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Solidarity finance through community development banks as a strategy for reshaping local economies: lessons from Banco Palmas

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RESUMO

Finanças solidárias por meio de bancos comunitários de desenvolvimento enquanto estratégia de reorganização de economias locais: lições do caso Banco Palmas

O objetivo neste trabalho é refletir sobre potencialidades e desafios dos Bancos Comunitários de Desenvolvimento (BCDs) enquanto modalidade de organização socioeconômica inovadora na gestão do microcrédito junto a populações mais empobrecidas. Para tanto, discute-se o caso Banco Palmas, localizado no Conjunto Palmeiras em Fortaleza, estado do Ceará, enquanto base empírica do estudo. As análises deste trabalho são subsidiadas por um conjunto de informações coletadas no Banco Palmas no final de 2011 e início de 2012. Além disso, estudos já realizados por outros pesquisadores no próprio Banco Palmas e outros estudos sobre o tema Bancos Comunitários de Desenvolvimento foram importantes. As informações primárias, coletadas no Banco Palmas, são fruto de documentos disponibilizados pela instituição, como relatórios e mapeamentos. As análises permitem descrever algumas características da concessão do microcrédito e situá-la no universo das microfinanças e das finanças solidárias. Permitem, também, perceber o aumento significativo no nível do consumo dentro do bairro, principalmente por meio do uso da moeda social Palmas. A experiência do Banco Palmas, além de começar a influenciar nas políticas públicas nacionais voltadas às finanças solidárias, originou a constituição de uma Rede de BCDs que trabalha na implementação dessas experiências por todo o País.

Palavras-chave: finanças solidárias, bancos comunitários, Banco Palmas, moeda social, inovação socioeconômica.

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1. INTRODUCTION

In recent decades, microcredit has been considered an efficient alternative for poverty reduction in Brazil and worldwide. There is a belief that offering credit to the poorest populations (especially those that work in the informal labor market) could be one way to not only reduce poverty, but also to promote economic and social development more broadly. This paper conducts a critical inquiry into this notion, looking specifically not at microcredit per se, but at how it is carried out. With this kind of approach, the analysis of the success potential of microcredit experiences considers both the different economic and non-economic thinking processes potentially employed depending on the various targets of the initiatives. Additionally, this study also assesses the kind of institutional architecture required to manage microcredit, be it the market, state intervention or civil society parameters and criteria, as well as the interface among these. Thus, the paper's objective is to widen the perception of the universe of microfinance, highlighting the importance of practices defined by the notion of solidarity finance. In an effort to acquire a more in-depth understanding of this field, the paper centers its analysis on the experience of the so-called "community development banks" (CDBs) in Brazil and, more specifically, on the case study of one of the most emblematic examples of such banks.

The text has four main parts. The first aims to clarify the terminological boundaries between the notions of microcredit, microfinance and solidarity finance, by critically contextualizing the emergence and the spread of the debate about microcredit both internationally and nationally. In the end, we aim to highlight the specificity of solidarity finance in the microfinance universe. The second part presents the CDBs model as a method of socioeconomic organization rooted in the territory. The goal is to understand their fundamental characteristics in an effort to grasp the singularity of these practices in the management of microcredit. Finally, in the concluding remarks, we highlight the double originality of this kind of experience. The first concerns its socioeconomic innovation, pointing out the need to look in different ways at the forms and the manner of instituting the economy in society. The second, derived from the first, concerns the scope or the potential of such experiences to reach the poorest of the poor, who normally have no access to public policies of microcredit.

2. MICROFINANCE, MICROCREDIT AND SOLIDARITY FINANCE: CONTEXT AND DISTINCTIONS

Microfinance comprises a multifaceted and complex universe of experiences involving financial operations with small amounts. In this universe, microcredit is only an instrument or a mechanism for the execution of such operations. The fact that much of microfinance is based on microcredit operations leads to a simplistic identification between these two notions. Moreover, much of this microcredit, at present, is provided by conventional financial institutions, which lead sot the idea that such practices are merely a new type of commercial activity (a market fad), ignoring other financial operations rationales based on social relations (FRANÇA FILHO and DURAN PASSOS, 2008).

The term microfinance has appeared in the public debate agenda of different countries, especially in the 1980s, in a rather specific moment of the dynamics of contemporary capitalism (WOLLER and WOODWORTH, 2001). In other words, with the worsening of unemployment in many countries, especially since the early 1980s, contemporary societies are experiencing a new phenomenon, described by many analysts with the expression "crisis of work" (GORZ, 1988; AZNAR, 1993; CASTEL, 1995; RIFIKIN, 1995; GORZ, 1997). This crisis consists of a scarcity of formal jobs and lack of access to income among much of the population of various countries. It puts in doubt the very mode of organization and regulation of modern societies, which is based on two pillars: the market economy, i.e., the supplier of jobs, and the social State, responsible for social protection (FRANÇA FILHO and LAVILLE, 2004). The common solutions to this problem do not question this mode of regulation of society.

In other words, with the growing observation and acknowledgement of the inability of conventional job and employment policies (based on workforce qualification) to generate employment for those who need it, a strategy arose centered around of the value of self-employment, especially in the form of privately owned micro-enterprises, whose impulse depends intrinsically on providing microcredit for the micro-entrepreneurs (FRANÇA FILHO and DURAN PASSOS, 2008).

The association of entrepreneurship with microcredit and the dissemination of this notion around the world are linked to the fact that important international financial institutions (such as the International Monetary Fund [IMF] and the Inter-American Development Bank [IDB], among others), as of the 1980s, began advertising the importance of entrepreneurship and microcredit as a key solution for the crisis of work, since these mechanisms provide for the inclusion of the poorest (FRANÇA FILHO and DURAN PASSOS, 2008). This is also why the informal economy of the Third World evolved from being seen as the system's villain (as was the case until the late 1970s) to a non-critical acknowledgement of its alleged virtues, such as creativity and flexible adaptation, in a kind of praise of "barefoot capitalism" (LAVILLE, 1997).

This context of popularization of microcredit by important international financial institutions is also driven by a rather specific interpretation and re-appropriation of pioneering experiences that have achieved great impact and visibility, such as the Grameen Bank. This could be defined as a policy for social inclusion, which started in the 1970s in Bangladesh, Asia, through the initiatives of professors and students of economics of the University of Chittagong, lead and inspired by

Muhammad Yunus. The enterprise they built was the Grameen Bank, an organization of inclusive microfinance that grants loans based on mutual trust, participation and responsibility to rural populations – mostly women – with difficult access to traditional credit channels.

The experience of the Grameen Bank inspired similar programs in every continent (YUNUS and JOLIS, 2006, p.223--256) and drew the interest of the private financial sector. In this context, the arrival of major private banks in the field of microcredit, through the notorious process of "banking" (called "*bancarização"* in Portuguese) of the poorest populations – i.e., their inclusion in the conventional financial system that used to exclude them – signaled the discovery of a new market niche for conventional financial institutions. This marked the advent of a new phenomenon in the dynamics of contemporary capitalism: "the microfinance industry," also called the "microcredit industry" (FRANÇA FILHO and DURAN PASSOS, 2008).

An important milestone in the process of acknowledging the value of microcredit (maybe even its peak) was the 1997 Global Conference on Microcredit in Washington, attended by 2,900 people from 137 countries (MICROCREDIT SUMMIT, 1997). At this conference, microcredit emerged as the key tool for fighting poverty worldwide (CARVALHO *et al.*, 2009; COSTA, 2010). However, this "banking" of the poorest encouraged by the "microcredit industry," though it eventually acquired a strong influence in the microfinance field, does not encompass all practices. Indeed, it obscures the visibility or design of a series of other experiences of proximity finance or solidarity finance that broaden the universe of microfinance but make it more complex, as we will discuss later.

In Brazil, mainly since the 1990s, many **bets** have been placed on microcredit support policies and programs. These involve a variety of governmental and private sector, as well as national and international, institutions. Such policies and programs have emphasized the so-called production-oriented microcredit, designed for micro and small enterprises (both formal and informal). These loans are meant to support small businesses, created and maintained by low-income people. As a rule, production-oriented microcredit is not intended to finance consumption (BARONE and SADER, 2008).

According to Zouain and Barone (2007), it is also since the 1990s that microfinance institutions mushroomed in Brazil, mainly due to the stabilization of the Brazilian economy with the Real Plan in 1994. These Brazilian microcredit experiences came mostly from a number of municipal and state initiatives (with state and local funds), known as *bancos do povo* (people's banks) (ZOUAIN and BARONE, 2007, p.375). During the last two decades, the Brazilian federal government directly assumed the role of formulating and implementing public policies to provide access to productive credit for low-income populations (ZOUAIN and BARONE, 2007).

In this context, the creation of both the National Program of Guided Productive Microcredit (*Programa Nacional de Microcrédito Produtivo Orientado* – PNMPO), during President "Lula" da Silva's administration in 2005, and of the National Program of Microcredit – *CRESCER* (GROW'S PROGRAM') – in 2011, during President Dilma Rousseff's administration (which is part of the Brazil Without Misery program), merit highlighting. The former aims to provide credit at lower interest rates to low-income individuals and micro-entrepreneurs. As for GROW'S PROGRAM, it is an unprecedented innovation in the context of public intervention in the field of productive microcredit in Brazil, mainly because the government altered the *Programa Nacional de Microcrédito Produtivo Orientado* (PNMPO), giving the government-owned banks (*Banco do Brasil* [BB], *Caixa Econômica Federal* [Caixa], *Banco do Nordeste do Brasil* [BNB] and *Banco da Amazônia* [BASA]) the task of scaling-up microcredit as a strategy for productive inclusion, significantly reducing the interest rates, among other measures (FRANÇA FILHO, RIGO, and SILVA JÚNIOR, 2012).

Nevertheless, the microfinance context in Brazil cannot be reduced to the initiatives of governmental microcredit institutions ("people's banks," municipal programs of microcredit) and microcredit provided by market organizations (private sector commercial banks) (FRANÇA FILHO and SILVA JÚNIOR, 2009). Besides the microcredit provided by these, there are non-governmental organizations (*Organizações da Sociedade Civil de Interesse Público* – OSCIPs – civil society organizations of public interest) for microcredit, credit cooperatives, microcredit societies for micro-entrepreneurs, and a vast array of experiences (many of them informal) originating from forms of popular and/or community organization (such as Solidarity Revolving Funds, Community Development Banks, and Collective Investment Groups – CIGs) that broaden the universe of microfinance and make it more complex to understand it (FRANÇA FILHO and SILVA JÚNIOR, 2009). The solidarity revolving funds, the CDBs and the CIGs, along with the segment of cooperativism dedicated to solidarity credit, comprise the field of solidarity finance in Brazil.

Among these, we must highlight the experience of the solidarity revolving funds. They represent very ancient and traditional practices, having arisen long before the "microcredit wave" that began in the 1990s, and they follow a traditional and solidary mode of organization of popular economies, mainly in rural areas. These funds, in Brazil, received important support from civil society institutions and organizations, primarily from those linked to progressive social movements tied to the Catholic Church, such as the Brazilian Caritas Diocesan organization. There are many differences between these practices and the traditional microcredit initiatives, mainly due to the proximity finance dimension, which assumes there is a kind of economic relation in which the financial link is immersed in relations of trust and solidarity.

> "In the methodology of the Solidarity Revolving Funds, a community is responsible for the man-

> agement of local resources, bringing back the practice of alternative finance rooted in the popular organizations, where the interests and the solidarity woven into the social relations, inside and outside of the productive groups in the form of social capital, turn into means of income generation" (SANTOS FILHO, 2010, p.1).

As a part of the world of solidarity finance, the Community Bank – according to several analyses – identifies with a financial system of communitarian and associative nature, guided by the principles of Solidarity Economics and dedicated to income and work generation in areas of social vulnerability (REDE…, 2006; SILVA JÚNIOR, 2006; FRANÇA FILHO, 2007; MELO NETO and MAGALHÃES, 2007).

According França Filho (2007), the fundamental characteristics of CDBs are the hybridization of economic principles and the joint building of supply and of demand, both of which are responsible for the singularity of this experience of solidarity finance. Concerning the joint building of supply and demand, essential for their characterization as a unique experience of solidarity finance, it refers to CDBs' articulation with the actual needs of the population it serves. The involvement and participation of the local population in the bank's activities as employees, managers, users or direct beneficiaries of the products and/or services offered also stands out.

CDBs can be defined as

> "networks of solidary financial services of an associative and communitarian nature, that aim to reorganize the local economies in terms of income and work generation, based on the principles of solidarity economy" (MELO NETO and MAGALHÃES, 2007, p.7).

In sum, solidarity finance can be defined as a type of microfinance and microcredit practice comprised of initiatives that value the potential of the mobilization of local investments, the joint funding of consumption and production, and the networks of social relations between individuals as a form of collateral and control that is not asset-based (ABRAMOVAY and JUNQUEIRA, 2005).

Solidarity finance organizations seek to achieve their economic sustainability without regarding their social goals, their constituents and their territory as secondary elements. Credit for production and consumption with guarantees based on relations of proximity, local credit cards, credit for urban and/or organic agriculture, solidarity exchange clubs, social currencies and local saving accounts are common examples of solidarity finance services. The conventional microcredit organizations, in turn, act as an instrument for making financial operations feasible and profitable. Therefore, one cannot regard them as being equivalent to solidarity finance, for they employ microcredit under different conditions. The fact that microcredit is mostly used by private sector and public institutions based on eminently market-oriented principles points to several substantial differences relative to solidarity finance.

These differences tend to be ignored within the conventional economic paradigm that considers two characteristics supposedly shared by both practices: dealing with financial operations involving small amounts and reaching a public considered to be low-income, thus triggering a process of democratization of access to credit for populations traditionally excluded from the formal financial system. This kind of interpretation stands in the way of one's perception of the multifaceted nature of the universe of microfinance, and lacks a broader understanding of how the real economy works, usually restricting it to the market logic. Thus, a broader understanding of economic reality (FRANÇA FILHO, 2007) allows us to grasp this distinction more precisely. The main difference concerns the **place** that each of these practices holds in societal dynamics: whereas conventional microcredit represents a market niche within the formal financial system, solidarity finance occupies a non-market space in society. The latter are an expression of society and, more particularly, they represent an expression of collective self-organization found by different populations and/or organized groups in their respective territories or communities in order to manage their own economic resources based on principles of solidarity, trust and mutual help.

This fundamental difference gives rise to a series of others: for example, conventional microcredit complies with criteria for granting credit that give rise to a new kind of selectivity in the targeted audience, thus excluding a considerable number of low-income candidates – the "extremely low-income" individuals – as they do not fit market criteria – criteria that also account for the high default rates and the inability of public microcredit policies to reach the lowest-income population, as França Filho, Rigo, and Silva Júnior (2012) point out.

In other words, conventional microcredit works based on criteria of return on investment and envisions a certain scale for its lending activities. Both of these factors are very different from solidarity finance. In the latter, proximity relations take precedence as an important requisite in the process of granting credit. This is the case because values such as trust and solidarity hold a central position in a system that is much more than a mere credit system. Indeed, this is a system of social relations in which economic activities are subsumed, thus inverting the usual market logic that subordinates social relations to economic relations or to the economic purpose of the activity (FRANÇA FILHO, 2010). This is one of the reasons why, in a solidarity finance system, the motto "Small is beautiful" prevails (SCHUMACHER, 1983). Indeed, we are dealing with a logic of socioeconomic organization fundamentally opposed to the idea of growth because of the very purpose of the system: to meet the needs and demands of people in a given territorial context – usually a small community or neighborhood. This is why solidarity finance is a practice rooted in the territory or in the community, as the term "proximity finance" suggests. Growth, in terms of the increase in the scale of operations, necessarily compromises this system due to the impossibility of maintaining its model of "socio-linking" relationships (GURVITCH, 1969 after GUERREIRO RAMOS, 1989) based on criteria of trust and solidarity, specific to proximal relationships. Growth dictates the establishment of impersonal relations between people so as to make the system functional, thus driving estrangement into relationships (GURVITCH, 1969 after GUERREIRO RAMOS, 1989), leading to another type of behavior, in which the priority stops being the human person or the subject – as institutions of the conventional economy show (FRANÇA FILHO, 2010).

3. COMMUNITY DEVELOPMENT BANKS (CDBs) AS A METHOD OF INNOVATIVE SOCIOECONOMIC ORGANIZATION: WHAT MAKES THEM SO UNIQUE?

As opposed to conventional microcredit practices, geared to individuals or to individual organization, the CDBs – an emblematic example of solidarity finance – deal with the territory to which they belong, be it a community, a neighborhood or a small city. CDBs seek to simultaneously invest in the territorial or local capacity of production, of generation of services and of consumption. To this end, they fund and guide the construction of socio-productive and local service initiatives, as well as of local consumption. This is because, in addition to the spread of multi-purpose microcredit, according to the credit lines defined by each CDB, their main goal and commitment is the building of local networks of solidarity economics through the articulation of producers, service providers and local consumers (FRANÇA FILHO and SILVA JÚNIOR, 2009).

In terms of their operation, four basic traits characterize CDBs:

- their resources are coordinated and managed by a community-based organization (in general, each CDB is linked to a local community association);
- microcredit lines for production and local consumption are used in order to provide fair interest rates in order to generate income and work throughout the community;
- loan granting and collection are based on neighborhood relations and on solidarity, imposing a control that is much more social than economic;
- they establish alternative instruments to stimulate domestic consumption, such as – local credit cards and local social currencies – which are recognized by producers, shopkeepers and consumers as effective in boosting the local economy (REDE…, 2006).

Although there are some possibilities of institutional arrangement in the formation of a CDB, one of the conditions necessary for its creation is the endogenous mobilization of its territory. In other words, the bank must be created in response to an intrinsic desire of the community, even when external agents contribute to this by motivating and mobilizing this community. The process of implementing a CDB must begin with a genuine community desire. In any event, some requirements must be met, such as financial capital for a credit fund; financial resources to cover the bank's operating expenses; a community organization (association, board, council, etc.) that can manage the bank; people trained for the roles of loan officer and credit manager; and support for the assimilation of the new technology by the community. These steps describe how many CDBs have been created: through a process of institutional partnerships involving supportive organizations (such as university incubators and Non-Governmental Organizations – NGOs – specialized in this field) and funding institutions (municipalities, state governments, government departments, foundations, etc.).

Another aspect worth highlighting in the functioning of CDBs is that collateral and control are based on close relationships and mutual trust. In other words, a CDB considers the formal record of the borrower to be but a mere record, used to assess his or her life in the community. The credit bank agents consider the network of neighborhood relations as a valuable source of knowledge. In turn, the repayment of the loan involves a unique form of social control: residents of the territory have the role of establishing mechanisms of peer pressure relative to each other. According to Ledgerwood (1999, *apud* Abramovay and Junqueira, 2005, p.23), "these mechanisms lower interest rates and default rates by effectively monitoring 'that which is invisible'." França Filho and Silva Júnior (2009) state that the particular aspects of the methodology of CDB credit operations occur mainly through networks of "prosumers". The word "prosumer" stems from the close association of producers and local consumers through the establishment of specific channels or circuits of trade relations centered on the reorganization and the strengthening of local economies.

Another important element that distinguishes the CDBs from the usual microcredit organizations is the use of local social currencies[(1)], "a form of parallel currency set up and run by its own users, whose emission stems from the private sphere of the economy" (SOARES, 2009, p.255). In Brazil, they are frequently referred to as "social currencies" (SOARES, 2006; MENEZES and CROCCO, 2009; SOARES, 2009; BURIGO, 2010) and, according to França Filho and Silva Júnior (2009), the reason for the "social" adjective is that they serve the communities that create and implement them with the purpose of finding solutions for these communities' economic and social problems.

The social currencies created via the CDBs have two main objectives: to function as consumption incentive tools (like credit cards, for example) that gain legitimacy among the local agents in the territory (consumers, producers and shopkeepers); and to stimulate a new kind of relation with money, for the goal is to restore damaged social links and to offer a "new kind of organization of the local economic life," daring to "build a new kind of sociability," different from that which is based on market exchanges and on individual material interests (FRANÇA FILHO and SILVA JÚNIOR, 2009, p.107).

Putting social currencies in circulation is always a challenge. It is important to highlight that such currencies, through the actions of CDBs, are an expression of a broader phenomenon, i.e., solidarity economy, whose specific expression via such practices can be called solidarity finance, or proximity finance, because it places values such as solidarity and trust at the center of financial operations, regulated by the community.

3.1. Community Development Banks as a movement: the construction of a network

In Brazil, the idea of a CDB is preliminarily identified with the territorial development project that emerged in 1998 as an initiative of the residents of *Conjunto Palmeiras*, a district of approximately 40,000 inhabitants in the outskirts of Fortaleza, capital of the Northeastern state of Ceará (FRANÇA FILHO and SILVA JÚNIOR, 2006). *Banco Palmas*, the CDB of *Conjunto Palmeiras*, was created by the Residents' Association of *Conjunto Palmeiras* (Associação dos Moradores do Conjunto Palmeiras – ASMOCONP). The stated goal of *Banco Palmas* is to create employment and generate income through the use of various tools to provide solidarity finance services to producers and consumers in the territory (SILVA JÚNIOR, 2004).

Because of its innovative practices, which

> "integrate credit, production, sales and consumption instruments with the goal of covering the entire chains of production, thus generating work and income for the local population" (MELO NETO and MAGALHÃES, 2003, p.11),

Banco Palmas became recognized. This acknowledgement turned into a desire among other institutions to replicate this social technology. Consequently, in 2003, the *Banco Palmas* Institute of Development and Solidary Socioeconomy – Palmas Institute (*Instituto Banco Palmas de Desenvolvimento e Socioeconomia Solidária – Instituto Palmas*) was created, to implement methodologies and social technologies of solidarity economics in partnership with various institutions in Brazil and abroad.

According to França Filho and Silva Júnior (2009), the effects of the Palmas Institute's efforts to replicate the CDB methodology started appearing in late 2004, with the implementation of *Banco PAR* in Paracuru, a small municipality in the state of Ceará. The following year, the Brazilian government, led by the National Solidarity Economics Department within the Ministry of Labor and Employment (*Secretaria Nacional de Economia Solidária/Ministério do Trabalho e Emprego* –SENAES/MTE), invested in the project to support the establishment and consolidation of CDBs, in partnership with the Palmas Institute. This project was crucial for the implementation of CDBs as a social technology for the socioeconomic development of territories.

In other words, this project expanded the partnerships and catalyzed the efforts to turn the CDBs into a public policy for the generation of work and income for socially excluded populations. This becomes evident when one considers the actions and partnerships between these organizations and the organs of the federal, state and municipal government since late 2005. The next step taken to solidify the social management of CDBs was the creation of the Brazilian Network of Community Development Banks (*Rede Brasileira de Bancos Comunitários de Desenvolvimento* – BCD). The Network aims to contribute to the exchange of experiences, knowledge and coordination of resources and partnerships for the institutional development of all the CDBs in the country (REDE…, 2006).

More recently, the actions of the network in the years 2010 and 2011 was largely marked by the implementation of the first national project (through a public tender process named "Action to promote solidarity finance based on community banks and solidarity funds," by SENAES/MTE), which shaped the first national policy for solidarity finance in Brazil. The Brazilian Network of Community Development Banks has undergone a significant process of expansion since its creation. As a result of the efforts and actions, as of April 2012, 68 CDBs had been implemented throughout the country and had joined the Network.

4. THE *BANCO PALMAS* EXPERIENCE: DEEPENING THE ANALYSIS OF AN EMBLEMATIC CASE STUDY

In order to characterize the early development of the paradigmatic experience of *Banco Palmas*, Brazil's pioneering CDB (Community Development Bank), one must examine the history of the *Conjunto Palmeiras* district, in the outskirts of Fortaleza in the northeastern state of Ceará. When the first residents arrived in 1973, no neighborhood had been created yet – evicted from their homes in other areas of the city as a result of real estate speculation and the gentrification of urban spaces – they took over a vacant and swampy area. The residents needed to organize this new place where they were living, but had only the inconsistent and inadequate support of the municipal government. The body responsible for organizing these social movements was created in 1981 in the form of ASMOCONP, the Residents' Association of *Conjunto Palmeiras*.

With the creation of ASMOCONP, the residents also joined a larger political struggle to demand and attain their basic human rights, such as access to water, electricity, education and health. (MELO NETO and MAGALHÃES, 2005). While improvements in the neighborhood's infrastructure were significant during the 1980s and 1990s, residents' living conditions still left much to be desired, given the community's great economic marginalization. Urbanizing the neighborhood involved costs that its residents could not afford, such as property taxes, electricity and water bills, etc. In 1997, ASMOCONP conducted a study and found that 90% of the economically active population had a family income below two minimum wages and that 80% of the neighborhood's residents had no formal employment (FRANÇA FILHO and SILVA JÚNIOR, 2006).

The lack of access to credit and the difficulties of marketing their wares were serious obstacles for both small producers and local businesspeople. Paradoxically, another study (the local production and consumption map) conducted by ASMOCONP in the same year revealed that, in general, the total disposable income of the neighborhood's 32 thousand residents was considerable: *Conjunto Palmeiras*' families spent an average of R$1.2 million a month. Nevertheless, this sum was not spent within *Conjunto Palmeiras*. In other words, the neighborhood was not inherently poor, but it became poor because its families spent their money elsewhere in the city (MELO NETO, 2009). Based on these observations, ASMOCONP began an advisory process, involving neighborhood residents, merchants, producers and community leaders to seek alternatives to strengthen the local economy and facilitate the circulation of income within the neighborhood. The result of these discussions led to the creation of *Banco Palmas* in January of 1998. The initial idea was to create

> "a project to generate employment and income capable of encouraging local production by directing the project's financing (microcredit) toward stimulating local consumption via a credit card" (MELO NETO and MAGALHÃES, 2003, p.16).

From the point of view of integrated local community development, *Banco Palmas* sought to use financing as a tool to build and strengthen the local solidarity economy, through investment in productive activities, consumption and professional development.

Management of the bank is shared between ASMOCONP and technical staff of the *Banco Palmas* Institute. More than a solidarity finance institution, *Banco Palmas* is a social enterprise with the mission of community development, starting with empowerment of the local population. The first financial products developed by the bank were microcredit lines for production and consumption. The former are issued in reals, the official national currency, while the latter are offered in Palmas, the bank's social currency. There are many rules relating to credit for production, varying according to the status of the entrepreneur, the amount of the loan, the interest rates and the value of monthly repayments. Over its 14 years of existence, *Banco Palmas* has formed a solidary financial system that works seamlessly with certain products to expand the neighborhood's wealth, focused on local production, trade and consumption. Based on how these products work, we will highlight the procedures for granting credit and the circulation of social currency.

4.1. Differentiated access to credit

First, to gain access to credit for production or consumption, residents fill out a form with their personal information, the loan value requested, and what it is intended for. In general, the *Banco Palmas* credit analyst visits the neighbors of the applicant equipped with this data to learn more about the future borrower. With this new information, the Credit Evaluation Committee (CEC) meets and decides whether or not to grant the loan. Upon accepting microcredit, the resident joins a network of local cooperation. According to Silva Júnior (2004), *Banco Palmas* looks after the neighborhood's residents, for even when they are ineligible for a loan, they are offered guidance as to what steps they should take to obtain credit when the next opportunity presents itself.

All of these procedures take place in less than 48 hours. We emphasize that no form of credit protection service is consulted (*Serviço de Proteção ao Crédito* [SPC], *Serviço de Assessoria S/A – Centralização de Serviços Bancários* [SERASA], *Cadastro Informativo dos Créditos não Quitados no Setor Público Federal* [CADIN]). Furthermore, it is not necessary for the borrower to leave any kind of personal identification document (ID card) with *Banco Palmas*. Thus, *Banco Palmas*' procedures for granting credit are innovative *vis-a-vis* exclusive market. The focus is on the improvement of the quality of life of the people who take out loans. They are not required to strongly formalize their relation with *Banco Palmas*, as the idea is to facilitate access to credit for residents through more substantive and informal channels, by acknowledging the power of neighborly relationships, and via trust and solidarity.

Access to productive credit for residents is even easier when the loan requested is less than R$500.00, as microcredit is granted immediately after the interview with the loan officer. The borrowers are only asked to present their ID documents and invoices demonstrating what their production activity consists of. For informal activities (such as domestic production for sale, mobile vending, or small-scale production), these loans have monthly interest rates of 2.0% to 2.5%, and they are repayable in four to eight months (INSTITUTO PALMAS, 2011). This type of loan is called "Retailer", "Productive Home" and "Popular and Solidary Economy" – see Table 1. Furthermore, a line of credit was especially created for women who receive income from the social income redistribution program *Bolsa Família* (Family Allowance). This line of credit has a very low interest rate of less than 1.5% per month for loans of up to R$ 150.00, which can be repaid in as many as four installments.

It is important to note the preponderance of credit for people that get *Bolsa Família* aid. In terms of volume, they account for 67.53% of the number of loans granted, while representing only 13.5% of the total portfolio volume (a percentage easily explained by the loan value ceiling of R$150.00). Thus, the main public served by *Banco Palmas* is comprised of low-income people who depend on government benefits. On the other hand,

Table 1

Credit Data in Banco Palma's Diverse Portfolios (01/01 to 07/31/2011)

Lines of Credit	Loan Amount (in R$)	Interest Rates (%)	Number of Loans Granted	% of Quantity Lent	Amount of Credit (in Thousand R$)	% of Total Lent
Business	Up to 2,500.00	2.5	245	9.9	274.26	21.1
	From 2,501.00 to 5,000.00	3.0	58	2.3	196.18	15.1
	From 5,001.00 to 15,000.00	3.5	49	2.0	481.50	37.1
Family Allowance	Until 150.00	1.5	1.672	67.5	174.95	13.5
Retailer	Until 400.00	2.5	114	4.6	49.77	3.8
Productive Home	Until 450.00	2.0	16	0.6	7.85	0.6
Popular and Solidary Economy	Until 500.00	2.5	322	13.0	113.67	8.8
Average Interest Rate		2.5				
Total Credits Granted			2.476	100.0		
Total Amount Loaned (in Thousand R$)					1,298.18	100.0

Source: Data supplied to the authors by *Banco Palmas* (Jan./2012).

while local entrepreneurs who access business credits represent **only** 14.22% of the number of loans, they account for 73.33% of the monetary value of all the loans combined. It is striking that *Banco Palmas* is able to provide credit for two demographic groups, one of which is not served by traditional microcredit.

One should also highlight that these mechanisms are efficient, given *Banco Palmas*' low default rate. Figure 1 shows the efficiency of the credit system in providing loans for this community and the influence of the said community on the default rate. Observed default rates stood between 1% and 2.5%. This is extremely low, especially when compared to commercial banks, which have much higher rates, of between 6% and 8% for delays greater than 30 days (BORGES, 2010a).

The fact that the bank belongs to the community induces a strong social control mechanism. In the case of deliberate default, periodic visits of external loan officers inform the borrowers of their financial situation and its risks and implications for the sustainability of the bank. By refusing to pay, the client calls into question the stability of the entire system. However, given the positive reputation of *Banco Palmas* and what it brings to the community, people tend to protect it and, therefore, develop peer pressure mechanisms at the neighborhood level to safeguard the reputation of the borrower. Moreover, it is always possible to renegotiate the payment plan in of the event of financial difficulties. The borrower must simply go to the bank to discuss his or her situation with the loan officers to enter into an agreement.

4.2. The "Palmas" social currency: identity affirmation and wealth circulation, not accumulation

The first social currency of *Conjunto Palmeiras*, called Palmares, was created in October of 2000 to be used in the solidarity exchange club organized by *Banco Palmas*. Held twice per month, the club brought together some 30 to 40 producers to hold exchanges with one other. To do so, they converted their products (clothes, crafts, food, etc) into *Palmares*. At the time, the social currency was used as a means of mediating trade and product prices, determined by agreements among the participants (SINGER, 2009). Many discussions were involved with the exchange club, including what the role of money was and the importance of redefining a new economy based on values and human needs. After two years of such discussions, a central issue emerged and disturbed the participants of the exchange: many of them were interested in trading their goods for food, but those who brought food to the club were few and far between. The products that people brought were generally the same, principally crafts and clothing. This stimulated

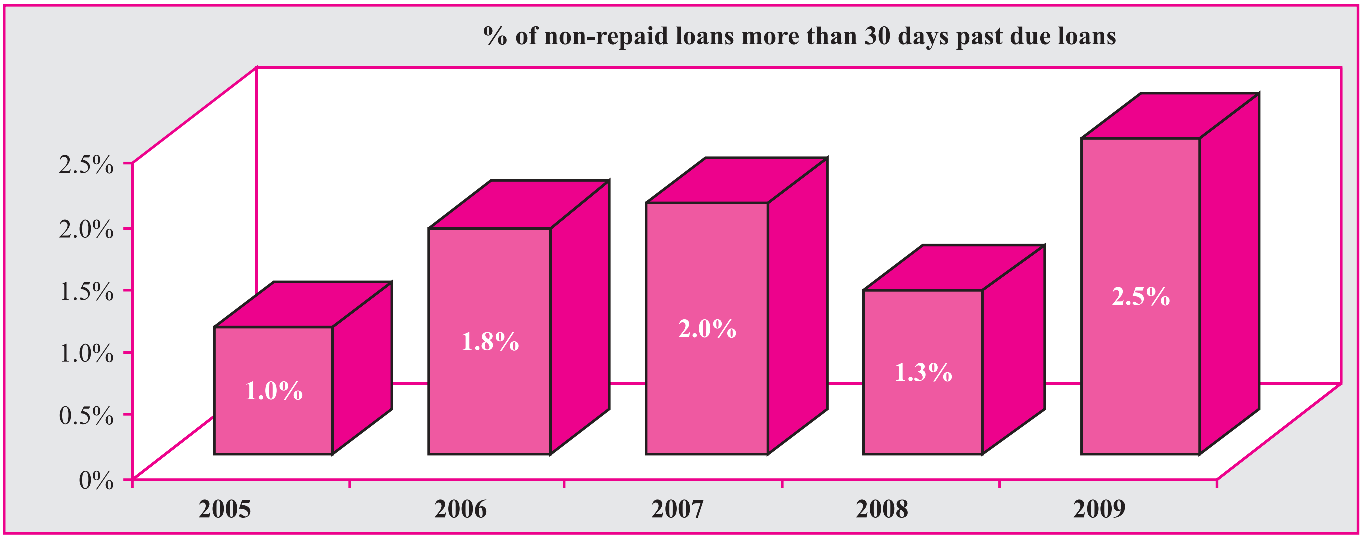

Figure 1: Banco Palmas Default Rate

Source: Data supplied by *Banco Palmas* (1997; 2002; 2008; 2009).

Banco Palmas to think of expanding these solidarity practices, to reach a larger number of economic actors in the area and thereby diversify the products available within the trading system (MELO NETO and MAGALHÃES, 2005).

It was then, in 2002-2003, that a local currency, named Palmas, was created to circulate constantly throughout the entire neighborhood and not only during the Exchange Club sessions. The initial idea was to stimulate consumption within the neighborhood. The social currency encouraging local consumption joined another instrument already developed by *Banco Palmas* with the same purpose: a "credit card" called *PalmaCard* and printed on paper. Upon purchasing at neighborhood establishments, the client signed an invoice bill, which stayed with the merchant until he or she went to the bank to receive the corresponding value (close to one month after the sale). The use of the Palmas social currency, in comparison to the *PalmaCard*, turned out to be much more flexible, as currency was more immediately available for merchants after a sale and allowed merchants themselves to make the currency circulate within the neighborhood. In little time, the use of the social currency demonstrated the speed of the commercial circuit and the wealth that it generated steadily increased.

Today, the Palmas social currency is understood as a kind of complementary currency, circulating freely together with the national currency (R$ – Real) within the neighborhood. It is still viewed as an integral part of the of the local economic restructuring efforts driven by *Banco Palmas* that, together with productive microcredit, stimulate the consumption of locally produced goods and services. This proposal strengthens the market, stimulating demand. Through the community members' strengthened purchasing power and with demand limited to local consumption, the flow of local production and distribution is promoted in the entire neighborhood. The social currency went into circulation based on the following:

- Credit for consumption in the neighborhood (issued in Palmas);
- Payment of ASMOCONP, *Instituto Palmas* and *Banco Palmas* staff (close to 10% of staff's monthly salary is paid in Palmas);
- Scholarships for the beneficiaries of the programs and projects of *Instituto Palmas* (paid in part in Palmas);
- Exchange of reals for Palmas, directly with *Banco Palmas* tellers, to obtain discounts offered on neighborhood services and products purchased with Palmas.

It is noteworthy that credit for consumption, granted in social currency, is immediate and devoid of administrative complications, requiring only that borrowers present personal identification documents. For the first loan, the limit is 50.00 Palmas and customers have 30 to 60 days to repay the amount (BORGES, 2010a). If payments are made as agreed, the loan amount will increase to 200.00 Palmas. There are no interest rates on loans taken out in social currency; they bear only an administrative fee of 1.0% on the loan amount. Between 2005 and 2009, the amount of Palmas-issued consumer loans (usually for an emergency purchase of medicines, bottled gas or food) increased twelve-fold, from 3,000.00 to 36,000.00 borrowed Palmas in circulation (see Figure 2).

Neighborhood enterprises are not required to accept the social currency. Acceptance is voluntary, but when the owners

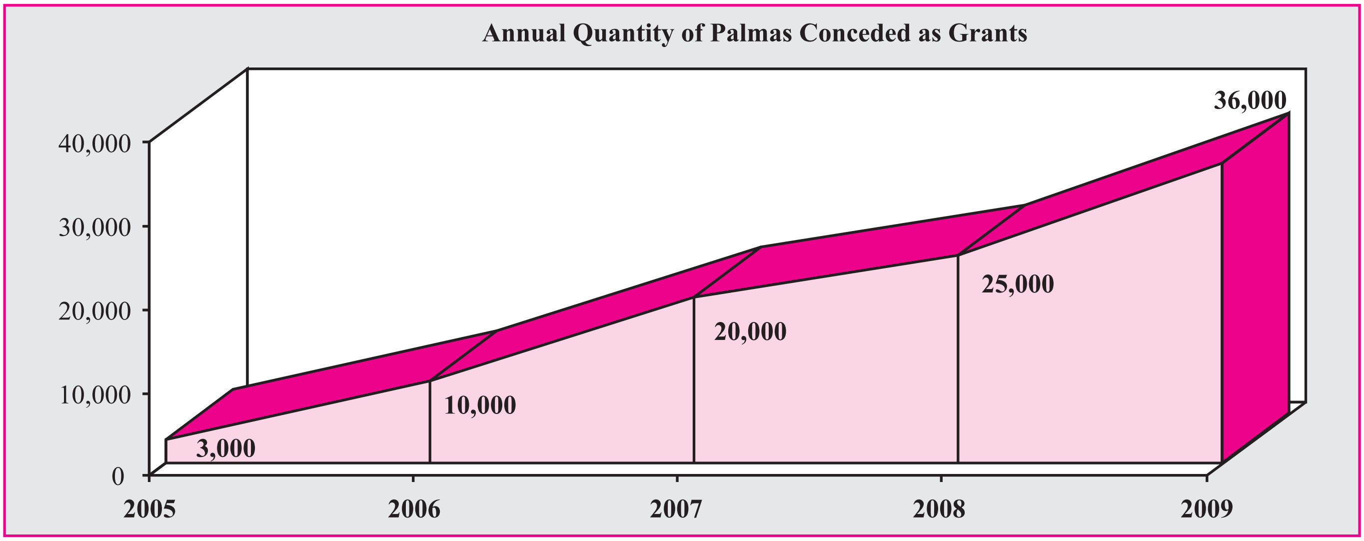

Figure 2: Evolution of the Quantity of Palmas Issued for Consumer Credit

Source: Data supplied by *Banco Palmas* (1997; 2002; 2008; 2009).

of establishments decide to accept the currency, they enter into an agreement with *Banco Palmas* so that they can exchange, at the bank, the Palmas received in sales. Although there was some initial resistance to this local currency, entrepreneurs gradually accepted Palmas as valid. There were 90 enterprises accepting Palmas in 2005, but by 2009 the figure had risen to 240. Moreover, of the 240 merchants who accept the social currency, 70 offer a discount for buying in Palmas, usually around 5% of the product or service sold.

Neighborhood merchants can trade their Palmas for reals (R$). However, they are encouraged to first get the Palmas to circulate, by exchanging transactions in their establishments or by purchasing inputs and products for their businesses. The rationale underlying this system is circulation, not accumulation. And the exchange does takes place, especially when these players accumulate many Palmas in their enterprise or when what they want to buy cannot be found within the community. Moreover, it is possible for merchants to pay certain bills (water, electricity, invoices) in social currency at *Banco Palmas*, which is a correspondent bank of *Caixa Economica Federal* (*Caixa Aqui*) and *Banco do Brasil* (*BB Plus*). In this case, the merchants pay their bills in local currency and *Banco Palmas* transfers the amount paid in national currency to the correspondent bank. This currency conversion is possible because the social currency is suitably backed.

The backing mechanism works as follows: the Palmas is indexed to the real and the value of 1.00 (one Palma) is equivalent to R$ 1.00 (one real). Each Palma issued and placed into circulation has its equivalent in reals deposited with *Banco Palmas*. The social currency is intrinsically dependent on the real, requiring backing, which also guarantees the value of the Palmas. If unbacked currency were to be issued, a depression of the currency value could occur, generating an inflationary cycle (BORGES, 2010b).

Finally, backing is needed to ensure social currency convertibility. Without this, professionals and merchants would be more reluctant to take it, because they need to buy supplies and raw materials outside of the neighborhood, for which they use the real. This dependence on external supply indicates there is a certain amount of difficulty creating solidarity production chains within the neighborhood to compete with large-scale production, a challenge that *Banco Palmas* believes it can overcome in the medium- and long-term.

Here, it seems important to emphasize these currencies' inherently social nature, which is part of a system of shared and much-debated rules, especially within the scope of the Local Socioeconomic Forum (*Fórum Socioeconômico Local*) FECOL), an arena for debate among the various parties involved in the circulation of the currency (merchants, service providers, consumers, *Banco Palmas*, local associations and residents). The system rules are discussed, problems are debated, solutions are found and new projects are analyzed. In this sense, one can say that the circulation system of the Palmas social currency is based on a new kind of social contract; such currencies go hand in hand with a sort of political pedagogy.

Finally, the social currency of a CDB performs two distinct functions: an economic function, on one hand, and a political, symbolic or identity-related function, on the other. In the first case, the currency acts as an incentive mechanism for local consumption to solve income evasion issues and needless consumption in other neighborhoods. However, to be viable to strengthen local economies, these currencies should also have a symbolic territorial identity value, as opposed to the stigma to which they are subject. This "revaluation" of identity can be seen as a political strategy to assert the associative character of the CDB.

Therefore, the construction process and the iconographic design of such currencies are extremely important for the community dynamic established during the implementation process of each CDB. In the principles of the constitution of the CDB (MELO NETO and MAGALHÃES, 2007), the function of social currency is to promote a new kind of relation with money in order to restore degraded social ties and to propose "a different way of organizing the local economy," daring to "build a new sociability," different from that which is based on market exchange and the sole interest of personal satisfaction and material gain (FRANÇA FILHO and SILVA JÚNIOR, 2009).

4.3. Impacts on the socioeconomic development of the neighborhood

In a 2008 survey to evaluate 10 years of *Banco Palmas*, 94% of respondents said that they believed the Palmas social currency contributed to the development of the neighborhood. Of these, 58% confirmed that they had used the currency. As for why people used Palmas in the neighborhood, the main one (43%) was that it helps people to develop local commerce, where as 22% stated that they used Palmas because they got a discount on purchases at local businesses (see Figure 3).

In the same survey, respondents were asked to say whether or not the bank helped the neighborhood to grow: 98% of those interviewed answered yes. The remaining 2% were not opposed to it; they merely stated that they did not know how to evaluate the bank's actions. Again, regarding the development of the neighborhood, 90% of respondents assured the researchers that *Banco Palmas* had improved their quality of life. This contribution was achieved primarily in relation to the economic and social objectives of the bank, particularly in generating employment and income, but also in the construction of new social and community ties (see Figure 4).

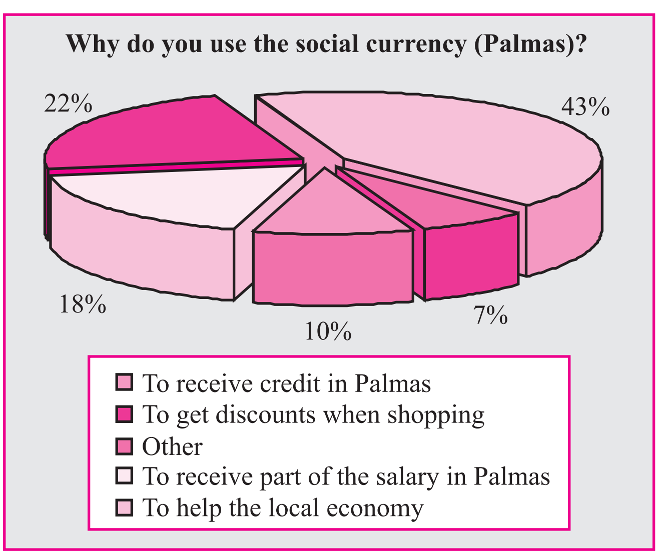

Figure 3: Reasons for Using the Social Currency (Palmas)

Source: Adapted from Silva Júnior (2008).

Besides the research conducted in 2008, since 1997, ASMOCONP has regularly performed a **Local Consumption** mapping workshop to discuss and target their actions better. The results of these maps were used to develop thinking on the use of money in *Conjunto Palmeiras*. Conducted in 1997, 2002, 2008 and 2009, these **maps** allowed the community to reflect on the evolution of consumption of products and services available to neighborhood families. Analyzing these consumption maps, several revealing results become evident. First, we confirmed that the consumption levels in the neighborhood with basic spending on food, personal hygiene and cleanliness increased almost six-fold between 2002 and 2009 (from R$ 1.2 million in 2002 to R$ 6.2 million in 2009). This increase becomes even clearer when we isolate the food variable, on which spending increased 450%, from $ 1.0 million (in 2002) to $ 4.7 million (in 2009).

This improvement in the district's consumption levels was possible due to positive developments in income distribution in *Conjunto Palmeiras*. Data from consumption surveys indicates that between 1997 and 2008 the percentage of families in the district earning less than R$275.00 a month dropped from 20.3% to 4%. The same maps allow us to identify a significant increase in other income brackets across the community (see Table 2). Although it is impossible to conclude that the source of this progress only the *Banco Palmas* activities, one nevertheless assumes that it did add to the political and economic conditions in general and to the social aid mechanisms of the Brazilian Federal Government. The *Bolsa Família* income transfer program is particularly noteworthy, having benefited poor households such as those that inhabit *Conjunto Palmeiras*. Moreover, the labor market has expanded in the country over the last decade, marked by strong economic growth.

The **local consumption maps** show a positive trend toward local consumption. In 2009, nine out of ten families did their shopping in the neighborhood, whereas in 1997 only one out of every five families did so. This represents a significant transformation of the structure of local consumption, going from 20% to 93% of household purchases performed in *Conjunto Palmeiras*. The phenomenon is largely due to the systematic actions of *Banco Palmas* in its quest to raise the residents' awareness. As Figure 5 shoes, the transition to the current situation occurred mainly between 1997 and 2002.

However, the Palmas social currency did not yet exist in this period and the reasons for the growth of local consumption are presumably connected with other actions of the bank,

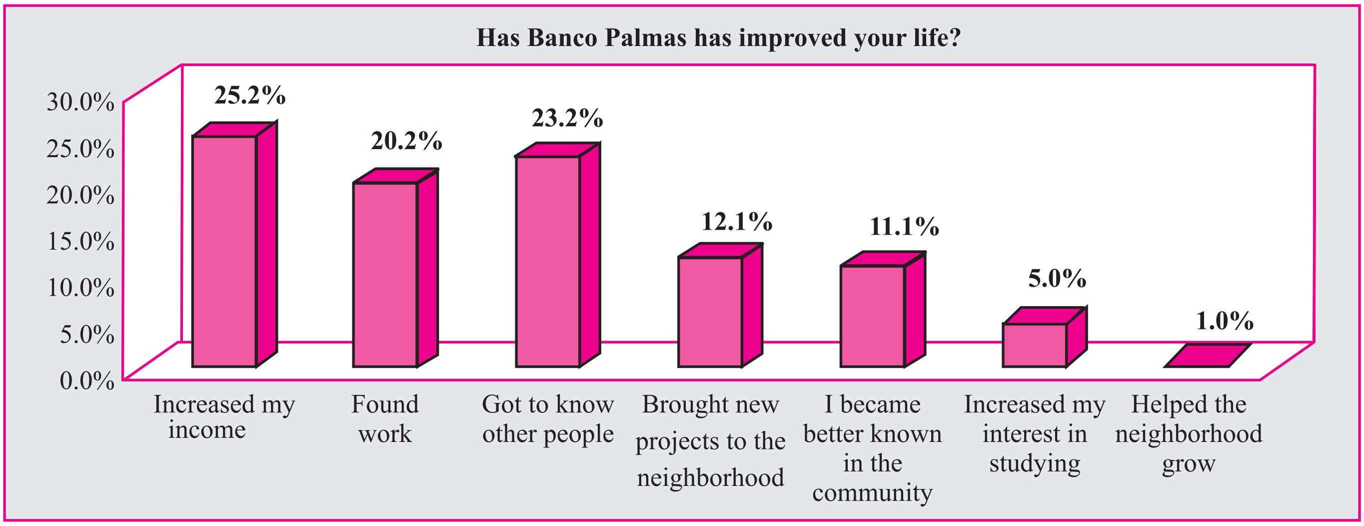

Figure 4: The Role of Banco Palmas in Improving Residents' Quality of Life

Source: Adapted based on Silva Júnior (2008).

Table 2

Evolution of Monthly Family Income in Conjunto Palmeiras between 1997 and 2008

Family Income Bracket	1997	2008
Up to R$ 275.00	20.30%	4.00%
From R$ 275.00 to R$ 550.00	42.80%	53.00%
From R$ 551.00 to R$ 1,110.00	28.20%	37.00%
Above R$ 1,100.00	8.65%	6.00%

Source: Data supplied by *Banco Palmas* (1997; 2002; 2008; 2009).

such as the line of credit for consumption offered via the *PalmaCard* (Banco Palma's social "credit card" to encourage consumption within the neighborhood). The Palmas currency might have affected the economic picture as of 2002. Today, it is clear that the goal of promoting local consumption within the neighborhood has been achieved and the value of the social currency is still its strong educational appeal and important role promoting community identity. Overall, it is unfair to assume that the circulation of social currency alone has changed the reality of the neighborhood in terms of the collective awareness of the importance of consuming within the community. Still, it certainly played an important role in building up the neighborhood's self-esteem. Formerly known only as a poor and violent area, *Conjunto Palmeiras* is now recognized for its currency and has become a model for other neighborhoods and poor communities in Brazil.

Such practices have recently gained growing institutional recognition, as evidenced by events such as the establishment of the Brazilian Network of Community Development Banks and the expansion of the number of similar experiences over the last three years; the definition of solidarity finance as one of three program areas of intervention chosen by the National Bureau of Solidarity Economics (SENAES/MTE), at the request of the Ministry of Labor; the creation of the Central Bank Forum of Financial Inclusion (in 2009 and 2010), with panels and special desks dedicated to the theme of solidarity finance; the thematic conference on solidarity finance held in preparation for the national solidarity economy conference held in July 2010; and the increased viability stemming from the public call issued by SENAES for national public support of solidarity finance in 2010, among other events.

5. CONCLUSION: WHAT RESULTS AND CHALLENGES WERE IDENTIFIED?

Today, *Conjunto Palmeiras* residents pride themselves on their bank and agree that not only has it brought visibility to the neighborhood, but that it has also substantially changed how the rest of the city sees the neighborhood. Currently, it is more often quoted in the economic section of the newspaper than in the crimes section, contrary to what used to happen in the 1990s. In this paper, we point out the contributions of *Banco Palmas* on a range of issues, from raising the self-esteem of the residents to the impact of increased local consumption and circulation of wealth in the neighborhood. The discussions and details presented thus far point to two fundamental unanswered questions. One concerns the greater potential of

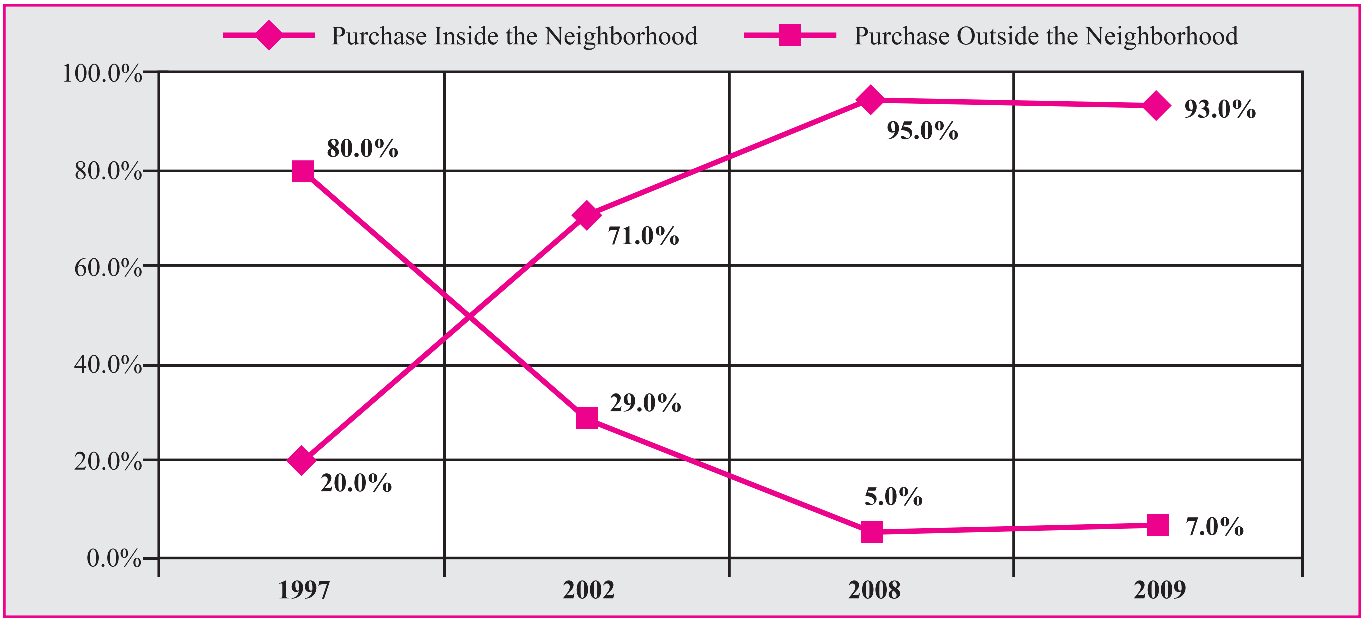

Figure 5: Where Conjunto Palmeiras Residents Go Shopping

Source: Data supplied by *Banco Palmas* (1997; 2002; 2008; 2009).

community banks in reaching the poorest people ("the poorest of the poor") over traditional forms of microcredit, as offered by public and private banks and other financial institutions that see microcredit as a lucrative niche in the market. The other concerns the perspective or sense of economy that allows for a better understanding of the *Banco Palmas* experience and of community banks in general. What is needed is a broader sense of the economy, one that takes into account other aspects of social life and community relations.

Regarding the first argument, as indicated in the early part of this work, we want to emphasize that the community management character of the CDBs leads to closer client relations, resulting in significantly more favorable treatment. This closeness is revealed in the procedures that *Banco Palmas* and that community banks in general use in making loans. Dispensing with the consultation of credit protection systems, the basic criterion for granting loans in the traditional microcredit schemes, the CDBs prioritize social criteria (in order to recognize the real needs of borrowers) and ethical criteria (trying to understand the history of the borrower's conduct in his or her neighborhood), while remaining aware of the borrower's ability to pay (economic criterion). It should be noted that the criterion of consulting the credit protection systems ends up selecting a target audience, therefore excluding a large portion of this public, especially lower-income people.

Another major difference that highlights the common challenge of microcredit schemes in reaching this portion of the population concerns the very rationale of the functioning of these organizations, aimed primarily at recouping the invested capital and achieving an established scale of loans. Such concerns are distinct from the universe of solidarity finance that encompasses CDBs, where relationships of trust and solidarity are the basic procedures for granting credit.

These differences in design and practice give rise to reflections on the second point proposed for these final thoughts. The system of social relations constructed by *Banco Palmas* (and that CDBs generally try to build) points toward a different grasp of economic relations, which are regarded as being subsumed in community relations, trust and solidarity. These relations give meaning to the creation and functioning of CDBs, so that economic operations become a means, rather than an end in itself. The very fact that CDBs invest to support the establishment of local solidarity economics networks points to a vision of concurrently developing local supply and demand, besides credit concerns. Supply, for example, is constructed by supporting the establishment of solidarity enterprises and the financing of productive activities and services that represent actual local demand, as expressed in public discussions held in the appropriate public arenas, such as the meetings of the Local Economic Forum (FECOL). Demand is made possible by lines of credit for consumption and by the social currency that reinforces the habit of local neighborhood consumption among residents. Therefore, we believe that the *Banco Palmas* approach to economic restructuring falls within the universe of a pluralistic solidarity economy.

The concept of a plural or substantive economy expands when it is "understood as the set of phenomena arising from the dependence of man on the context of nature and on his fellows," referring to its historical, social and political meaning (POLANYI, 2000, p.56). This notion of economics assumes that the relations between producers and nature admit a plurality of economic principles that go beyond those embraced by the formal notion of economics, namely, an orientation to profit, typical of a market economy (LAVILLE, 2009). Thus, over time and space, different ways of exchanging goods and services can be perceived as redistribution requiring a centralized institutional model; reciprocity, encouraged by symmetrical relations; and the market itself, which is just one economic possibility, not the only nor the most important one. In addition, for Lévesque (2009), the economy is embedded in the society, so that explanations of economic phenomena can differ from their social, political, cultural and environmental foundations. Community banks can then be understood as one of the different organizational forms that make way for other systems of thought to operate, generating a set of practices guided by plural principles. To Laville (2009, p.148), this would be the "real economic movement."

However, this current economic movement or set of plural economic practices undertaken by CDBs faces a varied set of challenges. One of them concerns building and maintaining the confidence of the community in CDBs. The acceptance and legitimacy of their practices are reaffirmed the more the channels of close relations are strengthened, as part of the very process of implementing and learning a different culture of relations among people and of their relation with money. At *Banco Palmas*, communication mechanisms to disseminate the results of their actions seek to continually reaffirm its role as a community bank. Another challenge faced by CDBs in general is the lack of a legal framework for solidarity finance practices, complicating the management and sustainability of the bank, particularly in terms of raising funds for loans and training in order to obtain backing and achieve the circulation of social currencies.◆

NOTE

(1) For Blanc (1998), the coins are complementary or parallel if they constitute a wide range of monetary instruments. They are called "parallel" because they overlap in the portfolios of agents coexisting and complementing the national currency. These coins, called "complementary" by Lietaer and Kennedy (2010), have arisen in several countries and under various forms. Common examples are LETS (Local Exchange Trading Systems) in Anglophone countries, the SELS (*Systèmes d'Echange Local*) in France, the Royal in Germany and many others. An overview of these experiments is found in Lietaer and Kennedy (2010).

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ABSTRACT

Solidarity finance through community development banks as a strategy for reshaping local economies: lessons from Banco Palmas

The purpose of this paper is to reflect on the possibilities and challenges of Community Development Banks (CDBs) as an innovative method of socioeconomic management of microcredit for poor populations. To this end, we will discuss the case of *Banco Palmas* in *Conjunto Palmeiras* in the city of Fortaleza, in the northeastern state of Ceará, as an empirical case study. The analyses presented here are based on information obtained from *Banco Palmas* between late 2011 and early 2012. In addition, previous studies by other researchers on the bank and other studies on CDBs were important. The primary data collected at *Banco Palmas* came from documents made available by the bank, such as reports and mappings. The analyses describe some of the characteristics of the granting of microcredit and allow one to situate it in the universe of microfinance and solidarity finance. They also show the significant growth of local consumption, mostly through the use of the Palmas social currency. The *Banco Palmas* experience, aside from influencing national public policies of solidarity finance, initiated a CDBs network that encourages the replication of these experiences throughout the country.

Keywords: solidarity finance, community development banks, *Banco Palmas*, social currency, socioeconomic innovation.

RESUMEN

Finanzas solidarias por medio de bancos comunitarios de desarrollo como estrategia para la reorganización de economías locales: lecciones del caso Banco Palmas

El objetivo en este trabajo es discutir los desafíos y el potencial de los Bancos Comunitarios de Desarrollo (BCD), como una modalidad de organización socioeconómica innovadora en la gestión del microcrédito para poblaciones más pobres. Para ello, se analiza el caso del Banco Palmas, ubicado en el Conjunto Palmeiras, en Fortaleza, estado de Ceará. Los análisis de este estudio se basan en un conjunto de informaciones recolectadas en el Banco Palmas a finales de 2011 y principios de 2012. Además, estudios previos realizados por otros investigadores en el Banco Palmas y otros estudios sobre el tema de los Bancos Comunitarios de Desarrollo fueron importantes. La información primaria recogida en el Banco Palmas es el resultado de documentos facilitados por la institución, como informes y mapeos. El análisis permite describir algunas características de la concesión de microcréditos y ubicarla en el mundo de las microfinanzas y de las finanzas solidarias. También permite ver el aumento significativo en el nivel de consumo en el barrio, en particular mediante el uso de la moneda social Palmas. La experiencia del Banco Palmas, además de comenzar a influir en las políticas públicas nacionales dirigidas a las finanzas solidarias, dio lugar a la creación de una red de bancos comunitarios de desarrollo, que trabaja en la implementación de esas experiencias en todo el país.

Palabras clave: finanzas solidarias, bancos comunitarios de desarrollo, Banco Palmas, moneda social, innovación socioeconómica.