

# Arbeitspapiere zur Lateinamerikaforschung

Herausgegeben von Christian Wentzlaff-Eggebert und Martin Traine



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Lisa Heinemann

**The Power of Cooperation – Social Capital in Solidarity  
Organisations:  
Banco Palmas in Fortaleza, Brazil**

Universität zu Köln  
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## Table of Contents

1. Introduction.....	1
2. Professional and personal interest in the issue.....	4
<b>Part A: Theory</b> .....	5
3. Introductory considerations about economy, space and people.....	5
3.1 Solidarity Economy .....	7
3.2 Microfinance .....	9
3.3 Community Development Banks as an instrument of local economic development.....	10
4. Social Capital.....	12
4.1 Social Capital and Development.....	14
4.2 Negative Social Capital.....	15
4.3 Social Capital and its link to other forms of capital.....	16
5. Research question .....	20
6. Summary of Part A .....	21
<b>Part B: Object of Research</b> .....	22
7. Regional macro-context: Brazil .....	22
7.1 Spatial patterns in Brazil.....	24
7.2 Regional micro-context: Ceará and Fortaleza.....	27
8. The case of Banco Palmas .....	29
8.1 Historical Perspective .....	30
8.2 Banco Palmas Today.....	34
8.3 Partnerships and Networks.....	36
9. Summary Part B.....	37
<b>Part C: Empirical Study</b> .....	38
10. Study Design.....	38
10.1 Methodology .....	39
10.2 Multilevel analysis .....	41
11. Field study.....	44
<b>11.1 Interviews with employees</b> .....	46
11.2 Interviews with Banco Palmas leadership.....	46
11.3 Interviews with Partners.....	47
12. Summary Part C.....	48
<b>Part D: Results</b> .....	48
13. On the tracks of social capital.....	48
13.1 Structural social capital.....	49
13.2 Cognitive social capital.....	52

13.3 Additional Factors: Reputation and Territoriality.....	56
13.4 Through a multi-level lens.....	59
14. Summary Part D.....	61
15. Conclusion and Outlook.....	61
15.1 Review of Research Methods.....	64
15.2 Policy implications.....	65
16. The author’s takeaways.....	67
References.....	I

<b>Table of Abbreviations</b>	
<b>ADS</b>	Agência de Desenvolvimento Solidário
<b>ASMOCONP</b>	Associação dos Moradores do Conjunto Palmeiras <i>(Associations of Residents of Conjunto Palmeiras)</i>
<b>BACEN</b>	Banco Central do Brasil
<b>CCFD</b>	Comité catholique contra la faim et pour le développement <i>(Religious aid organisation)</i>
<b>CDB</b>	Community Development Bank
<b>CESE</b>	Coordenadoria Ecumênica de Serviço <i>(Religious aid organisation)</i>
<b>CONCRAB</b>	Confederação das Cooperativas de Reforma Agrária <i>(Confederation of cooperatives from agricultural sector)</i>
<b>COOPSOL</b>	Cooperativa de Grupos de Produção Solidária
<b>CORDAPES</b>	Companhia de Ritmos e Dança Populares <i>(Dance organisation)</i>
<b>CRAS</b>	Centro de Referência de Assistência Social <i>(Government agency for social assistance)</i>
<b>CUT</b>	Central Única dos Trabalhadores <i>(Trade union umbrella association)</i>
<b>FBES</b>	Fórum Brasileiro de Economia Solidária
<b>FECOL</b>	Fórum Socioeconômico Local
<b>FIES</b>	Fundo Itaú Excelência Social
<b>GDP</b>	Gross Domestic Product
<b>HDI</b>	Human Development Index
<b>IMS</b>	Instituto Marista de Solidariedade
<b>LAU</b>	Laboratório de Agricultura Urbana
<b>NESOL-USP</b>	Núcleo de Economia Solidária da Universidade de São Paulo <i>(Research group on solidarity economy)</i>
<b>OSCIP</b>	Civil Society Organisations of Public Interest
<b>PLIES</b>	Plano Local de Investimento Estratégico <i>(Strategic Investment Plan)</i>
<b>PMF</b>	Prefeitura Municipal de Fortaleza
<b>PT</b>	Partido dos Trabalhadores <i>(Worker's party)</i>
<b>SEBRAE</b>	Serviço de Apoio às Micro e Pequenas Empresas <i>(NGO that supports SMEs)</i>
<b>SECULTFOR</b>	Secretaria de Cultura de Fortaleza
<b>SDE</b>	Secretaria de Desenvolvimento Econômico
<b>SEINF</b>	Secretaria da Infraestrutura
<b>SENAES</b>	Secretaria Nacional da Economia Solidária

<b>SUDENE</b>	Superintendência do Desenvolvimento do Nordeste ( <i>Government agency for development of northeastern Brazil</i> )
<b>UFBA</b>	Universidade Federal do Ceará
<b>UFC</b>	Universidade Federal do Ceará
<b>USP</b>	Universidade de São Paulo

## **List of Figures**

Figure 1: The right to the city.....	19
Figure 2: Income distribution among the 119 districts of Fortaleza.....	29
Figure 3: Relocation of residents from the district Beira Mar to the outskirts of Fortaleza.....	30
Figure 4: Socio-economic cluster managed by ASMOCONP.....	32
Figure 5: Distribution of bank branches in Fortaleza.....	35
Figure 6: Social network of Banco Palmas in the Brazilian context .....	42

## **List of Tables**

Table 1: Existing associations in Conjunto Palmeiras listed by year of creation.....	33
Table 2: List of all partners of Banco Palmas.....	37
Table 3: Indicators of social capital separated according to type.....	45
Table 4: Interview questionnaire for employees of Banco Palmas.....	46
Table 5: Interview questionnaire for leaders of Banco Palmas.....	47
Table 6: Interview questionnaire for partners of Banco Palmas.....	48

# 1. Introduction

The world has experienced a boost in urbanisation, a trend that will continue in the decades to come. More than half of the global population today lives in urban areas and in advanced countries even three-quarters.<sup>1</sup> The influx of people into cities challenges those who live there and those who manage the urban space. Latin America is one of the most urbanised but at the same time least populated regions in the world as vast areas of continuous forest hamper human settlement and economic activity. During colonialism, human settlement was shaped by its function to deliver raw materials on the fastest way to the growing demand of the rapidly industrialising Europe of the nineteenth century. After Latin American nations had won their independence, governments started to develop national and subnational administrative governments, but centralism and nationalism remained strong as most governments set about industrialisation programmes that focused on self-sufficiency and employment for fast growing populations. This period of industrialisation and modernisation was accompanied by an accelerated urbanisation. People started to migrate into resource-rich regions that had started to attract capital and investment engendering significant disparities between regions and city systems. Unable to absorb the great quantities of largely unskilled people in terms of employment and available land, many of them had to live in precarious and risky locations such as hills or wetlands. In this environment, informality was a survival strategy. The dynamic informal sector offered employment opportunities, but unstable local governments were not able to collect taxes and raise domestic capital incumbent to complement industrialisation. In the second half of the twentieth century, the Latin American debt crisis was a key driver for the restructuring and opening of national markets, which again lead to a fundamental transformation of economic activity within the nation states.<sup>2</sup>

In view of the ongoing global trend of urbanisation, it becomes obvious that cities will play an increasingly important role in the future and need to develop strategies to face the new challenges. There is a growing set of evidence that city governments need to change the way they used to manage the urban space (Roberts 2014, UN-HABITAT 2016, World Economic Forum 2014). The new challenges seem to require

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<sup>1</sup> Cf. Florida et al. 2009, p. 2.

<sup>2</sup> Cf. Roberts 2014, p. 148.

more decentralisation and inclusion of new actors for a sustainable city development. Among the new actors should be those who have been excluded so far. This immense effort requires sensibility for the needs of others, delegation of tasks and a continuous dialogue between actors. This highlights the necessity of cooperation to work for inclusive, sustainable and productive cities. In many countries, particularly of the Global South, this kind of city is still rare to find. Historical burdens such as inequality, corruption and nepotism and an export-oriented infrastructure hamper an inclusive and sustainable development. For this reason, this work focusses on bottom-up developments of cooperation. In a situation where the support of (local) governments cannot be taken for granted, people who found themselves excluded from mainstream society, realised that cooperation is their only strategy to improve their living conditions. They managed to mobilise the only asset they had – themselves. Through organising in a cooperative way, they were able to increase their action potential.

The objective of this work is to reflect about the role of social structures in an economic context. Social capital theory appears to be the appropriate tool as it tries to combine the sociological and economic perspective to explain the success of organisations. The type of organisation analysed in this paper are Community Development Banks (CDB). We can understand this kind of bank in the context of solidarity economy, as they are self-organised on democratic principles with the aim to improve the lives of the community residents it is designed to serve. The focus lies on its ability to provide microcredits to a part of the population excluded from the traditional financial system, empowering of local communities and emitting local currencies to strengthen local economies. As a result, local economies can increase their social capital, productive systems and form networks creating effective socio-economic clusters. For this purpose, the example of the Banco Palmas in Fortaleza, Brazil, will be the empirical basis as it is considered a prime example for a successfully implemented Community Development Bank created by the community itself. CBDs can be understood as an

‘alternative way to understand the world of finance, starting at the local community, [that] stands out as an alternative to the globalized exclusion and speculation so present in the current global financial system. We [Banco Palmas] believe that the poor, when empowered, become the solution; they are capable of creating their own financial system, in harmony with the local culture, strengthening neighbourhood relationships and cooperation.’<sup>3</sup>

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<sup>3</sup> Melo Neto 2008, p. 9.

I chose social capital theory to analyse the story of Banco Palmas on the assumption that this concept tries to frame the dynamic of the processes and history (values, trust and participation) with the logic of economics such as efficiency and productivity. I consider this approach to take into account the underlying processes responsible for this success story. Local development is embedded into the market and thus subject to its laws, but economic theory alone has proved to be unable to explain failure and success in different places. This is why local development should be conceptualized as a

‘product of social relationships rooted in conflict, competition, cooperation and reciprocity; these social relationships put together actors, interests and projects of a social and cultural nature.’<sup>4</sup>

The study will analyse how social capital is mobilised inside the community and through the social networks Banco Palmas has established over time. The main hypothesis is that cooperation is the strong inherent feature and at the same time a strategy that allows for the mobilisation of resources through strong and positive social relations. More detailed and differentiated theses will follow the theoretical introduction into the topic.

The paper is divided into four parts. Part A begins with some general reflections about globalisation and consequences of growing interdependencies providing a basis for understanding why alternative movements emerge all around the world as a sort of grass-roots development. The section further highlights the relevance of this topic for the field of economic geography. The literature review will serve to build the theoretic framework for this research introducing the logic of ‘capital’ and affiliated theories. The theoretical background will allow for a differentiation of the overall research question into several specific theses. In Part B I will present the object of research considering the geographical and socio-political background in which it operates. In Part C I will describe how I planned and conducted the empirical research to present the case of Banco Palmas in an appropriate manner. The results of this study will be presented in Part D. I conclude this work with a reflection of my research methods, policy implications and my personal takeaways of this research.

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<sup>4</sup> Milani 2003, p. 1 f.

## 2. Professional and personal interest in the issue

The first time I visited Brazil was in 2006 when I was 16 years old and spent one year at a high school in Fortaleza. Although I lived a quite comfortable life in several upper-class families in Fortaleza, experiencing poverty in everyday life had a deep impact on the way I perceived my environment. My experience in Brazil made me want to learn more about the people that welcomed me with open arms and the society that produced such unequal living conditions I could barely grasp at the time. This has concerned me ever since and choosing Regional Studies Latin America as course of study enabled me to unveil the underlying processes leading to the phenomena I had experienced before. A couple of years ago I saw a documentary in German TV about Banco Palmas and knew immediately that I wanted to do my final research about their story.

Today, as a researcher near the end of my master's degree, I feel capable of studying the case of Banco Palmas and put it into a broader context. My role as a researcher is, in the first place, to demonstrate the case of Banco Palmas from an appropriate, scientific perspective. In the second place, I identify my role as a researcher in conducting this work in creating linkages on different levels. I consider the creation of linkages as one of the crucial tasks of a researcher because every link creates a possibility for knowledge exchange and transfer, personal relations, the possibility for further research projects and a dense academic international network in general. I suggest differentiating between vertical and horizontal linkages depending on the direction of the link. First, there is an (additional) academic link between the German *Universität zu Köln* and the Brazilian *Universidade do Ceará* in Fortaleza, due to discussions with other students interested in the topic at my host university. Applying the proposed terminology, this would be a horizontal link, because the connection is within the sphere of academia. The other link is between academics and the 'people who do' things in a peripheral area in Fortaleza, contrasting the more theoretical work done at universities. This would be a vertical link. I consider it very important that knowledge transfers between academia and local people are intensified as much as possible. From my part, I have learned and benefited a lot from my experience at Banco Palmas. If there is any chance in the future, I will take my role in creating more horizontal and vertical linkages in order to improve the cooperation between local communities, governments or NGOs

and academia when it comes to development policies, let it be in my role as researcher or just applying what I have learned from being a researcher.

## **Part A: Theory**

*The following section gives an introduction into the theoretic and conceptual background for this research. It starts with general reflections on human production patterns and, starting from the notion of 'capital', presents the theory of social capital and how it is linked to other forms of capital.*

### **3. Introductory considerations about economy, space and people**

The two major challenges humanity has to face in the 21<sup>st</sup> century are well known: on the one hand, climate change will substantially affect the way we use to live. Overfished seas, species extinction, a rising sea-level, extreme weather events and global warming as a whole are proof of an unsustainable form of production. The increasing intensity of climate change related events lets the costs rise but the effects are not equally distributed over the planet, which means that in most cases those who have to suffer the most are the ones who did not necessarily contribute that much to the causes. On the other hand, figures about global wealth distribution reveal the catastrophic proportions of inequality. Maybe one of the striking facts is that 80 people own as much as the bottom part of the world population. The authors of the much-quoted Oxfam study point out that inequality is not an unavoidable (by-) product of globalisation, but of deliberate economic and political policies.<sup>5</sup> Margrit Kennedy sharply criticises in particular the financial system when saying '[the current economic crisis] is not just another downturn in the business cycle but a deep systemic crisis caused by the rift between a casino economics based on monetary speculation and the social and ecological realities of our time.'<sup>6</sup> Indirectly she points to the financial deregulation that has started in the 1990s. There is no doubt that the last three decades brought widespread development all over the globe. Since the 1990s, the Human Development Index (HDI) rose by more than a

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<sup>5</sup> Cf. Oxfam 2014, p. 54 f.

<sup>6</sup> Kennedy/Lietaer/Rogers 2012, p. 10.

quarter and in the least developed quarter even by more than half. Nevertheless, an unevenly distributed human development signals that progress does not benefit all to the same extent.<sup>7</sup> At any rate, this development indicates that globalisation with its growing interdependencies requires a reliable and fair framework for international trade and that this can only be achieved through a combined effort of nations.

Economic geographers argue that the distinctive feature of the current phase of globalisation is expansion, diffusion and networking of industries and capital on a global scale. Changes in technology and organisation of the industrial production have shaped cities and their peripheries. The major global-restructuring phases were the factory system (1850-1910), Fordism (1920-1960) and post-Fordism (1970-2000s). The first phase of early industrialisation is characterised by big mills in cities with a densely concentrated industrial production. Fordism is associated with mass production and a more decentralised production due to roads and railways. The last phase is characterised by flexible and lean production with international value chains. Exposed to international competition, cities try to attract Foreign Direct Investment (FDI) frequently resulting in socio-spatial polarisation.<sup>8</sup> Parallel to the current process of globalisation, there is a strong trend towards urbanisation posing new challenges all around the world. Some of these cities are centres of fast industrial growth and wealth creation, but often accompanied by noxious waste and pollution. Other cities see themselves confronted with urban decay, economic stagnation, rising social exclusion and intolerance. Rapid urbanisation urges for sustainable approaches of urban development: what we need are healthy, resilient and inclusive cities corresponding to the challenges of our century. These are ‘unprecedented challenges which urbanization throws at the world’s cities today – particularly in the south – and the attendant urban divide which we all have to address collectively to stem the multiple deprivations that follow from unequal growth.’<sup>9</sup> Among them are climate change, wealth inequalities, historic social inequalities, marginalisation and various forms of exclusion. The UN-HABITAT report stresses that much of urban poverty and inequality is the result of inadequate policies and planning of local authorities as much as central governments. These can be fought by removing barriers which prevent access to land, housing, infrastructure and basic public services and by facilitating participation and citizenship. The report further emphasises that the best sustainable

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<sup>7</sup> UNDP 2015, p. 4 f.

<sup>8</sup> Cf. Audirac et al. 2012, p. 227 f.

<sup>9</sup> Anna K. Tibaijuka in UN-HABITAT 2008 (Introduction).

gains are achieved through the combination of local action and national enabling policies.<sup>10</sup>

### *Exploring new ways*

The articulators of modernisation theory were convinced that ‘traditional’ countries could be brought to development, if they received assistance, but time has revealed that the current neoliberal model of globalisation leads to large regional and social disparities. In other words, not all can benefit from globalised modernisation to the same extent. Through modernisation, capitalism has spread around the world and improved living conditions for a large part of global population, but in view of the ever-growing gap between rich and poor, the increasing scarcity of raw materials and climate change, people have tried to find new solutions for the negative effects of the capitalistic system. Not surprisingly, the search for new ways of production was initiated by the ‘loser’ of the system right after the introduction of industrial capitalism and has continued ever since. Globalisation raises new challenges, but also new opportunities for alternative ideas to spread.

## 3.1 Solidarity Economy

Solidarity economy came up with the rise of the early industrial capitalism at the beginning of the 19<sup>th</sup> century when unemployment and poverty defined the new reality of workers in urban environments, while small farmers were desperate for affordable credits (Tucker 1922). Through cooperatives, the workers attempted to regain their work and economic autonomy using the principles of equality and democracy, which form the ideological foundation of socialism. Whereas the objective of a capitalist company is to increase the outcome of the investors, who had provided the money to buy the means of production, the solidary company does not separate work and ownership of production means. The workers of a solidarity-based company are at the same time also the owners, so that decision power is equally distributed, but actually, the ownership is secondary because the aim is not to maximise profit, but to maximise the amount and quality of work.<sup>11</sup>

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<sup>10</sup> UN HABITAT 2008.

<sup>11</sup> Cf. Singer 2001, p. 1.

Supporters of solidarity economy see the growths of the movement as the logical consequence of the social crises that are periodically caused through the concurrence of private capitals. This new form of production might even turn into an alternative to capitalism if the majority of people, who do not have a share of the capital, realise that it is in their interest to organise production in a way that the productive means belong to all those who are actually contributing to the aggregate value.<sup>12</sup> Thus, solidarity economy can be understood as economy of the excluded, where people engage in solidary activities as alternatives to their exclusion. It is a contra-hegemonic movement based on the principles of cooperation and solidarity. From a more instrumental standpoint, the concept of solidarity economy is an enlargement to microfinance and solidarity finance, as these concepts mainly focus on the importance of credit to overcome poverty.

Brazil's first attempts in solidary practise started in the 1980s, as a response to the big crisis from 1981 to 1983, when even a number of big industries had to struggle or went bankrupt. The closures of factories and large-scale dismissals, triggered by economic liberalisation, continued in the 1990s, when Latin America was introduced into the globalising world economy under a neo-structural approach that continues until today. The impacts of deindustrialisation posed a huge challenge to industry, government, researchers and societal organisations. Workers seized the opportunity to create joint operations and organise takeovers of the bankrupted companies by its staff. Furthermore, it was essential to form organisations in local economy and create chains of production with other solidarity companies. These organisational processes, led by the principle of cooperation, were followed by processes of institutionalisation, e.g. through the formation of forums. The foundations on a national scale were created by the constitution of the National Forum of Solidarity Economy in Brazil and the Secretary of Solidarity Economy (SENAES) as part of the Ministry of Work and Labour in 2003 under Luiz Inácio Lula da Silva, the only president who integrated solidarity economy into his government programme.<sup>13</sup>

The evolution of solidarity economy followed a bottom-up movement: in all 27 federal states, regional forums of solidarity economy came up and sent their delegates to the National Forum to discuss proposals and forward them to the National Council of Solidarity Economy that had been founded together with the SENAES. This council consists of people from social movements, governmental institutions and solidarity

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<sup>12</sup> Cf. Singer 2001, p. 1.

<sup>13</sup> Cf. Müller-Plantenberg 2008, p. 38.

companies allowing for a communication between the three different positions. Its main function is to ensure the constant exchange between the government and societal organisations engaging in solidarity economy, by advising, proposing directives and helping in their implementation in order to improve public policies for solidarity economy.<sup>14</sup>

What began with a sequence of takeovers of failed capitalist companies through the staff, turned into a professionalised new realm of Brazilian economy. Initially, trade unions functioned as the legal representative for these solidarity companies and a small group of these trade unions later turned able to lead the incubation of takeovers. They were able to assist in the process or tried to mediate with other specialists. At the same time, universities started to engage in incubation through research and counselling. Through the formation of local networks, the solidarity organisations were able to increase their political weight, searched contact to local administrations and paved the way for a new relation to the government.<sup>15</sup> By the time when microcredits were introduced as a new financial service, Brazil already had a strong and stable network in solidarity economy and could count on a diverse set of experience.

### 3.2 Microfinance

Microfinance appeared on the economic agenda also in the 1980s when the dynamics of contemporary capitalism resulted in a crisis of work: there was a lack of formal jobs and access to income affecting a large part of the population. Consequently, the whole organisation and regulation of modern societies were questioned, which consist of the market economy, to supply people with jobs, and the social state responsible for social protection. As the existing public policies seemed to have failed to create jobs for all those who needed one, institutions around the world started to recognise the value of self-employment and started to promote microcredits as these revealed to be an effective instrument to incorporate even the poorest. This shed a new light on Third World Countries, who proved their creativity and adaptive flexibility in a kind of ‘bare-foot capitalism.’ International financial institutions promoted microcredits as a new method of social inclusion on all continents and due to some pioneering experience like the *Grameen Bank* in Bangladesh, the method soon became more popular. Consequent-

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<sup>14</sup> Cf. Presidência da República (2006); Müller-Plantenberg 2008, p. 38 f.

<sup>15</sup> Cf. Müller-Plantenberg 2008, p. 39.

ly, private financial institutions appeared on the scene because they had realized that the process of ‘banking’ – which is the inclusion of the poorest into the conventional financial system that had excluded them so far – could be a new market niche waiting to be explored. From now on, many policies and programmes included microcredits to support small businesses of low-income people. This type of credit is exclusively production-oriented and not intended to stimulate consumption.<sup>16</sup>

Despite all these efforts, the extension of the microfinance sector that goes beyond the mere offer of microcredits remains the biggest obstacle. This is where Community Development Banks should be considered as a valuable instrument to fill the gap.<sup>17</sup>

### 3.3 Community Development Banks as an instrument of local economic development

The federal government of Brazil has been supporting different initiatives of the solidarity economy to enable a sustainable development and end extreme poverty. Solidarity finance is among these initiatives and is mainly based on Community Development Banks (CDBs), which are considered to promote local development, empowerment, and community organisation by merging production, commercialisation, financing and community capacitation.<sup>18</sup> Together with Solidarity Revolving Funds and Collective Investment Groups (CIGs), CDBs compose the field of solidarity finance in Brazil. The experience from Solidary Revolving Funds has been particularly important as a reliable and traditional practice mainly in rural areas. These practices differ from conventional microcredit initiatives mainly due to their conception of proximity ‘...which assumes there is a kind of economic relation in which the financial link is immersed in relations of trust and solidarity.’<sup>19</sup> Santos Filho puts the idea in a nutshell:

‘In the methodology of the Solidarity Revolving Funds, a community is responsible for the management of local resources, bringing back the practice of alternative finance rooted in the popular organizations, where the interests and the solidarity woven into the

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<sup>16</sup> Cf. França Filho/Silva Júnior/Rigo 2012, p. 501 f.

<sup>17</sup> Cf. Freire 2013, p. 44.

<sup>18</sup> Cf. Freire 2013, p. 41.

<sup>19</sup> França Filho/Silva Júnior/Rigo 2012, p. 502.

social relations, inside and outside of the productive groups in the form of social capital, turn into means of income generation.<sup>20</sup>

Banco Palmas, created in 1998, was the first CDB in Brazil and has initiated the implementation of CDBs in Brazil and abroad. What makes them special is their unique approach to stimulate local development based on a hybridisation of economic principles and fusion of supply and demand. This method enables CDBs to reshape poor economies where the population served is always at the centre of attention and shall be involved in the bank's activities. CDBs offer their community a variety of financial and non-financial services such as vocational training and support for business start-ups. Financial services include productive loans, issued in the official currency to stimulate production on the one hand, and consumption loans to encourage local consumption in the local currency on the other hand. The local social currency complements the official national currency creating a mechanism that stimulates supply and demand likewise. It cultivates the circulation of money within the community with the objective to promote local commerce and generate jobs and income. In contrast to conventional microcredit organisations, CDBs do not seek to make financial operations profitable.<sup>21</sup> If there is a surplus, the amount is reinvested in local initiatives.

Melo Neto and Magalhães propose the following definition: Community Development Banks are

‘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.’<sup>22</sup>

From a legal point of view, CDBs are Civil Society Organizations of Public Interest (OSCIP) of microcredit. In 2013, the government passed a law to include CDBs officially into the national financial system allowing them to issue local currencies and open bank accounts. Attaining legal recognition had long been a priority for the Brazilian network of Community Development Banks and this now allows them to establish conventions with government institutions.

CDBs do not intend to eliminate the current financial system or harm it in any way. The aim is to broaden financial services that are accessible to everyone and thus represent a more humane, democratic and inclusive banking model.<sup>23</sup> There is every

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<sup>20</sup> Santos Filho 2010, p.1.

<sup>21</sup> Cf. França Filho/Silva Júnior/Rigo 2012, p. 503 and Melo Neto, J. 2008, p. 4-6.

<sup>22</sup> Melo Neto/Magalhães 2007, p.7.

<sup>23</sup> Cf. Melo Neto, J. 2008, p. 9 f.

indication that the federal government has realised the potential of alternative ways of production reflected in an increased interest of municipal governments since 2003, which can be considered a turning point for solidarity economy in Brazil. Since then, several public policies have been developed on all three governmental levels with the objective of financial inclusion of communities with a low human development index.<sup>24</sup>

## 4. Social Capital

Social capital has usually been studied in sociology and political science, but was very well received in other research areas as well. The concept of social capital seems to have filled a gap other concepts had left untouched and was soon considered a valuable element to explain the creation and preservation of economic prosperity, regional economic development, collective action and democratic government. The three main perspectives are based on the ideas of Pierre Bourdieu, James Coleman and Robert Putnam.

The French sociologist Bourdieu was mainly interested in how society reproduced itself and how the dominant classes preserve their position. His focus on classes was strongly influenced by Marxist sociology and, in his perception, class-reproduction could not be a result of economy alone and that is why he distinguishes three forms of capital: economic, cultural and social capital. For Bourdieu, economic capital is the root of all other types of capital and that, together with other forms of capital, produces and reproduces inequality.

‘In civil society, social capital may result in power inequality because its possession does not guarantee equal access to social and economic resources. That is, access to different types of social networks is often very unequally distributed to the wealthy and the poor.’<sup>25</sup>

Even if social capital was the form of capital he worked less on, the potential influence of social capital to inequality may be the most important message we can take from his work.

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<sup>24</sup> Cf. Freire 2013, p. 41 f.

The Human Development Index (HDI) was designed by the United Nations to measure the achievement in key dimensions of human development like a long and healthy life, education and a decent standard of living. It is worth noting that the rather simplified model does not reflect on inequalities, poverty, security, or empowerment.

<sup>25</sup> Fu 2004, p. 33.

In the 1980s, economists started to investigate how economic activity is influenced by social relations and have found personal relations and networks to be widely underestimated. Especially Coleman is broadly acknowledged for his effort to link the observations of sociology and economics. He used social capital theory to complement as well as to consolidate the two prevailing ideas about social action: in sociology, the actor was perceived as socialised and his actions governed by social norms, whereas in economics the actor was acting independently with pure self-interest in order to achieve maximum utility. Coleman tried to make the individual actor more human and social by placing him into a context of social relations in a civilisation, because in traditional economic models, the actor was purely rational and individualistic. Being embedded in social relations generates trust, establishes expectations, creates and enforces norms. Social capital is defined by the function it performs, which is making resources available through social relations. It differs from other forms of capital as it inheres in the structure of relations between actors (individual or corporate).<sup>26</sup> According to Jane Fountain, the concept of social capital is as follows:

‘Social capital extends our understanding of “cooperation” or “collaboration” in two significant ways: first, linking cooperation to the economic concept “capital” signals the investment or growth potential of a group's ability to work jointly. Second, the concept identifies the structure created from collaborative effort as capital.’<sup>27</sup>

What makes social capital ‘social’? The term already indicates a certain bridging character between social and economic science. Nan Lin defines ‘capital’ as ‘investment of resources with expected returns in the marketplace. Capital is resources when these resources are invested and mobilised in pursuit of a profit – as a goal in action.’<sup>28</sup> The idea behind social capital is the ‘investment in social relations with expected returns in the marketplace.’<sup>29</sup> The actor here engages in interactions and networking in order to produce profits, thus, capital is captured through social relations. Collier argues that social capital can be social because it comes from a non-market interaction of agents that nevertheless has economic effects.<sup>30</sup>

Capital in social capital theory is considered a social asset based on the actor’s connections and the access to the resources in the network of which he is a member.

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<sup>26</sup> Cf. Coleman 1988, p. 95-98.

<sup>27</sup> Fountain 1998 p. 105.

<sup>28</sup> Lin 2001, p. 3.

<sup>29</sup> Lin 2001, p. 19.

<sup>30</sup> Cf. Collier 2017, p. 20.

Within the theory, two different perspectives can be identified regarding who conceives the profit: the individual or the group. The first perspective focusses on how the individual invests in social relations and captures the embedded resources in the relations in order to generate returns. The second perspective analyses how groups develop and maintain social capital as their collective asset and how this asset enhances group member's life chances. Capital is owned collectively and is represented by the size of the network and the volume of its capital owned by those to whom an actor is connected.<sup>31</sup> Coleman and Bourdieu see the density of a network as central to the maintenance and reproduction of the group's collective capital. Furthermore, Putnam has worked intensively on the engagement in voluntary organisations in democratic societies. He points out that associations and participation promote the development of collective norms and trust, which are important to the production and maintenance of the collective well-being. The number of social associations and the degree of participation represent the extent of social capital in a society.<sup>32</sup> In order to proceed with the further work it will briefly summarise the concept of social capital: social capital is the real or potential resources gained from relationships. Social capital is an aspect of social structure which provides opportunities but also presents constraints for an individual's actions. In a defined group with clear boundaries, social capital is a collective asset that triggers obligations of exchange, mutual recognition and norms.<sup>33</sup>

#### 4.1 Social Capital and Development

The concept of social capital has also become a popular concept in development practice and literature. A study conducted by Krishna and Uphoff in India, showed that, along with other significant variables such as political competition and literacy, social capital is positively and consistently related to development outcomes. The authors argue that the social capital of a community or household is not determined, but can be increased. They propose 'the stream of benefits from social capital – the social income or revenue flow that comes from it – is mutually beneficial collective action.'<sup>34</sup> This kind of action produces positive-sum outcomes because people work together and help

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<sup>31</sup> Cf. Lin 2001, p. 19.

<sup>32</sup> Putnam 1993.

<sup>33</sup> Cf. Coleman 1988, p. 97 f. and Lin 2001, p. 22 f.

<sup>34</sup> Krishna/Uphoff 2017, p. 86.

each other to gain a greater mutual satisfaction over time, even if the individual does not necessarily have a positive return all the time. Cooperative behaviour at a small level can enhance cooperative behaviour at the societal or national level, resulting in a productive behaviour that is different from behaviours based on individual self-interest. Two forms of social capital are differentiated: structural and cognitive social capital. Structural social capital is present in established roles and networks, supplemented by rules, procedures and precedents and thereby facilitates mutually beneficial collective action. Cognitive social capital includes shared norms, values, attitudes and beliefs that predispose people toward mutually beneficial collective action. Both forms require a certain investment of time, effort and sometimes money, but they are decisively different: structural capital is external and can be observed and modified whereas cognitive capital is internal, having to do with how people think and thus it cannot be changed easily by outside action.<sup>35</sup>

To sum it up, the concept of social capital in the development context is based on the notion that the productive outcome is well-being for all members of a defined group who engage in mutually beneficial collective action. In this view, social capital is conceptually adapted to fit the non-profit nature of these kind of organisations.

## 4.2 Negative Social Capital

Whereas most literature on social capital emphasises the positive effects, social capital can have also negative outcomes. So far, studies have revealed at least four negative effects that can be attributed to social capital. Strong social ties can lead to exclusion of others due to the closure of the network. The same social relations that enhance efficiency of economic exchanges among members in the community restrict outsiders. Outsiders are unable to access and benefit from the networks and mutual knowledge linking. Furthermore, social capital can harm successful entrepreneurs of that network because less well performing members might ask for support or jobs, etc. These excess claims are based on norms of mutual assistance for family members or even the whole community. The social capital of the claimants here exists in the access to the resources of the other members while they hinder entrepreneurial accumulation and success. Another negative effect might result from conformity, which is a necessity for group par-

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<sup>35</sup> Cf. Krishna/Uphoff 2017, p. 88.

ticipation, but at the same time restricts individual freedom. Dense networks can create the fertile ground that is essential for an intense community life and strong local norms, but restrict privacy and freedom of the individual. Finally yet importantly, group solidarity can root in a common experience of opposition to mainstream society. In these cases, ambitious individuals who want to join the mainstream undermine group cohesion and might be rejected by other group members.<sup>36</sup>

### 4.3 Social Capital and its link to other forms of capital

Economic capital is the origin of all types of capital. It includes all kinds of goods that can be converted directly into money and is essential to capitalism. The term originally comes from Karl Marx and was adapted and complemented by Pierre Bourdieu (1986). However, capitalist thinking permits to consider almost everything as a kind of capital. Space and ecosystems are examples that can be converted into money, because they inhere or produce value on their own, while others can be used for productive means and thereby create value. In the working environment, for example, it has become common to talk about human capital as the sum of someone's abilities, knowledge, experience and motivation.

As the role of economic capital for development is a bit clearer than the role of other forms of capital, this part will be held shorter. However, it is particularly interesting that social capital is positively related to economic growth and this is why, generally, wealthier nations (measured by GDP) show higher levels of social capital. Social capital reduces transaction costs and trust, reputation and informal sanctions replace contracts, the legal system and formal sanctions. It is cheaper to have informal bonds than, for instance, setting up contracts and suing the contractual partner in case of violation.<sup>37</sup>

The term human capital, again, can be applied either to individuals or to organisations and has been increasingly identified as an additional competitive advantage. In an economic environment, where

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<sup>36</sup> Cf. Portes 2000, p.56 ff.

<sup>37</sup> Cf. Office for National Statistics 2001, p 20.

'knowledge supplant[s] land, labor and capital as the primary source of competitive advantage in the marketplace, the ability to create new knowledge, share existing knowledge, and apply organizational knowledge to new situations becomes critical.'<sup>38</sup>

Typically, the knowledge of organisations is considered to be either explicit or tacit. Explicit knowledge is objective and rational and can be found in books, procedure manuals and articles. Tacit knowledge is subjective, experimental and cannot be formalised that easily. Social capital enables the effective management of both forms of knowledge. While new technologies have made it easier to physically manage explicit knowledge (scanning, capturing, accessing, etc.), social capital can influence how members use the system. Lesser (2000) gives two examples: the extent to which documents are shared with others is based on ideas about trust, obligation and the perceived value of the intellect of others. When individuals do not trust or others do not share their knowledge, it is unlikely that they will do the effort of contributing. Likewise, if they think the other's knowledge has little or no value, or the individual does not know about the context to understand the value of a certain document, the knowledge may remain unused. When it comes to tacit knowledge, social capital becomes even more important. The most effective way of sharing tacit knowledge is direct contact through which someone can transfer the knowledge to another one. Individuals need to identify someone with a specific expertise, establish a relationship and develop a shared language that enables the illustration and transfer of the required knowledge. An example frequently applied in organisational contexts would be a mentoring program. Moreover, studies have revealed that one of the most frequent barriers to successfully transfer best practices is an arduous relationship between the sender and the recipient. This shows the crucial role social capital plays for the transfer of best practices.<sup>39</sup>

Knowledge is part of what economists call human capital and can be used to produce value. Coleman has worked out the complementary function of social and human capital or knowledge if we focus on this sub-aspect of human capital. He gives parental care as example: children cannot benefit of a parent's human capital if the social aspect is not there, e.g. when the parent is permanently absent. Human capital can hardly be productive without the presence of social capital, while social capital can still be productive without human capital. He cites the particular case of Asian immigrants who have low human capital but high expectations and investments for their children. In contrast, children who have parents with high levels of human capital, might not benefit

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<sup>38</sup> Lesser 2000, p 9.

<sup>39</sup> Cf. Lesser 2000, p. 10 f.

from is because their parents are frequently absent.<sup>40</sup> In other words, someone's knowledge is not useful for the individual as long as he/she cannot access it. Social capital enables the access to the resource that the individual does not possess, which in this case is knowledge.

So why should we share? There are indicators social capital might be the reason why individuals in a collective forego the opportunity to free ride. Nahapiet and Ghoshal (1998) introduced a social capital framework to understand the creation and sharing of knowledge in organisations. They advised that the combination and exchange of knowledge is facilitated if (1) individuals are motivated to engage in exchange, (2) there are structural links between individuals, (3) individuals have the cognitive ability to understand and apply knowledge and (4) the relationships are strong and positive.<sup>41</sup> Under these conditions, it is more likely that the individual waives its own interest for the common good.

If these evidences are now applied to the development context, the role of knowledge becomes crucial: the UN has identified knowledge and innovation as key means for development in every country and on this basis developed strategies to achieve one of the most important millennium goals, which is to eradicate poverty. The experts who have developed these strategies highlight the importance of technological and scientific information for the success in some less developed countries, while at the same time, traditional and local knowledge has turned into a cornerstone for economic transformation (UN Millennium Project 2005). Experience gained over the last decades of development practise has revealed that development is chiefly an expression of local initiative and international partnership allowing for mutual learning. The same experts argue that development is a learning process that involves experimentation invoking developing countries to share their best practices experience with other developing countries in the spirit of a South-South collaboration. Most developing countries do not combine their policies: instead of creating industrial policies, R&D policies and education policies, the consolidation of these key sectors would lead to long-term economic transformations.<sup>42</sup> Taking into account that large parts of developing societies are excluded in various forms, there are large amounts of human capital waiting to be mobi-

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<sup>40</sup> Cf. Adler/Kwon 2000, p. 103.

<sup>41</sup> Cf. McLure/Faraj 2005, p. 38 f.

<sup>42</sup> UN Millennium Project 2005, p. 1.

lised.<sup>43</sup> The implication drawn here for the role of social capital in development can be summarised with Putnam’s words: ‘Social capital enhances the benefits of investment in physical and human capital.’<sup>44</sup> The UN Programme for Human Settlement (UN-HABITAT) has worked out the four dimensions of equality pictured in figure 1: economic, social, political and cultural. In the urban environment, this means that individuals can only access the full opportunities of urban life if they are included in all four dimensions. This perspective

‘stresses how important it is to view economic opportunities in conjunction with all other forms of political, social and cultural rights in societies that work together to build up “capable” social capital in developing countries. Only when the four forms of opportunities converge can they usher in optimal conditions for production of the human capital required to enable sustainable development.’<sup>45</sup>

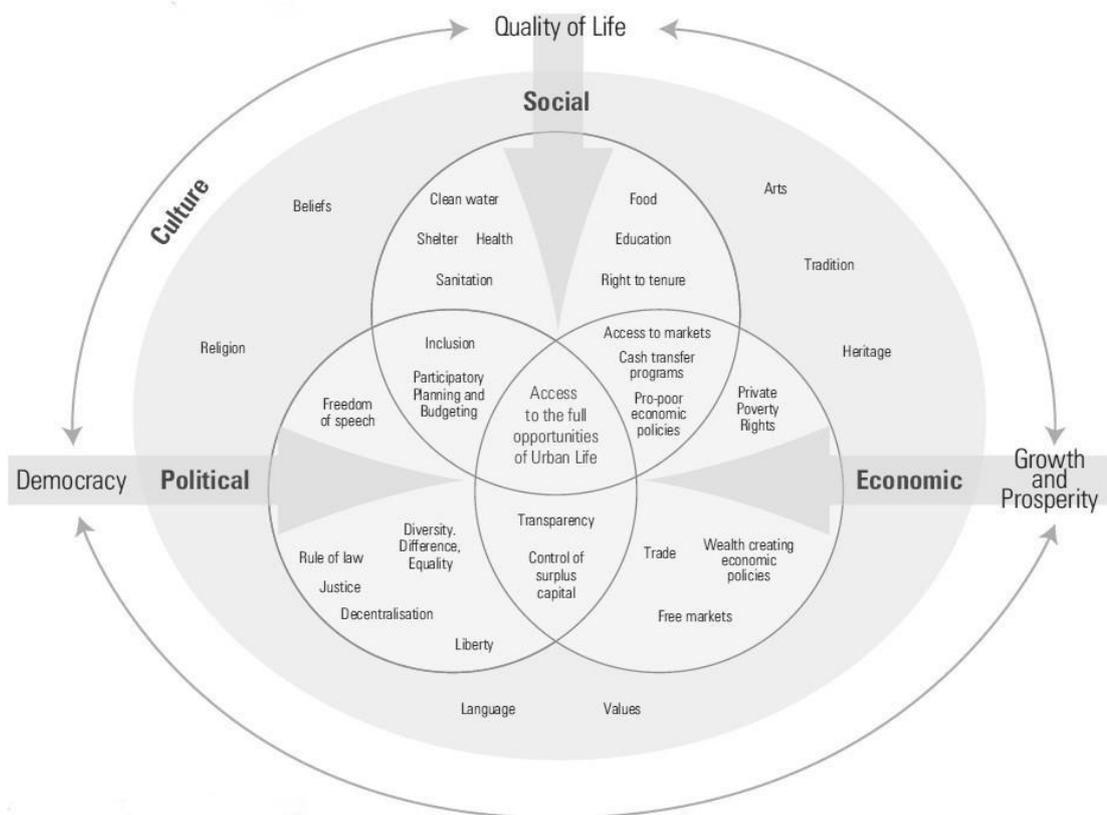


Figure 1: The right to the city. Source: UN-HABITAT 2008, p. 57.

<sup>43</sup> Cf. UN HABITAT 2008, p. 53.

<sup>44</sup> Putnam 1993, p. 35.

<sup>45</sup> UN-HABITAT 2008, p. 57.

## 5. Research question

A closer look at the reception of social capital, human capital and, to a lesser extent, economic capital among academics unveiled the links between them and their relevance for development. Social capital facilitates knowledge exchange, which is crucial for development. Based on my extensive literature review I have developed the following theses to analyse the collaborative development in Conjunto Palmeiras:

*1) If joint as solidarity organisations, disadvantaged communities can initiate their own economic development without governmental support.*

The study will work on how people learn to organise themselves and the potential of doing so in an organisation that is based on the principles of solidarity, self-government and participation. Often excluded from mainstream society and abandoned by local governments, these organisations seek support somewhere else, e.g. from international development or charity institutions. This implies the possibility of initiating local development without the support of local authorities.

*2) Cooperative behaviour is conducive to increase productivity and innovative potential by creating and sharing knowledge and high levels of social capital.*

Strong and positive social relations, norms of reciprocity and social control reduce transaction costs and enable effective action. A sharing-culture enhances the spread of information and ideas allowing others to further develop them and thus increasing the potential for innovation.

*3) By acting as engaged organisations, solidarity organisations promote the development of high levels of social capital and trust.*

Through transparency, strong values that focus on people, not profit, and a number of successful partnerships, solidarity organisations can achieve a good reputation that attracts new partners. Those partners might share the same values or acknowledge what they do. However, with every new partner, the network of the solidarity organisation grows and with growths comes more potential resources to be accessed. With the increase of the solidarity network, those values might spread in society. Every successful cooperative interaction lifts the potential for more cooperation. If more people engage voluntarily for the benefit of all, this leads to generalised trust because ‘a key property of social capital rests on the transitivity of trust: A trusts C because B trusts C and A trusts

B. Thus, relatively large networks may exhibit generalized trust without personal contact among actors.<sup>46</sup> The spread of cooperative strategies, together with a strengthened network embedded in an institutional framework, raises the chances for societal change.

## 6. Summary of Part A

The concept of social capital, originally from the field of sociology, not only turned into a quite fashionable concept, but it also proved to be a useful supplement in other academic areas where previous concepts failed to entirely explain certain phenomena. This is also true for economic geography. If economic geography starts from the idea that people and goods are not equally distributed in space, it naturally has to raise the question of why some places or regions perform better than others do. Social capital theory might give an answer here: social trust, norms of generalised reciprocity and the building of associations that create norms and trust can improve the efficiency of any kind of social organisation, or society as a whole, by facilitating coordinated action.<sup>47</sup> ‘A society that relies on generalised reciprocity is more efficient than a distrustful society, for the same reason that money is more efficient than a barter. Trust lubricates social life.’<sup>48</sup> The concept can be understood as an enlargement of a mere network study as highlighted in the definition of social capital by the OECD in their report *The Well-Being of Nations*: ‘Social capital are networks together with shared norms, values and understandings that facilitate co-operation within or among groups’<sup>49</sup>.

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<sup>46</sup> Fountain 1997, p. 3.

<sup>47</sup> Cf. Putnam 1993, p. 167.

<sup>48</sup> Putnam 1993, p. 37.

<sup>49</sup> OECD 2001, p. 42.

## Part B: Object of Research

*Banco Palmas is located in the suburban neighbourhood Conjunto Palmeiras in the capital of the Brazilian north-eastern state Ceará. In order to understand the daily reality the community lives in, it is necessary to consider the regional context. For this purpose, the following section presents some main features of the Brazilian economic and socio-political system.*

### 7. Regional macro-context: Brazil

Brazil is considered an emerging country whose development was enhanced by a steady economic growth over the last two decades, the end of external debt and large improvements in public welfare. It has been a couple of years now that the Brazilian economy has started to stagnate again, partly due to the falling commodity prices. The situation escalated in the impeachment of the left-wing president Dilma Rousseff in 2016, which was perceived as a coup by large parts of the population. The end of Dilma Rousseff was also the end of reign of the *Partido dos Trabalhadores* (PT), the workers' party that had ruled the country for thirteen years. Buttressed by a growing GDP, the government has achieved much in terms of workers' rights and the creation of formal jobs, has expanded welfare programmes and taken many people out of poverty. Despite of the considerable redistribution, wealth is still highly unequally distributed across Brazilian society.<sup>50</sup>

Brazil, as most other Latin American countries, took a lot of loans in the 1940s and 50s with the objective to boost national industrialisation. This period is marked by Import Substitution Industrialisation (ISI), a policy seeking to increase self-sufficiency through the growth of domestic industries with the help of large public spending. The turning point came in 1979 with the big oil crisis, when many creditors had to ask for immediate payback or raised the interest rates. This led to a severe setback for the Brazilian economy, followed by the two decades of economic recession and high- or hyper-inflation rates climaxing in 1994 with an inflation of 2400%.<sup>51</sup> In the 1980s, the Latin

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<sup>50</sup> Cf. Lemos 2007.

<sup>51</sup> Cf. Limbers 1999, p. 6.

American debt crisis and IMF ordered structural adjustment policies led to its replacement by free trade, export-driven development, deregulation of foreign investment and privatisation.<sup>52</sup> In Brazil, the macro stabilisation plan *Plano Real* from 1994, should bring inflation back under control by raising interest rates. As a result, whenever a crisis came up anywhere in the world, the Brazilian Central bank had to increase the prime rate in order to soothe investors' tension through higher returns. During that time, many people let their investments provide for them, but only wealthy people had access to financial protection. All others could not forestall that their money would lose its value. Hyperinflation was thus a huge wealth transfer making the poor even poorer. Curiously, the prime rate remains to the present day at an outstanding high level (11,25% on 14.04.2017)<sup>53</sup>, not even reduced during periods of political and economic stability. The former president Dilma Rousseff had planned to reduce the basic interest rate, but could not translate her plan into action before being removed from power. Public debt seems to have turned into a business and grants secure and high revenues for the big banks which are the creditors.<sup>54</sup> Consequently, the money raised to pay them off cannot be invested into productive ends, in infrastructure, health or the education system, which Brazil would need badly for a sustainable development. Financial inclusion is linked to social inclusion; consequently, a lack of financial inclusion makes social cohesion impossible. In Brazil, a large part of the poorer population is still excluded from financial services because they do not meet the requirements of traditional banks.

The studies of the Brazilian anthropologist Roberto da Matta shed an insight into a culture that is deprived of its ability to trust. He argues that the Brazilian law is not an instrument to make society work, but to correct and reinvent it while at the same time exploiting and suppressing its citizens. As a result, there is a huge gap between the law that intends to be universally applicable to all individuals of society, and the specific situation where it is applied. Here, the person makes use of his/her social relations to find an 'interim' solution that does not harm anyone but leads to a satisfying result by adapting the law.<sup>55</sup> This form of navigating through society makes social relations particularly important. In this environment, corruption has an easy chance, thus it is not surprising that Brazil's perceived corruption index is 40 (place 79/176)<sup>56</sup>. Weak institu-

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<sup>52</sup> Cf. Audirac et al. 2012, p. 227 f.

<sup>53</sup> Cf. <https://www.bcb.gov.br/Pec/Copom/Ingl/taxaSelic-i.asp>.

<sup>54</sup> Cf. Weisbrot/Johnston/Carrilo 2016.

<sup>55</sup> Cf. Da Matta 1984, p. 80-84.

<sup>56</sup> Transparency International 2017.

tions further threaten democratic principles and hinder the development of a vision for the common good: ‘where institutions are weak, politics become a Hobbesian world of uncertainty, short time horizons, and low levels of mutual trust and cooperation.’<sup>57</sup>

Together, inequality and corruption form a vicious cycle that is almost unbreakable. Combined with the missing rule of law, democracies become impotent. Impunity has been part of the Latin-American reality for centuries. A study conducted by the *Universidad de las Américas* revealed that nine countries with the worldwide highest impunity are from Latin America (Mexico, Peru, Venezuela, Brazil, Colombia, Nicaragua, Paraguay, Honduras and El Salvador).<sup>58</sup> The *Global Competitiveness Report 2017*<sup>59</sup> further stresses the lack of trust in politicians where Brazil ranked last out of 137 countries. In terms of competitiveness, Brazil achieved place 80. The main problems identified in the study about doing business are high tax rates, restrictive labour regulations, corruption, inefficient government bureaucracy and insufficient infrastructure. Policy and government instability were likewise restricting factors.

## 7.1 Spatial patterns in Brazil

The central premise of economic geography is that economic development is unequal. There have been large disparities in the spatial distribution of wealth and population throughout the whole history of economic activity. In every historical period, economic activities were concentrated in a limited number of regions, while other regions stagnated or even regressed. Thus, the centre-periphery structure is a universal phenomenon in economic development.<sup>60</sup> Analysing the map of Brazil, the first thing to ask an economic geographer might be: Why are the cities where they are? There must be a set of factors favouring the settlement in this location and its growth compared to the other settlements. According to the geographer Marshall, Brazil’s main problem is the lack of infrastructure and qualitative soil. A huge part of the national territory is jungle, where it is incredibly expensive and, in parts, illegal to build human habitation. The soil in the Amazon region is too poor for agriculture. Parts of the Amazon River are not navigable and the surrounding lands are difficult to build on. Below the Amazon region, in the

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<sup>57</sup> Hagopian 2005, p. 65.

<sup>58</sup> Wielandt 2007.

<sup>59</sup> Schwab 2017, p. 70.

<sup>60</sup> Cf. Combes et al. 2008, p. 130.

savannah, researchers were able to make the soil fit for agriculture and turned Brazil into the largest producer of soybeans and main agricultural producer in general terms. From the early beginnings on, the Portuguese colonialists lived only in coastal areas, a trend that continues until today. In order to export the raw materials produced in the inlands, roads and railways were built only directly to the next port. There were almost no interconnections between Brazilian interior cities. First attempts to develop the heart of Brazil came up only in the late 1950, when the capital was moved from Rio de Janeiro to Brasilia, an artificial city constructed in the middle of nowhere.<sup>61</sup> It followed the construction of the Trans-Amazonian Highway in order to promote national territorial integration. As a result, a large number of small and medium sized cities grew in the northeast region without a clear, integrative planning.

Globalisation was another transforming factor in Brazil. The continuous liberalisation of trade and foreign investment provoked a fundamental restructuring of the Brazilian economy and the distribution of economic activity. During the industrialisation period, wealth and industrial production was territorially imbalanced because it was clustered in the south and southeast of the country. At the same time, import substitution sheltered inefficient companies of the manufacturing sector from external competition. In this environment, political actors at all levels grew accustomed to economic disparities and together with the difficulties of changing the existing system, they adapted to it. Rodriguez-Pose et al. argue that the new economic panorama in Brazil incentivised local governments to become more engaged in local competition, sometimes in form of subsidies for firms locate in a specific area or in innovative forms to foster local capacity building and endogenous development. Competing for FDI has turned into a fiscal war (pt. *guerra fiscal*) with producing short-term benefits but negative consequences in the medium and long-term. Searching for innovative forms to stimulate local development might lead to the evolution of cooperation between local and state-governments and different economic actors like trade unions, entrepreneurs and local communities, as argue the authors.<sup>62</sup> In this new reality, cities saw themselves torn between internal problems such as violence and criminality and interregional pressure to attract investors.

Until today, urban space of Brazilian cities remains highly divided and the segregated reflecting social differences: a small highly qualified elite living in the city's

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<sup>61</sup>Cf. Marshall 2015, 252-254.

<sup>62</sup>Rodríguez-Pose et al. 2001, p. 462 f.

best areas, a growing middle class in an outer circle and a huge lower class living in the urban peripheries or countryside. Raquel Rolnik points out that the main characteristic of Brazilian cities today is a dual built environment with a small centre designed by private entrepreneurs that is part of a detailed urban legislation and the outer zones where the poor live in an intermediate zone between the legal and the illegal because land rights are not regularized. In the city centre jobs, cultural and economic opportunities are concentrated while the peripheries are disconnected marked by precarious or inexistent urban infrastructure. She emphasises that the effects of this territorial exclusion are annihilating and occur, in both, the centre and the peripheries. The residents of the periphery lose several hours per day in inefficient transportation systems. Their houses are often constructed in a very unstable manner never really completed as people often add parts to their houses. Further are the places they inhabit not well protected, turning them vulnerable to floods through heavy rains or drainage/sewerage merge in low lands. Their lives are generally marked by uncertainty.<sup>63</sup> However, it is the whole city that is affected by this kind of risky urbanisation: the concentration of assets in a small area and prevention that all citizens share these resources, leads to congestion, robbery and real estate pressure. An uncontrolled and unplanned urbanisation, accompanied by deforestation and other natural interventions, might put a whole city at risk of floods. When many people have to overcome great distances to do their daily work, city circulations collapse. 'Territorial exclusion is thus, more than the image of inequality; it is the condemnation of the city as a whole a risky urbanization.'<sup>64</sup> Many Brazilian cities are prime example for what Marcelo Lopes de Sousa call *Phobopolis*. *Phóbos* is the Greek word for 'fear' and *pólis* the word for 'city.' It stands for a development in cities where fear and an increasing conscience for the risk of public security take over an ever-increasing space in everyday discourse. The fear of violence let inhabitants of those cities suffer increasing levels of stress that can even lead to post-traumatic stress disorder.<sup>65</sup> A further issue is that since the 1970s, real-estate speculation increasingly dominates space in cities, which in return, has led to an empowerment of its citizens who express themselves in political demonstrations, and tactical actions in public spaces. The lack of inclusive urban policies and the domination of a large share of the city

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<sup>63</sup> Cf. Rolnik 2000, p. 471.

<sup>64</sup> Rolnik 2000, p. 472.

<sup>65</sup> Cf. Lopes de Souza 2013, p. 333.

by real estate companies has fired social movements who brought the urban question to the centre of Brazil's political and social agenda. A new urban activism was born.<sup>66</sup>

Local and regional capacity building in Latin America has traditionally been linked with democracy, as it transfers greater autonomy to the sub-national government levels. This holds also true for Brazil, where experience from past dictatorships turned into a greater involvement of local and regional agents.<sup>67</sup> More recently, the left-wing president Luiz Inácio Lula da Silva, elected in 2003, introduced a policy of economic decentralisation, investing in large infrastructure projects, mining and the mechanisation of agriculture due to Brazil's growing role of agro-business in international markets. Another relevant project was the *Minha Casa Minha Vida* social programme that provided housing for low-income families. From a spatial perspective, this led, again, to a development marked by urgency and improvisation, lacking a clear vision for the common good. Especially the north and northeast of Brazil experienced an explosive growth of its cities.<sup>68</sup>

Against this background, space shall be considered mainly in its social function for this research. Especially urban land, where economic and cultural activity take place in a highly agglomerated way, has a very delicate social function that is crucial for the well-being of its residents.

## 7.2 Regional micro-context: Ceará and Fortaleza

Ceará is one of the poorest and at the same time most unequal states of Brazil in terms of distribution of wealth. Geographically, it is located in the north-eastern region, which is also the poorest region in Brazil. The alphabetisation rate (5 years or more in school) is currently 81.2%, placing Ceará 21st in national ranking. The medium national income is 1.202,05 R\$ while the income in the northeast is the lowest one with 805,54 R\$. To have a better idea of this situation this can be contrasted with the medium income in the Centre-East region which is 1.422,28 R\$. The medium income in Ceará with 770,72 R\$ is even lower than in the north-eastern region as a whole.<sup>69</sup>

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<sup>66</sup> Cf. Wiley 2017, p. 25-27.

<sup>67</sup> Cf. Rogriguez-Pose 2001, p. 359.

<sup>68</sup> Cf. Wiley 2017, p. 24 f.

<sup>69</sup> Cf. Pessoa de Oliveira 2014, p. 17 f.

Around 75% of the 8.5 million inhabitants live in urban areas. The main city is Fortaleza contributing around 50% on the state's GDP and jobs and almost 30% of the overall population. Over the last years, Fortaleza has shown great improvements in creating formal jobs and high numbers of investments, most of them applied to urban infrastructure, housing, re-urbanisation of the coast, hospitals, stadium, cultural equipment and the construction of schools and kindergartens. In addition, it is the most visited city of the northeast and the third on a national scale, revealing the potential in tourism.<sup>70</sup>

Due to the large regional disparities, redistribution largely depends on federal programmes. The Brazilian government tried to strengthen policies that aim to redistribute wealth. Programmes like *Bolsa Família* and *Plano Brasil Sem Miséria*<sup>71</sup> prove the federal intentions to fight poverty and identify the excluded while, at the same time, searching for the reasons of their exclusion. In 2006, 10.4% of the population in Ceará were considered to live in extreme poverty as their monthly income was below 57.23 R\$, but between 2006 and 2011, they were able to take 353,659 people out of extreme poverty. These improvements can largely be attributed to the national policies of wealth distribution, an elevated GDP and the reduction of income inequality over the last decade. Despite of the improvements, Ceará still has the third biggest amount of poor people in the country.<sup>72</sup> Fortaleza, the capital, is one on the most unequal cities in the world: according to the UN-HABITAT report on global cities, Fortaleza is the fifth most unequal city of all cities in the sample. In Brazil, only the city of Goiânia has ranked higher (place 4).<sup>73</sup>

The following figure shows a map of the 119 districts of Fortaleza and their medium income. The data published by the Brazilian Institute of Research and Strategic Economy reveal that the district Meireles has a medium income of 3.6000 R\$ whereas the lowest income is in Conjunto Palmeiras with 239 R\$. The numbers reflect Fortaleza's image as a highly segregated city.

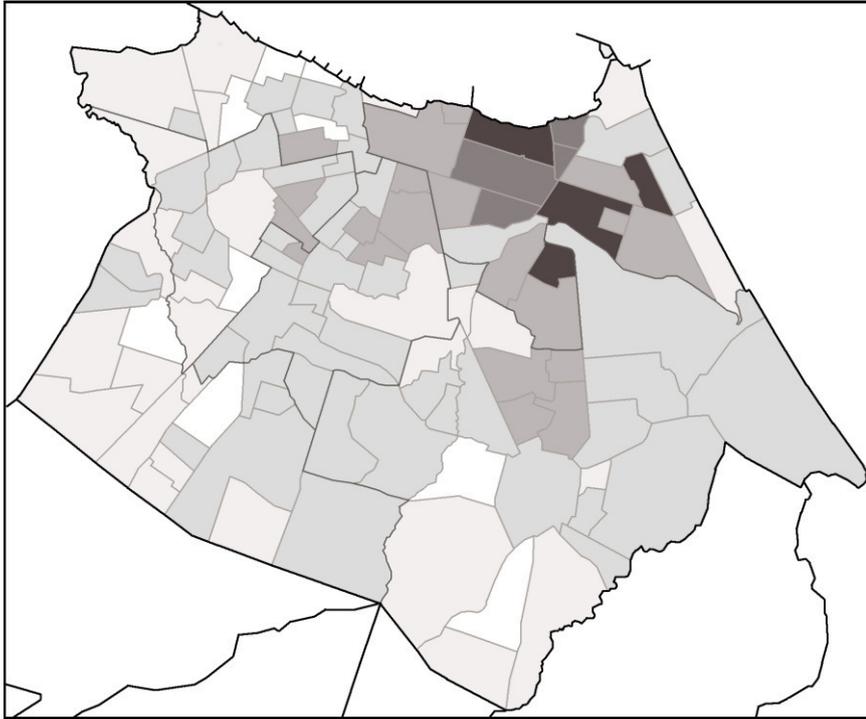
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<sup>70</sup> Cf. Pessoa de Oliveira 2014, p. 11 f.

<sup>71</sup> Cf. Ministério do Desenvolvimento Social e Combate à Fome 2013.

<sup>72</sup> Pessoa de Oliveira 2014, p. 23 f.

<sup>73</sup> Cf. UN-Habitat 2008, p. 73.



**Picture caption:** Income levels displayed in intensifying shades of grey: 0-499 R\$, 500-999 R\$, 1.000-1.999 R\$, 2.000-2.999R\$, 3.000-3.700 R\$.

Figure 2: Income distribution among the 119 districts of Fortaleza. Source: Own elaboration based on data from <http://diariodonordeste.verdesmares.com.br/cadernos/negocios/renda-desigual-e-marca-de-bairros-1.670666> and [https://commons.wikimedia.org/wiki/File:Bairros\\_e\\_regionais\\_de\\_Fortaleza.png](https://commons.wikimedia.org/wiki/File:Bairros_e_regionais_de_Fortaleza.png).

## 8. The case of Banco Palmas

Banco Palmas is Brazil's first and most famous CDB: it is internationally considered a prime example for a community that has taken its development into its own hands. With creativity and a lot of innovative energy, they have found what suits them best. The result of this mobilisation is a bank which acts according to solidary principles with the main objective of improving the lives of the community members who have created it. The creation was the result of over four decades of continuous struggle and experimentation. The products and services offered by the bank have continuously changed over time always adapting to new needs and external factors, but the essence remained the same: the local economy receives impulses through a social currency combined with microcredits. This mechanism aggregates value and gives people access to productive credits enabling them to overcome poverty, but the activities go far beyond financial services. Today, Banco Palmas manages a whole productive cluster, qualifies community members, represents the Brazilian network of CDBs and provides

technical assistance for the implementation of new CBDs all around the world. In order to understand how the community actions evolved over time, it will be necessary to review the past forty years in a few words.

## 8.1 Historical Perspective

Banco Palmas is the achievement of the people living in Conjunto Palmeiras, a peripheral neighbourhood in Fortaleza, the capital of the state Ceará. All its residents were forcibly removed from their original domiciles in the coastal areas of the city for speculative reasons in the 1970s. The city administration granted them a land plot and a set of bricks to build houses on their own. The name ‘Conjunto Palmeiras’ originates from the Portuguese term for palms (pt: *palmeiras*) indicating the large number of palms in the region, because there was nothing else when the residents were moved to the area.

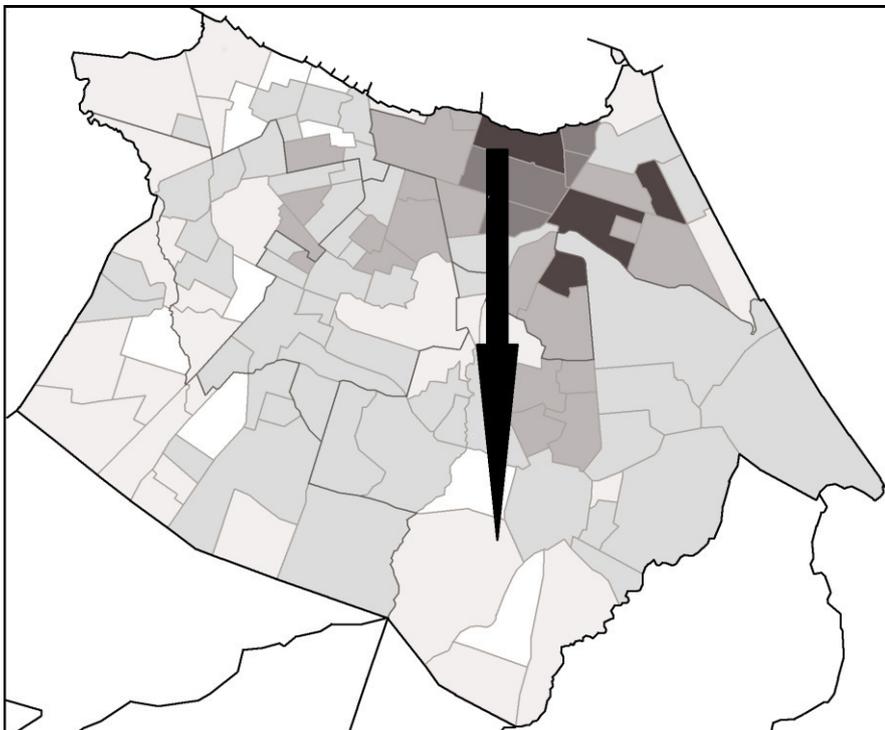


Figure 3: Relocation of residents from the district Meireles to Conjunto Palmeiras in the outskirts of Fortaleza. Source: Own elaboration based on [https://commons.wikimedia.org/wiki/File:Bairros\\_e\\_regionais\\_de\\_Fortaleza.png](https://commons.wikimedia.org/wiki/File:Bairros_e_regionais_de_Fortaleza.png).

The figure above shows the map of Fortaleza with its districts. Meireles is the most popular district at the beach, the so-called *Beira Mar*. The image at the upper-left shows the skyline of Fortaleza with its characteristic densely built skyscrapers. It is at the same time the most expensive area and object of real estate speculation. *Beira Mar* is the flagship of the city. The beach also offers the best possibility for traditional boats (pt: *Jangadas*) to enter the sea. Many of the residents of Conjunto Palmeiras had lived in areas close to *Beira Mar* before they were resettled to the outskirts of Fortaleza. Abandoned by local authorities and deprived of basic infrastructure like sanitation, access to treated water and energy or basic public services such as medical care or public schools, people had to figure out how to solve their daily problems. This situation was aggravated by the fact that they had been deprived of their income generation possibilities. Most men had been fishermen before and the new locality did not offer any alternatives, this is why soon many of them worked on the landfill (pt. *lixão*) close by.<sup>74</sup>

From 1964 until 1985, Brazil was ruled by a military dictatorship that repressed citizens' rights and forbade group gathering and demonstrations. At the same time, the period is associated with strong economic growth with the help of foreign loans and neo-liberal reforms that had been introduced recently. The government was blind to see the social costs of inequalities that economic growth entailed. In this climate of oppression and exclusion, people in Conjunto Palmeiras started to organise themselves.<sup>75</sup> They started to unite and mobilise residents in order to pressure local governments to provide them with basic public services such as collecting trash. This characteristic later turned into the creation of the association of residents of Conjunto Palmeiras (ASMOCONP) in 1981 who should assure the urbanisation of the area including water pipes, sewage, telephone, electricity. Despite of those great successes, income generation was still missing and people had to move away because they could not afford the higher costs this new infrastructure entailed. This is why ASMOCONP decided to create Banco Palmas in 1998 as a project to stimulate local production and consumption through micro-credits. The project would link producers and consumers in a solidarity network turning them into prosumers (pt. *prosumidores*).

‘The implementation of this project would transform the activity of ASMOCONP: after 17 years of acting as an amplifier of fights to minimise social scarcity of the population of Conjunto Palmeiras, using social capital as a tool and pressure as their strategy, AS-

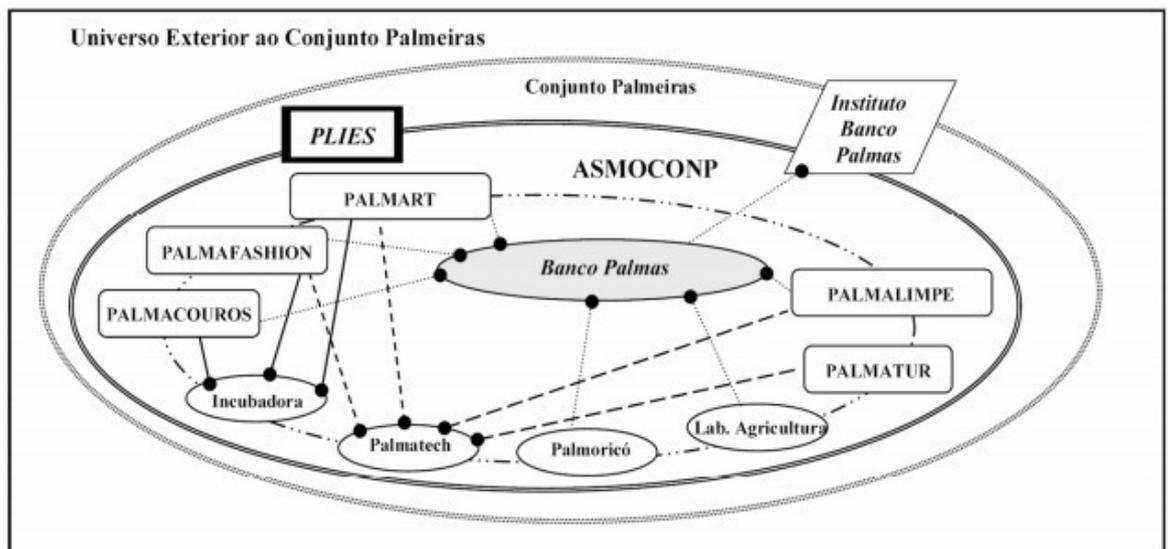
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<sup>74</sup> Cf. Rodrigues 2016, p. 42.

<sup>75</sup> Cf. Mathie, A. et al. 2008, p. 40 f.

MOCONP turned towards the implementation of socio-productive projects to fight local economic inequalities.<sup>76</sup>

They decided on creating a bank, that should provide solidarity capital in form of microcredits granted in Reais and in Palmas, the own social currency. At the same time, it should stimulate local production and generate jobs. Products should then be offered under an own brand, PALMA, to foster solidarity consumption and fair trade. The following schematic shows projects of Banco Palmas/ASMOCONP and how they interact.



Picture Caption:

- Productive sector groups
- Development programmes
- Formation of people
- Circle of organisational influence of Banco Palmas
- ..... Sphere of influence of ASMOCONP
- - - Knowledge creation
- - - Provision of Financial Capital
- Saída - Output
- Entrada - Input

Figure 4: Socio-economic cluster managed by ASMOCONP.<sup>77</sup>

**PLIES** (*Plano Local de Investimento Estratégico*): local plan for strategic investment

**Sector groups:**

- PalmArt (Handcrafts)
- PalmaLimpe (Cleaning products)
- PalmaFashion
- PalmaTur (Tourism)
- PalmaCouros (Leather products)

<sup>76</sup> Own translation from ‘A efetivação deste projeto transformaria a atuação da ASMOCONP: depois de 17 anos agindo como amplificadora das lutas para minimizar as carências sociais da população do Conjunto Palmeiras, tendo como ferramenta o capital social e como estratégia a pressão, a ASMOCONP passa a agir, principalmente, na intervenção e na aplicação de projetos socioprodutivos de combate às desigualdades econômicas locais’, França Silva Júnior, 2006, p. 105.

<sup>77</sup> Silva Júnior, 2004, p. 66.

### Development Programmes:

Incubadora Feminina: Introduced in 2000 it has the objective to help women to find jobs through training, capacity building, psychological support, microcredits.

Laboratório de Agricultura Urbana (LAU): Agricultural trainings and microcredits for cultivation of vegetables and medicinal plants for own purpose and sales.

PalmaTech: School offering courses in solidarity economy and trainings, since 2000.

Banco Palmas is the centre of all activities, coordinates individual projects and supports them through trainings, microcredits or research about the community. Production supported by Banco Palmas is organised in sector groups in order to benefit from economies of scale in production and marketing as well as knowledge transfer. Products can then be sold in local shops (pt. *lojas solidárias*) or markets (pt. *feiras solidárias*). In addition, all residents of the neighbourhood can offer their goods and services on weekly barter meetings.<sup>78</sup>

In addition to this socio-economic cluster, there are a number of associations acting in different spheres of the neighbourhood. Table 1 lists the associations in Conjunto Palmeiras.

1980s	1990s	2000 till today
<ul style="list-style-type: none"><li>• Associação dos Moradores do Conjunto Palmeiras (ASMOCNP)</li><li>• Associação Creche Comunitária do Conjunto Palmeiras</li><li>• Associação Beneficente de Valorização à Vida (ABVV)</li></ul>	<ul style="list-style-type: none"><li>• Associação Alcoólicos Anônimos Luz e Glória</li><li>• Associação Mulheres em Movimento</li></ul>	<ul style="list-style-type: none"><li>• Associação Chico Moser</li><li>• Companhia de Ritmos e Dança Populares (CORDAPES)</li><li>• Cooperativa de Grupos de Produção Solidária (COOPSOL)</li><li>• Instituto Palmas de Desenvolvimento e Socioeconomia Solidária</li><li>• Fórum Socioeconômico Local (FECOL)</li></ul>

Table 1: Existing associations in Conjunto Palmeiras listed by year of creation. Source: Rodrigues 2016, p. 221.

Instituto Palmas is a more recently created association with the aim to spread and develop solidarity activities and assist with the implementation of CDBs. It serves as an umbrella institution and manages the network of CDBs, and provides legal sup-

<sup>78</sup> Cf. Sohn 2008, p. 47 f.

port. In 2003 ASMOCONP has passed the coordination of solidarity initiatives to Instituto Palmas. Furthermore, it holds a legal title for the formation and implementation of conventions with government and non-government institutions. Banco Palmas and Instituto Palmas are managed by the same people.<sup>79</sup> Instituto Palmas has thus firstly a legal function. For these reasons I decided on Banco Palmas as object of my research: the people who work there are not only the coordinators of the socio-economic cluster within the neighbourhood, but also responsible for the creation of new solidarity initiatives. Besides, the bank is the physical place where ASMOCONP, Instituto Palmas, the employees of the bank themselves and the residents come together.

The historical perspective is crucial because the collective fight for basic infrastructure was the first experience in cooperativism and was then redirected to further related topics. The combined efforts paved the way for a new experience, which turned out to be a bank but could have actually been anything that stimulates local economic activity. The creation of the association of residents (ASMOCONP) was important for channelling energy and directing it to where it was needed the most. Reassured by what they had already achieved through collaborative action, people developed a spirit of ‘everything is possible.’

## 8.2 Banco Palmas Today

Today, Banco Palmas has forty employees of whom thirty are women. In addition, also most credit demands come from women. Most of their clients have informal businesses and do not pay taxes. Economic activity often takes place at home and some perform different activities not related to each other. In general, these entrepreneurs are not aware of the outcome of their activity because they do not practise accounting.<sup>80</sup> Banco Palmas not only provides credits to start a new business but also provides start-up support to increase the chances of a successful undertaking and, thereby, assuring that credits are paid back.

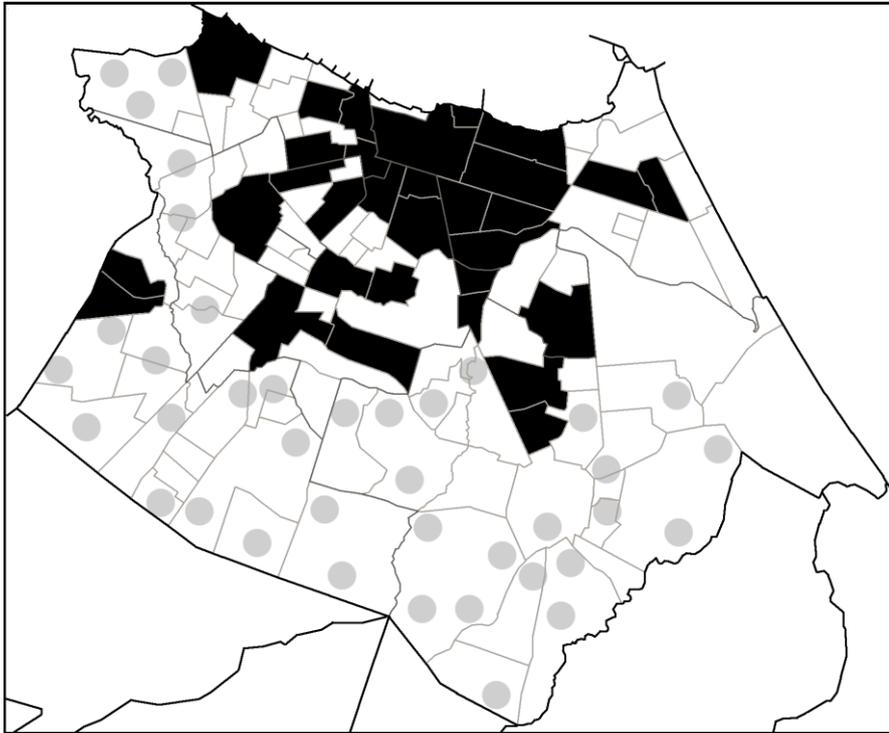
They continue to increase local capacities in Conjunto Palmeiras with different development programmes and financial services, while at the same time they engage in the spread of Community Development Banks. By doing so, CBDs turn into an alterna-

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<sup>79</sup> Cf. Rodrigues 2016, p. 255 f.

<sup>80</sup> Heredia 2016b.

tive to the traditional bank system. The sphere of activity here is not limited to Fortaleza, but any government, local authority or community can implement a Community Development Bank according to their methodology and ask for assistance. The following figure is an example of a financial inclusive initiative that is being executed in the city of Fortaleza.



Picture caption: Districts with a bank branch coloured in black. Grey points mark where Banco Palmas plans to establish a bank (*Banco da Periferia*).

Figure 5: Distribution of bank branches in Fortaleza. Source: Own elaboration based on data from <http://www.institutobancopalmas.org/wp-content/uploads/8623442.png> and [https://commons.wikimedia.org/wiki/File:Bairros\\_e\\_regionais\\_de\\_Fortaleza.png](https://commons.wikimedia.org/wiki/File:Bairros_e_regionais_de_Fortaleza.png).

The figure shows the distribution of bank branches in districts of Fortaleza (dark coloured). The spots show where Community Development Banks will be created over the course of the next years. The initiative *Banco da Periferia*, created by Banco Palmas, has the objective to provide those districts with access to financial resources not offered by traditional banks. 120.000 families will get access through the creation of forty banks in an encompassing participatory process. The democratisation of the access to financial service has here also a clearly territorial dimension because people who do not have the right for credit or bank accounts in traditional banks, still need do withdraw money from social programmes somewhere. But as there is no cash service nearby, they need to overcome great distances every time they need to withdraw money.

### 8.3 Partnerships and Networks

What we have learned so far about Banco Palmas is that it is the result of collaborative action of a community that was excluded from society in many ways: there was a spatial exclusion through the resettlement from the centre of Fortaleza to the outskirts of the city where there was no basic infrastructure and social services. The relocated families faced poverty due to the lack of income generation possibilities in the area. These families live in the poor and highly unequal northeast on Brazil, brought to a place where they had to build up everything on their own. The residents of Conjunto Palmeiras were excluded in all four dimensions of equality: economic and social exclusion typically leads to political and cultural exclusion.<sup>81</sup> Their fight for basic infrastructure helped them to organise themselves and coordinate. Their disappointment with the local authorities forced them to seek for support outside on their region or even outside Brazil. Finding partners was crucial for financial and technical support in order to build capacity and find effective solutions to improve the living conditions inside the community. The main task is now to identify the role of people, their relations and how these mobilise a diverse set of resources that benefit the common goal. The table below shows a list of partners from different sectors, namely the public and the private sector and civil society.

Public	Private	Civil Society
<ul style="list-style-type: none"> <li>• Banco do Brasil</li> <li>• Caixa Econômica Federal</li> <li>• Central Bank of Brazil</li> <li>• CRAS</li> <li>• Deputies on municipal, state and national level</li> <li>• FINEP</li> <li>• Inter-American Foundation</li> <li>• Petrobras</li> <li>• Prefeituras Municipais</li> <li>• Governos Es-</li> </ul>	<ul style="list-style-type: none"> <li>• Banco do Nordeste</li> <li>• Columbia University</li> <li>• Coordenadoria Ecumênica de Serviço (CESE)</li> <li>• FA-SE</li> <li>• Fundo Itaú Excelência Social (FIES)</li> <li>• GTZ</li> <li>• Misereor</li> <li>• Moneyclip</li> <li>• NESOL-USP</li> <li>• O Rappa</li> <li>• Santander</li> </ul>	<ul style="list-style-type: none"> <li>• AISEC</li> <li>• Ashoka</li> <li>• BrazilFoundation</li> <li>• CCFD</li> <li>• CIDI</li> <li>• CORDAID</li> <li>• Fundação Fenômenos</li> <li>• Movimento Monetário Mosaico</li> <li>• GRET</li> <li>• CEARAH Periferia</li> <li>• Federação de Bairros e Favelas de Fortaleza (FBFF)</li> <li>• Fórum Brasileiro de</li> </ul>

<sup>81</sup> UN-HABITAT 2008 p. 51 f.

<p>taduais</p> <ul style="list-style-type: none"> <li>• PROFITEC – PMF</li> <li>• Public Local Institutions (Schools, Health centres)</li> <li>• SEBRAE-CE</li> <li>• Secretaria de Cultura de Fortaleza – SECULTFOR</li> <li>• Secretaria de Desenvolvimento Econômico (SDE)</li> <li>• Secretaria do Trabalho e Desenvolvimento Social -Governo do Estado do Ceará</li> <li>• Secretaria Nacional de Economia Solidária (SENAES)</li> <li>• Universities and individual researchers (ex. UF-BA, USP, UFC)</li> </ul>	<ul style="list-style-type: none"> <li>• Walmart Institute Brazil</li> <li>• Züricher</li> </ul>	<p>Economia Solidária (FBES)</p> <ul style="list-style-type: none"> <li>• Oxfam</li> <li>• Rede Cearense e Brasileira de Socioeconomica Solidária</li> <li>• Instituto Marista de Solidariedade – IMS</li> <li>• Sindicato de Transporte Coletivo de Fortaleza</li> </ul>
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Table 2: List of all partners of Banco Palmas separated by sector. Source: own elaboration.

## 9. Summary Part B

Brazil started a centre-peripheral transformation in the 1960s with the creation of Brasilia as the new capital in the geographic centre of the country and the construction of the trans-Amazonian highway. This triggered an uncontrolled growth of north-eastern cities lacking a clear order for the common good resulting in social tensions. In the context of the military dictatorship that repressed people's rights and ignored the social effects of economic growth, people started to organise themselves and started urban activism. The case of Banco Palmas is unique in many ways, while at the same time similar to many others. It is similar in the sense that there are people in Brazil and all around the world who are socially and spatially excluded. It is unique as we can observe different kinds of 'grass roots movements' not in all excluded communities and that they produced their very own social innovation adapted to their needs. The fact that

only some disadvantaged communities achieve to organise themselves in a way that they can improve their living conditions, shall catch the attention of economic geographers: there must be a set of factors enabling action and thus local development. The history of the residents of Conjunto Palmeiras illustrates that they have been deprived of their right to the city. Their ability to mobilise community members for collective action roots in the struggle for basic infrastructure and has developed ever since. The empirical study shall analyse if the achievements can be explained with their social structure and channelling of available resources.

## **Part C: Empirical Study**

*The following section presents the case study conducted about Banco Palmas. It describes the methodology chosen and the questionnaires developed for the different target groups. A model was developed of how individuals and organisations interact in networks on different analytical levels.*

### **10. Study Design**

‘A case study is expected to catch the complexity of a single case’<sup>82</sup>, asserts Robert E. Stake. He further states that a case study enables us to study the particularity and complexity of a single case and to understand its interaction within specific circumstances. I chose the case study as my research strategy because the objective is to analyse the relationship between the contextual factors and my research object in order to illuminate the particularities of the case Banco Palmas. For this purpose, I carried out a *thick description* through placing emphasis on details, context, feelings, thoughts and relationships, which, all of them, can be articulated directly or indirectly by gestures, allusions, or even silence. The strategy requires great attention to history, context and the physical context. It goes beyond the mere explanation of events, trying to understand. Understanding is linked to empathy or re-creation in the mind of the scholar of the thoughts and feeling and motivation of the objects of his study.

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<sup>82</sup> Stake 1995, p. xi.

‘Understanding is also connected with intentionality in a way that explanation is not. One understands the aims and purposes of an agent, the meaning of a sign or symbol, and the significance of a social institution or religious rite. This intentionalistic ... dimension of understanding has come to play a prominent role in more recent methodological discussions.’<sup>83</sup>

Thick description creates a detailed picture and thus conveys to the reader what experience itself would convey through establishing an empathetic understanding. Furthermore, it encourages the reader for further reflection and optimises the reader’s opportunity to learn. This is also the reason why the writing style sometimes seems to be more appropriate to an essay than a paper. Anyway, the qualitative design allows and even calls for interpretations, observations and subjective judgements, but always being self-conscious in the role of the researcher.<sup>84</sup>

The overall aim is to tell the story of what is going on and what is most meaningful in the selected case. Even if it is not possible to present the whole story due to the researcher’s limited access, it shall be told as much as can be perceived through observation and interaction, followed by an interpretation that takes into consideration the circumstances of the research.<sup>85</sup> The case of interest of this work is mainly characterised by the people and the project they jointly developed. Each one is similar to other people and projects and is unique in many ways. ‘We are interested in them for both their uniqueness and commonality. We seek to understand them. We would like to hear their stories.’<sup>86</sup>

## 10.1 Methodology

The present paper is the result of a methodological mixture of literature review and extensive online research, participatory observation of events linked to the research subject, followed by field visits including qualitative interviews. The research was planned in a way that I could use my exchange semester at the Federal University of Fortaleza and that it would most effectively benefit my research and subsequent elaboration of my master thesis. This is why I chose two courses at university that could accompany my research and provide expertise about the region and topic. These were

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<sup>83</sup> Wright 1971, p. 106.

<sup>84</sup> Cf. Stake 1995, p. 40.42.

<sup>85</sup> Mills/Durepos/Wiebe (eds) 2010, p. 942 f.

<sup>86</sup> Stake 1995, p. 1.

*Economia do Ceará* and *Teorias do Desenvolvimento Rural*. On 19. October 2016, I assisted the broadcast of the documentary *Palmas* that was followed by a round of talks. Furthermore, I took part in the *Seminário Cearense de Economia Solidária*<sup>87</sup> where the topic solidarity economy was intensely discussed and representatives of Banco Palmas were present. I consider this preparation time particularly important as it provided the prior knowledge that enabled me to conduct open, unstructured but problem-focused interviews. According to Girtler (2001)<sup>88</sup>, guidelines can be obstructing in open interviews and might lead to results that do not correspond with the interviewee's situation. He further highlights the importance of being accepted as a human being by the interviewee for a successful research. In the best of all scenarios, the researcher is accepted and enjoys sympathy and trust in every situation of his research.<sup>89</sup> Pfadenhauer (2005) appeals to the researchers' knowledge interest when recommending a researcher to become a (quasi) expert and, in this sense, accompany the identified expert with doing what he does in his role as an expert, and, if possible, assist him.<sup>90</sup> The best way to achieve a wide-ranging and appropriate knowledge is to engage actively in what shall be examined in order to gain a valuable inside view.<sup>91</sup> This might increase the researcher's competence to interact more naturally and spontaneously, (potentially) qualifying him/her to talk at the same level with the interview partner.<sup>92</sup> In order to achieve a solid pre-interview knowledge basis, I grasped every opportunity during the months before the interviews that related to the topic. A couple of days before my official visit, I joined the neighbourhood association who had mobilised the community on a Saturday morning to plant flowers, paint recycled materials such as old tyres and bottles, in order to make the neighbourhood more attractive. This was a great opportunity to get a first impression on an unofficial occasion and enabled me to get to know some people who in return would not have a completely strange face sitting in front of them on the day of the interview. Interviews were conducted with employees and with the leadership of Banco Palmas. They were all recorded and transcribed later. During my three-day stay, I had the chance to get to know the different departments of the bank, projects and accompany employees in their daily work. Due to my limited time in Brazil and the great distances of the banks' partners in general, the interviews with partner organisations

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<sup>87</sup>Freire, A. 2016.

<sup>88</sup> Cf. Girtler 2001, p. 157.

<sup>89</sup> Cf. Girtler 2001, p. 149; 159.

<sup>90</sup> Cf. Pfadenhauer 2005, p.127.

<sup>91</sup> Cf. Hohner 2000, p.198.

<sup>92</sup> Cf. Pfadenhauer 2005, p.127.

were conducted by phone or via email when I was back in Germany. In addition to my own research and observations, I greatly benefited from the notes of two interns who worked at Banco Palmas at the time of my visit, which they had all collected in an online database and kindly offered me the access. In addition to my direct experiences, I could profit from the results of a great range of previous research conducted at Banco Palmas.

## 10.2 Multilevel analysis

I chose a multi-level approach for the investigation on social capital because I assume the outcome of interaction in the context of solidarity economy shall always be mutually beneficial. This indicated that there are always effects on both sides. As the works with such a diverse set of different individuals and partner organisations, it makes sense to elaborate this in a multi-level way. There are individuals such as entrepreneurs, residents of Conjunto Palmeiras or researchers who may act for their own sake, or groups of different types such as companies, government agencies, NGOs or even society as a whole. It is still the individuals who interact, but in the sake of their group. My choice is supported by the recommendation of Payne, Moore, Griffis and Autry:

‘Although the concept of social capital has been applied at the individual, group and organizational levels of analysis, researchers have yet to embrace social capital’s potential as a multilevel lens through which we might better understand management and organizational phenomena.’<sup>93</sup>

In a multilevel analysis, data are collected from units organised or observed within units at a higher level: a multilevel analysis is ‘any set of analytical procedures that involve data gathered from individuals and from the social structure in which they are embedded and are analyzed in a manner that models the multilevel structure’<sup>94</sup>

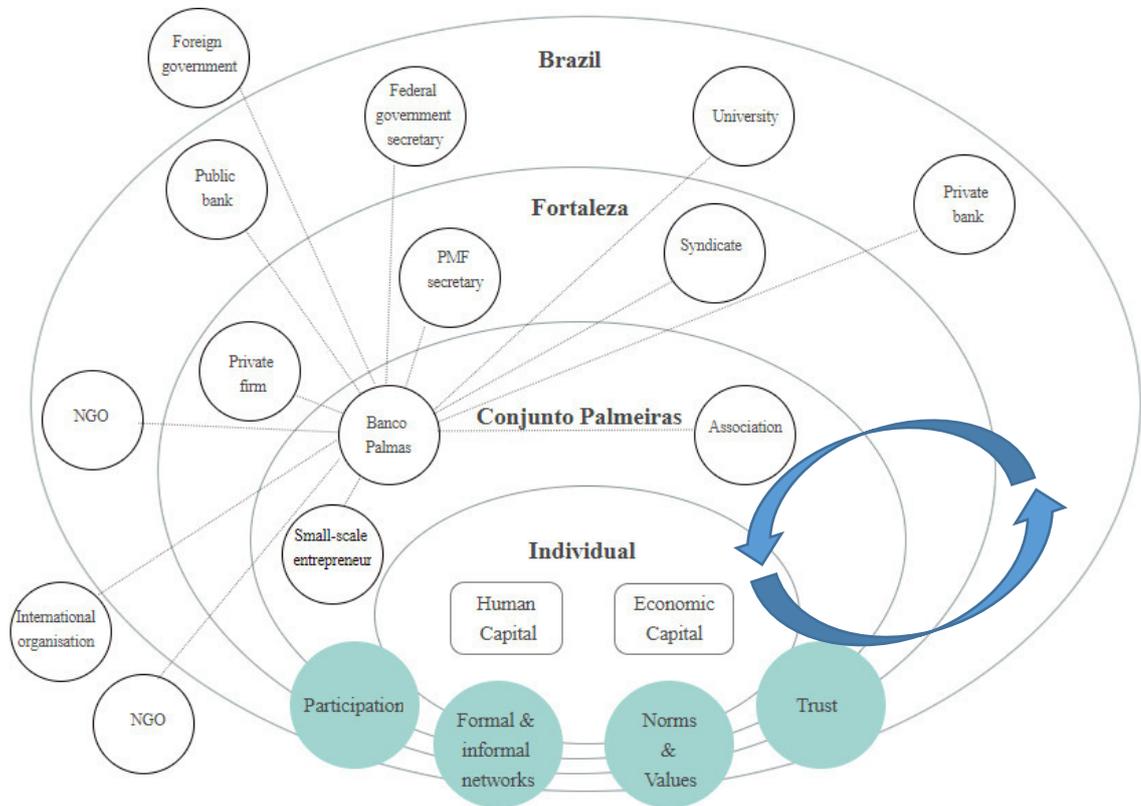
This approach recognises that the structure has an influence on the individual outcome and vice versa. I assume benefits on both sides between partners in cooperative networks, individual or collaborative. Payne et al. (2011) suggest four different typologies for social capital research in a multi-level perspective: (1) Social relationships an individual can use for personal benefit, (2) resources from ties within a collective (e.g.

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<sup>93</sup> Payne et al. 2011, p. 491.

<sup>94</sup> Burstein 1985, cited in Hedeker p. 3.

group or organisation) that benefit the collective, (3) social relationships which span boundaries and benefit the individual and the collective, (4) social relationships with other collectives across boundaries that benefit the collective.<sup>95</sup>



**Picture caption:**

 Mutually reinforcing       Link to Banco Palmas  
 Sphere of activity       Capital       Organisation       Indicator of social capital

Figure 6: Social network of Banco Palmas in the Brazilian context. Source: own elaboration.<sup>96</sup>

Figure 1 shows an illustrative network of Banco Palmas. The framework for a social capital analysis can be set according to the desired entity to be analysed: the individual, group, organisations or society as a whole. In any case, the individual is the basis of the social network. The illustration shows collectives in form of organisations and collectives as groups part of the society who are distinguished by their territorial/societal sphere of interaction. The individual can be part of both types of groups at

<sup>95</sup> Cf. Payne et al. 2011, p. 297.

<sup>96</sup> Note: For illustrative purposes the relations between the different organisations was skipped and only the links to Banco Palmas were entered.

the same time and act in different spheres. Resources made available through social relationships can benefit the individual, the collective or both of them. I argue that in the case of Banco Palmas there are multiple benefits at the same time: the individual gains from interaction within Conjunto Palmeiras through an increase of its economic and human capital and, in turn, the community wins because there are more resources (capital) to be mobilised for mutually beneficial collective action. The same applies for Banco Palmas: they invest into community members and become highly motivated employees and volunteers. Plus, proving that their methodology works legitimises their work and attracts new partner organisations. The partners and the bank benefit from complementing areas of expertise. Strong values and trust promoted in these cooperative networks can predispose people to engage in other voluntary associations within a community, the city or at a national level. This can further lead to an increase in generalised trust and cooperation within society as a whole. In order to close the virtuous circle, governmental bodies can also increase the resources of individuals through cash transfer programmes, public education, etc. They too, will have more resources to make use of and get a little closer to safe and inclusive cities with necessary conditions to turn them more resilient and competitive in an international context.

A reliable measurement of social capital is an almost impossible task, but we can find indicators for the social capital of a selected entity. Delmas and Pekovic (2013) have revealed the significant interrelations of different forms of capitals, such as social capital and human capital, and how their interaction influences organisational outcomes, particularly productivity.<sup>97</sup> The concept of social capital and knowledge in an organisational context have mostly been explored by economists and will be adapted to the context of solidarity economy where productivity means more sustainable work and well-being for the members of a community. Social capital is not something that can be possessed, for that reason it is not displayed in the illustration. Social capital is present in the social relations of the individual and the actual resources of a group consist of the set of resources possessed by all individuals who are part of this network.

As mentioned before, the size of a group can be also a nation. Collier distinguishes between governmental and civil social capital. Governmental social capital refers to institutions that promote people's ability to cooperate for mutual benefit such as the enforceability of contract, rule of law or the degree of civil liberties guaranteed by

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<sup>97</sup> Knowledge can be viewed also as intellectual capital, which is part of human capital.

the state. Civil social capital embodies norms, values, formal and informal networks and membership in voluntary associations which affect ability and disposition of individuals to work for a common goal. Generalised trust and norms reduce uncertainty and transaction costs, promoting efficiency of exchange, investment in ideas, human and physical capital.<sup>98</sup> According to Putnam, ‘the social capital embodied in norms and networks of civic engagement seems to be a precondition for economic development as well as for effective government’<sup>99</sup>. The objective of this work will thus be to link the social capital of Banco Palmas to the development of the community of Conjunto Palmeiras. This will further allow drawing implications for the other spheres in which they interact. As Krishna and Uphoff state, cooperative behaviour on a small level is conducive to cooperative behaviour on the next higher level.<sup>100</sup> ‘The neighbourhood matters because what happens in the neighbourhood influences our public and societal disposition.’<sup>101</sup> A possible result is a large-scale form of cooperative behaviour where individuals are not driven by pure self-interest.

## 11. Field study

Before actually visiting Banco Palmas, I identified the main indicators which could be an expression of social capital. These were initially separated into cognitive and social capital. The structural capital can be found in communication channels, roles designed for a common goal with clear tasks. Cognitive social capital is more difficult to reveal. In order to get an encompassing view of how the different indicators influence the outcome of the organisation Banco Palmas, it is necessary to analyse the interaction with different actors, such as partners from different sectors, individuals or associations within the community.

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<sup>98</sup> Cf. Knack 2002, p. 42 f.

<sup>99</sup> Putnam 1993, p. 37.

<sup>100</sup> Cf. Krishna/Uphoff 2017, p. 88.

<sup>101</sup> Forrest/Kearns 2001, p. 2138.

Structural Social Capital			Cognitive Social Capital		
Communication	Flow of people, services & goods	Roles	Trust	Values & Norms	Sociability
Direct communication channels, Frequency of contact, Formal or informal	(Number of) projects, employee exchange, kind of assistance	Clearly defined roles and tasks, rules, procedures, leaders	In colleagues, neighbours, leaders, partners, government etc.	Reciprocity, Volunteerism	Everyday sociability, easiness of cooperation

Table 3: Indicators of social capital separated according to type: Source: own elaboration.

Structural social capital presents itself in different forms: in effective communication channels that provide potential for information from social relations. This information can facilitate action. We will further have a look at the flow of people, services and goods, partially inside the neighbourhood but particularly within the collaboration with partners. The existence of roles inside the community and the bank will show if the organisational structure is clear and everyone is aware of his/her responsibilities and tasks in order to fulfil the organisational goal. Leaders might also be of particular importance in this regard. Cognitive social capital is less visible because it inheres people's minds and, in many cases, one cannot simply ask for it. It has to be traced back in a more indirect way, through observation and interpretation. Trust is one of the key features of cognitive capital. Strong values and norms of reciprocity are essential for the mobilisation of social capital. Finally, yet importantly, sociability as a kind of behaviour can ease the flow of information, create familiarity and thus it can lay the fundament for trustworthiness. As the root of social capital is social interaction, sociability might be one expression. Further relevant factors that might play a role for the reinforcement and broadening of social capital are territoriality and reputation. Spatial proximity enables the takeover of successful corporative strategies and reputation can attract or deter potentially new partners.

For the interviews, three different target groups were identified during the preparation period requiring different questionnaires. These were designed to start with very specific person and task-related questions, evolving into broader and encompassing questions related to values and goals.

## 11.1 Interviews with employees

The first group of interviewees are employees at Banco Palmas from different departments. I did not select the interview partners, the management assigned them to me according to their availability as daily business kept running while I was there. In this sense, partners were determined to some extent by chance, which led to a diverse set of interview partners with different gender, age and tasks.

	<b>Employees of Banco Palmas</b>
<b>1.</b>	Please, describe you position and tasks at Banco Palmas.
<b>2.</b>	Did you gain your expertise before you started your work or did you gain it while working at Banco Palmas?
<b>3.</b>	Have you ever worked voluntarily for Banco Palmas?
<b>4.</b>	Do you participate regularly in forums or associations at Banco Palmas and outside?
<b>5.</b>	Please, describe how you work together with your close colleagues, other entities in the neighbourhood or external partners. Is the collaboration easy?
<b>6.</b>	Do you regularly participate in forums or associations organised by Banco Palmas or partner organisations?
<b>7.</b>	How do you organize the data you work with? Does this process involve technology developed by Banco Palmas or others and does it rely on collaboration?
<b>8.</b>	Do you elaborate reports or presentations? Are these shared internally or externally?
<b>9.</b>	What are the main difficulties when working with new partners?
<b>10.</b>	How would you describe the working culture at Banco Palmas?

Table 4: Interview questionnaire for employees of Banco Palmas. Source: own elaboration.

## 11.2 Interviews with Banco Palmas leadership

Moreover, I interviewed people of the bank's management to get a better understanding of how the bank sees itself, especially, it their relation to partners.

	<b>Banco Palmas Leadership</b>
<b>1.</b>	Which is the main area of expertise of Banco Palmas?
<b>2.</b>	Which would be the area of expertise that could be improved, possibly together with the partners?
<b>3.</b>	Could you describe how Banco Palmas collaborates with its main partners?
<b>4.</b>	Are there any limitations regarding the sharing of reports, presentations or the technologies developed by Banco Palmas?
<b>5.</b>	How did the first contact with the GTZ arise and what was its value?

6.	Which was the partnership / person / event that significantly contributed to the evolution of the bank?
7.	Was there and partnership /event/ person that seemed to have changed the perception of Banco Palmas through other entities?
8.	How do you maintain contact with the different partners?
9.	Did the collaboration with other partners change the bank in any way?
10.	Are there specific values that define the relation between Banco Palmas and its partners?
11.	What is the role of Banco Palmas in the network of community development banks in Ceará / Brazil?
12.	How does the selection process of community consultants work? How are the application and acceptance rates?

Table 5: Interview questionnaire for leaders of Banco Palmas. Source: own elaboration.

### 11.3 Interviews with Partners

Some of the partners who have been identified as particularly important to the development of Banco Palmas in the past could not be interviewed anymore due to the long time that has elapsed since their active cooperation. The involved employees do not work for the organisation anymore and questioning their successors based on documents or oral reports would have distorted the results. GIZ and Oxfam belong to these kinds of organisations. Due to the focus on partnerships, the partner interviews were conducted only with spokespersons of the organisations, not with a broad range of employees. A detailed analysis of the interconnections between the individual employees would by far exceed the framework of this study.

	<b>Partners</b>
1.	Please describe briefly your organisation and field of activity.
2.	Please describe you position and tasks at your organisation.
3.	How did you get in contact with Banco Palmas?
4.	Is there currently a running project?
5.	Could you briefly describe your partnership with Banco Palmas?
6.	Does your partnership involve financial assistance?
7.	Does your partnership involve technical assistance, supply of equipment?
8.	Has one of your employees ever worked for Banco Palmas, or vice versa?
9.	Where and how often do you usually meet?
10.	What would you say is the area of expertise of Banco Palmas? E.g. Mobilising people / Knowledge of the regional conditions / Finance
11.	How would you describe working with Banco Palmas. Is collaboration easy?
12.	Has the cooperation with Banco Palmas changed your organisation in any way?
13.	Is your partnership characterised by shared norms and beliefs? If yes, which are they?

14.	Would you say that your common work could change society in any way?
15.	Is there something else you would like to add?

Table 6: Interview questionnaire for partners of Banco Palmas. Source: own elaboration.

## 12. Summary Part C

Case studies allow for a profound understanding of a complex case and this complexity can be best captured through a mix of methodologies. Especially when it comes to features of a social structure that cannot be observed that easily, diverse sources of information seem appropriate to construct a bigger picture. At best, the results will provide an insight into the dynamics of local development rooted in conflict of different interests, cooperation, competition and reciprocity.

## Part D: Results

*The following section presents the findings of the study conducted at Banco Palmas and with its partners. The indicators shall reveal the structural and cognitive social capital and associate social capital, as a whole, with human and economic capital. Finally, results will be considered in the (urban) development context.*

## 13. On the tracks of social capital

Ghoshal and Bartlett (1997) claim that the ‘smell of the place’ tells you whether it has a high or low social capital. The experience of wandering around in an organisation gives an impression of that place. How people greet (or not) each other, what the office looks like, whether comments are overheard or there is chatting in the hallways and the whole emotional atmosphere are some of the signals which can tell you what the place is like. The feel of a place ties workers, improves work and attracts customers or partners.<sup>102</sup> When you first get off the bus that takes you from city centre to Conjunto Palmeiras the surroundings look like a usual suburban neighbourhood in Fortaleza. Sev-

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<sup>102</sup> Cohen/Prusak 2001, p. xi.

eral secondary streets start from the main street where the bank and some related institutions are located there; some of them are official streets with name and number while others are obviously improvised. There are shanties and undisposed waste accumulations making the traffic of vehicles impossible, some of these vehicles are still carts pulled by donkeys or horses. Furthermore, social misery and violence is still present: young people who are noticeably on drugs, decayed and closed shops, people sleeping on the streets. Observing the neighbourhood from another angle, there are typical scenes of daily life in the suburbs in big cities and signs of an intense social life: people chatting on the sidewalks, children playing in the streets, shopkeepers waiting for new clients and elderly people taking a nap. During some first chats, people gave the impression that they are very proud of the history of the neighbourhood and that they like to show community locations and institutions they created together.

### 13.1 Structural social capital

When starting my empirical work I had to realise that many of the things I thought to know about Banco Palmas were not up-to-date anymore. I had tried to prepare in the best way possible about my research topic through the reading of previous research and books published by Banco Palmas itself. When starting to question employees of the bank, I soon understood that many of the processes and structures had changed overtime. Considering that the books and research papers I had read were publications from between 2004 and 2012, hence not even that old, this was the first indicator of a highly flexible and adaptive organisation always searching for ways to improve their services and adapting new technologies to their needs.

As already mentioned, the structural social capital of a group can be detected more easily. Effective communication channels, clearly identified roles and tasks as well as the flow of people, goods and services have been identified as indicators of structural social capital. With the help of the mix of methodologies, I applied these indicators to the organisation of Banco Palmas. Communication within Banco Palmas was described as direct and informal. Problems are discussed directly and new ideas can be openly presented to the respective direct supervisor. Structures within the organisation are rather horizontal, enabling information to flow easily through direct interaction and little bureaucratic barriers.

There are clearly defined job positions and corresponding tasks in the different departments. The coordinators of each department are responsible for the monthly accountability to creditors. The research revealed that almost all employees of Banco Palmas gained their professional experience at Banco Palmas. In general, new employees receive a general training about solidarity economy and how CDBs work. Then they are trained on the job by passing through all departments. People who have received trainings by Banco Palmas, but do not work neither at Banco Palmas nor in the neighbourhood, are very likely to work in the field of solidarity economy elsewhere. As I have mentioned before, Banco Palmas and Instituto Banco Palmas have the same leadership. Furthermore, Rodrigues (2016) revealed with her research that coordinators and leaders of different kinds of associations have been leaders within Conjunto Palmeiras and have worked in other associations before. Many of them keep switching from one institution to another.<sup>103</sup> This indicates that leaders of different associations within the community know how the others work, facilitating the coordination and alignment of actions towards a common goal. Moreover, the exchange of personnel increases interpersonal links and tightens the network.

The examination of Banco Palmas through a multilevel lens allows us to understand how organisations on different levels can benefit from the network relations. The president of Banco Palmas, Joaquim Melo, explains his perception of globalisation and its effects on local markets:

‘I believe that the advancement of globalization, as highly criticized it is, it is impossible today to imagine a localized economy, could be a neighbourhood, could be a country. That is what we call a hybridization of economies because a part of her develops locally but it has an interaction with the macro economy. ... It is impossible today to think of a closed economic circle, only in a hypothetic way. It is almost impossible to have my whole supply chain in one place. ... Today we have Banco Palmas and Banco do Brasil which is the biggest bank in Latin America. So many people ask if being related to Banco do Brasil does not disturb. But it has nothing to do with it, it does not disturb in anything because they provide me with the technology of Banco do Brasil, we work with the software, we work with the money they have or a credit line they have, with the regulatory framework they have and applied it to [Banco] Banco Palmas, we transform this in solidarity economy. ... Thus, to potentialize this solidarity economy, I need the technology of investment innovation that are still in the capitalistic economy. If I can bring this here, we call this hybridization of economy, when I can join the two economies in a way that the protagonism stays within the solidarity economy. When we now come back to the case of Banco do Brasil, the protagonist in this relationship is Banco Palmas because Banco do Brasil does not interfere in anything here.’<sup>104</sup>

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<sup>103</sup> Cf. Rodrigues 2016, p. 255.

<sup>104</sup> Own translation of the citation of Joaquim Melo cited after Rodrigues 2016, p. 271 f.

His statement illustrates the flow of resources from Banco do Brasil, the biggest public bank, to Banco Palmas on the local level in the form of money, financial products or services and technologies such as software. The CDB benefit from the greater capital, the long banking experience and regulatory framework the traditional bank has while at the same time assuring that the independence of the solidarity bank is maintained. The benefits of the partner organisations, such as the public bank in this example, and why they seek collaboration with Banco Palmas, are interpreted by the coordinator of Palmas Lab in the following way:

‘Community Development Banks attend the poorest and excluded people, they [the partner organisations] do not necessarily know what to do there and search for an organisation like Banco Palmas that can make the difference that helps them to understand how to do the work. I think this is essential wanting to do, what most distinguishes is this, that Banco Palmas, may have faults, may do a lot of things better, but it is normally known as an organisation that has the capacity to have a very interesting impact on communities in Fortaleza and other parts in Brazil. I think this is essential, the impact and the diversity of innovation. I think what they are interested in is this thing of working in a very different way.’<sup>105</sup>

The message here is that both parties, even though coming from a very different background and working with a completely different logic, benefit from the cooperation with one another. It may even be this feature of working differently, along with the many small and big innovations, which makes Banco Palmas an attractive partner. However, the many ideas and new projects, of which some are never realised, together with low levels of bureaucracy, may let Banco Palmas seem unorganised. This might deter potentially new partners:

‘Looks like we do not have a focus due to the high number of diverse projects that we have. Every three to six months there is a big novelty. There are people who are studying us for a long time and continue to support us and it changes a lot. This brings positive and negative things. It is not that it is very different, there is a logic in the things and we return after some new things. It is fun but at the same time, I think we should have more focus on an initiative and think of the scale. I think things is one of the things we could improve.’<sup>106</sup>

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<sup>105</sup> Own translation from an interview with the coordinator of PalmasLab: ‘Os bancos comunitários atendem as pessoas mais pobres e mais excluídas, eles não sabem necessariamente o que fazer lá e buscam uma organização como o Banco Palmas que possa fazer a diferença, que ajuda eles a entender como fazer esse trabalho. Eu acho que isso é essencial querer fazer, o que mais diferencia é isso que o Banco Palmas, enfim, pode ter erros, pode fazer muita coisa melhor, mas mas é normalmente conhecido como uma organização de ter a capacidade de ter um impacto muito interessante nas comunidades aqui de Fortaleza e em outros lugares do Brasil. Acho que isso é o essencial, o impacto e a diversidade de inovação. Acho que interessa a eles é essa coisa de trabalhar muito diferente.’

<sup>106</sup> Own translation from an interview with the coordinator of PalmasLab: ‘Parece que a gente não tem muito foco pela diversidade de projetos que a gente chega a ter. Cada 3/6 meses tem uma grande novidade. Tem pessoas que tem pesquisado a gente há muito tempo e continuam apoiando e muda muito. Isso tem coisas positivas e negativas. Não é que seja muito diferente, é uma lógica que se mantém nas coisas, a gente volta depois de uma séria.. Isso é muito divertido, mas ao mesmo tempo acho que seria

The Community Development Bank itself is a social innovation ‘made in favela.’ This is particularly interesting, as the neighbourhood has generally low education levels, entrepreneurs perform low-technology activities and people have low financial knowledge and mainly experience-based knowledge. Knowledge generation and capacitation within the community is still one of the key activities of Banco Palmas: start-up support, financial education, training of community consultants, IT-courses for girls, local incubators for youths are some of the examples of how knowledge and capacitation are increased. Elevated levels in human capital mean more potential resources to be invested into mutually beneficial collective actions. It is also interesting that the bank makes direct use of the knowledge in the community through wisdom of the crowd-initiatives for the development of new ideas or projects. Innovations and new technologies developed by the bank are always provided to the public without any restrictions.

## 13.2 Cognitive social capital

Trust, values, norms and sociability have been identified as indicators of cognitive social capital and, thus, affect the outcomes of social interaction within a group. In the community as much as in the organisation Banco Palmas, there are strong values determining the mind-set of people and are pervade all spheres of everyday life. When asking for the working culture at Banco Palmas, people described a very interactive and collaborative day-to-day business. There are many discussions where problems can be treated directly. Interaction is rather informal and easy, but still with the necessary seriousness. As an employer, Banco Palmas shows flexibility and much comprehension for employees who sometimes need to be absent for personal reasons, such as taking care of relatives or attending classes in the afternoon.

‘I think it is very nice to work here. There is a very different form of treating the relation of employer and employee. Here it’s all about conversation. Everything you want to do, you go there and talk. We have a different way of solving problems. ... We have this very informal thing, but everyone knows his responsibility in his functions but we are very informal in this thing of not claiming.’<sup>107</sup>

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bom também agente ter um pouco mais de foco em alguma iniciativas pra pensar na escala. Acho que isso é uma coisa que a gente pode melhorar.’

<sup>107</sup> Translated from an interview with a project coordinator: ‘Eu acho que é bem legal de se trabalhar. Tem uma forma bem diferente de lidar dessa coisa de patrão e empregado. Aqui vai muito na conversação. Tudo que vc quer fazer a gente chega lá e conversa. A gente tem outra maneira de resolver

In each situation, the maximum utility is strived. This might work as follows: an employee of Banco Palmas needs to attend classes in the late afternoon and has to leave earlier a couple of times during the week. All others, need to be present anyway and can take over, if possible, some of the tasks. Sharing the tasks among those who need to be present at work and do not have further commitments, everyone collaborates and there is no great loss. For the person who leaves earlier to attend class, this might have an enormous impact on his/her future because being present might be decisive for the participation in the course. The same procedure is applied for the selection of people for a job vacancy. The selection is not based on who might have the best qualifications for the job or performs best in a standardised test. It is rather during personal interviews that they try to find out who has the motivation and potential for further development and for whose life the job would have the greatest positive impact. This investment might return in the moment when the person, in his role as employee of Banco Palmas or resident of Conjunto Palmeiras, engages somehow in the community for the benefit of all because, after all, the desired outcome is mutually beneficial collective action.

The strong values present in the social structure around Banco Palmas seem to reduce also some potential negative effects of social capital. Maintaining linkages raises costs exponentially to the increase of the social network and might require a constant balancing of potentially opposing factors. In the case of Banco Palmas, strongly shared values and friendly relationships reduce those costs of maintaining those relations partners reported on very intense collaboration periods and close personal relations. One beneficial factor is certainly that people in Conjunto Palmeiras have created guest rooms, where visitors can stay. Physical presence of partners not only during working hours, further strengthens personal ties and experiencing the place fosters understanding of how the community functions. An additional indication that neither the community nor Banco Palmas is closed to others because of their dense social capital is the role of Asier Ansorena, who is the credit and innovation director and coordinator of PalmasLab. Asier is Spanish, has studied economic and political science and therefore has a completely different background as people from Conjunto Palmeiras. Nevertheless, he is fully integrated and, due to his position in the Banco Palmas leadership, codetermines the future of the community.

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os problemas.... Tem essa coisa bem informal, fora que todo mundo saiba que tem sua responsabilidade com suas funções mas somos muito informais nessa coisa de não quer cobrança.’

The sense of belonging in Conjunto Palmeiras is largely influenced by the feeling of being excluded. What Portes (2000) sets as an example for negative social capital leads to a highly fertile ground in Conjunto Palmeiras. The opposition to the mainstream society is not a role people want to assume, but they are given by society. The territorial exclusion started with the resettlement of the first families to the outskirts of the city and lack of willingness to provide basic public services and infrastructure to integrate them into the city. However, they had been excluded in other terms before such as financially or culturally. Being part of the community does not restrict them from establishing contacts or looking for jobs outside the neighbourhood because the overall aim is to form an inclusive society. Community members leave the neighbourhood or work for organisations outside Conjunto Palmeiras without being rejected by other residents. Yet is it true that many community members mostly continue to carry out a social work. I attribute this fact to strong values promoted in the voluntary associations in the neighbourhood, which promote social engagement, and to Banco Palmas, that has even created a course about solidarity economy. The aim is not to maintain but to share and spread their social innovation, the more the better. Apart from benefitting the others, this will help to strengthen the movement as a whole and mobilise more resources, internally within the network and externally from partners.

Trust has diverse facets and leads to very different outcomes in the environment of Banco Palmas. When the bank started its activities, the granting of credit was not based on the national bank-register of the person who asks for it, nor on if he/she had a job. The credit consultant interviewed the person about his/her intentions and the neighbours about the person's behaviour in the community. This reduced the administrative costs through social control. At the same time, Banco Palmas had to trust in the efficiency of social control and the good intentions of the debtor. Later, this procedure was abandoned due to the consequences of non-paying. Nowadays, national bank registers are consulted. This illustrates the challenges for a mainly trust-based credit-system and may indicate that with a growing number of participants it may be more difficult to trust only the good will and may put the banks' existence at risk. The decision was to save the bank as institution in order to serve the majority of credits solicitors instead of sticking to this procedure. Nevertheless, they tried to find new solutions for even those who cannot manage money in a responsible way. They introduced the possibility to form groups of four entrepreneurs to ask for a joint credit. At least two of them have to have a clean register. Each one gets the minimum amount of money, but they all have to pay it

back together. If one does not fulfil his duties, the others have to pay. The result is that the bank receives the money and the debtor is punished through social rejection of the others. At the same time, the group strategy serves as a kind of responsabilisation method as part of the capacitation programme. Hence, trust from Banco Palmas towards individuals and entrepreneurs in the community was very important especially during the initial phase when the bank had very limited resources and was still learning to find their best practice.

In comparison to this, there is the trust of individuals and entrepreneurs from the community towards Banco Palmas. A project report from one of the partners mentions that '71,11% of entrepreneurs and workers ... said that main motivation for accepting Palmas was confidence and trust in leaders of the ASMOCONP and Banco Palmas ...',<sup>108</sup>

'At the ceremony, local community, popular leaders of several neighbourhoods in Fortaleza and representatives of the local authorities were present ... The event had the presence of the local press, which has helped to bring information about the Fomento methodology [methodology developed by STROhalm to implement local social currencies] to the city.'<sup>109</sup>

This shows the importance of convincing the key people like popular leaders of their idea in order to further generate trust in the activity and make them willing to renounce on direct personal benefits for long-term benefits of all. An important situation was for example during the introduction of the Palmas, when local entrepreneurs would reduce the prices of their goods by 10% if clients paid with social currency, with the objective to bond those clients and make the currency circulate locally.

Trust is, overall, a very sensitive issue in Conjunto Palmeiras. Especially the trust towards the local government seem to be very fragile or even lacking. For example, the municipality of Fortaleza decided to initiate a process of land rights regularisation, but the community did not want to receive this process top down, they wanted to be co-creators and do the work on their own. Employees of the municipality often see themselves confronted with distrust as they are perceived as intrusive and, thereupon, are rejected. During a meeting with the assistant of the mayor and the municipal secretary of infrastructure (SEINF), the secretaries expressed their hope that this culture might change in the future: they claimed that people perceive public agents as if they come to speak to them with the feeling of superiority, while, actually, they are serving

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<sup>108</sup> STROhalm 2003, p. 27.

<sup>109</sup> STROhalm 2003, p. 11.

the community and dedicate much effort to it. The secretaries highlighted that they do not work against the resident and people should also consider the achievements even if there is still much ahead.<sup>110</sup> The overall atmosphere during the meeting was very unstrained.

What has caught my attention during the different interviews was the use of personal pronouns. ‘I’ was rarely used and if asked specifically for certain information concerning the person, the ongoing statement switched almost immediately to the use of ‘we’ (pt. *agente*). Psycholinguists (Dilkina 2003, Lucy 1992) argue that language also affects your thoughts and experience. Here I would argue that the use of the ‘we’ pronoun changes the mind-set of people: they tend to measure the outcome of a certain action rather in benefits of the collective than the individual. I would further argue that this is the result of a socialisation process over many years, as such a change in perception has developed over time. It reflects the strong identification with the neighbourhood and hints to the predisposition of people to forego their own benefit for the good of all.

### 13.3 Additional Factors: Reputation and Territoriality

In Robert Axelrod’s extensive research on cooperation, he worked out the factors determining the social structure of cooperation: labels, reputation, regulation and the special role of territory. Spatial proximity results in a more intense interaction and success depends on how well one interacts with neighbours. But neighbours have another important role because they can serve as role models. Successful strategies can spread throughout a population from one neighbour to the next through imitation. An additional mechanism Axelrod mentions is colonisation. A location of a less successful strategy would be taken over by some neighbour with a successful strategy. Both mechanisms inhere the same basic idea: that the individuals remain fixed while their strategies spread. Furthermore, his research revealed that new strategies can invade another territory if it gets a higher score than the average in that environment. This means that an individual introduced into a new environment and performing extraordinarily well could lead to the spread of his strategy.<sup>111</sup> Banco Palmas continuously expands its net-

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<sup>110</sup> Heredia 2016a.

<sup>111</sup> Cf. Axelrod 1984, p, 158-160.

work through promoting cooperation. Within the different development programmes, values of cooperativism are transmitted to the individual who learns that they gain more in the long run if they seek a cooperative strategy. As a result, these people will have strong and positive relations to others, enabling further expansion of the network. The direct environment thus plays a fundamental role to really incorporate and experience cooperative values. Technologies and the media help to spread the cooperative methodology of Banco Palmas across territorial borders. The high number of partners who come all to the peripheries of Fortaleza to learn about Banco Palmas evidences that. Communities with a similar profile try to imitate the cooperative strategy of Conjunto Palmeiras. However, the territorial perspective will always be important. It has all started with the exclusion from the central parts of the city. Fortaleza is the direct sphere of activity and focus because changes will lead to a direct increase of the wellbeing of community members. Considering the urban division of the city, the territorial spread seems difficult. People from upper classes live in spatially very limited areas, in skyscrapers protected by fences and move around with cars no matter how close the destination is. Separation along class-lines is so sharp that people have almost no physical contact opportunities. In return, the cooperative strategy seems to spread quite well in the peripheries of Fortaleza, which is, territorially speaking, the largest part of the city.

Reputation is embodied in the beliefs of others about the strategies that this other person will use, only through observation. This means you have an idea of the strategy the other will use before you have the first interaction with him/her.<sup>112</sup> For this study, reputation plays a central role, as Banco Palmas gained much media attention and was known for what they had achieved as a community. Their good reputation turned out to be one of the key factors for attracting new partners.

One fact in the story of Banco Palmas, that had caught my attention towards their reputation, was their relation to the central bank of Brazil. Initially, they had been sued by the central bank for forging money.<sup>113</sup> Today they work together. On the one hand, this clarified very much about the perception of poor people in Brazil: their intentions cannot be other than criminal. On the other hand, it suggested that Banco Palmas had to prove them right and had to try to establish an image of a trustworthy and reliable partner. Through the years, Banco Palmas developed networks of strong crosscutting personal relationships that provided the basis for trust, cooperation and collective action

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<sup>112</sup> Cf. Axelrod 1983, p. 150.

<sup>113</sup> Cf. Rodrigues 2016, p. 266.

in the neighbourhood of Conjunto Palmeiras. They formed alliances with other solidarity organisations and NGOs promote the common goal of strengthening a solidarity economy. GTZ, the German Organisation for Technical Cooperation, and Oxfam, an international confederation of charitable organisations, were the first partnerships and thus laid the groundwork for all subsequent partnerships. The German GTZ was actually not a partner of the bank itself, but of ASMOCONP. The resident's association sought the support from this international organisation in their pursuit for basic infrastructure. The joint project was the construction of a channel and during the implementation, the community learned how to organise and channel mobilised resources. The successful cooperation increased their trustworthiness and credibility and is another example for the fruitful combination of local knowledge and international expertise. More and more interested parties from different spheres such as academia, solidarity economy, NGOs and banks from the traditional system were attracted and thereby the potential for new projects and studies rose. What's more, the acquisition of more respected partners and collective action with other solidary partners reinforced political articulation. Now, the solidarity economy movement is articulating claims on all levels of government in order to enlarge their scope of action. A statement of Sandra Magalhães from the banks' leadership points out the importance of government institutions for the acknowledgement and legitimacy of their initiatives:

‘These partnerships accredited us for the recognition by ministers because when we say that we have a partnership with BNDES, people start looking at us differently. The partnerships with SENAES, and Caixa [Econômica]. Then you are a trustworthy person. This kind of things as very important from both sides.’<sup>114</sup>

Successful partnerships have also changed the way new partnerships are created. While at the beginning, Banco Palmas continuously sought for new partners, at some point in time, the balance changed in favour of Banco Palmas: organisations from all over the world approached Banco Palmas for the creation of new projects.

On the community level, partners mentioned the good reputation of the implementation agency as the main factor for building trust and thus crucial for the success of the project:

‘... the factor that most contributed to the trust that the general public has shown in the new currency, is the good reputation of ASMOCONP and Banco Palmas. Part of the

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<sup>114</sup> Own translation from: ‘Então estas parcerias foram credenciando a gente para o reconhecimento com os ministros, porque quando a gente diz que tem uma parceria com o BNDES, as pessoas passam a olhar pra gente de outro modo. A parceria com a SENAES, com a [Caixa Econômica]. Então você é uma pessoa confiável. Essas coisas são muito importantes dos dois lados.’ Rodrigues 2016, p. 262.

good reputation is due to the accurate communication ASMOCONP has always realised around their activities.<sup>115</sup>

On the one hand, this reveals the importance of transparency and continuous dialogue towards the community to implement projects with partners. It further reaffirms the point of departure of this research, that social capital of the organisation Banco Palmas as such cannot be analysed detached from the community. One could rather conclude that Banco Palmas is channelling the social capital of the community into mutually beneficial initiatives. Banco Palmas is at the centre of a socio-economic cluster and even merged with ASMOCONP in terms of community mobilisation.

The many research projects, the frequent adaption of the methodology, the explosive number of CDBs and growing number of organisations who seek to collaborate with Banco Palmas prove that their cooperative strategy is very successful measured against the self-set goal: improve the well-being of the people in Conjunto Palmeiras.

#### 13.4 Through a multi-level lens

The previous chapters have already outlined how resources flow between individuals and organisations who engage or operate on different levels illustrated in figure 4. To complete the picture, the individual and organisational interactions in the network of Banco Palmas shall now be put into a greater context.

In general, wealthier nations seem to have higher levels of social capital.<sup>116</sup> Although there is disagreement among researchers when it comes to the reasons. While some (Knack and Keefer 1997, Kentworthy 1997) point out the role of formal institutions to foster economic cooperation, others depend on a ‘bottom-up’ model of civic activism (Putnam 1993). Brazil has a high trade union density and seems to have a strong participation in voluntary associations. In surveys from 1993, 66% percent of the people reported to be member in a voluntary association, which is a fairly high percentage in comparison to other Latin American countries. This goes along with Brazil’s vibrant civil society since the end of the military dictatorship with the Constitution of 1988 that guaranteed fundamental rights and associational autonomy. Hagopian confirms that

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<sup>115</sup> STROhalm 2003, p. 14.

<sup>116</sup> Cf. Office for National Statistics 2001, p. 20.

‘corporatism’s decay and clientelism’s slow erosion have facilitated the proliferation of independent interests, associations, social movements, and non-governmental organizations. With socio-economic modernization, Brazil has acquired a rich array of groups, some of which vigorously push for their interests and advance their ideas. While the very multiplication of groupings has problematic aspects by causing organizational fragmentation, it gives Brazil’s new democracy an extensive atomization, and – potentially – instils participatory norms in sectors of the population.’<sup>117</sup>

The findings of Hagopian need to be relativised with those of Knack and Keefer, who identified the negative role played by polarisations along lines of classes or ethnicities because it reduces trust between groups, hinders information flow and raises transaction costs. This seems to be a frequently observable phenomena in developing countries and applicable to Brazil.

This study is not designed to measure the benefits of the access to resources through social interaction within the network of Banco Palmas in all spheres of activity and organisation, but it allows for implications. Retrieving Roberto Da Matta’s image of a society that was deprived of its ability to trust, the transformatory role of generalised trust turns evident. The study revealed how closely connected trust and reputation are. Considering the centuries Brazil was being exploited from its raw materials, dictatorship, high corruption and criminality rates, Brazil does not provide much reason for trust. Generalised trust does not necessarily exist and people who move to Conjunto Palmeiras may trust in Banco Palmas due to their good reputation. Hence, Banco Palmas interacts in a rather distrustful society, which makes the diffusion of their values even more important so that one day generalised trust is perceivable. At the same time, they strengthen local economy to promote the creation of businesses and jobs so that people become independent from cash-transfer programmes. This could relieve local government budgets. At the same time, local governments have the opportunity to work with a local expert organisation, which has proved capable through successful partnerships, to develop further initiatives that increase local capacity and create jobs. If they succeed to reduce poverty and violence, this improves the living conditions for all residents of Fortaleza and might someday lead to more interaction across classes as fear and distrust decrease. It might further turn Fortaleza and its surroundings into a more attractive business location and tourism destination promoting a sustainable development necessary for a resilient and competitive global city.

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<sup>117</sup> Hagopian 2005, p. 96 f.

## 14. Summary Part D

Banco Palmas has developed structures that facilitate the flow of information and enable the combination and exchange of knowledge. There are clear positions and tasks, but horizontal structures allow for short ways and interaction. Banco Palmas is a comprehensive employer and interested in the well-being of its employees, who are highly motivated and also work voluntarily. Friendly and strong relationships further ease communication and exchange of knowledge. In partnerships, partners benefit from the complementary expertise of the other. Partners appreciate Banco Palmas mostly for their social impact and that they work in a very closely with the community. Banco Palmas promotes the same values within the community and with its partners. Due to their cooperative way of working and successful partnership, they have turned into a trustworthy partner in the development projects for NGOs, governments, private companies and many more.

The multilevel perspective revealed that the links between individuals and organisation that engage in different spheres are mutually reinforcing: strong and positive relations give access to resources in form of economic and human capital. Capacitation together with a financial support can increase those two forms of capital. In return, this means more capital to be accessed through social relationships. This applies for the different levels of interaction, as individuals can be part of different organisations or societal levels. At the same time, organisations from different spheres can send capacity-increasing or financial stimuli to individuals or collectives on different levels.

## 15. Conclusion and Outlook

Although my study focussed on the importance of social capital for the success of Banco Palmas this did not exclude to put their experience in a broader context relating them to solidarity economy and global challenges. I believe that the local and the global cannot be regarded separately without considering the other. Every local initiative is embedded into a macro-context and the example of Banco Palmas illustrates that important partnerships have been built with national and international non-governmental organisations. Furthermore, the analysis shows that solidarity economy is

not detached from the rest of the economy: Joaquim Melo calls that the hybridisation of economies because it all starts on the local level but is embedded in the macro economy. The success of Banco Palmas evidences the development theory connection between education, consumption, production and generation of work and income.

There is a growing body of evidence that the continuous liberalisation of financial markets since the 1980s is linked to the global economic crisis in 2007. Reducing barriers for capital means on the one hand, companies can benefit from a greater offer of financial capital, new financial products and broader spread risks as they are less dependent on traditional corporate financing. It has thus positive effects on economic growth of which especially developing countries have benefited from over the last decades. On the other hand, the deregulation of financial markets is associated with higher dependencies but less control capabilities. Growing interdependencies mean that economic turbulences in one country can have a great effect in other, distanced countries. The economic logic of globalisation is that capital flows to where it is most productive, but the example of the Brazilian economy has shown that this can have negative effects: public debts combined with high interest rates are the safest and most profitable investment. It would be irrational to withdraw the money and invest into businesses with a higher risk. As long as the money invested in public debts achieves high return, it will be missing as investment for a broad development, e.g. for small and medium sized companies, infrastructure, etc. This is why the defenders of solidarity economy argue that 'banks should return to doing what they were created to do in the first place: offer a safe environment for people's savings and provide capital to business for development purposes.'<sup>118</sup> Although solidarity economy tries to bring together economic principles with social principles, it is still restricted by the capitalistic logic. There are many initiatives and methods the bank would like to maintain, but cannot due to the restricted budget. The capitalistic logic makes money go to where it is most effective in terms of economic outcomes; it is no adequate instrument to measure social outcomes. This is why Banco Palmas still depends on governmental programmes, such as SENAES, which largely contributes to the banks' funding.

Reconsidering the theses determined for this research, the studies proved that, if joined as solidarity organisations, disadvantaged communities can initiate their own economic development without (local) governmental support. As in this example, they

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<sup>118</sup>Polychroniou, C. J., cited in Dowbor 2015.

can search for international organisations for support. Being organised in some way is important for the implementation of a collective project and puts the requestor in a more trustworthy position. When asking for the reasons why some CDBs failed, I was told that the classical example is when there are staff changes in local governments. With the election of a new mayor, further support may not be provided and, often, this results in the closure of a CBD. Territoriality and integration into local systems is crucial for a sustainable development. Communities actually can initiate their own development without governmental support, but for a sustainable and resilient development, inclusion in all four dimensions is indispensable. This can particularly apply to the local perspective in an urban context, where exclusion has direct and perceptible effects for all.

Cooperative behaviour is conducive to increase productivity and innovative potential by creating and sharing knowledge and high levels of social capital. We have seen that people, information and services float easily within the bank and the community. People work for a common goal and do not expect to have a direct return of their investment in time, effort or money. The bank proved to have a very unique approach to stimulate local economy, increase people's capacity and with-it potential resources. It further increases the potential for innovation, of which the bank seems to have all sorts of. With different initiatives, such as wisdom of the crowd-actions, they incorporate the whole local knowledge available. In relation with their partners, Banco Palmas maintains a sharing-culture, publishing everything they develop. With their broad network, they have access to resources they do not find in the community, such as financial capital or technological expertise. The conditions in the community of Conjunto Palmeiras and the strong link to the organisation Banco Palmas seem to provide a fertile ground for innovation.

By acting as engaged organisations, solidarity organisations promote the development of high levels of social capital and trust in their direct environment and beyond. Through their good reputation and strong and positive relations across networks, resources can be mobilised for mutually beneficial collective action. As they live out these values and keep the same attitudes towards the community members and partners, the access to resources is enlarged in the organisational context.

The organisational development was followed by a process of institutionalisation that increased their political weight. But it is important to remember that the election of a socialist president provided favourable conditions for initiatives of the solidarity

economy movement in Brazil. We cannot know if a more conservative government would have agreed on creating governmental organs such as the National Secretary of Solidarity Economy (SENAES). However, 2003 was a turning point for the movement of solidarity economy in Brazil. Successful partnerships with governmental institutions changed the perception of the bank and turned them into reliable and trustworthy partners. Notwithstanding, this hints the crucial role of political commitment for the advancement of the movement. In Brazil, this has led to a turning point for solidarity economy and paved the way for more encompassing initiatives.

Banco Palmas described their own way of working as ‘different’. This difference can be interpreted as working against solidarity principles in contrast to the capitalistic logic. It could also be interpreted as different to the policy styles that the UN (see chapter 4.3) has identified as hampering development: in their very own approach, Banco Palmas combines fields of activity to develop initiatives that are more adequate and have a higher impact. In partnerships with universities, they conduct studies to get a social-economic profile of the location and further develop their own methodology. In educational terms, they offer trainings, different kinds of courses and qualify people to work at Banco Palmas. To stimulate economic activity, the identified key sectors in the community are strengthened through capacitation, start-up support and credits. Along with providing financial products and services, increasing knowledge and innovative potential is one of the key interests of Banco Palmas. Their products and services are a result of continuous learning processes involving experimentation. The best practices are then shared with others within Brazil, in less developed countries such as Venezuela, but also in regions of more advanced countries that undergo a structural transformation such as Oberhausen in Germany<sup>119</sup>.

## 15.1 Review of Research Methods

Finally, I want to review the selected research methods for their appropriateness to the research question. Analysing Banco Palmas in the framework of a case study, enabled to work out the underlying processes deeply rooted in the social relations. In addition to the qualitative interviews conducted with employees of Banco Palmas, it would have been useful to conduct further interviews focusing on the neighbourhood.

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<sup>119</sup> Cf. <http://www.schwarzbank.org/>.

This would have enabled to understand the role of trust, mutual assistance, social control and imitation of neighbour behaviour more deeply. Unfortunately, this would have been too much for the scope of a master thesis, but it leaves room for further research. Nevertheless, the interviews conducted to study the social capital that inheres the network of Banco Palmas as an organisation, revealed some positive side effects: the interviewed partners had worked in projects with Banco Palmas and had partially conducted their own studies. Additionally, the employees and leaders frequently engage in other associations and voluntary activities within the community. Therefore, I could simultaneously gain valuable information about indicators of social capital at the community level. Even though the empirical study was reduced to interviews with employees of Banco Palmas and partners, the perspective of the neighbourhood could never be excluded because Banco Palmas is an integral part of the community.

Along with the studies at the *Universidade Federal do Ceará*, I used the time to work out a general research strategy and prepare the topic. At the end of my stay there was only time left to visit and get to know Banco Palmas. As most partners were not local in Fortaleza, I chose to do the partner interviews at a later stage via Skype. In some way, this created a distortion because I was not present in person during the interview. Consequently, I was not able to analyse the environment or maybe the conversation would have developed differently. However, visiting Banco Palmas, experiencing the atmosphere in the neighbourhood and meeting the people from the bank turned out to be a great decision.

The case study as a strategy itself allowed for the consultation of a diverse set of sources in order to get the most encompassing picture of processes related to the social context of Banco Palmas. On the one hand, it allowed to picture the peculiarities of the specific case of Banco Palmas, while on the other hand, it was possible to draw conclusions for situations in a similar context. Furthermore, the case proved right to perceive local development as a result of interrelated processes triggered through competition in an economic sense, cooperation, a shared history and common values.

## 15.2 Policy implications

What I wanted to show with this work is that the social capital is right there in the peripheries of Fortaleza, waiting to be accessed. There is potential, ideas and motivation to contribute. With the help of organisations, such as Banco Palmas, city authorities can access the social capital available in the peripheries of their cities, understand how they work and develop appropriate measures for their inclusion. The consequences of the exclusion of a part of the population are devastating for the excluded and those who are performing better and significantly reduce the quality of lives in urban areas for both sides. Policy-makers in Fortaleza shall develop inclusive policies that acknowledge the dynamics of this urban divide. This means they should look for positive components that can be integrated into municipal norms and practices, like the informal economy, informal institutional arrangements, providing affordable land and housing systems. Only inclusive procedures will allow to locally identify appropriate innovative policies to be deployed to give impetus to self-reinforcing processes that will overcome the urban divide.<sup>120</sup> A clear vision for the common good – the lack of this vision came up several times during this research, but it is essential for a sustainable urban development. The municipal government should create projects and implementation mechanisms that can be monitored appropriately and verified for outcomes. Furthermore, they shall establish institutions or strengthen existing ones to ensure their inclusiveness and efficiency.<sup>121</sup> The difficult relation between the community and governmental agencies will pose some challenges for the future, because trust takes long to be built, but as soon as there are strong and positive relations between some of the key persons of Conjunto Palmeiras and government agencies, these relations have the potential to initiate fundamental changes.

There is a growing set of evidence that social capital has positive effects on many issues that are relevant for the city of Fortaleza mentioned in chapter 7.1. For instance, high social capital is associated with lower crime rates. Mutual trust and neighbourly altruism are key factors for explaining differences in crime rates between neighbourhoods. Another study about community safety revealed that a perceived lack of safety often leads to building locks, gates and walls. An alternative way would be to increase levels of social capital and trust, and thereby lowering fears for safety. Much research has also been done on the relation between social capital and health. One main result here is that social capital can buffer the effects of social stress and can generate a

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<sup>120</sup> Cf. UN-HABITAT 2008, p. 56.

<sup>121</sup> Cf. UN-HABITAT 2008, p. 56.

sense of well-being and belonging.<sup>122</sup> In any case, Fortaleza's image of inequality, violence and poor public infrastructure does not help to attract neither foreign direct investment nor tourists to develop its potential in tourism. Social capital provides a useful perspective of how to access the full economic and social potential available in the city.

Cooperative approaches to local development are not restricted to developing countries, but can bring valuable insight also for stagnating regions in developed countries. Most developed countries are experiencing rural depopulation. There are many examples where communities have successfully struggled against the departure of residents and economic degradation with the help of their social capital<sup>123</sup>. In this light, public spaces, where people come together and initiatives that enhance the sense of belonging and social cohesion, gain a different significance.

## 16. The author's takeaways

Nowadays, we tend to perceive organisations as machines that produce goods, services or knowledge where every individual has an own task and fulfils it in order to achieve a common (the company's) goal. Curiously, research has to retrieve the basic principles that have been obvious for hundreds of years of human interaction: work is 'a human, social activity that engages the same social needs and responses as the other party of our lives: the need for connection and cooperation, support and trust, a sense of belonging, fairness, and recognition'<sup>124</sup>.

What can we learn from the experience of the people in Conjunto Palmeiras and from solidarity economy as a whole? Keeping innovative ideas and its products for yourself in order to obtain a competitive advantage means to deprive of potentially new ideas and, thus, hinders further development. The challenges we are facing in our globalised world are too big to be solved by some companies, organisations or nations only. We have to work collectively to find and improve technologies that might stop climate change. We have to articulate our needs, fears and hopes and give a voice to the excluded in order to find answers to social inequality. Liberalism has taught us that the source of success is natural talent, intelligence, education or effort, and, sometimes, pure luck.

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<sup>122</sup> Office for National Statistics, p. 19 f.

<sup>123</sup> Tanner 2017.

<sup>124</sup> Cohen/Prusak 2001, p. x.

Success is depicted as a purely individual matter. Baker calls this the ‘myth of individualism.’<sup>125</sup> This myth affects our understanding of how the world works, reduces possibilities and ‘it lowers our chances of success, depresses our pay, limits our promotions, decreases the value we create, reduces our ability to get things done, and even jeopardizes our health, happiness, and welfare.’<sup>126</sup>

What we can learn from the study is that social relations matter and that cooperation leads to mutually beneficial outcomes for the long run that outweigh short-term individual benefits. The people in Conjunto Palmeiras chose cooperation as their strategy to improve the lives of all residents and the result of their combined effort was a Community Development Bank. They turned from mere consumers into prosumers and designers of their own future.

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<sup>125</sup> Cf. Baker 2000, p. 2 f.

<sup>126</sup> Baker 2000, p. 4.

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