taking action to improve their local economies and how participation is important to achieve that. In a context of economic marginalisation and limited access to infrastructure and public goods, local movements have risen in which residents organise themselves to discuss major community issues and try to find a solution together. The experience of Banco Palmas, the first Brazilian Community Development Bank (CDB), inspired the spread of this model across the country and resulted in the creation of the Brazilian Network of Community Banks (BNCB). By definition, CDBs are grass-root initiatives developed and managed by the community, working for the community, based on solidarity economy principles. The purpose of the BNCB is to exchange experiences, advocate for solidarity economy, articulate policies and partnerships, and to support the creation of new CDBs. Building from the experience of Banco Palmas, this study endeavours to understand the role of participation as a fundamental component of CDBs, and how it has been encouraged and promoted by the BNCB. The findings are based on a series of interviews with CDB representatives, the BNCB, the Brazilian government and other experts working in this area, as well as a comparison of the experiences of three CDBs: Banco Estrutural, Banco Mumbuca and Banco Palmas itself to understand the relevance of community engagement and ownership over the banks, as well as the significance of external partners for their survival. While the BNCB has become a national reference for establishing new CDBs based on participation, other factors including the origins of the CDBs, the effectiveness of their communication, their ability to reach beyond an activist base and their financial sustainability strategy are key to CDBs enabling participation.

## Contents

Summary	iii
<b>1 Introduction</b>	<b>1</b>
<b>2 Banco Palmas and the origins of the BNCB</b>	<b>5</b>
<b>2.1 Origins of the BNCB</b>	<b>5</b>
<b>3 Participation</b>	<b>6</b>
<b>3.1 Levels of community participation</b>	<b>7</b>
<b>3.2 Mechanisms of participation</b>	<b>9</b>
<b>3.3 The experience of participation in three member banks</b>	<b>11</b>
<b>3.3.1 Banco Palmas</b>	<b>11</b>
<b>3.3.2 Banco Estrutural</b>	<b>11</b>
<b>3.3.3 Banco Mumbuca</b>	<b>12</b>
<b>4 The impact of Community Development Banks</b>	<b>15</b>
<b>5 Conclusions</b>	<b>16</b>
<b>Annexe 1 Interviewees</b>	<b>19</b>
<b>Annexe 2 Community Development Banks Terms of Reference</b>	<b>20</b>
<b>References</b>	<b>22</b>

### Boxes, figures and tables

<b>Box 1 Main features of a Community Development Bank</b>	<b>5</b>
<b>Box 2 E-dinheiro: a platform for community banks</b>	<b>14</b>

**Figure 1** Typical administrative structure of a Community Development Bank 9

<b>Table 1 Level of community engagement in Banco Palmas, Mumbuca and Estrutural</b>	<b>13</b>
<b>Table 2 Residents' perspective on how Banco Palmas has improved their lives</b>	<b>15</b>

## 1 Introduction

Following one of its meetings to discuss community problems and potential solutions, the residents' association of Conjunto Palmeiras, a poor neighbourhood on the outskirts of Fortaleza, Brazil, decided to establish a microcredit bank. The bank would lend money to producers and consumers in a local currency, in order to encourage wealth circulation in the area. The concept was an outcome of a survey conducted in the neighbourhood, which revealed that most of the residents' earnings were being spent outside the community, and could be used to enhance the local economy if purchases were made locally. The initiative, better described below, flourished and it inspired a model known as the Community Development Bank (CDB) to emerge around the country. Subsequently, the Brazilian Network of Community Banks (BNCB) was established.

Under the subject of 'Participation in Economic Advancement', this case study explores a grass-roots movement of people working on solutions for local poverty. Based on BNCB's experience, this research investigates how the BNCB enables economic activity that better serves community goals, and how lessons from this experience inform understanding of meaningful participation in economic advancement. It asks:

- How do community banks in Brazil seek to influence or shape the local economy/economic processes that affect citizens? What is the role of citizens in setting and achieving these priorities?
- How have local economies changed since the community banks were set up? What contribution have the banks made to these changes, and what other factors have affected them?
- What role does the BNCB play in supporting or enabling community banks in these processes? What are the key mechanisms, tools and processes?
- What are the main constraints or challenges to participation in economic advancement, and have these been addressed? If so, how?

The key concepts used in this case study are participation, solidarity economy and economic advancement. According to the Brazil Ministry of the Economy, in the solidarity economy workers are collectively organised and are at the same time the businesses' owners. They make decisions on how to manage the business, distribute functions and share the results, relying on principles of cooperation, self-management, economic action and solidarity (ME 2015).



Ecosol Public Hearing, 2010.

Photo credit: © Lumo Coletivo, CC BY 2.0.

Economic advancement is understood as economic activities that better serve societal goals, improving socioeconomic conditions of a given community. Lastly, participation refers to 'organised efforts to increase control over resources and regulative institutions in given social situations, on the part of groups and movements hitherto excluded from such control' (Stiefel and Wolfe 1994: 5).

In order to address the research questions, the case study is organised in five sections, including the current introduction (Section 1). Section 2 describes how Banco Palmas, the first Brazilian CDB, was created and how its prominent model inspired other community banks to emerge, resulting in the launch of the BNCCB. Section 3 explores the importance of community engagement in the creation of a CDB, exemplifying how different levels of participation influence community banks' sustainability (or survival). It compares the cases of Banco Palmas, Banco Estrutural and Banco Mumbuca in order to understand that influence. Understanding mechanisms of participation are a key part of Section 3. Section 4 is a review of the impact of CDBs in the life of the communities in which they operate. Section 5 concludes the work by identifying key success factors and some challenges faced by the BNCCB and relevant lessons for the future.

## **2 Banco Palmas and the origins of the BNCCB**

Banco Palmas, the first CDB, was established in 1998 by ASMOCONP, the Residents' Association of Conjunto Palmeiras, a poor community in the outskirts of the city of Fortaleza in northeastern Brazil. However, its history of community mobilisation goes back long before. In the 1970s, Conjunto Palmeiras was a fishing community favourably located near Fortaleza's downtown and commercial area. However, real estate pressure, urbanisation and a tourism project prompted the local government to move the poor community away from the coastal line and send its inhabitants to a swampy area 22km from the city. The dictatorship that had ruled since 1964 offered no opportunity for dissent. The residents then built their new dwellings without government support, meaning that besides living distant from schools, jobs and public services, they had to deal with the absence of infrastructure – water, sanitation, electricity (Jayo, Pozzebon and Diniz 2008).

In 1981, local leaders supported by national and local organisations founded ASMOCONP – a space for discussion of problems and solutions. During this time, the country was still under dictatorship (1964–85) and social movements and activism were dangerous enterprises. Only with the country's re-democratisation could ASMOCONP finally raise its voice and demand infrastructure and social improvements from the government. Water and electricity were the first achievements in the late 1980s, but sanitation and asphalt only came in the 1990s (Mathie *et al.* 2017). Despite government interventions in infrastructure, poor socioeconomic conditions persisted. In an attempt to understand the causes of poverty in the community, in 1997 ASMOCONP conducted an informal consultation in the neighbourhood, which pointed to high unemployment rates and precarious work conditions as widespread issues. Moreover, it found that 90 per cent of the families lived on less than two minimum wages per month (R\$240.00, or US\$218.88 /month). Most (75 per cent) of the adults were illiterate and 1,200 children within school age were not in school. Additionally, many residents were leaving their houses because they could not afford to pay the bills that came with urbanisation, such as water, electricity and property taxes (Jayo *et al.* 2008).



Front view of Banco Palmas.

Photo credit: © Wikimedia Commons/Pmorizio, CC BY-SA 3.0.

Another census was conducted to map community spending and residents' consumption. Young people were mobilised to carry out an extensive residential (door-to-door) survey (Jayo *et al.* 2008). The result was surprising. The mapping revealed that families together spent an average of R\$1.2m a month (US\$1m in 1998) on general shopping, but most of it (80 per cent of expenditures) was made outside the community. That meant that many of the resources that could have been used to support the local economy were flowing out of the community, mostly to commercial centres in Fortaleza. In addition, local entrepreneurs were excluded from traditional credit lines offered by commercial (and even public) banks due to the burdens inherent in complying with formal requirements, rendering it very difficult to set up their businesses. Whilst the low level of local purchasing (only 20 per cent) was discouraging, the lack of resources and credit lines also inhibited new local businesses from emerging. Conclusively, the fact was that the 32,000 residents of Conjunto Palmeiras were not completely poor, but the community itself became poor due to the external spending that undermined the local economy (França Filho, Silva Júnior and Rigo 2012).

Relying on the results of the consultations, ASMOCONP began a series of discussions with residents, community leaders, merchants and producers to find solutions to address the issue. They sought to encourage families to keep their spending inside the community whilst finding a way of stimulating the local market, generating business opportunities and creating income and jobs. After 96 meetings and roundtables, they agreed to establish a community bank to provide credit to both consumers and local entrepreneurs (França Filho *et al.* 2012). In January 1998, Banco Palmas was inaugurated.

Different from conventional microcredit organisations based on market-oriented principles and profit goals, Banco Palmas was founded on the basis of the solidarity economy. Its ultimate goal was community development, as the bank itself was an expression of the residents' needs and interests. It represented a community's self-organisation towards economic empowerment based on 'principles of solidarity, trust and mutual help' (França Filho *et al.* 2012: 503). Whilst conventional microcredit lines complied with formalities and criteria that excluded most of the poor, particularly the very poor, CDBs trusted social relations as a guarantor for loans.

To address the issue of keeping wealth circulating locally, Banco Palmas created the Palmacard – a community credit card accepted only in the local market. When it first opened its doors, the bank started with R\$2,000 (US\$1,800) borrowed from a local NGO named Cearah Periferia. Various outreach efforts were then made to raise funds. In six months, R\$30,000.00 (US\$27,000) was raised from other national and international NGOs.



P\$1,00: Banco Palmas.  
Photo credit: © Lumo Coletivo, CC BY 2.0.

(Jayo *et al.* 2008). Local authorities (city and state) were consulted, but no support was offered. The idea of community banks was still rare in Brazil, particularly in the Northeast. The R\$2,000 initial capital was paid off in eight months. It was all used on the inaugural day, providing a total of R\$500 in credit for consumption distributed through 20 Palmacards. The other R\$1,500 was split among five producers and local merchants. Donations from international cooperation agencies kept Banco Palmas' activities alive. In 2005, Banco Palmas signed an agreement with the Popular Bank of Brazil (Banco Popular do Brasil – BPB, of the public Bank of Brazil), which initially provided credit of R\$50,000. This amount rose to \$1.5m by 2009, negotiated at a 1 per cent interest rate. Further in 2010, Banco Palmas's finance achieved R\$10m (US\$5.8m) in annual transactions, offering credit lines at a 1–3 per cent interest per month compared to the average 5.26 per cent offered by commercial and public banks in the same year (Fundação Procon-SP 2010). In August 2010, Banco Palmas received a loan from the Brazilian Development Bank (BNDES) of approximately R\$1.7m. Since then Banco Palmas has lent in excess of R\$14m to more than 5,500 small businesses, 85.5 per cent of which were led by women<sup>1</sup> (Instituto Palmas 2019). The interest rate charged by Banco Palmas depends on the interest charged by its credit providers, but is always set at the lowest possible level (Instituto Palmas 2010). Furthermore, Banco Palmas and all the community banks that follow the model have a different approach to defining interest rates. The higher the loan the higher the interest rate, up to the limit of 3 per cent. This logic is based on prioritising principles of solidarity and sustainability as opposed to efficiency, which is used in most microcredit programmes. For instance, since the cost of delivering a loan of US\$100 is approximately the same as lending US\$1,000, but the latter has a higher potential revenue, most microcredit programmes apply a lower rate of interest for higher amounts. In the opposite direction, community banks charge higher interest rates from businesses requesting higher amounts, given their stronger capacity and economic means to afford those rates.

The Palmacard gained popularity, with an increasing number of local enterprises adhering to this payment method (despite some initial scepticism). However, there were some limitations. For instance, merchants and producers had to wait a month to exchange Palmacards for reais, the official Brazilian currency. Although entrepreneurs using the Palmacard increased their sales, it was not a very effective tool for small businesses that needed to purchase their supplies elsewhere outside Conjunto Palmeiras. In the pursuit of dynamism,

<sup>1</sup> Data up to August 2018.

---

**Box 1 Main features of a Community Development Bank**

- 1 It is the community itself who decides to create a bank, becoming its manager and owner;
- 2 A CDB offers two modalities of credit: one in Real and the other in social currency;
- 3 The lines of credit encourages the creation of a local production and consumption network, promoting local development;
- 4 CBDs support businesses with their commercialisation strategies (fairs, solidarity shops, trading centres and others);
- 5 A CDB operates in territories marked by high level of exclusion, vulnerability and social inequality;
- 6 CDBs focus, above all, on beneficiaries of governmental social aid programmes and of compensatory policies;
- 7 A CDB's financial sustainability, in a first moment, is based on subsidies justified by its social practices utility.

Source: BNCB Terms of Reference.

---

to enhance economic activity and improve the circulation of wealth, Banco Palmas introduced the Palmas currency in 2002. The Palmas currency was indexed 1:1 to the *real*, and could be easily exchanged at any time in the bank. By 2010, 240 local businesses were registered with Banco Palmas to exchange Palmas to *reais*.<sup>2</sup> Most businesses frequently offered 5–10 per cent discounts on purchases made in Palmas (Instituto Palmas 2010). On the other hand, there are currently three ways in which residents (consumers) have access to Palmas: borrowing from Banco Palmas; receiving their salary through the bank; or directly exchanging *reais* for Palmas in the bank (Instituto Palmas 2010).

### 2.1 Origins of the BNCB

Banco Palmas' approach, based on community agency for economic advancement, caught the attention of universities, governmental authorities and NGOs. Invitations to present its experiences at conferences and seminars across the country became routine. Similar initiatives then emerged, inspired by Banco Palmas's methodology. In 2004, when a number of CDBs were already established, the first national conference of community banks was held with the support of the recently created National Secretariat of the Solidarity Economy, situated in the Ministry of Work and Employment (SENAES/MTE). SENAES was created by the newly elected left-wing government of Lula da Silva, which had a track record of engagement with social movements (and originated from one itself), and had decided to support the spread of CDBs across the country as a tool of local development. SENAES partnered with Banco Palmas, promoting seminars on the solidarity economy, creating a link between CBDs and the government, and providing grants for the establishment of new CDBs.<sup>3</sup> Although recent government transitions mean that the Secretariat has been downgraded over time, such that it is now nearly non-existent, it had an important early role in creating momentum for the implementation of CDBs.

---

2 Only registered businesses are entitled to exchange Palmas for *reais*.

3 Interviews with J. Melo Neto and M. Vale by Gabriel Aragao, 17 April 2019.

During the first national conference, following discussions on the role of CDBs in improving local economic conditions throughout the country, the participants decided to launch the Brazilian Network of Community Banks (BNCB). The purpose of the BNCB was to provide a space for dialogue and the exchange of experiences and social technologies, to offer mutual support and enable the development of projects, as well as for raising the voice of CDBs and lobbying for positive regulations.<sup>4</sup> SENAES had the mission of encouraging this social innovation by supporting the BNCB's mission, financing events and providing funds for the creation of new CDBs.

In operational terms, the BNCB endeavours to hold a national meeting every two years, but its members sit down together at every opportunity. For example, when they travel to other regions of the country for different purposes they usually take the opportunity to meet their local peers. Since Brazil is divided into five regions – North, Northeast, South, Southeast and Centre-West – there is at least one BNCB representative in each region, elected every two years on the occasion of the national meeting.<sup>5</sup> These representatives include universities and NGOs members of the network.

Joaquim de Melo Neto, founder of Banco Palmas and one of two BNCB representatives for the Northeast, explained that there is currently no financial resource for the BNCB and its nine current coordinators all work on a voluntary basis. Until 2014/15, the BNCB had SENAES' support, which enhanced its voice and recognition in the political-economic arena and provided funds to promote meetings and conferences. However, in the face of political and economic changes in Brazil, the BNCB has faced difficulties in maintaining its activities. Even though the way in which the BNCB operates does not require large amounts of money, the lack of funds still affects its activities, such as meetings, travel, events and conferences. When the BNCB had the government's support, they met four or five times a year, but now the network is much less active, mostly communicating through the internet and smartphone apps.<sup>6</sup> The long distances between regions in Brazil make it difficult to meet face to face. Vale, one of the BNCB representatives for the North Region, explained that the priority of the network now is to consolidate the CDBs that are already in place, not necessarily to create new ones.<sup>7</sup> Following the changes in the government, 'the network has not had the time yet to sit down and discuss an articulation strategy to approach the new government'.<sup>8</sup> Developing this strategy will require both general financial support and technical assistance, such as from academia.

### 3 Participation

Despite its current difficulties, the BNCB has played a key role in encouraging participation in economic advancement at a local level, by establishing and promoting guidelines for CDBs across the country. Although not formally registered as an institution, the BNCB sets out the principles, values and operational standards to which CDBs that want to join the network need to adhere. This section explores these principles and how they underpin participation and influence outcomes in different member banks. To this end, three community banks were consulted and results suggest that not only does participation matter, but it is, in fact, the main driver of success.

4 Interview with J. Melo Neto by Gabriel Aragao, 17 April 2019.

5 Interview with J. Melo Neto by Gabriel Aragao, 17 April 2019.

6 Ibid.

7 Interview with M. Vale by Gabriel Aragao, 17 April 2019.

8 Ibid.



A shop that accepts Palmas.  
Photo credit: © Lumo Coletivo, CC BY 2.0.

The three CDBs visited, namely Banco Palmas (Northeast), Banco Estrutural (Centre-West) and Banco Mumbuca (Southeast), were chosen based on their origin and current status, as well as taking into consideration the feasibility of a visit within the project timeframe. Although they are not intended to be representative of CDBs' approaches, their contrasting situations offer important insights into how participation impacts CDBs' achievements. Alongside the cases, additional interviews were conducted with members of the BNCB, government authorities and researchers on the solidarity economy,<sup>9</sup> and their testimonies provide additional insights into the relationship between participation and the banks' results.

### 3.1 Levels of community participation

According to Melo Neto, 'the very concept of community bank is solidarity, financial services of associative and community nature – it is community by nature, it must hold the community's adherence and identity'.<sup>10</sup> The BNCB thus promotes a number of practices intended to maintain social control of CDBs through community ownership and active involvement in decision making. The BNCB Terms of Reference (see Annex 2) establish that CDBs are to be managed by community associations or other civil society movements originating in the community, such as unions, NGOs or churches. Moreover, decision-making forums as well as CDB staff should be composed of local residents (Instituto Banco Palmas 2007).

All the banks in the network follow the principles described in the Terms of Reference. Still, CBDs present different levels of community engagement based on facts related to their origin, partnerships, financial capacity and advocacy efforts. The community adherence mentioned by Melo Neto was perceived, during the interviews, to reflect three different levels of community engagement, ordered from the most cohesive to the most fragile case as:

- (a) broad community **ownership** and active involvement in the bank's decisions and activities;
- (b) recognition of the bank's local development mission and some community **involvement** in its activities; or simply
- (c) community **acceptance** of the bank as a local financial services provider and weak community involvement.

In more detail:

- (a) Broad community **ownership** and active involvement in the bank's decisions and activities reflect a strong engagement of a large number of residents. In this case, individuals usually assemble to discuss local issues in the pursuit of solutions. This suggests a natural sense of ownership over

<sup>9</sup> For the full list of interviewees please refer to Annex 2.

<sup>10</sup> Interview with J. Melo Neto by Gabriel Aragao, 17 April 2019.

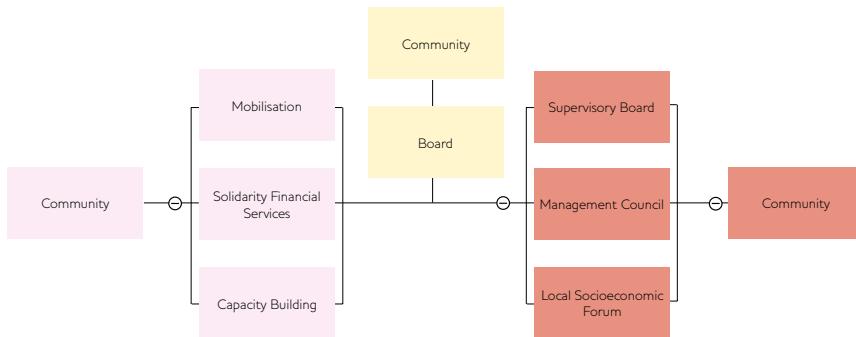
initiatives, which the broad community came together to implement. It also suggests that this type of initiative will be more resilient to difficult times since residents will potentially sit together once more in the event of new challenges. Banco Palmas, a product of ASMOCONP's long trajectory of community mobilisation and having close relations with the community is, perhaps, one of the most representative cases. Besides being a pioneer, having itself emerged from the community, with countless discussions and an active role towards changing its social-economic reality (origins), it seems to have maintained community ownership through frequent engagement activities such as forums, social projects and close relations with residents (advocacy efforts). The community built the bank and carries a strong sense of owning it.

- (b) The acceptance of the bank's local development mission and some **involvement** in its activities usually illustrates recognition of the bank as being beneficial for the community but not seen as a product of it. There is scepticism from some residents, since they were not part of the discussions and construction of the bank, although local social movements were involved. The broad community seems to bear not so much a sense of ownership over the CDB but rather a collaborative relationship. For example, in the case of Banco Mumbuca this relationship originated from a public policy, and the bank relies on strong local authority support for its establishment and smooth functioning. However, although finance does not seem to be an issue, the bank endeavours to prove itself as a community movement rather than a government policy. Banco Mumbuca's efforts now seem to be concentrated on building trust within the community and encouraging participation, through encouraging as many residents as possible to trust the bank, use its services and most importantly, to assume control of it through the local forum. Ultimately, the intention is for the community to take ownership of the bank. The local government itself argues that Banco Mumbuca was created to be a community bank and the government has no intentions of controlling it.<sup>11</sup>
- (c) The **acceptance** of the bank as a local financial services provider results in weak community involvement. The ties between the community and the CDB are limited to a number of individuals while the great part is only interested in the services the bank can provide. The relationship is shallow and there is no strong participation to maintain the bank. These weak ties may result from the lack of broad community participation during the bank's establishment and the high turnover of residents, as in the case of Banco Estrutural. In fact, sometimes it is even difficult to consider these cases as participation processes, but it is important to take into account that the CDB was consolidated and managed by a legitimate, local movement, even if for some reason this social movement lacks the involvement or representation of a great part of the community. In the case of Banco Estrutural, it has lacked recognition and engagement by the community since its origins, and its financial situation has been critical for some time – in fact, its coordinator has been working full-time on a volunteer basis for the past two years. The bank strives to gain residents' recognition and involvement at any level, acknowledged as the fundamental component missing for its success.<sup>12</sup> This weakness may be explained by its sudden appearance, which means there was no broad community participation in its creation (origins). Another disabling aspect identified by Ms Teixeira is the high level of resident turnover, which makes it difficult to cultivate in the inhabitants a sense of belonging and engagement in local movements. Furthermore, the bank's lack of resources undermines advocacy efforts.

<sup>11</sup> Interview with D. Zeidán by Gabriel Aragao, 17 April 2019.

<sup>12</sup> Interview with A. Teixeira by Gabriel Aragao on 22 May 2019.

**Figure 1 Typical administrative structure of a Community Development Bank**



Source: Authors' own.

The principle of participation as expressed in the BNBC Terms of Reference and theoretical-conceptual framework, offers general guidance<sup>13</sup> for those who want to create a CDB and become part of the network. However, since community banks are intended to address local issues, they have the freedom to design their own programmes, projects and strategies according to their priorities. In fact, they are expected to do so, while also abiding by the principles and values set up in the Terms of Reference,<sup>14</sup> and which reinforce the CDBs' mission to serve their local communities.

### 3.2 Mechanisms of participation

The BNBC Terms of Reference establish that CDBs are to be managed by community associations or other civil society movements originated in the community – unions, NGOs, churches – and all the banks in the network follow this principle in some way. Moreover, decision-making forums as well as CDB staff should be composed of local residents (Instituto Banco Palmas 2007). Residents should be involved in key decisions to be taken by the bank, such as the appointment of the head management team and the definition of the social currency to be used. The Executive Board (Conselho Gestor) is the main deliberation body in the structure of most CDBs. It is composed of social movements, CDB staff and, in some cases, local authorities. A research conducted in 2012 with 26 CDBs (74 per cent) in the Northeast Region analysed the composition of Executive Boards and registered the presence of residents' associations in 75 per cent of the cases, religious institutions in 58.3 per cent, NGOs in 50 per cent, community leaders in 41.7 per cent, cooperatives in 41.7 per cent and local authorities in 41.7 per cent of the total 26 CDBs consulted (Leal, Rigo and Andrade 2016). There is also another decision-making space where residents come together to discuss general community issues, which include decisions on the community bank. These are usually called Local Development Forums and are composed of residents, local entrepreneurs and social movements. Its discussions around the bank range from the bank's activities to social projects to community events.<sup>15</sup> The same forums responsible for making all the bank's relevant decisions are also the places where results are presented, so that participants can make adjustments to the bank's strategies and programmes.

In terms of daily operations, although credit lines and processes are established by the Executive Boards and Forums, decisions on loan requests may be taken more directly by the Credit Analysis Committee (CAC). Leal et al. (2016) revealed that 73.1 per cent of the CDBs investigated had a CAC composed of credit agents, the managing association and representatives

13 See the BNBC Terms of Reference in Annex 2.

14 Interview with J. Melo Neto by Gabriel Aragao, 17 April 2019.

15 Interview with M. Vale 2019 by Gabriel Aragao, 17 April 2019.

of the local organisations that are members of the Executive Board. Cases are analysed separately based on consultations made by credit agents with the requester's neighbours to collect information on his or her profile, such as his or her reputation as a good or bad payer. As Mr Alves explains,<sup>16</sup> when a resident comes looking for credit, the bank also takes other elements into consideration, such as his or her attitude towards the community and if he or she is a good neighbour. People involved in cases of child labour or perpetrating domestic violence will not have the bank's support. In another example, the total amount of a loan requested was denied to a resident because he wasted too much water by washing his motorcycle every day, in a community of the Northeast Region where droughts in the countryside have a long and problematic history.<sup>17</sup> CDBs thus also build communal values.

CDBs' functioning follows an engagement logic, putting participation into practice in terms of enabling broad resident presence in those associations in control of the bank and in key decision-making forums. This presence is not necessarily direct, but also by representation. For instance, among the 31,000 residents of the Community of São Benedito, in Vitória (capital of Espírito Santo, Southeast Region), an average of 50 to 60 usually show up for the meetings, although formal community leaders present at the forums are expected to bring the discussions to their respective associations, spreading the word all over their neighbourhood.<sup>18</sup> In this sense, community leaders are key to representing residents' interests in the forums, rather than expecting direct participation by a high number of residents. While community leaders may reflect legitimate community interests and aspire to the best for their community, it is, of course, difficult to ensure that residents are actually being heard through representative structures. Reasons for a potential break in communication vary from residents' lack of interest to engage in discussions to leaders' lack of capacity to communicate effectively.

Decisions on issues of transparency and accountability also take place at the CDBs' forums.<sup>19</sup> Social media and websites are commonly used as communication channels between the bank and the community. Besides invitations for events and news from the community, these channels may provide financial reports. For example, Banco Palmas used to disclose financial information on its website, and completed activity reports (finances, courses, partners, events) up to April 2013 are still available (Instituto Banco Palmas 2018). According to the interviews, in one of the CDBs, financial results also used to be presented in a public square. However, the financial disclosure in a public place also raised the attention of criminals in the money retained in the bank. Following a few robberies, the practice was discouraged and numbers are now only disclosed internally and during the local forums.<sup>20</sup> In addition to these methods, it is important to acknowledge that there are informal ways in which people get to know the financial conditions of the bank. Since the bank is run and fully staffed by residents, information seems to flow freely from inside out. Community banks receive a lot of visits every day from people who are looking for credit, checking social benefits status, or simply passing by. It is common for residents to have relatives or friends working in the bank. According to Melo Neto, this all favours transparency, and 'it would be difficult to keep anything in secrecy if they intended to'.<sup>21</sup>

16 Interview with E. Alves by Gabriel Aragao, 26 April 2019.

17 Interview with D. Landin by Gabriel Aragao, 26 April 2019.

18 Interview with L. Mol by Gabriel Aragao, 10 May 2019.

19 Interview with L. Mol by Gabriel Aragao, 10 May 2019.

20 This happened in Banco Tupinambá (Northern Region), where vigilance and security is a collaboration between the community and the local police (interview with M. Vale by Gabriel Aragao, 17 April 2019).

21 Interview with J. Melo Neto by Gabriel Aragao, 17 April 2019.

### 3.3 The experience of participation in three member banks

#### 3.3.1 Banco Palmas

Section 2 has already provided substantial information on Banco Palmas. It is not a traditional limited society and there are no shareholders. The decision-making process occurs at the Local Socioeconomic Forum (Fórum Socioeconómico Local – FECOL). FECOL conducts weekly meetings where consumers, producers, merchants, public institutions (schools and hospitals) and representatives of cultural, sportive and religious movements discuss Conjunto Palmeiras' social and economic issues. This ensures the social control of the bank (Instituto Palmas 2010). In terms of lending money to residents, the process follows the logic of CDBs and decisions are made after a consultation with the applicant's neighbours. The assessment is based on the feedback received from the neighbourhood on the borrower's reputation. This is argued to be an ethical responsibility assumed by the community over its residents, in this case the clients or borrowers (Instituto Palmas 2010). This history and close relationship with the community suggests the first level of engagement, 'ownership'. The community built the bank and carries a strong sense of ownership of it. Moreover, the engagement goes beyond financial activities and involves other social projects created and embraced by the residents (for example, the Elas Project focused on women's economic empowerment through financial training and entrepreneurship).

This community engagement is important to keep the initiative alive even in difficult times: (a) for local economic development to work it is necessary that people understand the role of producing and consuming locally, which the social currency facilitates; and (b) together community members will attempt to find alternative social-economic solutions through the bank. In difficult times, collaboration and social cohesion may be of significant help. Interestingly, the expansion of Banco Palmas since its foundation and the partnerships constructed with external organisations, from NGOs to governments to universities to the private sector, did not seem to affect its image before the community. On the contrary, these external engagements reinforced community pride in Banco Palmas' image. With the financial capability and external recognition brought by these partnerships, the bank could provide more services to the community.

#### 3.3.2 Banco Estrutural

Unfortunately, as shown in the case of Banco Estrutural, a lack of engagement is compromising its survival, even more than the absence of financial resources. Estrutural is a poor neighbourhood in the suburb of Brasília-DF, the capital of Brazil. It is recognised as an Administrative Region<sup>22</sup> and has a population of 45,000. Estrutural's history only started in the 1960s when the first settlers built their huts around an enormous dumping ground to live from whatever they found in the garbage – for personal use or (from the 1990s) to sell as recycling materials (*Jornal da Estrutural* 2010). The settlement grew considerably over the decades and when it received city status some attention from the local government was given. The infrastructures and sanitation that were delivered by the local authority was not enough as the considerable level of poverty persists today. In this context, many social initiatives emerged from both inside and outside the community to tackle local issues.

In 2012, a local NGO called Education and Culture Movement of Estrutural (MECE) founded Banco Estrutural. The way in which Banco Estrutural was created differs substantially from how Banco Palmas came into existence. Although Banco Estrutural was implemented by the local organisation, MECE, and abides to the BNCC Terms of Reference, the trigger for the

22 This is what the cities around Brasilia, in the Federal District, are referred to.

bank's establishment came from an outside source instead of a broad community mobilisation and discussion around local problems. In 2011, MECE was contacted by Ateliê de Ideias, an organisation responsible for a CDB in Vitória (Espírito Santo state), also a member of the BNCCB. Ateliê de Ideias had recently won a call for proposals and offered to support MECE in implementing a CDB in Estrutural. MECE accepted the offer instantaneously since the organisation had been looking for an opportunity to develop a similar initiative for a while. The plan was discussed with other local movements that would become members of the Executive Board. A consultation with 984 residents showed support to the initiative.<sup>23</sup> Banco Estrutural then started to operate with the support of other local NGOs.

Although rooted in a genuine movement intended to enhance social-economic conditions in the community, the history of the bank suggests a lack of broader community engagement since the beginning. The problems reported by Ms Teixeira, the bank's coordinator, include a high level of payment default – reaching 40 per cent at one point; lack of financial resources to operate – the bank is broke and has no credit to offer at the moment; and lack of community participation – even community leaders stopped attending the forums.<sup>24</sup> Moreover, Ateliê de Ideias had funded the two credit agents working at the bank and when the financial support came to an end the bank was not able to keep its staff. Whoever is left is acting on a voluntary basis, including the bank's coordinator.

Banco Estrutural strives to maintain its activities, but there has been a lack of community engagement from the outset, as acknowledged above. The participation here, in terms active involvement, appears not to represent the overall number of residents, and thus relates the bank to the third level of engagement, 'acceptance'. There is acceptance of the bank only as a local financial services provider, resulting in weak community involvement. According to Ms Teixeira, there are two crucial components that partially explain their situation. One is that when the community was to formally become an Administrative Region of the Federal District, the government distributed small plots in the area for people to build their houses, attracting new settlers from all over the country. This sudden movement of people meant that the social ties normally constructed through coexistence have not materialised. The other component is the paternalistic policies in place during that time created in the residents a sense of entitlement over anything offered to the community, undermining the sense of individual responsibility and collective action towards their neighbourhood. As a result, people do not feel responsible to clear their debts with the CDB.

### 3.3.3 Banco Mumbuca

Banco Mumbuca was founded in 2014 in the Municipality of Maricá, State of Rio de Janeiro. However, its origins are related to a local public policy. In 2013, the city had a population of 139,000 inhabitants, with 10 per cent considered to be living in poverty. In face of that situation, the local government decided to provide poor families with a financial social benefit derived from the royalties of oil exploitation in the region (Raposo and Faria 2015). The Mayor knew about the experience of Banco Palmas and social currencies and he invited civil society to establish a community bank, offering his support and commitment of paying all the social benefits through the CDB, in the social currency. Banco Mumbuca, although emerging from a governmental proposal, was a project to be carried out by the community, which controls all aspects of its functioning.<sup>25</sup> This social control allowed Banco Mumbuca to be part of the BNCCB.

<sup>23</sup> Interview with A. Teixeira by Gabriel Aragao on 22 May 2019.

<sup>24</sup> Ibid.

<sup>25</sup> Interviews with N. Sciammarella (17 May 2019); and D. Zeidán and J. Melo Neto (17 April 2019) by Gabriel Aragao.

**Table 1** Level of community engagement in Banco Palmas, Mumbuca and Estrutural

CDB	Origin	Level of engagement	Source of funds*	Current status
<b>Banco Palmas</b>	Community mobilisation	Community ownership	Donations, outsourced projects and partnerships, loan repayment, e-dinheiro revenue	Fully operating and developing new solutions (e-dinheiro)
<b>Banco Mumbuca</b>	Social policy	Community involvement	Public funds and social benefits operations, e-dinheiro revenue	Expanding activities and engaging residents
<b>Banco Estrutural</b>	External NGO	Community acceptance	Donations and loan repayment	No funds available; striving to maintain activities

\* Includes not only the funds to maintain the bank but also the resources provided by other institutions through the CDB, e.g. microcredit offered by Banco Popular do Brasil.

Source: Author's own.

Unlike Banco Estrutural, Banco Mumbuca relies on significant support from the local government, which allows it to prosper – at least financially. The government provides the physical structure where the bank operates, uses the bank's services to transfer social benefits and even pays the salaries of some staff. However, this close relationship with the public authority may cause some scepticism on the part of the community. For example, some restaurants and commercial establishments next to the bank that were visited during the research demonstrated approval and engagement in the social currency, which apparently benefited their businesses; however, one taxi driver expressed distrust in the initiative, saying it was just another public policy intended to gain votes in the next election. Although these examples cannot be considered as representative of broad community opinion, the mixed views expressed would be understandable under such circumstances.

The city of Maricá has its own Secretariat of Solidarity Economy. According to its Secretary, Mr Diego Zeidán, the policy was developed to empower the community and there is no intention from the government to maintain the bank under its control.<sup>26</sup> The initiative is to persist regardless of which government is in power or whether future governments support it. But as the case of Banco Estrutural demonstrates, it may have missed a fundamental component of prior social mobilisation and broad community engagement in discussions around the theme. The current government's support is certainly crucial for its operations and is envied by most of the banks in the network. If it was not for this support there are doubts whether Banco Mumbuca would have survived, or even been created in the first place. In addition, the involvement of the public authority and public money brings a component of transparency and accountability, which may be advantageous for the community in general; for instance, financial reports up to 2018 are available on the bank's website.

Banco Mumbuca has also been able to achieve a considerable degree of resident participation in some of its activities, mostly events, possibly due to its capacity in providing zero-interest loans and to the volume of social benefits paid through the bank. This links the bank to the second level of engagement, 'involvement', usually demonstrated by the acceptance of the bank as beneficial for the community though it is difficult to be seen as a product of it. The bank's efforts now seem to be concentrated on marketing and convincing as many residents as possible to trust the bank, use its services and, most importantly, to assume control of it through the local forum.

26 Interview with D. Zeidán by Gabriel Aragão, 17 April 2019.

Table 1 shows some relevant features of each of the three banks analysed.

Overall, these results suggest that not only does participation matter, but it is, in fact, the main driver of success. Although participation may be reflected in a variety of forms, the three CBDs studied demonstrate that engagement is not only crucial for the bank's existence but the depth of it is also a determinant of the bank's success or failure. Social control is thus the fundamental component to be preserved in any CDB, regardless of its origin – even if it had been motivated by a public policy, a university or any other agent.<sup>27</sup> In the future, the challenges faced by CBDs will include maintaining this social control as external conditions change and as the banks themselves grow and evolve (for example, see Box 2 for a discussion of the development of e-dinheiro).

#### **Box 2 E-dinheiro: a platform for community banks**

In mid-2015, Instituto Palmas launched e-dinheiro, in partnership with MoneyClip, a small Brazilian start-up working with digital platforms for financial inclusion. Owned by Instituto Banco Palmas and initially piloted in Conjunto Palmeiras, this platform enables community banks to deliver solidarity financial services via text message, mobile apps, and the internet. By 2018, 81 community banks had registered with the platform, of which 48 have so far used it for local operations and 21 have been actively implementing it in their communities. The paper form of the community currency is now being used as an educational tool, supporting financial education and used in solidarity economy workshops.

Although still in its infancy and with variable uptake across the network, e-dinheiro is already making a difference for community banks like Banco Palmas and Banco Mumbuca. Following solidarity economy principles, e-dinheiro charges lower fees than similar services elsewhere, with any surpluses made by the community banks reinvested locally. The platform also makes essential financial services such as opening an account, paying bills, and money transfers readily available to those that have traditionally been excluded from Brazil's financial system. In some community banks additional services are also provided through partnerships with municipal governments. In the case of Banco Mumbuca, for example, a municipal cash transfer programme, 'Bolsa Mumbuca', is disbursed via the e-dinheiro platform. In Fortaleza, the city government has partnered with Banco Palmas to pay informal waste collectors (*catadores*) via their e-dinheiro account for the recyclable material they collect.

E-dinheiro can also be contrasted with other, more typical forms of Fintech, because of its links with community banks. Generally, with Fintech the upgrade, development, and roll out activities are highly centralised, while in contrast, e-dinheiro offers space to develop features and services based on the participation of beneficiaries, meaning that they are better aligned with local needs. Furthermore, the community banks and communities decide together how fees and resources accumulated through the use of e-dinheiro will be invested back into their territories. Overall, the goal of e-dinheiro is to be a reliable service that leverages technology to increase the impact of community banks in delivering solidarity finance services, while also generating sufficient income to sustain its own activities and to finance initiatives within the community.

Source: Ansorena et al. (forthcoming).

<sup>27</sup> Interview with J. Melo Neto by Gabriel Aragao, 17 April 2019.

## 4 The impact of Community Development Banks

As of 2019, the BNCB has 113 CDB members, located all over Brazil, from the Amazon forest in the North, to the very South. The network is spread through 90 cities, in 20 out of Brazil's 27 states (Banco Palmas 2018). 'They are where no one wants to go – poor remote areas, riverside villages, *quilombolas*',<sup>28</sup> in fishing villages and excluded poor urban or rural areas in general. The first impact of CDBs is thus to create local financial inclusion in places that seem to be forgotten by the authorities and where commercial banks are rare. As in one example cited in the interviewees, 'instead of traveling 73km to the capital [Belém, Pará state] to buy a piece of cheese, residents can now buy it locally', due to the increased number of local shops made possible by the CDB.<sup>29</sup>

At the same time, CDBs encourage entrepreneurship and cooperation, and create jobs. Research conducted in 2010 in the context of Banco Palmas shows that 1,800 families benefited from its credit lines (Instituto Palmas 2010). In the previous year, the number of local purchases increased from the 20 per cent registered in 1997 to 93 per cent of the total community spending. When asked about reasons for using the social currency (the Palma), residents confirmed that credit was their major interest (43 per cent), but they acknowledged the importance of discounts offered by local shops (22 per cent), salaries received in Palmas (18 per cent) and support to the local economy (10 per cent). In ten years of Banco Palmas' operations, there was a considerable improvement in the local income. The poorest<sup>30</sup> residents benefited the most, with the incidence of poverty falling from 20 per cent in 1997 to 4 per cent in 2008 (França Filho *et al.* 2012: 510–11). Table 2 shows the most common responses from when residents were consulted about the impact of Banco Palmas in their lives.

The impact of a CBD on a community will depend in part on the financial condition of the bank itself, although this is not always easily ascertained from publicly available information, as discussed above. Updated financial information on Banco Palmas and Banco Estrutural was not available to the researchers. However, the difficult financial position of Banco Estrutural obviously limits its potential to achieve at least some of the outcomes listed above for Banco Palmas. In the case of Banco Mumbuca, updated numbers

**Table 2 Residents' perspective on how Banco Palmas has improved their lives**

<b>Most common answers</b>	
Increased my income	25.2%
Got to know other people	23.2%
Found work	20.2%
Brought new projects to the neighbourhood	12.1%
I became better known in the community	11.1%
Increased my interest in studying	5.0%
Helped the neighbourhood grow	1.0%

Source: França Filho *et al.* (2012: 511).

28 Afro-Brazilian communities first settled by escaped slaves during slavery period. Interview with M. Vale by Gabriel Aragão, 17 April 2019.

29 Interview with M. Vale by Gabriel Aragão, 17 April 2019.

30 Family income up to R\$275 per month (around US\$118 in December 2008).

are formally disclosed. They are available on its website, mostly due to the involvement of public funds in its activities which means that transparency is mandatory.

As a project built by the community, CBDs' existence depends on residents' mobilisation, community recognition and collective control. According to Raposo and Faria (2015), beyond financial inclusion and economic benefits, this process of engagement also supports community members' voice and agency in other social, economic and political spheres, enabled by a greater sense of autonomy, freedom of choice and self-confidence. Banco Palmas, which itself emerged from strong community engagement, runs a portfolio of cultural, social and economic projects (e.g. cooperatives) from its premises.

Although the emergence of Banco Palmas was based on strong pre-existing community ties, it does not necessarily follow that this social cohesion cannot be built. As Vale explains, even the social currency itself can function as a collaborative tool.<sup>31</sup> When the currency is embraced by the community as a product of its own, the local market moves towards collaboration and mutual gains rather than the usual dominant, competitive paradigm. For example, small businesses begin to buy from each other locally and make joint purchases when they have to shop externally.

## 5 Conclusions

Over the last two decades, many microcredit initiatives arose in Brazil. Public and private banks attempted to include the poor as a target audience for some of their services. This is broadly related to the popularisation of microcredit by relevant international institutions, such as the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB), among others (França Filho *et al.* 2012). The Grameen Bank's experience in Bangladesh in the 1970s, under the leadership of Muhammad Yunus, pioneered and inspired this approach internationally. Nonetheless, in Brazil these microfinance services were only unlocked after the monetary stabilisation in the late 1990s that finally overcame a long period of systematic inflation (*ibid.*). Despite the initial excitement, however, none of the large microfinance institutions achieved the level of participation that Banco Palmas did. The bank's social ties and the way in which it was conceived inside the community established crucial elements of its success. Interestingly, it was originated from dialogues among community leaders who had only basic education and had never heard about Muhammad Yunus (Instituto Palmas 2010).

The participation experience of Banco Palmas was seen by the new government in 2003 as a promising means to enhance local development, and one that could be replicated across the country. The national government (through SENAES), local governments, universities and commercial banks – both public and private – demonstrated interest in becoming involved and supporting the spread of the model. In fact, they all proved to be important actors and played a role in the development of the BNBC by providing funds, technical expertise, adjusting policies or simply recognising the movement and strengthening its voice. In this context, the BNBC emerged as a point of articulation and a national reference for community banks. Its principles and guidance provide a recipe for the establishment of new CDBs based on community participation, and its Terms of Reference is a significant tool to achieve that. Nevertheless, despite the BNBC's intentions to preserve

<sup>31</sup> Interview with M. Vale by Gabriel Aragao, 17 April 2019.



Community cooperative  
Palma Limpe.  
Photo credit: © Lumo  
Coletivo, CC BY 2.0.

community ownership over the banks, the analysis of the three cases in this study points to important features (potential challenges and constraints) that need attention as they affect the development of a CDB.

First, the origins of a CDB mark significantly its relationship with the community. When it emerges from a broad, participative local movement, it carries the fundamental engagement necessary for its development and survival. This is the case of Banco Palmas. When it is motivated by other actors (e.g. government or external NGO), as was the experience of Banco Estrutural and Banco Mumbuca, it is important to consider: how the community is already mobilised in the pursuit of solutions for local issues; the level of activity, representation and recognition of the local organisation assuming the development of the bank; and strategies for broad participation and engagement.

Second, in order to achieve high levels of community engagement and an 'ownership' level of engagement, a CBD needs to focus persistently on communicating its essence, role and goals to the largest number of residents possible. Gaps in this communication strategy during the process of establishing a CDB, as well as in consolidating the social currency, impact on trust between bank and community (Leal *et al.* 2016). In fact, there are barriers to overcome even when the CDB follows Banco Palmas' example, emerging from a broad (local) engagement movement. According to Vale, for example, the introduction of a new currency can initially be viewed with considerable distrust, so a strong communication effort is necessary to convince consumers and entrepreneurs of its potential benefits for the whole community.<sup>32</sup>

Third, engagement in the CDB's mission must come from a broader support base in the community, beyond the activists. In some cases, activists represent genuine local movements trying to improve local conditions, but it is nevertheless important to engage the broad community in discussions and actions towards jointly defined development goals. This is so because without residents' support, initiatives lose strength, lack participation, face resistance and become unsustainable.

Finally, for all the cases, regardless of the level of engagement (ownership, involvement or acceptance), it is essential to have a financial sustainability strategy, crucial for maintaining the bank's operations. After all, a CDB cannot provide microcredit and other financial services, or be a place for cultural and political expression, if it cannot survive. There are internal questions within

32 Interview with M. Vale by Gabriel Aragao, 17 April 2019.

the BNCB concerning challenges to CDBs' financial operations posed by the current national, financial and legal framework. It was not until a new law was passed in 2013 (*Lei 12865 Arranjos de Pagamento*) that CDBs could create their own bank accounts and issue electronic currency, provided they built their own digital platform (*e-dinheiro*). Due to this law, CDBs are now able to offer an array of services that previously only retail banks could provide. However, it seems that there are a number of other areas that still lack financial regulation from the national authorities; those which could enlarge CBDs' portfolio of services and benefit their sustainability. Future research needs to explore how this legal framework impacts CDBs' financial sustainability.

This case study is based on the testimony of those involved in the BNCB, as well as on documents, reports and data provided by them. It has identified participation and community engagement as key factors in the success of CDBs. The BNCB is playing an essential role in the development of a common identity for CDBs based on local collective ownership and solidarity. Future research could explore other important elements such as governance at the BNCB level, and communication at the CDB level, as well as different methods of financial accountability and transparency in place and their impact on participation.

There are other new initiatives being developed that also deserve future research. CDBs such as Banco Palmas have tried to innovate in the way some of their projects engage the community; for example, Block Councils (*Conselhos do Quarteirão*) and community Wi-Fi (*PalmasNet*). Banco Mumbuca has developed an interesting and informal process of redesigning services, tools and overall experience of *e-dinheiro* by the local users/residents, as well as periodic checks on how to locally invest the fees collected through the use of *e-dinheiro* (0 per cent interest loans). It will be interesting to see how these technologies, especially *e-dinheiro*, impact the way CDBs deal with community participation, ownership and sustainability. There are important arguments for both positive and negative influences of technology on participation, and future studies may assess the development and potential of those technologies.

## Annexe 1 Interviewees

Name	Function	Interview date
<b>BNCB</b>		
Joaquim de Melo Neto	Banco Palmas (Founder and Director)	17 April 2019
Marivaldo Vale	Banco Tupinambá (Coordinator)	17 April 2019
Leonora Mol	Banco Bem (Founder and Director)	10 May 2019
<b>Banco Palmas</b>		
Nayara Sousa	Microcredit Coordinator	25 April 2019
Otaciana Barros	Manager of e-dinheiro	25 April 2019
Katiana Oliveira	Member of Project Elas	25 April 2019
<b>Banco Mumbuca</b>		
Natália Sciammarella	Director	17 May 2019
Suely Rodrigues	Development Agent	17 May 2019
Diego Zeidán	Secretary of Solidarity Economy in the Municipality of Maricá	17 May 2019
<b>Banco Estrutural</b>		
Abadia Teixeira	Coordinator	22 May 2019
Deuzeni Candido	General Support (External Relations and Projects)	22 May 2019
<b>Banco Paju</b>		
Eudasio Alves	Founder and Director	26 April 2019
Eduardo Ribeiro	Financial Coordinator	26 April 2019
Daniela Dias Landin	Project Coordinator	26 April 2019
<b>SENAES</b>		
Roberto Marinho	Former Deputy Secretary	11 July 2019
<b>Researchers</b>		
Eduardo Diniz	Professor and Researcher on Microcredit of Fundação Getulio Vargas (FGV)	15 April 2019
Camille Meyer	Researcher of Microfinance	16 April 2019

## Annexe 2 Community Development Banks Terms of Reference

### Community Development Banks – Terms of Reference

#### What is a community bank?

They are networked solidarity financial services, of an associative and community nature, focused on the generation of work and income through the reorganisation of local economies based on the principles of the Solidarity Economy.

#### Main features

- 1 It is the community itself that decides to create the bank, becoming the manager and owner;
- 2 Community banks offer two types of credit: one in Real and one in the local social currency;
- 3 Its credit lines stimulate the creation of a local production and consumption network, promoting the endogenous development of the territory;
- 4 They support enterprises in their marketing strategy (fairs, solidarity stores, trading centre and others);
- 5 They act in territories characterised by a high degree of exclusion, vulnerability and social inequality;
- 6 They are mainly aimed at beneficiaries of government assistance programmes and compensatory policies; and
- 7 Their short-term sustainability is based on obtaining subsidies, which are justified by the social utility of their practices.

#### Goal

To promote the development of low-income territories by fostering the creation of local production and consumption networks, based on support for solidarity economy initiatives in various fields, such as: social enterprises providing services and goods (grocery stores, shops and solidarity fairs), and producer and consumer organisations.

#### Management structure

Community Development Banks are managed within structures of community-based organisations (such as associations, forums, councils) or other types of civil society initiatives within the community (unions, NGOs, churches). Its operation thus presupposes the constitution of an executive coordination team within the associative organisation itself. Its management thus implies a shared dimension, with a strong component of local social control based on mechanisms of direct democracy.

#### Sustainability

Sustainability is achieved by raising public funds and establishing a solidarity community investment fund. This fund consists of multiple sources of finance, including donations from individuals and companies, membership fees (individuals and/or companies), non-competitive merchant services, and other types of services.

### **Products and services offered**

- 1 Locally circulating social currency;
- 2 Solidarity credit through delegated concessions with financial agents and/or through a solidarity fund (such as Banco Popular do Brasil CEF, Caixa Econômica, BNDES, etc.);
- 3 Credit for financing solidarity enterprises;
- 4 Interest free credit for personal and family consumption;
- 5 Solidarity credit card;
- 6 Opening and current account statement;
- 7 Current account deposit;
- 8 Withdrawals;
- 9 Bill payment for securities;
- 10 Bill payment for utilities (water, electricity, telephone, etc.);
- 11 Payment of benefits; and
- 12 Mortgages.

### **Target audience**

Community Development Banks focus primarily on those with a high degree of social vulnerability. However, due to its status as a citizen initiative focused on territorial development, these experiences should also involve other groups in certain market segments, such as young people, women, traders, new entrepreneurs, etc.

### **Activity area**

Community Development Banks primarily operate in territories with up to 50,000 inhabitants, in order to enable the methodology to work properly. There may be more than one community bank operating in the same territory.

\* These Terms of Reference were approved at the II Meeting of the Brazilian Network of Community Banks, held on 18, 19 and 20 April 2007, at SESC Iparana, Caucaia – Ceará.

Source: [www.institutobancopalmas.org/termo-de-referencia-dos-bunos-communitarios-de-development/](http://www.institutobancopalmas.org/termo-de-referencia-dos-bunos-communitarios-de-development/) (accessed 7 August 2019).

## References

- Ansorena, A.; Diniz, E.; Siqueira, E. and Pozzebon, M. (forthcoming) 'From Community Bank to Solidarity Fintech: The case of Palmas e-Dinheiro in Brazil', in T. Walker, M. Mendell, L. Barin and S. Goubra (eds), *Innovation: A Legacy of the Social and Solidarity Economy*, Berlin: De Gruyter Oldenbourg
- Banco Palmas (2018) *Manifesto Banco Palmas 20 Anos*, [https://es.scribd.com/document/369586788/Manifesto-20-Anos-Banco-Palmas#fullscreen&from\\_embed](https://es.scribd.com/document/369586788/Manifesto-20-Anos-Banco-Palmas#fullscreen&from_embed) (accessed 16 October 2018)
- França Filho, G.; Silva Júnior, J. and Rigo, A. (2012) 'Solidarity Finance through Community Development Banks as a Strategy for Reshaping Local Economies: Lessons from Banco Palmas', *Revista de Administração (São Paulo)* 47.3: 500–15
- Fundação Procon SP (2010) *Relatório Anual de Taxas de Juros/2010 – Empréstimo Pessoal e Cheque Especial*, Fundação de Proteção e Defesa do Consumidor de São Paulo, Secretaria de Justiça e Defesa da Cidadania, Diretoria de Estudos e Pesquisas
- Instituto Banco Palmas (2018) 'Números', [www.institutobancopalmas.org/numeros/](http://www.institutobancopalmas.org/numeros/) (accessed 21 June 2019)
- Instituto Banco Palmas (2007) *Termo de Referência dos Bancos Comunitários de Desenvolvimento*, II Encontro da Rede Brasileira de Bancos Comunitários, April, [www.institutobancopalmas.org/termo-de-referencia-dos-bancos-comunitarios-de-desenvolvimento/](http://www.institutobancopalmas.org/termo-de-referencia-dos-bancos-comunitarios-de-desenvolvimento/) (accessed 23 June 2019)
- Instituto Palmas (2019) 'Relatório de Liberação de Créditos', Credit Report, provided on 2 August 2019
- Instituto Palmas (2010) *Banco Palmas: 1º Banco Comunitário do Brasil – 100 perguntas mais frequentes*, <https://pt.slideshare.net/bancopalmas/banco-palmas-100-perguntas-mais-frequentes> (accessed 21 October 2018)
- Jayo, M.; Pozzebon, M. and Diniz, E. (2008) 'Microcredit and Innovative Local Development in Fortaleza, Brazil: The Case of Banco Palmas', Special Issue on 'Innovations sociales et développement territorial', *Cahier du GReSI*: 08-02 September
- Jornal da Estrutural* (2010) 'História da Vila e do Lixão da Estrutural', [jornaldaestrutural.webnode.com.br/news/historia%20da%20vila%20e%20do%20lix%C3%A3o%20da%20estrutural/](http://jornaldaestrutural.webnode.com.br/news/historia%20da%20vila%20e%20do%20lix%C3%A3o%20da%20estrutural/) (accessed 21 June 2019)
- Leal, L.; Rigo, A. and Andrade, R. (2016) 'Finanças Solidárias com Base em Bancos Comunitários de Desenvolvimento: Explorando os Dados do Diagnóstico no Nordeste do Brasil', *Mercado de Trabalho: Conjuntura e Análise* 60: 77–85
- Mathie, A.; Alma, E.; Lee, N.; Peters B. and von Lieres, B. (2017) 'Pathways Towards Political and Economic Agency: A Synthesis of Findings from Five Scoping Studies', *Coady Innovations Series* 6: 1–26
- ME (2015) 'Economia Solidária', Ministry of Economy, <http://trabalho.gov.br/trabalhador-economia-solidaria> (accessed 20 June 2019)
- Raposo, J. and Faria, M. (2015) 'Banco Comunitário e Moeda Social: Organização Comunitária e Desenvolvimento Local', *Organizações em Contexto* 11.22, <http://dx.doi.org/10.15603/1982-8756/roc.v11n22p551-569> (accessed 31 October 2019)
- Stiefel, M. and Wolfe, M. (1994) *A Voice for the Excluded: Popular Participation in Development: Utopia or Necessity?*, London: Zed Books

Institute of Development Studies, Brighton BN1 9RE UK  
**T** +44 (0) 1273 606261 **E** [ids@ids.ac.uk](mailto:ids@ids.ac.uk) **W** [www.ids.ac.uk](http://www.ids.ac.uk)  
**W** [www.eldis.org/collection/participation-economic-advancement](http://www.eldis.org/collection/participation-economic-advancement)  
**Twitter** [twitter.com/IDS\\_UK](https://twitter.com/IDS_UK)   **Facebook** [facebook.com/idsuk](https://facebook.com/idsuk)

