

Community currencies in Brazilian community development banks: What role in territorial development? The case of Banco Palmas

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Abstract

Brazilian community development banks (CDBs) have established various coordinated financial mechanisms aiming to restructure poor and peripheral local economies. This development strategy includes an instrument to facilitate access to microfinance and a community currency, combined with the definition of vocational training programmes and support for business start-ups. Put together, these different activities constitute the endogenous and resilient territorial development strategy defined by community development banks.

In this communication, we propose to assess the role played by community currencies in the development strategies defined and promoted by CDBs. We will focus in particular on the potential and limits of creating a social currency and on its capacity to have a spillover effect throughout the territory.

We shall do so by specifically studying the case of Banco Palmas, Brazil's leading CDB.

Keywords:

Endogenous territorial development; community development banks; Brazil; microfinance; empowerment; social currencies; citizen empowerment

Résumé

Les banques communautaires de développement brésiliennes (BCDs) ont établi différents dispositifs financiers coordonnés visant à restructurer les économies locales pauvres et périphériques. Parmi les instruments financiers créés se trouvent notamment un accès facilité et adapté au microcrédit et à une monnaie sociale ; conjointement à l'élaboration de formations professionnelles et l'appui à la création de micro-entreprises.

Mises ensemble, ces différentes activités constituent la stratégie de développement territorial endogène et résilient élaborée par les banques communautaires. Nous étudierons ici le rôle de la monnaie sociale Palmas au sein de la première BCD, la Banque Palmas, à l'origine de ce modèle original de développement territorial endogène.

Mots-clefs:

Développement territorial endogène, banques communautaires de développement, Brésil ; microfinance ; empowerment ; monnaies sociales et complémentaires ; empowerment citoyen

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1 Introduction

The concept of territorial development is becoming increasingly widespread in the world of research and among development actors and civil society. In this regard, the territory cannot be confined to “*a piece of the nation*” (Courlet, 2008, p. 12) or “*a piece of the land*” (Talandier and Davezies, 2009, p. 64); it must be understood as the social construction of a multidimensional collective space, where economic and social activities are “located”. This is core to the approach to the territorial economy. It allows the construction of the territory by local stakeholders to be taken into account (Pecqueur 2000; Courlet, 2008). The territory must be analysed as “*a system made up of actors who are linked together by social relations, dynamic relations that evolve over time depending on the relations, interactions that are established between them*” (Courlet, 2008, p. 10). This “complex system” is made of up various actors who interact depending on a specific choice of location for their relations and exchanges, which thus generates the territorial dynamics. Consequently, development is no longer considered as being exogenous, but now depends on “*a territory’s capacity to endogenise its development*” (Courlet, 2008, p. 47) through the proximity and cooperation between stakeholders.

In this process, territories are “*built socioeconomic entities*”. They should generate a “*process for the creation of resources, with the aim of resolving new production problems*” (Pecqueur, 2000, p. 15). The territory is activated and revealed by stakeholders who cooperate to seek solutions in order to resolve a problem. There is a large-scale “*creation of territories*” through the revelation of territorial resources, and this may concern latent resources, *i.e.* potential resources that are not activated (Gumuchian and Pecqueur, 2007). The territorial vision underscores the capacity of stakeholders in the territory to bring about a dynamic of endogenous sustainable development *via* a bottom-up approach.

The territory is consequently a “*collective creation*” (Courlet, 2008, p. 35), but how can this construction be promoted and the actual capacity of territories to develop their wealth and trigger sustainable territorial development be improved? To achieve this, territories develop tools at their level. Community and complementary currencies (CCCs)⁴ are one of these instruments.

The aim of these currencies is to provide the framework required to develop exchanges of services, goods or knowledge organised by and for communities through an *ad hoc* monetary organisation that an internal currency makes it possible to record and settle (Blanc, 2006c). In this regard, money is understood as being a fundamental social institution for all societies, whether or not they are market-based (Aglietta and Orléan, 1995, 1982 and 1998; Théret, 2007; Blanc, 2000).

This text will focus on Brazilian community development banks (CDBs), which have set the specific objective of promoting endogenous territorial development in order to create employment and income for the members of their community. CDBs, in conjunction with the various economic and social instruments, have adopted a specific community currency in each territory. Today, with over 100 CDBs nationwide, these community institutions are a major phenomenon in Brazil’s solidarity economy and microfinance sector. However, there is very little scientific literature devoted to these mechanisms, and even less to their CCCs. In order to explore the potential of CCCs as a tool to support and strengthen sustainable and endogenous territorial development, we shall study the “Palmas” CCC of the first CDB, Banco Palmas. We shall use empirical studies conducted on this bank recently, which include qualitative and quantitative data, in order to question the potential and limits of establishing a CCC and its territorial impacts by mobilising the theoretical framework developed by Fare (2011).

⁴ For a discussion on the term and typologies on the subject, see Blanc (2006c, 2011, 2013).

Two hypotheses on community currencies and their territorial impacts emerge:

- On the one hand, community currencies are a tool that mobilises and creates networks for territorial stakeholders through the symbol they carry (representation of the community, involvement of stakeholders...);
- On the other hand, their impacts more generally depend on them being included in strategies to restructure the local economy and matched with other territorial development tools, particularly microfinance, but also on capacity building for communities over time.

We shall begin by presenting some of the general characteristics of CDBs and shall look at Banco Palmas' history and community roots. We shall subsequently underscore the impact that the CCC Palmas has on the territorialisation of activities (3), then on the impetus it gives to exchanges (4), and finally on how practices, lifestyles and social representations change (5). We shall conclude by presenting the way in which the creation of the Palmas currency puts emphasis on the symbolic dimension of the currency (6).

2 The Community Development Bank (CDB) mechanism: An integrated vision of territorial, endogenous and community development

CDBs constitute an engine of territorial development in over 100 Brazilian communities. Following the definition given by the network of CDBs, they “*are interweaved solidarity financial services, of an associative and communitarian nature, directed towards job creation and income generation within the perspective of reorganising local economies, having as its foundation the principles of the solidarity economy*” (Neiva *et al.*, 2013, p. 108). They conceive “development” as something that strengthens and gives potential to the neighbourhood's endogenous energies: it involves promoting territorial capacities by creating and boosting solidarity networks of local producers and consumers, called “prosumholders” (*i.e.* describing the inhabitants of the neighbourhood as *producers, consumers and stakeholders* in the development of their territory *via* their daily exchanges). To achieve this, CDBs offer a package of financial and non-financial services to the community, with the aim of structuring the popular economy of the neighbourhood (Instituto Palmas, 2006).

Territorial affiliation is the cornerstone of the action of CDBs, as they coordinate various instruments that aim to build both an environment favourable to the development of local micro-enterprises and an environment of trust, solidarity and well-being for the inhabitants of the neighbourhood. They achieve this by facilitating access to the various banking and financial products that are tailored to the specific needs and realities of low-income communities, such as microcredit for production and consumption, correspondent banking and CCC. The aim is to boost inclusive and converging socioeconomic development for all territorial stakeholders. CDBs recognise that they belong to the solidarity economy, as they are intentionally organisations created and managed by civil society (Melo and Magalhaes, 2008). The economic and social activities are grounded in values of cooperation that aim to strengthen a social-territorial capital.

For full consideration to be given to CDB schemes, it is necessary to look at the context in which they emerged, were created and deployed in Brazil. The rapid growth that the Brazilian movement is experiencing today is inseparable from the history of the first CDB, Banco Palmas. In order to analyse the strengths and weaknesses of this growth and the successes and risks that weigh on its development, it is necessary to look back at the history of the popular community, which provided a “specific” and systemic response to local challenges.

2.1 A gradual empowerment of the community of the Conjunto Palmeiras

Banco Palmas is based in the *Conjunto Palmeiras*, a neighbourhood of 32,000 inhabitants among the poorest and most violent of the City of Fortaleza in Northeast Brazil. It came into being as part of the collective action and association movement that emerged with the first projects to develop

this former favela (which only obtained district status in 2007, after the Municipal Council of Fortaleza recognised the exceptional mobilisation and achievements of the inhabitants of the *Conjunto Palmeiras*).

The territory of the *Conjunto Palmeiras* was initially made up of palm trees and dense vegetation. When the first inhabitants arrived in 1973 – they were displaced by force by the local authorities from the sea front located 22 km from the Conjunto – there was no urban infrastructure available at the time (França Filho and Silva Junior, 2005). The new *favelados* were literally “dumped” in this no man’s land from the trucks that transported them. They were consequently obliged to build everything themselves, without financial or social support from the local authorities (which continued to fall under the dictatorship regime until 1988). The new inhabitants built the first shacks thanks to community support and little by little created a solidarity mechanism among the 1,500 families who did not know each other, or very little, prior to the “displacement” (Melo, 2009). The inhabitants were supported by priests from the Liberation Theology who “informed/educated” them in terms of their own capabilities and organisational skills. In the following years, they regularly launched collective mobilisation activities to demand access to water, sanitation, public transport, health centres, etc. from the public authorities. This mobilisation was mainly orchestrated by the Conjunto Palmeiras Community Association (Asmoconp) in partnership with other neighbourhood organisations. This association was created by the inhabitants in 1981 as part of a community-based fight against exclusion and the denial of the fundamental rights of the community on the part of the public authorities. The action of Asmoconp and community leaders during the 1980s and 1990s urbanised the neighbourhood to a certain extent and made a marked improvement to living conditions.

However, poverty remained endemic despite the development of the favela. A study conducted by Asmoconp in 1997 for the second community conference-review “*Dwelling in Uninhabitable Places II*” also showed that the first inhabitants moved to settle in new favelas, which were less “developed” in terms of infrastructure. They were not able to bear the financial cost of the increase in the cost of living due to this urbanisation (water, sanitation and electricity bills and property taxes). In 1997, Asmoconp consequently set out to find alternatives to the impact of its local development projects by organising 96 popular assemblies, along the lines of those that served to make the major development decisions in the past. The need emerged from these collective discussions on the observation that local wealth was being drained (human and monetary wealth) – as shown by the first neighbourhood consumption mapping (1997) – to strengthen the local economy and facilitate the circulation of income in the neighbourhood: only 20% of household consumption was made in the neighbourhood, against 80% outside (Melo and Magalhães, 2008).

Banco Palmas came into being as a result of these analyses and debates. It was founded in 1998 and was initially designed as an Asmoconp project on the basis of available information in the solidarity networks – without further research – on Grameen Bank’s activities in Bangladesh. Banco Palmas was therefore intended to pool local energies, in addition to Asmoconp’s mobilisation activities, in order to create employment and income for inhabitants. It relied on the experience and technical, economic and financial skills acquired by community leaders *via* the self-management of neighbourhood development works conducted over the past decade, with financial support from German cooperation and thanks to access to specific empowerment cycles.

2.2 A system based on territorial experience

In this respect, and after several progressive improvements to meet both needs and opportunities, the architecture of Banco Palmas’ functions provides a response to a proactive structuring of the different sectors of the local economy.

On the one hand, it allocates microcredit to producers in order to strengthen local provision and the neighbourhood’s entrepreneurial dynamics.

On the other hand, local consumption was boosted by recourse to various intermediation processes for trade services and community money transactions: initially *via* the credit card called *Palmacard*, and subsequently *via* a barter club using the CC *Palmares* and, finally, *via* the CC *Palmas* (Melo and Magalhaes, 2005; Melo, 2009; Neiva *et al.* p. 108).

Right from the start, one can see that for the inhabitants there was a carefully considered aim of jointly building a supply and demand confined to the boundaries of the neighbourhood. The objective was to prevent community wealth from being drained by the “outside” (“plugging the leaks”), particularly the city centre shops neighbouring districts with a more varied and developed commercial offer. The social, economic and financial tools, products and services that were created were designed to both strengthen territorial capacities and to create a coordinated network of local producers and consumers.

It is important to note that the credibility of this new community institution⁵ is partly based on the fact that some of the neighbourhood’s community leaders – the actors of the historical mobilisation at Asmoconp – have been delegated to the management and coordination of Banco Palmas, thus creating a continuity and “basic” (but insufficient) confidence at the project start-up.

This coordination among local actors also includes other community institutions (schools, churches, traders’, sports and cultural associations...). Indeed, Asmoconp and Banco Palmas have defined a “local public space” (Fraisie, 2009) in which inhabitants and their representatives collectively deliberate on the directions and projects to be defined at the community bank. The latter has become the main tool for changing living conditions in the neighbourhood, following the management of the development works by Asmoconp and its temporary avatars⁶ during the 1980s and 1990s. This local economic forum (FECOL) allows the institution to have a firm and effective foothold within the realities of the neighbourhood. Its meetings provide a political and festive forum (*via* the organisation of meetings by the local company *Bate Palmas*) in which inhabitants directly take part in the decision-making for their neighbourhood (following the collectively defined agenda, people take it in turns to take the floor freely on the basis of a “rotating” moderation). This space is often the only opportunity for a political participation by these citizens, who are traditionally excluded from public decision-making, apart from when there is the mandatory vote during elections, and this in a language and context which specifically refer to their daily lives.

Furthermore, the territorial coordination is strengthened by the school of solidarity economics set up by Asmoconp, following in the footsteps of Banco Palmas: the *Palmatech*. It opened in 2000 and has a mission to “contribute to a new ethics in economics, embedded in creativity and meeting human needs, by training people and institutions in the practices of socioeconomic solidarity” (Banco Palmas, 2001). The training it provides aims to professionalise neighbourhood inhabitants in order to facilitate their access to employment and, at the same time, transfer values of cooperation and solidarity, which are the cornerstone of Banco Palmas’ action. This popular school strengthens both human capital and social capital as it also acts as an interface between learners and enterprises and territorial organisations. In addition, the “Barrio Escola de Trabalho” (literal translation: “Neighbourhood School of Work”) is a programme to empower and integrate youth from the neighbourhood into local microenterprises, which was set up in 2006. The neighbourhood consequently becomes a space of integration “literally” established by linking education, training and local entrepreneurship, which invests in the skills of the territory’s new generations.

As this community development strategy is based on building the endogenous capacities of the territory and its stakeholders *via* institutions and tools created *ad hoc*, it gradually sparked the interest of a number of public authorities, institutions and community associations. Consequently, following the regular media coverage of the system in the press and in Brazil’s solidarity economy networks – and due to the exponential number of requests for action from other Brazilian communities – Banco Palmas (BP) set out to transform its unique experience, rooted in the history of the Conjunto Palmeiras, into a strategy that could be transferred to other territories (Neiva *et al.*, 2013, p.108). In 2003, in response to this emerging demand, Asmoconp founded Institut Palmas, which is tasked with systematising the methodology and disseminating it to other communities.

⁵ At this stage, it is worth noting that Banco Palmas does not have its own legal status and is, in reality, simply an Asmoconp project identified as Banco Palmas. Banco Palmas is, in this respect, an institution that is typically part of the “informal” sector.

⁶ Here, we refer to UAGOCONP, Conjunto Palmeiras’ Union of Associations and Organised Groups, specifically set up in the 1990s as part of the discussions that needed to be held to collectively plan and monitor the development works conducted thanks to the funds received from GTZ.

Along these lines, the notion of “replicability” in other communities enhances the territorial quality of the CDB system. The latter is beginning to be “transferred” to other communities living in favelas or rural areas who ask to join the same system of organisation, which is in line with their aspirations for local development. Institut Palmas, a not-for-profit civil society association (OSCI), is therefore the entity that provides visibility and opportunities for new partnerships for the community, particularly with several public banks. An initial agreement was established in 2005 with Banco do Brasil, as part of the National Directed Productive Microcredit Program organised under the first Lula presidency. It specifically allows Banco Palmas to develop its bank management and increase its legitimacy in the domestic financial landscape. Today, it has a microfinance portfolio worth over R\$ 3m (EUR 1.2m) from the partnership with Banco Nacional de Desenvolvimento Economico e Social. The Institut has also forged a close partnership with *Caixa Econômica*, which is in charge of payments from the *Bolsa família*, a major national programme to transfer domestic wealth to the poorest families. The Institut has also diversified its financial expertise and is now offering micro-insurance from a contract with the Zurich Insurance Company (Institut Palmas, 2012).

Furthermore, it works with the National Secretariat for the Solidarity Economy (SENAES), international organisations (foundations, networks, NGOs), territorial authorities (cities, Federated States) and a number of national and international universities. The aim is to establish and strengthen new CDBs all over Brazil, and to promote CCCs.⁷ Consequently, there are today over 100 CDBs nationwide, established in extremely isolated peripheral regions with low human development indexes.

In this article, we will mainly be focusing on the CCC that is currently being applied at Banco Palmas. The Palmas CCC was introduced in 2002 and, indeed, initially had two main objectives: localise consumption in the territory and stimulate reflection on the role the currency plays in territorial development (França Filho *et al.* 2012; Melo and Magalhaes, 2005). In order to evaluate the development strategy established by BP *via* the Palmas, we will distinguish between three issues for the implementation of the CCC: the territorialisation of economic, social and political activities, the stimulation of trade and the transformation of practices and social representations (Fare, 2011).

3 Territorialisation of activities

By creating a community based on the use of the currency, some CCC schemes trigger spatial and socioeconomic proximities (Pecqueur and Zimmermann, 2004; Bouba-Olga and Grossetti, 2008), which generate cooperation processes. In these cases, the networking of actors *via* a bottom-up approach promotes the emergence of a community of solidarity potentially able to generate a programming process for sustainable territorial development. Indeed, the monetary design, selected through collective decision-making, depends on the development jointly defined and adopted by the community to meet the needs identified. In this regard, the territorialisation of activities is a process that stems from the active construction by the territory’s actors.

Furthermore, when CCCs allow social inclusion, *via* the active participation of their members and the implementation of participatory practices, they help to promote governance that is both collective and territorial. By their learning effect and by strengthening citizenship, they are thought to contribute to developing the appropriation of the territory by citizens. The positive externalities involve promoting the development of territorial governance based on a common project: sustainable territorial development. The CCC schemes are thereby thought to lay the foundations for territorial governance, renewed by the existence of a “spillover effect” (Colletis *et al.*, 2005) of the systems towards territories through the contributions they make to territorial dynamics.

Finally, as their use is confined to a space for circulation, CCCs promote the territorialisation of economic activities.

⁷ *C.f.* the creation of an informal office in France in 2009: Institut Palmas Europe, which has mainly ensured that visibility is given to Institut Palmas’ activities in Brazil among international stakeholders. It has also promoted CCC schemes as catalysts for inclusive and sustainable local development by organising a number of international and national conferences and disseminating information about them.

3.1 The creation of a solidarity-based community

As we presented in the previous section, Asmoconp and Banco Palmas have been built on the social capital made up of mutual assistance and solidarity during the first construction projects in the neighbourhood (Melo, 2009). The approach based on confrontation with the public authorities thus created a community united around issues related to improving living conditions over the long term: indeed, Banco Palmas was founded in 1998, 25 years after the creation of the favela from scratch.

Banco Palmas is therefore firmly based on interpersonal ties, which it mobilises, even in its organisational practices. In this way, it structurally reinforces community cohesion and its own position as a “reference” local development institution for inhabitants. Consequently, all Banco Palmas’ employees come from the community. Everyone is thus “recognised” by the bank’s employees when they come to make a transaction at its premises. The bank’s “client”, for its part, “recognises” its correspondent who lives in the neighbourhood, speaks the same language and experiences the same difficulties concerning daily life in the former favela.

This is also the case when it grants a loan to start a productive activity: Banco Palmas consults the borrower’s immediate neighbourhood and determines the allocation of the loan on the basis of his/her community relations (França Filho and Silva Junior, 2005). Consequently, the decision-making for the loan is made through a consultation process including the members of the community for the benefit (or not) of one of their peers. These selection criteria clearly establish the link between productive credit allocated to an inhabitant and the community institution for local development, which redistributes socioeconomic capital obtained following a history of a long-term collective fight to gain the right to development for the families in the neighbourhood. This practice tends to reinforce the concrete appropriation of territorial development challenges by the loan applicant and his/her neighbours by allocating or not the productive credit, a decision taken by this community “poll”, which establishes everyone’s responsibility for the production and distribution of local wealth.

This inclusion of inhabitants as “territorial stakeholders” can also be seen with the community bank’s definition of rules and socioeconomic services. Indeed, the existence of the local economic forum (FECOL) makes it possible to include inhabitants and their representatives in Banco Palmas’ decision-making process, so that the bank can closely meet their needs (Borges, 2010a). In this collective space, the emergencies and needs of inhabitants are put forward in order to adapt or create new services, products or mobilisation. Asmoconp and Banco Palmas thus build their activities based on the territory’s needs expressed by inhabitants during this meeting.

FECOL is held at Asmoconp’s headquarters, which is none other than the entity that hosts the services of Banco Palmas, thus creating a clear link between the service rendered by the CDB to the members of the community and the specific community ownership of the CDB scheme through it being “hosted” by Asmoconp.

At the same time, this forum has an empowerment function, as it allows an active learning about citizenship and provides a space for free debate for people who are traditionally excluded from the public space and whose voices are never listened to or taken into account in the definition of public policies and their implementation instruments. Consequently, over 90% of inhabitants think that BP is a source of new information and learning. Approximately 87% also feel that it is a place where community issues can be discussed, and for 98%, it is a space that helps people (Neiva *et al.*, 2013, p. 169).

This open space for collective debate strengthens Banco Palmas’ in terms of belonging to the community and territory. This territorial foothold is made possible by spatial and socioeconomic forms of proximity (Bouba-Olga and Grossetti, 2008).

Indeed, the bank acts as a driving force for the creation of local cooperation. It “establishes” the neighbourhood by building ties between the different actors – traders, citizens, consumers, institutions and associations – *i.e.* a relational proximity.

The local economy is indeed above all conceived as an asset that allows a development including all stakeholders, whatever their level of income: it involves an endogenous development in

which all actors grow together (França Filho *et al.*, 2012). The coordination is based on common values of cooperation and solidarity (a “cognitive proximity”).

The creation of a local currency is one of the examples of sociability and trust brought about by BP (a “proximity of mediation”). The use of a specific currency as an agreement for the exchange and the redefinition of the status of “exchangers” determine new social ties. By the combination of these local relations, the community bank tends to create a multidimensional trust. The confidence in CCCs, for its part, is based on various aspects.

This confidence is first and foremost based on symbols, collective representations and the values of the payment community, which relies on the “*symbolic authority of the system of collective values and standards, which provides the basis for social belonging*” (Théret, 2007, p. 25). It is a question of the collective adhesion to a set of values and representations at the centre of the social belonging, rooted in the “*ethical confidence*” of Aglietta and Orléan (eds., 1998).

Secondly, “*hierarchical confidence*” is based on the third party, the sovereign authority or the collective authority, which provides an absolute guarantee of the acceptance of the money. This hierarchical confidence is embodied in the Banco Palmas institution, which “*defines the rules for using the money and provides the means for the ultimate settlement*” (*ibid.*, p. 28). It therefore acts as a guarantor for the monetary relationship by developing principles of democratic and participatory governance. This space for internal debate should make it possible to determine the rules for the conditions of the issuance and circulation of the currency, *i.e.* to institutionalise it. However, during past interviews with beneficiaries of BP’s services, it came to light that there is a very strong relationship of trust between BP and its clients: the bank gives credit (in both senses of the term) to people from the community and offers them the opportunity to become entrepreneurs. With regard to economically excluded and marginalised people, the fact of considering them as trustworthy and able to successfully implement a project has a very strong impact on their self-esteem and “self-confidence”. Here, the CCC is based on the social capital built up during the mobilisation for the construction of the neighbourhood and is strengthened by the confidence conveyed by Banco Palmas. The confidence in the money is therefore widely dependent on the confidence given to its issuing entity. Furthermore, it consequently tends to preserve this social capital, while strengthening it, since it represents a social convention specific to the neighbourhood inhabitants.

Finally, “*methodical confidence*” results from routine. Force of habit leads to the third party that sets the rules being ignored. This type of confidence emanates from daily lives and results from the implementation of procedures that reduce uncertainty and secure transactions. These three forms of confidence are the prerequisites for acceptability and monetary use.

Furthermore, the participatory mode of governance applied for the definition of the rules for the currency in the FECOL allows the “*construction of social ties and a form of citizenship to be learned via discussions and debates on the group’s internal rules*” (Blanc 2006, 179). These discussions are based on a rationale to democratise the economy (Laville, 2011), as it is the users themselves who define their rules and produce their conventions. Consequently, the meetings allow members of the community to exercise greater control over their economic decisions and underscore the fact that the money is a common creation “imbued with the collective spirit”. In other words, “*a community currency is simply a measure of exchange whose supply is limited only by the willingness of participants to trade*” (Hart, 2006, p. 139). The debates on money and its role in economic life therefore make it possible to learn more about economic concepts and financial mechanisms. This form of financial education is crucial in the context of a conscious reappropriation of the local economy by territorial actors.

3.2 The localisation of exchanges

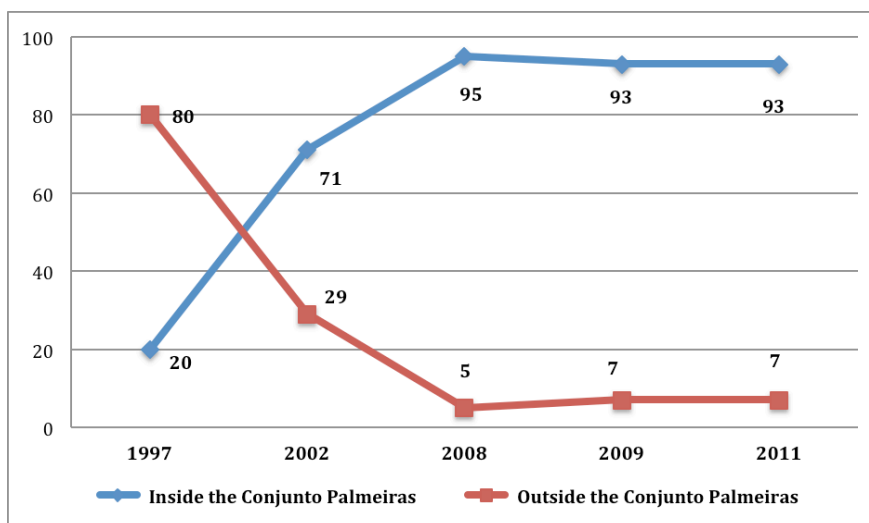
Banco Palmas has allowed a localisation of both productive activities and consumption. Indeed, local production has been considerably strengthened thanks to the community bank’s activities. Consequently, while microcredit for production (see Section 4) and incubated enterprises increase the supply in the territory, the CCC tends to increase demand and earmark consumption towards the territory.

The CCC, the use of which is geographically limited, increases consumption inside the neighbourhood and therefore circulates at the local level the resources created in the community. Through this strategy, the activities implemented by Banco Palmas promote both the creation of a local supply and demand and, by the local consumption and production mapping conducted by BP,⁸ promote the creation or strengthening of territorialised and solidarity-based production and consumption.

On the basis of the local consumption and production surveys organised by Banco Palmas, it is possible to observe a gradual internalisation of consumption in the Conjunto Palmeiras (França Filho *et al.*, 2012): in 1997, only 20% of households consumed in the neighbourhood, while this rate had risen to 93% in 2011. One can see that consumer trends were reversed between 1997 and 2002. While only 20% of households said that they made their purchases in the neighbourhood in 1997, this percentage more than tripled in five years to 71% in 2002.

While the Palmas currency, in its current form, was introduced in the same year (2002), the reasons for the increase in internal consumption cannot be detached from an extensive mobilisation and awareness-raising campaign for inhabitants organised over the same period. The phenomenon of the localisation of consumption can indeed be put down to the joint communication operations of Asmoconp and Banco Palmas. From 1999 onwards, the two institutions developed the campaign “Compre no bairro, é mais emprego” (Buy in the Neighbourhood for More Employment).⁹ This internalisation of consumption, the main objective of BP and the CCC, was subsequently scaled up in the following years and reached 93% of purchases inside the neighbourhood in 2011. In other words, while the currency is one of the tools for territorial mobilisation, it is closely in line with the overall strategy for endogenous development defined by Banco Palmas.

Gradual internalisation of consumption in the Conjunto Palmeiras (as a %)



Sources: Melo (2011).

⁸ These surveys are conducted by young people in the neighbourhood, as part of Institut Palmas’ activities. A set of management tools has been developed in order to conduct a production and consumption mapping of the territory. This type of tool makes it possible to visualise monetary flows between the different actors in the territory in order to conduct a territorial diagnostic.

⁹ This campaign comprised educational work based on video films, a play and a photo novel. These materials were disseminated during community events and in public places (such as associations, schools...) and showed inhabitants that they could find all the products they needed in the neighbourhood, without having to get them from outside – with the related waste of time and money. Furthermore, various wall paintings showed – and still show – these messages throughout the neighbourhood.

By developing the propensity to consume locally, the territory benefits from a “*consumer economy*” (Davezies, 2008, p. 69). Consequently, it is essential to take account of the creation and circulation of incomes for territorial development. However, the CCC schemes specifically seek to regulate this circulation and confine it to a circulation space. Local consumption and activities thus take on a preponderant role in the territorial development process. The aim is no longer to bring monetary flows into the local space, but to keep the currency at the local level in order to prevent any monetary leaks (Williams, 1996b; Sacks, 2002; Persky *et al.*, 1993). This depends on the total external income multiplied by a multiplier (which is all the greater given it is a stand-alone economy), less the total external expenditure.

Local enterprises can either address an increase in demand by scaling up their production (the available additional wealth can be a source of leverage), or new activities can be developed (bearing in mind that there are more outlets and they are less uncertain). Enterprises must also be able to increase their local supplies in order to raise their share of expenditure at the local level, which should consequently develop activities that do not exist in the territory yet. This means replacing imports by the local supply, by programming the creation of production and consumption circuits at the local level. Territorial development must thus allow the supply to match local needs, depending on the territory’s resources (Persky *et al.*, 1993; Williams, 1996b).

In this respect, while CCCs promote the localisation of activities, they should also – to have the desired territorialisation effect and if there is insufficient supply in the territory – relocate and develop certain activities in order to meet local demand. Localisation and relocation would sometimes appear to need to converge. In addition, for a CCC to increase local production and employment, it becomes necessary not only to replace the national currency by the CCC, but also for the local expenditure to increase and for this expenditure to be reinvested in the creation of production and consumption sectors. This would make it possible to develop a more autonomous and resilient territory.

Banco Palmas fits in with this strategy, as a complement to microcredit for production, and has raised the productive capacities of the territory through solidarity-based business incubations. Through their commercial name, they use a form of the Palmas “brand”, which has become synonymous with the emancipation and “creativity” of the inhabitants of the favela. These solidarity-based enterprises, which “*bring together individuals who are excluded from the labour market [...] and are seeking collective survival alternatives*” (Inacio Gaiger 2006, 345), took the form of small productive units, each independent from each other. However, they were coordinated within a network and shared the same solidarity values conveyed by Banco Palmas (Melo and Magalhães 2008). These solidarity-based enterprises were “incubated” by the bank. By “incubation” we are referring to the practices that involve supporting these small enterprises during their first stages. Training, empowerment and all types of support strengthened the structure and organisational methods of enterprises so that they could manage themselves and subsequently operate independently from the bank. In short, “incubation” involves providing an environment conducive to the development and strengthening of solidarity-based enterprises.

BP’s support was mainly provided *via*:

- 1) Easier access to credit,
- 2) Vocational training for workers in the Palmatech,
- 3) And the bank’s in-kind support, since enterprises were located within the bank, which meant that operating costs (water, electricity...) were covered by Banco Palmas.

Banco Palmas has thus incubated various solidarity-based enterprises operating in a wide range of sectors of activity (França Filho and Silva Junior, 2005). Today, only two incubated enterprises are still in operation (PalmaFashion and PalmaTur). The other incubated enterprises have ceased their activities, mainly due to a lack of outlets: the products have not been able to meet the competition. Furthermore, the workers from these enterprises have joined Institut Palmas or have decided to develop a socio-productive entrepreneurial activity, depending on opportunities. Sandra

Magalhaes, Project Coordinator at Institut Palmas, consequently analyses the role of incubation as follows:

“We have observed that these enterprises serve more as schools than productive enterprises, as they require an entrepreneurial management that is difficult for the people who work there. I think it is very positive: we implement a process during a certain amount of time and then people will seek to develop these activities in a different form.”

Table I – Solidarity-based enterprises incubated by Palmas

Enterprise	Activities	Year of creation
PalmaFashion	Productive group in the garment industry	1998
Palmart	Productive group in the craft industry using “repair and goffering techniques”	2000
PalmaLimpe	Group that has turned into a micro-enterprise manufacturing cleaning material, such as detergents, disinfectants and bleach	2001
PalmaNatus	Group manufacturing handmade soap and ointments	2005
PalmaCouros	Group manufacturing leather items, such as bags and shoes	—
<u>Palmatour</u>	Enterprise created by women who took part in the “Incubadora feminine” project. It develops tourism activities in the neighbourhood and owns a small guest house	<u>2010</u>

In addition, Banco Palmas has defined a marketing of neighbourhood’s production. It therefore regularly organises trade fairs on the main avenue and has a small solidarity shop at the entrance of the bank.¹⁰ Several thousand people consequently attended the 21 solidarity fairs and 3 community kitchen festivals organised in 2012, thus consuming the products of 200 local enterprises from the popular and solidarity-based economy.

4 New impetus to trade

The second objective of CCCs is to boost local exchanges, with a view to sustainable territorial development. The territorialisation of activities must mechanically lead to new impetus being given to exchange within the CCC scheme since, by restricting the use of the internal currency to the territory where it is created, there should be an increase in the volume of internal exchange. This should therefore bring about an increase in internal activity through a multiplier effect. However, this does not necessarily result in an overall increase in exchange, as it may simply be a question of replacing external exchange with internal exchange.

It is possible to identify different factors that give impetus to exchange. First of all, the impetus will depend on the scale of the system, which depends on both the diversity of actors in the system and the

¹⁰ This shop disappeared in January 2013 following a reorganisation of the premises due to a hold-up at BP’s vaults.

diversity of trade. Indeed, the more actors there are in the scheme and the more varied they are, the more it is likely that there will be a high and strong level of exchange. There are size effects (minimum and maximum) and effects from the diversity of stakeholders, which depend on the type of scheme.

Secondly, the implementation of mechanisms to promote monetary circulation (automatic open access to credit or solidarity microcredit) or discouraging holding money (demurrage) is intended to stimulate local exchange. Credit allocated for the creation of local activities allows local circuits to be created. Strengthening social inclusion also gives impetus to trade by offering individuals additional disposable income through microcredit or mutual credit.

4.1 Easier access to credit...

All the activities of the community bank aim to fight against the material poverty of inhabitants by creating employment and income through access to the economy and financial services. Right from its launch, Banco Palmas sought to create new monetary services in order to give additional income to a poor community in a precarious situation due to high income instability. Some inhabitants did not know how to cope with financial emergencies, which prompted the creation of the *PalmaCard* credit card and the Palmas community currency. Indeed, the CCC initially provides access to a medium of exchange to those who are deprived of it, notably *via* interest-free microcredit for consumption offered by Banco Palmas.

The CCC took various forms¹¹ and was gradually implemented in the neighbourhood: the community credit card, *PalmaCard*, gave families a weekly or monthly cash advance. This was essential in order to boost consumption and build confidence in BP's strategy and services at the time of its creation. The value of the *PalmaCard* ranged between R\$ 20 and R\$ 100 (7 to 35 current euros) and allowed goods and services to be paid for in neighbourhood shops registered with Banco Palmas (Melo and Magalhaes, 2005). During the sale, the trader noted the value of the purchase on the card, after having checked to see if there was still credit on the card. For the actual payment, the owner of the *PalmaCard* went to Banco Palmas to pay the value of the card, with no interest. On the 15th of the month, the trader went to the community bank with his/her invoices for the *PalmaCard* and received the amount noted, which matched the credit allocated to the inhabitant. BP took 3% of the value of the *PalmaCard* sales to cover its operating costs (Melo and Magalhães 2008).

The Palmas was created in 2002 on the basis of the results of the *Palmares* (see the footnote on page 11) and was designed as a barter club for which BP managers "broke down the walls" in order to include local shops and therefore provide the members of this club with a real diversity of products that they needed for their consumption. The Palmas is issued at parity with the national currency (1 Palmas is worth 1 real) and can only be reconverted into reais by traders who do not manage to spend their community currencies in the local production and marketing circuit.

In addition, one of the main ways to issue the Palmas CCC is through microcredit for consumption. This microcredit is intended to help families when they find themselves in emergency situations and do not know how to cope with them financially (for example, if medication or basic foods are needed or if there is no more gas to cook with). The applicant does not have to provide any material guarantee to have access to it and takes out the loan immediately: it is for this reason that this credit is called "solidarity credit" (França Filho *et al.*, 2012). The loan is only issued in Palmas and can only be spent in the neighbourhood. It is limited to P\$ 50 (almost EUR 20) for the first credit and can be up to P\$ 300 (over EUR 100) if the person repays on time. The repayment period is between 30 and 60 days (Borges, 2010a). This credit is free, *i.e.* no interest rate is applied: on the one hand, it is illegal to make profits on currency issuance and this could pose major problems with the Brazilian Central Bank in terms of criminal law. On the other hand, and above all, the "solidarity" aspect of this loan in CCC predisposes it to a socialisation of its cost by the community and consequently by BP. There is only an administrative tax of 1% applied to cover management costs and give a minimum

¹¹ The first *Palmares* currency, created in the context of a barter club based on the neighbouring Argentinian model (Melo, 2009), aimed to boost exchanges between residents and give easier access to new goods. After having lasted two years, the barter club gradually lost strength due to the fact that families mainly came to swap their products for staple foods, which no one in the club had: the goods there consequently often shared the same characteristics (small handicrafts, clothes, cakes...).

sense of responsibility to the beneficiary. Between 2007 and 2012, inhabitants requested 1,286 of these microcredit for consumption. According to Neiva *et al.* (2013, p. 165), 99% of respondents who had taken out a microcredit for consumption or production feel that BP had had a positive influence on their living conditions.

These mechanisms thus promote currency circulation by offering means for additional income to inhabitants who do not have resources and cannot cope financially with emergency situations. These monetary tools do not bring about a general increase in exchange, but rather replace external exchange with internal exchange. The aim of this substitution is to increase the money supply in the territory and consequently increase exchange with local traders, ultimately with a view to endogenous development.

Indeed, local traders widely adhere to the CCC, which tends to strengthen its territorial base and its role as a vehicle for socioeconomic cohesion. With over 250 shops accepting the Palmas (out of 457 in the neighbourhood),¹² it is indeed possible to find a wide range of products and thus have a wide range of trade covering all the economic requirements of territorial stakeholders. This great diversity therefore offers a number of opportunities for the currency, which theoretically facilitates its circulation and its spending in the neighbourhood. Furthermore, purchases made in community currencies in local shops make it possible to benefit from a reduction of between 2 and 15%¹³ (Kennedy *et al.* 2012). This system aims to make the Palmas currency more attractive to users (Singer 2009) and to reduce the cost of living for neighbourhood inhabitants. This reduction gives an incentive to use the Palmas currency, which thus tends to increase the number of purchases in community currencies and consequently in the neighbourhood.

Table II – Trends in the number of people who have benefited from a loan in a community currency and in the number of companies accepting the Palmas.

<i>Year</i>	2005	2006	2007	2008	2009	2010	2011	2012
<i>Number of people who have benefited from a consumer credit</i>	70	97	170	310	340	109	127	230
<i>Number of enterprises which accept the Palmas</i>	90	99	130	180	240	240	250	250

Sources: Banco Palmas (undated), Instituto Palmas (2013).

Finally, the allocation of microcredit for production has strongly stimulated start-ups and/or helped safeguard enterprises in the territory. This has resulted in impacts on the location of production and the increase in local supply.

In 2012 (Neiva *et al.*, 2013), the bank allocated 3,971 loans for a total of R\$ 3,331,974.90 (EUR 1.2m). Among these loans, 1,995 have been allocated to women from the Bolsa familia income transfer programme, for a total of R\$ 274,323.86 (almost EUR 100,000). Banco Palmas has indeed created a specific financial product “ELAS” for women who receive the Bolsa Familia. In addition to access to microcredit, this bank programme provides professional and social support to these women, as well as financial and banking empowerment.

¹² Data from the 2103 production mapping, under publication.

¹³ While, from a normative point of view, shops must apply a reduction (it is part of the contract with BP), in practice they do not always do so. For some of them, the economic balance is also too unstable, as they are recent sole-proprietor micro-enterprises or simply “eking out a living”.

The remaining 1,976 microcredit (for a total of R\$ 3,057,651.04 / EUR 1.1m) comprise production loans (small-scale production, street vending, financing for entrepreneurial market activities, home renovations for productive activities), which create or strengthen economic activities in the territory and thereby create the capacities to meet the increase in local demand due to the gradual internalisation of consumption. This strategy creates territorialised consumer and production sectors, which are essential to an endogenous territorial development strategy.

Finally, when we look at the results of the survey (Neiva *et al.*, 2013), we can see that there is a wide range of sectors of activity for the enterprises interviewed which had had recourse to credit (see Table III).

Table III: Distribution of enterprises by field of business.

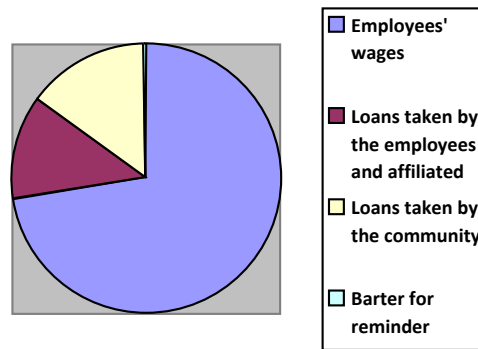
Field of business (enterprises or businesses)	Household Interview		Banco Palmas Lobby Interview	
	A.N.	% Total	A.N.	% Total
Handcrafts	3	2.88	0	-
Hairdressing	5	4.81	1	5.56
Commerce	30	28.85	9	50.00
Sewing	14	13.46	1	5.56
Manicure	3	2.88	2	11.11
Sales	35	33.65	5	27.78
Cleaning products	2	1.92	0	-
Shipping, poultry, IT, laundry services, recycling, locksmiths, Avon supervisor, street vendor	8	7.69	0	-
Maintenance	0	-	1	5.56
No information	4	3.85	0	-
Total	104	100.00	18	100.00

4.2 A polarisation of complementary cash flows¹⁴

According to Banco Palmas, the money supply in circulation in the territory stands at 40,000 Palmas (Instituto Palmas, 2013). However, when analysing CCC flows managed by the community bank during the first ten months of 2011, we can see that the currency is used by a rather limited number of actors, which contributes to a concentration of the currency and reduces the actual circulation.

Figure I - Volumes and percentages of complementary currency issued from January to October 2011

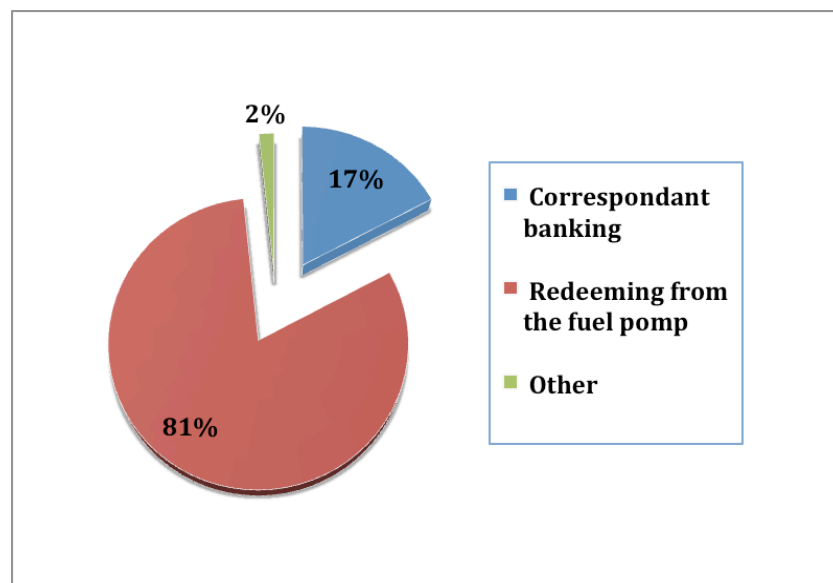
¹⁴ Few of the many studies conducted by Banco Palmas have actually looked at the currency itself and have reported on the actual circulation of the local currency. BP, in its history, has never had real indicators to monitor the cash flows of the Palmas within the community. This makes the comparison over time difficult, as well as the verification of the figures given by the managers of BP. It also does not allow the assumptions made below to be verified, other than *via* the qualitative studies conducted recently by the team Neiva *et al.*, 2013, Meyer, 2012 and Silva Jr., 2008.



Sources: Data collected from the BP spreadsheet system.

The first figure shows the data for currency issuance. We can see that over this ten-month period, P\$ 70,553.50 have been put into circulation by Banco Palmas. The remuneration of the employees of the Bank and Institut Palmas is by far the first means of issuance, with 73% of the total issuance, *i.e.* P\$ 51,200. Indeed, employees receive between 10 and 20% of their salaries in Palmas. Consumer loans only arrive in second place with 27% of the total amount put into circulation in Palmas for P\$ 19,220. 15% of these issuances allocated in loans in Palmas are acquired by the community – for P\$ 10,540 – and 12% by employees or people affiliated to BP – *i.e.* P\$ 8,680. Finally, the last means of issuance (conversion of Reais against Palmas) only accounts for 1% of the total money supply, with P\$ 133.50. It is not people from the community who come to exchange their national currency, but tourists who keep notes as a *souvenir* of their visit and as an emblem of BP.

Figure II - Volumes and percentages of community currency returns to BP



Sources: Data collected from the BP spreadsheet system. .

Entrepreneurs and consumers can pay their bills and microcredits in Palmas at the counters of the community bank. However, traders are the only ones who can exchange their Palmas when necessary. Consumers are obliged to use their currency as a medium of exchange in the territory.

Consequently, P\$ 59,920 were returned to BP during the first ten months of 2011. The analysis of these receipts of community currency shows that no one came to repay their loans with the Palmas currency. Enterprises and individuals prefer to pay their bills in Palmas. In this respect, 17% of returns of Palmas to the bank are attributed to correspondent banking, which represents an amount of P\$ 10,311 over the ten months.

The receipts of Palmas at the bank are therefore mainly attributable to the exchange of Palmas against Reais. Only one company conducts this operation: the neighbourhood petrol station. It indeed

accounts for 81% of the returns of Palmas to the bank, as it has exchanged P\$ 48,609 for the equivalent amount in Reais. This is the only company whose products are exclusively supplied from outside. It must therefore exchange its income into national currency in order to pay its suppliers; indeed, the other companies always have the opportunity to use the CCC in the neighbourhood.

It is interesting to note that since the beginning of the circulation of the Palmas in the neighbourhood, the integration of the petrol station into the affiliated local shops has been a unifying element for the participation of other local affiliated shops into the CCC scheme. Indeed, back in 2002, it was the local company with the highest turnover and the strength of persuasion in joining the CCC scheme was a determining factor for the decisions made by other producers and traders (Melo, 2009).

Based on the different data analysed above, we can make two observations. First of all, the main holders of the CCC are the employees of the community bank, which account for 85% of currency issuances. The bulk of the currency subsequently finishes its circulation at the petrol station.

The currency inflows and outflows are therefore today highly polarised, which tends to focus the currency in the hands of a few territorial actors. This therefore prevents it from actually being appropriated by the community.

We do have a point of comparison and measurement for the trends in the use of the Palmas by the community: in 2008 (Silva, 2008), 58% of respondents said that they used the Palmas and 94% of respondents said that they thought the Palmas contributed to the development of the Conjunto Palmeiras; in 2012, only 20% of respondents (users of microcredit for production and banking correspondent services) used the CCC (Neiva *et al.*, 2013, p. 167).¹⁵ Most of them are owners of local businesses.

These different elements consequently allow us to determine the current circuit of the Palmas in the following manner (Meyer, 2012, p. 82):

- 1) The P\$ comes out of Banco Palmas, *via* the payment of salaries and microcredit and goes into the community (consumers);
- 2) The P\$ is used to make purchases in shops and circulates between shops;
- 3) Shops use the P\$ to pay their bills at the bank;
- 4) Shops go to buy petrol at the neighbourhood station;
- 5) The petrol station goes to exchange its P\$ at the bank as it cannot spend them in the neighbourhood.

5 Change in practices, ways of life and social representations

The third potential of CCCs concerns the change in practices, ways of life and social representation. Indeed, the introduction of a CCC should bring about new practices by changing values and representations and orienting ways of life, consumption and production in a more sustainable direction. By deconstructing social representations, establishing new socioeconomic relationships and new consumption practices, CCCs could have an impact on the appearance of new forms of citizenship.

The Palmas is one of the key tools for citizen reappropriation of the process for construction and territorial emergence. It is homonymous with the solidarity-based enterprises incubated by BP and its social and empowerment programmes. It is also closely assimilated to the CDB system, for which it symbolised, as soon as it was created (including *via* its previous forms, the PalmaCard and Palmares),

¹⁵ An explanation to this phenomenon of polarisation and limited circulation within the community and territory is given in point 6.2.

a change of attitude towards the economic sphere by promoting citizen reappropriation and a solidarity-based and territorial orientation for the community development process (Melo and Magalhaes, 2005).

In addition, inhabitants are invited to become direct actors in the territory through the political discussions organised at the FECOL. Development is defined as being endogenous because it mobilises local stakeholders for a common project supported by socioeconomic and financial instruments defined and created *ad hoc*. As this common project is built collectively, the related economic decisions and process are embedded in the structures (and tools) for the social organisation of the neighbourhood, which decide together on the project that will be built.

These collective and participatory aspects consequently promote a change in the attitude of the multiple territorial stakeholders (inhabitants, traders, producers, thematic associations for men, women and youth), which define themselves and thus reappropriate their own and common socioeconomic strategy and destiny.

The CCC is part of this new social representation. Indeed, it constitutes a symbol of the community's reappropriation of the territory, insofar as it represents a socioeconomic convention that is specific to the neighbourhood.

Its value depends on both the confidence in Banco Palmas and the bonds of solidarity that are established in order to build the neighbourhood. Its geographical demarcation gives the neighbourhood a distinctiveness, as it is different from its neighbours. The act of consuming using a CCC is therefore partly a citizen act of community affirmation and of the will to collectively build a territorial project.

In addition, the monetary plurality in the territory of the *Conjunto Palmeiras* and the discussions on the CCC make it possible to rethink the role of money and its impacts on territorial development. The Palmas thus has an educational and informative nature in terms of the currency as a vehicle for cooperation and mutual support, in contrast to its potential for exclusive self-enrichment.

This conceptual change involving the affirmation of the community's sovereignty over its future (and over the forms of its implementation) is concomitant with a change in social representations. The underlying system of values is indeed constantly turned towards the collective level and cooperation. These values depend upon a past that has been continually mobilised by Banco Palmas. The aim is to make the change visible and embody it, and to integrate community action into a historical continuity, while regularly projecting it into a future defined on the basis of the continuous innovation of the socioeconomic programmes "tested" within the neighbourhood prior to being disseminated towards the outside.¹⁶

In all its training programmes, the Palmatech community school points to the history of struggles and the identity basis on which the neighbourhood has been built. The school's programmes are also marked by a whole host of development targets (Banco Palmas, 2001). Indeed, it provides training that meets a number of objectives: economic (vocational and productive training), environmental (entrepreneurship for environmental sustainability) and women's empowerment (financial education and socio-productive support for women). These training programmes introduce ethical, social and environmental values into the community development process.

In addition, Banco Palmas promotes cooperation between the different territorial actors by creating networks among them during training sessions. Nearly a thousand people were thus empowered in financial education and citizenship in 2012.

BP has also defined a training project oriented towards environmental protection. The project is called "*Empreendedorismo para a sustentabilidade ambiental*" (entrepreneurship for environmental sustainability) and is BP's first activity to address the environment. Young people are trained in the Palmatech in order to raise the awareness of enterprises, schools and all other community entities. One of the topics addressed is waste recycling, a topic that inhabitants effectively referred to during our interviews. This project received the *Caixa Econômica* award for the Millennium Development Goals, which guarantees its innovative dimension and allows BP to benefit from funds in order to continue

¹⁶ For example, here we can mention the creation of the Palmas Lab in August 2012. It is Institut Palmas' laboratory for innovation and research for solidarity-based finance and one of its roles is to test electronic applications on traditional tools used in Banco Palmas' activities (local consumption and production mapping, electronic payment, network information systems, etc.).

the training.

In addition, the ELAS project was defined in 2011 to promote socio-productive, financial and banking inclusion for women in a situation of socioeconomic vulnerability who benefit from the *Bolsa familia*. BP earmarks the *Bolsa familia* credit line for them for this purpose. It can initially be up to R\$ 150. By receiving this first credit, women automatically become part of the ELAS Project and are thus supported by “officers for socio-productive inclusion”. In addition to this personalised support, BP organises financial education lessons (which aim to help women organise their personal and entrepreneurial finances) and educational meetings (in order to look at the daily practices of the solidarity economy, responsible consumption and community and associative life) (Banco Palmas, undated). Meetings are also organised for women who work in the same sector (craft trades, clothing...) to stimulate the creation of joint activities. These meetings back up the vocational training that is specially designed for them.

Consequently, Banco Palmas and its solidarity economy school contribute to upgrading inhabitants’ productive capacities. It notably stimulates the small-scale economy of individual production by allocating productive microcredit to neighbourhood inhabitants. The latter generally have a rather low level of education and are unable to engage in large-scale entrepreneurial projects. Banco Palmas thus empowers them to start their small-scale productive activities and supports their development.

6 The symbolic role of the CCC, the Palmas

This section will focus on the symbolic role of CCCs. In this context, the currency is an engine that can boost territorial development. The implementation of CCCs can bring about a development process from the grassroots. By linking up stakeholders in the territory, it activates forms of proximity and creates synergies between them for a common objective. The active participation of citizens and all the socioeconomic and public stakeholders in the territory is core to the process to define a territorial project.

This is why Brazilian community development banks (CDBs) have established various financial systems that aim to restructure poor and peripheral local economies. One of the financial instruments that has been created is easier access to microcredit and a CCC, combined with the development of vocational training and support for business start-ups. Put together, these different activities constitute the endogenous and resilient territorial development strategy defined by communities *via* community banks.

Finally, when a CDB is launched, the CCC is the first element of both “media coverage” (relations with the press and institutional stakeholders) and mediation (exchanges and co-construction between and by the community) developed by the territorial stakeholders who were interviewed.¹⁷

6.1 The complementary currency as a symbol of the appropriation of the territory

The development strategy developed by Banco Palmas is based on the collective construction by stakeholders in the territory: it involves an endogenous development process supported by local capacities. In this respect, the Palmas is the symbol of the rallying and belonging to this territory and represents the symbol of this common project. Consequently, the CCC underscores this construction process for community identity in that it emerges from the community *via* collective discussions. As Sandra Magalhães points out, the process for democratic appropriation is initiated in all the territories where a new CDB is established:

“When we go to a municipality or community, we talk with the people of the meaning of money, why we work with a social currency, what are the benefits and

¹⁷ See, for example, extracts from television reports on the ribbon-cutting ceremonies for Brazilian CDBs on the YouTube channel: <http://www.youtube.com/playlist?list=PL1CF162F1DCD1A149>.

challenges of working with money. From there, there is one thing that I find fascinating is the process of defining, how it will be called, why, what design it will be..."

Furthermore, CCCs acquire their territorial character in onomastics and iconography:

"The definition of the name of the Bank and the Currency usually leads a discussion on what characterizes the community, what differentiates it, what makes it unique. This process impulses building a common identity and memory in which appear the most important battles, heroes and heroines, challenges and conquests. [...] The result of this collective construction [...] must express an identity, belonging and sense of pride." (Instituto Palmas 2011a, 13).

The name Palmas clearly refers to the territory of the *Conjunto Palmeiras*, which was initially dotted with palm trees. The CCC consequently reflects the very name of Banco Palmas and its history, struggles and conquests (Melo, 2009). The name "Palmas" is indeed commonly used by inhabitants to refer equally to Asmoconp, the Bank or Institut Palmas, and the CCC.

The currency has quite a simple design: the "Palmas" palm tree is on the front – it is the symbol of the Bank and Institut Palmas – with the monetary value, and on the back there is a horn of plenty, the bar code and the banknote number, along with a short text describing the role of the currency. The Palmas, the first CCC of a CDB, today appears as having a rather simple iconography. The CCC of more recent CDBs indeed aim to be more representative of the territory's cultural characteristics. There may be natural elements (a crop plant, a specific bird...), popular festivals or people who have taken part in the construction of the neighbourhood.¹⁸ Consequently, the CCC as such constitutes a very strong social and community symbol, as Sandra Magalhães points out:

"The ability to create yourself your own money, to have this power, that it is here because we decided that it would be like this, is great. And after you take this money and go buy the trade, this is a fantastic thing! We feel that people are surprised with this power."

Consequently, 95% of the people interviewed (Neiva *et al.*, 2013, p. 171) think that Banco Palmas' activities and its presence in the territory have improved the image of the community, notably with the community bank's reports on television. This positive vision contrasts with the traditional image of violence and poverty carried in this peripheral neighbourhood. The Palmas currency therefore raises the self-esteem of neighbourhood inhabitants, as Elias Lino dos Santos maintains:

"In my view, the currency [Palmas] is an extremely powerful symbol. [...] Poor people from around here, the community, the peripheral region of the Northeast region, which is the poorest region of a poor country [...] can create their money. This creates a lot of self-esteem and this self-esteem contributes to the BP being accepted and to the adherence of the community."

¹⁸ In this respect, we can mention the currency of Banco dos Cocais – in São João do Arraial – on which there is a fruit from the *Attalea speciosa* palm tree species, which can be found all over the territory and determines the living conditions for much of the population (Borges 2010b). The Banco Paju currency in the city of Maracanau – which neighbours the Conjunto Palmeiras – uses the small Maracanã parrot. The name of the currency is the same as that of the parrot (which can be found all over Brazil), but probably comes from a play on words with the name of the municipality where the bank is established. In terms of the popular village festivals, we can mention one of the notes of the Conchas currency from Banco Ilhamar in the community of Matarandiba. For example, there is the "boi de janeiro" recalling the festival with the same name, during which a man puts on a bull's head; it can be seen a lot in the Northeast. Finally, on the currency of the CDB of Cidade de Deus (the favela of the City of the Gods in Rio de Janeiro) there are various community heroes who have participated in the life and development of the neighbourhood.

6.2 A currency as a symbol of stakeholder mobilisation and community construction

The understanding of the currency as a symbolic link between the members of a community is thus highlighted by the practices of CDBs. The symbolic function of the currency is also shown by its impacts. Consequently, it is possible to observe a reduction in the circulation of the Palmas currency: what could appear to be one of the limits of CCCs is fundamentally their major asset.

According to Joaquim Melo, there are two main reasons to explain this reduction. First of all, the neighbourhood inhabitants have become used to making their purchases in the *Conjunto Palmeiras*. It is therefore no longer necessary to physically use the currency to stimulate internal consumption, as the change in behaviour has been widely adopted.

Secondly, an astounding increase can be seen in the number of credit cards in the neighbourhood. This increase in the range of instruments for local consumption has reduced the need to use microcredit for consumption. As Keith Hart points out “*the general purpose of community currencies is to allow trade and exchanges when the purchasing power in the conventional market economy becomes seriously insufficient*” (2006, 144). Consequently, neighbourhood inhabitants have had more access to conventional currency through the commercial credit cards, but also thanks to the increase in income, which is probably due to the activities of Banco Palmas, particularly in terms of microcredit.

However, the currency seems a catalyst for territorial development by redirecting consumption towards the local level. It has made it possible to “embody” this transition and raise the awareness of the members of the community in terms of purchasing in the neighbourhood – a mission that has been accomplished since the inhabitants now mainly consume inside the neighbourhood (see Section 2) and the share of local consumption has stabilised in recent years (Neiva *et al.*, 2013). Consequently, the Palmas currency continues to be a crucial tool in raising the awareness of the relation to the economy and is a vehicle for greater social cohesion. Its success is primarily determined by the changes in economic behaviour that it has strengthened and the social convention between users that it represents. By its educational nature, it has made it possible to question the dynamics of development, which is seen as a process of mutual support rather than just for self-enrichment.

It is therefore no longer the use of the CCC, but the symbol it conveys that matters. In this respect, and in this particular case, it is because the currency has become “invisible” that it would indeed show that it is completely integrated into the territory and into the collective conscience of the members of the community. The Palmas thus appears as the territorial symbol for the rallying and sense of belonging of the members of the community. It has highlighted the leading role of the Institut Palmas in territorial development. This is shown by “*the social integration process [which] can be summarised as an emergence process for a social confidence and the socialisation of confidence*” (Blanc, 1998, p. 456). In addition, Henry and Rafael, two inhabitants in the community, highlight the importance of Banco Palmas and the currency in the process for territorial construction and community mobilisation (Silva Junior, 2008):

“The currency represents development. I do not know how it is financed, but people speak positively about it. It promotes development as it circulates in the Conjunto Palmeiras, and if it is spent in the community, it produces income for the latter.” (Henry)

“Banco Palmas provides a way to transform the neighbourhood via culture and the solidarity economy [...] The circulation of the currency is interesting as in addition to being practical, it makes it possible for purchases and sales to be made in the neighbourhood.” (Rafael)

Since Palmas is now only used by 20% of the local community who are clients of BP, this firstly shows that the CCC has fulfilled its role as a catalyst for local consumption and also that needs have been directed towards other issues, notably banking and financial services, including the correspondent banking developed by Institut Palmas from 2005 onwards.

That being so, the symbolic role of the currency continues to be a tool that is mobilised, particularly as part of the pedagogy and awareness-raising for territorial development. In this respect, Banco Palmas has defined three projects for new community currencies in recent years (2012/2013).

First of all, the *Palminha* is a CCC created in May 2013 for children between the age of 5 and 8. It aims to transfer this culture of local consumption, as well as the heritage of past struggles, to the new generations who arrive or settle with their families in the neighbourhood without knowing or realising how it has changed and the struggles that guided the definition of its current face and its current media coverage. It aims to be a bridge between the different generations and a tool to transfer values and representations promoted by the Palmas “social technology”. Joaquim Melo underlines that its “concern is for the new generation: children who become adolescents and who have not been part of all this process (...) The *Palminha* is a community currency for children. They can buy sweets, small inexpensive items; (...) to work on the concept of local consumption”.

A thousand children in the neighbourhood will take part in this programme. It includes introducing the currency (15,000 *Palminhas*, from 5 to 50 centimes, which can be used in neighbourhood shops that accept the Palmas), the creation of a play and songs to raise awareness, as well as a solidarity fair where it will be possible to buy educational and recreational products in *Palminhas* (notebooks, pens, rubbers, plasticine, etc.).

In January 2012 – and for a year – Banco Palmas also developed a new medium of exchange in electronic format. It allowed payments to be made from mobile phone to mobile phone, but only in the geographical area of the *Conjunto Palmeiras*. This implementation was made possible through partnerships with the public bank *Caixa Economica*, the phone company *Vivo* and the *Mastercard* payment system. Following disagreements with the project partners over the flexibility, quality of support and communication required for the penetration of the programme within the community, particularly with traders, Banco Palmas decided to end the project in late 2012 in order to improve the development more independently *via* the Palmas Lab, Institut Palmas’ innovation and research laboratory for solidarity finance created in August 2012. These electronic currency programmes may allow a wider and cheaper dissemination of the CCC and, at the same time, the collection of data on the bottlenecks to its circulation, the circuits at work in the transactions between inhabitants and traders, etc.

Finally, as part of the community mobilisation, which started in 2010 for the exceptional international events that Brazil will host in 2014 and 2016 (the Football World Cup and Olympic Games, respectively), the Bank and Institut Palmas have decided to launch a programme “Banco Palmas Na Copa” (BP in the Cup). It aims to attract tourists who will go to the sports events held in Fortaleza towards local communities by promoting their production and also by communicating on the Palmas CCC and its objectives to strengthen a solidarity economy and endogenous local development. In this respect, a first series of events will take place in June 2013 as part of the Confederations Cup: a seminar, a reception desk for tourists at Fortaleza international airport where it will be possible to exchange international and national currencies for the Palmas (in the context of the negotiation with certain hotels on the seafront for them to accept the Palmas) and a caravan linking up CDBs around Fortaleza. The aim is to negotiate a “Cup currency” in order to raise the awareness of the tourists and promoters of these international events in terms of the consequences that this type of event has on local communities. It will involve promoting economic spillover effects towards these local stakeholders.

Consequently, Banco Palmas is once again an active laboratory for monetary experimentation, with the aim of supporting community development. It thus stimulates an in-depth examination of the role of the money in our societies and the opportunities for the reappropriation of this everyday instrument by citizens.

Finally, Joaquim Melo says “*My greatest pedagogical dream would be to create a community currency museum in order to recount our history: how it began, the *Palmacars* and the various phases. People must understand how this currency contributed to the development of the neighbourhood: the currency provides all the rationale for production and consumption. From there, all the consumer products that we have created stem from this rationale for consumption and endogenous development*”.

Initial steps were taken for this in March 2013 during the days to celebrate the 15th anniversary of Banco Palmas in the neighbourhood: a temporary museum (pre-works and active research for more financing in order to combine the history of CDB, CCCs and the history of BP) has been opened with a first set of framed copies of Brazilian and international CCCs in a space open free to inhabitants to go and visit. Images of the entire country, representing the iconographic messages of the other CDBs and communities that carry them, are now available to the inhabitants of Brazil's first CDB which has, to date, inspired 102 others nationwide.

This view of the currency clearly refers to approaches to the currency as a social link: as an operator of social belonging, it symbolises the society as a whole, by actively contributing to its construction and its reproduction (Théret, 2007). The currency is therefore fundamentally a social institution (Aglietta and Orléan, 1998; Orléan, 2006), because it circulates debts and obligations at the heart of social reproduction (Théret, ed., 2007).

7 Conclusion

The success of the Palmas is first and foremost determined by the economic behaviour that it has allowed and the social convention that it represents between users. Its impacts appear to be sustainable and fundamental. The currency *“Far from being an irreversible cut-off [...] again contributes to forging solidarity among the members of the groups to which, unlike communities in the past, individuals freely adhere by seeking together what could be the common good. At many levels, these uses can here and now help to find, reconsider and redefine the interdependence of societies and of their members thanks to a renewed spirit of reciprocity”* (Servet, 2012, p. 374). It is in this regard that CCCs are the first element that newly created CDBs develop.

CCCs can thus be understood as *“A real potential for reversal, as a turnaround and a way of overcoming dominant modes of production, consumption, exchange and financing”* (Servet, 2010, p. 197). They would make it possible to *“systematise”* local initiatives, i.e. to *“link them together so that they form a whole”* (Morin, 2008, p. 38) faced with a challenge and a common project: territorial development. They are thus part of a process that increases the *capabilities* of individuals and communities in order to strengthen their power to take action, and this with the aim of achieving societal transformation. In order to complete this collective project, Banco Palmas applies a particularly inclusive management method to the financial instruments that it has developed. Consequently, the CCC is considered as a community resource for which the usage rules are defined collectively, notably thanks to the collective space for debate of the FECOL (Meyer, 2012). It would therefore be possible to consider a community currency as a common good (Ostrom, 2010), and particularly the Palmas (Meyer, 2012).

Furthermore, CCCs could be part of a comprehensive programme for structural and general reforms. For example, through the formulation of a territorial review and a mapping of exchanges, CCCs can be completely integrated into territorial planning and development programmes in order to be part of a comprehensive transition programme. It would therefore appear to be relevant to integrate a monetary policy into territorial policies in order to increase the autonomy, endogeneisation of development, self-sustainability and resilience of territories.

This is one of the reasons why the National Secretariat of the Solidarity Economy (SENAES) decided to actively support the development of CDBs. Today, with over 100 CDBs nationwide, these community institutions are a major phenomenon in Brazil's solidarity economy and microfinance sector. In addition to this national partnership, which also benefits from support from the federal universities of Sao Paulo and Salvador da Bahia, which are tasked with the development and consolidation of a number of CDBs, there are several partnerships with local authorities (Federated States, municipalities...). In this respect, it is significant that the CCCs of CDBs are today increasingly integrated into specific local development policies. This is notably the case of the municipality of Sao Joao do Arraial, which uses the CCC to pay part of the salaries of its municipal officials (Borges,

2010b). The irony is that we know Banco Palmas has never received support from the City of Fortaleza.

These local partnerships contribute to the recognition of CDBs as an innovative scheme for the socioeconomic inclusion of isolated territories and of their inhabitants who are stakeholders in local development. However, as we have pointed out above, there is no specific legal status for CDBs. Consequently, until recently the relationship between Banco Palmas and the Central Bank of Brazil was particularly strained (Vasconcelos Freire, 2009). After having intervened twice against Banco Palmas (including a lawsuit for the “issuance of counterfeit currency” against Joaquim Melo, which he won), the regulatory authority issued a technical note on CCCs, jointly drafted with SENAES (Vasconcelos Freire, 2009). This note is part of an official position of the Brazilian Government on CCCs and constitutes a major and international advance in terms of recognising these monetary schemes in the eco-social development of a territory.

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