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## **Social currency for common goods:** *The case of the Palmas currency*

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# "Social currency for common goods: the case of the Palmas currency"

By Camille Meyer<sup>1</sup>

Key words : social currency, common goods, community bank Palmas, Brazil

## **ABSTRACT**

This article aims to analyze the social currency Palmas issued by the Community Development Bank Palmas in Brazil. This currency is part of a comprehensive local development strategy combining various economic instruments (microcredit, correspondent banking, micro-insurance) and non-economic (professional training and support, cultural activities, forums of collective deliberation). As a first step, we analyze the management system of the social currency using the analytical framework developed by Elinor Ostrom on the principles of design and governance of the commons. In a second step, we study the flows of money to determine the cycles of monetary circulation. Finally, we briefly review the expenses related to the monetary system.

## **1. INTRODUCTION**

Banco Palmas is a local community development institution operating in the solidarity economy. Now functioning mainly in the areas of microfinance and vocational training, it is rooted in collective action and social mobilization in the Conjunto Palmeiras, a poor neighborhood in the city of Fortaleza in Brazil's Northeast. Banco Palmas constitutes an alternative banking model contributing to the local economy and the social development of the area. It thus fulfills the characteristics of Community-based enterprise as defined by Peredo and Chrisman (2006).

Born in 1998, the Banco Palmas was originally a project of the residents' association of Conjunto Palmeiras (ASMOCONP). The ASMOCONP itself emerged in 1981 to attempt to resolve the extremely precarious situation the first inhabitants of the area were in. The public authorities forcibly transferred these people to a desolate and marginalised land, where the district is found. Faced with destitution, people helped each other to build makeshift huts in which to shelter. Over the years, they continued to help each other to solve their collective problems, and decided to form an association (ASMOCONP) responsible for mobilizing local players and to challenge the government. This inquiry was realized mainly in the form of struggle and social movement to have access to basic public services (water, electricity, public transport, schools, health posts, sewers and so on). With 32,000 people gathered in 8,000 families, these political collective actions, as well as mutual original, created a strong social capital and a culture of solidarity in the neighborhood.

Despite the improvement of living conditions in the area, poverty remains endemic. Also, the ASMOCONP decided to develop microcredit so that people could start new activities generating income and employment. It was the mission of the Banco Palmas. Today, the Banco Palmas has grown considerably and has developed a range of financial and non-financial services: microcredit for production and consumption, micro-insurance, correspondent banking, social currency, vocational training, support and financial education, trade shows... The Banco Palmas tends to simultaneously meet social, economic, cultural and environmental needs. The public expresses these during public meetings in a local forum, forming a space of collective deliberation nearby. Named FECOL (Local Economic Forum), this space is designed by the ASMOCONP and Banco

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Palmas and determines the main directions of the Community institutions.

Due to the success of innovative and pluralistic methodology within the Banco Palmas, many other outlying communities have expressed interest in creating new community development banks. In this context, the Banco Palmas has established a new institutional structure (called Palmas Institute) responsible for disseminating the methodology applied in the Conjunto Palmeiras. More than 105 community development banks now exist in Brazil, according to this model. To strengthen its community instruments and develop its model in other jurisdictions, the Palmas Institute (IP) has established numerous partnerships with the federal government (including the National Secretariat for Solidarity Economy - SENAES), public banks (including BNDES for easy access to financial capital) and private companies.

As part of this popular community initiative that has been rich in success and diversity, we will introduce the social currency device designed by the Banco Palmas (BP). As a first step, we analyze the management and governance of this resource using the analysis framework of common resources institutions developed by Elinor Ostrom. In a second step, we will present the flow of money to determine the cycles of monetary circulation. Finally, we briefly review the expenses related to the monetary system.

## **2. A SOCIAL CURRENCY AS A COMMON GOOD**

In *Governing the commons* (1990), Elinor Ostrom states that Community institutions manage effectively and sustainably natural goods while developing a set of formal and informal rules vis-à-vis the governance of these resources, and when their rules are managed by members of the community. These institutions, based on the characteristics of self-management and self-governance, ensure the management of these assets in order to guarantee access to all members of the community, while preserving the common resource. To do this, these institutions share eight design principles. We will analyze the social currency Palmas with these principles.

### **2.1. Clearly defined boundaries**

The common monetary resource is limited as such by the notes that make up the stock. Today, the money supply is at close to 46,000 Palmas (P\$). All individuals and households wishing to use this shared resource are free to do so. The system is open to all, including tourists, and no prior membership is required. The appropriators are encouraged to use the common resource. To do this, there are different ownership rules (Melo and Magalhães 2005 Borges 2010a).

### **2.2. Rules regarding the appropriation and provision that are adapted to local conditions**

There are two ways of appropriating the Palmas currency, through the direct emission of the social currency (SC) by BP (1), or by receiving already issued money (2).

Direct ownership of monetary transmission can be achieved in the following ways:

- 1) appropriator<sup>2</sup> seeking a consumption loan in Palmas. He or she will be forced to use this credit in the area, thus promoting the formation of a community demand.
- 2) appropriator can exchange Reais for Palmas in BP, in order to receive a discount when purchasing.

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2 In the terminology of Ostrom, the appropriators are people who collect resource units.

- 3) appropriator may receive a portion of his/her salary in Palmas. This is the case for all employees of BP, which usually get between 10% and 20% of their salary in P\$.
- 4) appropriator can receive Palmas when he or she is training in the BP school of social economy "Palmatech". If training includes a fellowship, 40% of it is paid in Palmas.

The consumption credit is intended to help families when they are in financial emergency. The most emblematic examples are, for example, if cooking gas ends, or if they must buy medicinal supplies or household staples. The loan is issued only in Palmas and cannot be spent outside the area. It is limited to 50 P\$ for the first credit and can reach 300 P\$ if the person pays on time. The repayment period is 30 to 60 days (Borges 2010a). The asking must not have material guarantee for access the loan, and contracts it immediately. This appropriation is free, that is to say, no interest rate is applied: the drag of the benefits of monetary emission is illegal and could generate significant criminal problems with the Central Bank of Brazil. However, an administrative fee of 1% is applied to cover part of the cost of management.

**Changes in the number of people who received credit in social currency and the number of businesses accepting Palmas.**

<i>Year</i>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<i>Number of persons who have received a consumer credit</i>	70	97	170	310	340	109	127
<i>Number of businesses accepting the currency Palmas</i>	90	99	130	180	240	240	250

*Sources : Banco Palmas (no date), Instituto Palmas (2011b) and Ansorena (2011).*

The consumer receives a discount when he or she makes his/her purchases in Palmas. This rebate, called *desconto*, varies between 2 and 15% of the purchase value when applied<sup>3</sup> (Kennedy et al. 2012). This system aims to make the SC more attractive to users (Singer 2009) and to reduce the cost of living for residents. This *desconto* allows for the strengthening of the purchasing power of the poorest people, and is therefore suited to local conditions (França Filho et al 2012.).

Traders carry the appropriation of "second hand", that is to say the money already emitted. However, this appropriation is not made without BP control as companies must normally be registered with the bank in order to take ownership in a commercial setting. Once registered, BP offers them a small sign on which is written: "we accept Palmas". Traders must display the sign in order to properly signal the acceptance of the SC. In addition, registration with the BP gives them the right to exchange their Palmas for Reais (R\$). Only businesses can barter their P\$ for R\$ as they carry out trade relations with the outside. They therefore need Reais for supplies outside of the district, new stocks and pay their suppliers. The exchange for Reais is usually a last resort, when the contractors fail to find what they need in the neighborhood (Melo and Magalhães 2005). They can also pay their bills Palmas, using correspondent banking, including bill payment (allowed for all appropriators uses).

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3 If, in a normative perspective, business must apply a discount (it's part of the contract with BP), in practice they do not always do.

### 2.3. Collective-choice arrangements that allow most resource appropriators to participate in the decision-making process

The operational rules of the currency Palmas were established in the early 2000s and can be changed in the local economic forum (FECOL). The FECOL is supposed to represent and put together the people for the enactment of the rules concerning the issue and circulation of SC. Meetings that take place are part of the "construction of social ties and learn[ing] a form of citizenship through discussions and debates on the internal rules of the game group" (Blanc 2006, 179). These discussions are part of a logic of democratization of the economy because it is the users themselves who develop their own rules and publish their agreements. Therefore, the meetings allow appropriators to exercise greater control over their economic decisions, and remember that money is a joint creation "steeped in the collective mind." In other words, "a community currency is simply a medium of exchange, the volume [and rules] does only depend on the participants' willingness to exchange" (Hart 2006.139).

As Sandra Magalhães recalls, the democratic ownership process is initiated in all communities who implant a new Community Development Bank (CDB):

"When we go to a municipality or community, we talk with the people of the meaning of money, why we work with a social currency, what are the benefits and challenges of working with money. From there, there is one thing that I find fascinating is the process of defining, how it will be called, why, what design it will be ... "

Money, considered a social institution, is indeed defined by the community itself through collective deliberation. In addition, SC acquire their Community status in onomastics and iconography:

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

The Palmas name clearly refers to the Conjunto Palmeiras territory, initially planted with palm. It thus echoed in the name of the BP and its history, its struggles and conquests. Locals commonly use the name "Palmas" to refer interchangeably to ASMOCONP, BP, IP and the SC. The ornamentation of money is quite simple: this is the face palm "Palmas"-symbol of BP and IP- with monetary value, and the back are a cornucopia, the bar code and the numbering of the post, as a small text recalling the role of the SC. The Palmas, the first CDB's SC, now appears to have a fairly simple iconography. Latest CDB's SC is more representative of local cultural characteristics. There may appear natural elements (a crop, a specific bird ...), popular festivals or persons who participated in the construction of quarter. Therefore, the currency itself is a very strong social and community symbol, as noted by Sandra Magalhaes:

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

### 2.4. Effective monitoring by monitors who are part of or accountable to the appropriators

The Palmas currency is a trustee and manual currency to be issued centrally by the BP. It is the

latter that is responsible for ensuring control of the money supply relative to the emission, circulation and convertibility of the currency. If monetary emissions are conditioned by consumer loans, voluntary conversion and wages of employees, BP must balance supply of SC in the area depending on the capabilities of spending users. To this end, the gradual accession shopping system has just broadened the spending capacity of appropriators through diversification of products available.

First, BP has control of the money supply, save the companies receiving the SC. The registered shops can come to the BP to convert their Palmas for Reais if they must purchase goods and services outside the area of monetary circulation. Only registered shops can do this. Unregistered business, as any user of the currency, can use this money as a medium of exchange to consume. Any holder of the currency can also use the Palmas to pay bills through the bank correspondence BP or repay a loan issued by BP. Monetary uses are manifold. If BP monitors the issuance process, it cannot monitor the entire traffic of the SC in the community. Indeed, it has no ability to control the kin-exchange (gift of money to another user) and intra or inter enterprises (payment of wages, purchasing other companies).

Then employees manually operate the management of input and output in the monetary flow BP. They classify emissions and money withdrawals monthly on common spreadsheet software that is not tailored specifically to the SC. In this regard, it should be noted that the IP has ordered the Indian IT company Mahiti a software incorporating a dual currency accounting system suitable for operations of BP and CDB. In anticipation of this software, managers calculate the changes in the money supply according to monthly credits and debits. It is indeed necessary to carefully monitor these fluctuations since the BP must ensure full convertibility of the national currency for SC. Its architecture includes a monetary system of partial convertibility of the balances in SC. The money supply is fully covered by a reserve official currency.

The dialogue between the two currencies is even more reinforced that the SC is in parity with the Real. This facilitates the function of unit of account since neither merchants nor consumers have to make a mental shift to calculate prices in SC. In return, the SC does not reduce inflation present in the national currency, but feels symmetrically. This national reserve currency, which is a guarantee for the value of the SC in movement, is called *lastro* in Portuguese (Vasconcelos Freire 2011).

In addition, the SC incorporates some security features. The Palmas are printed on a clean paper money with a specific texture, design watermark and adjusting, making it difficult to reproduce color. The ticket printing also includes a serial number and a bar code. Finally, a small sticker with the image of the BP Palma is leaned against BP.

## 2.5. Mechanisms of conflict resolution that are cheap and of easy access

There are mechanisms for resolving disputes relating to the common currency. An example is of a person has recovered from the trash a selection of old notes burned by BP. A few tickets remaining in good condition were used in trade. Traders who received these tickets were compensated and received the equivalent in Real (Instituto Palmas 2011a). The appropriators had fast and efficient means to solve any money problem and resolution was made amicably between stakeholders.

Besides this example, conflicts between appropriators and BP relating to operating rules are resolved within the FECOL. However, there are conflicts in the form of a lack of confidence among users. These conflicts are generally met by the trustees' social currencies (Vasconcelos Freire 2007). As we show in the following table, the BP and FECOL have been relatively successful in solving these problems of mistrust.

Resolution of trustees' social currencies specific difficulties.

<i>Type of difficulty</i>	<i>Resolution in BP</i>
<i>Lack of lastro to initiate the movement of SC</i>	The Palmas has all the necessary lastro. The lastro is not a specific account for this effect, but rather provided by all the financial resources available to BP and IP
<i>Fear of producers and traders to lose money in the event of invalidity of the SC</i>	An awareness and dialogue work was conducted towards the traders and entrepreneurs in order to reassure the convertibility of the balances in SC
<i>Few companies are willing to enter the system (and the consumers do not have options to spend SC)</i>	BP awarded the community of the economic advantages of the SC and Traders Association has argued in the process. There are now more than 250 companies that accept SC, offering a wide variety of products
<i>The people are afraid that the SC is falsified</i>	BP guarantees the SC. No cases of formal falsification has emerged
<i>Producers and consumers do not understand the benefits of the use of SC and prefer to work in national currency</i>	Most people do not understand the advantages of SC. It lacks a certain awareness, even if they have changed their habits (see next section)
<i>The majority of people are not aware of the existence of the SC</i>	The majority of people are aware of the currency but have never used. So even if they are aware of it, there is no formal ownership, due to limited transmission means
<i>The SC may be associated with a political issue</i>	This is not the case with the Palmas. It never received any political support
<i>Operational difficulties : a sufficient stock of dual currency, lack of signage businesses that accept MS ...</i>	All operational issues are effectively managed by BP

*Source : personal work based on Vasconcelos Freire (2007) criterias.*

2.6. Organization in the form of multiple layers of nested enterprises

There are strong interconnections between ASMOCONP, BP and IP. These three organizations share each of skills relating to the common resource.

The ASMOCONP, organizes jointly with BP, meetings and group discussions to establish or reform the operational rules of the SC. It provides social control of money by offering a communication space in which different users can express themselves (FECOL).

BP is responsible for offering the common resource to appropriators. It deliberates over the granting of credits. It provides management and control of money by centralizing monetary inputs and outputs in the community. In addition, it resolves conflicts when they arise.



Finally, IP is responsible for paying the employees in SC and cover operational costs of the Palmas currency. Indeed, as we shall see later, the SC is not financially sustainable. Thus, the different Palmas costs are borne by other activities of the BP / IP. Responsible for accounting, the IP is the institution that absorbs the financial costs of MS.

## 2.7. Self-determination of the community recognized by higher-level authorities

We will firstly present the positions of the government vis-à-vis the Palmas currency. Then we will present a novel method of incorporating a social currency in a local public policy held in a municipality.

### 2.7.1. Official positions vis-à-vis Palmas currency

The Brazilian Central Bank first expressed distrust vis-à-vis the Palmas currency. This led to a lawsuit against BP and its president Joaquim Melo for unlawful issuance of currency. The Central Bank lost the trial. The Central Bank has therefore sought to better understand the phenomenon of SC type Palmas to issue a technical note recognizing that this economic instrument could facilitate financial inclusion of the poor (Feltrim Ferreira Ventura von Dodl Borowski 2009). This recognition of the social utility of SC is largely due to the Assistant Attorney General of the Central Bank, Marusa Vasconcelos Freire, who has written her PhD on (subtitled) "contribution to a framework legal and regulatory framework for local social currencies circulating in Brazil "(Vasconcelos Freire 2011). Her work has not yet had a significant impact on the establishment of an appropriate legal status for these new monetary forms. The Central Bank places this task on the powers of the civil society, as represented by the legislative and executive branches. Hopes of a parliamentary regulation remain slim, given that the previous legislature has not approved the companion bill in Article 192 of the Brazilian Federal Constitution presented by the member Luiza Erundina (Erundina 2007).

This attitude of distrust and even hostility is combined with the local government's disinterest in the SC Palmas. Local authorities have never supported the BP and SC in any form. If there is this neglect of the city of Fortaleza in relation to the oldest CDB, it is significant to note that the new CDB frequently sought by local authorities for them to support their initial development, including through financial donations to be loan funds or loan of a public building (Instituto Palmas 2006). If SENAES and the Government of Ceara fund the process of empowerment of staff and pay for the production of SC they do not provide funds for credit, or to ensure *lastro*:

"Even in CDB supported by local governments, we can not predict *lastro* for social currany in developing the project. Governments do not accept to have in the budget a section devoted to the SC. They pay for new banks, but not for social currency."(Sandra Magalhães)

### 2.7.2. The inclusion of social currency as local public policy

In the municipality of São João do Arraial, public authorities reward officials partially in Cocais social currency. This partial compensation in SC is made possible by the adoption of the municipal law which authorizes the payment in SC and can reach 25% of salary. However, the percentage paid in SC is generally 5%, which is equivalent to a monthly emission of approximately 10,500 Cocais (Borges 2010b). This rate is explained by the fact that traders come directly to the CDB to exchange Cocais for Reais. Thus, much of the money is used only once. It thus seems important to ensure the circulation of SC than to inject a larger volume (Borges 2010b). This also highlights the low productive capacity of the community, as companies find it difficult to source with local

productions.

The benefits of this partnership are many. First, the Reais given by the municipality can ensure the *lastro* of SC. Then, Banco Cocais is paid back for services rendered: it receives 7.5% of the total value that is paid to civil servants (Borges 2010b). These resources allow greater financial sustainability, especially as the CDB does draw very little income from microcredit operations. Finally, this partnership brings more visibility to the CDB and SC. It encourages merchants to accept money and greatly facilitates local consumption.

This device of using social currency as an instrument of governance and local development is made possible by major political voluntarism formalized by the establishment of municipal laws. If the support of local government is a force for social and financial innovation, sustainability depends on elective: this tool can be dropped when changing the local executive.

### **3. A CULTURE OF LOCAL CONSUMPTION DESPITE OUTSTANDING MONEY LIMITED**

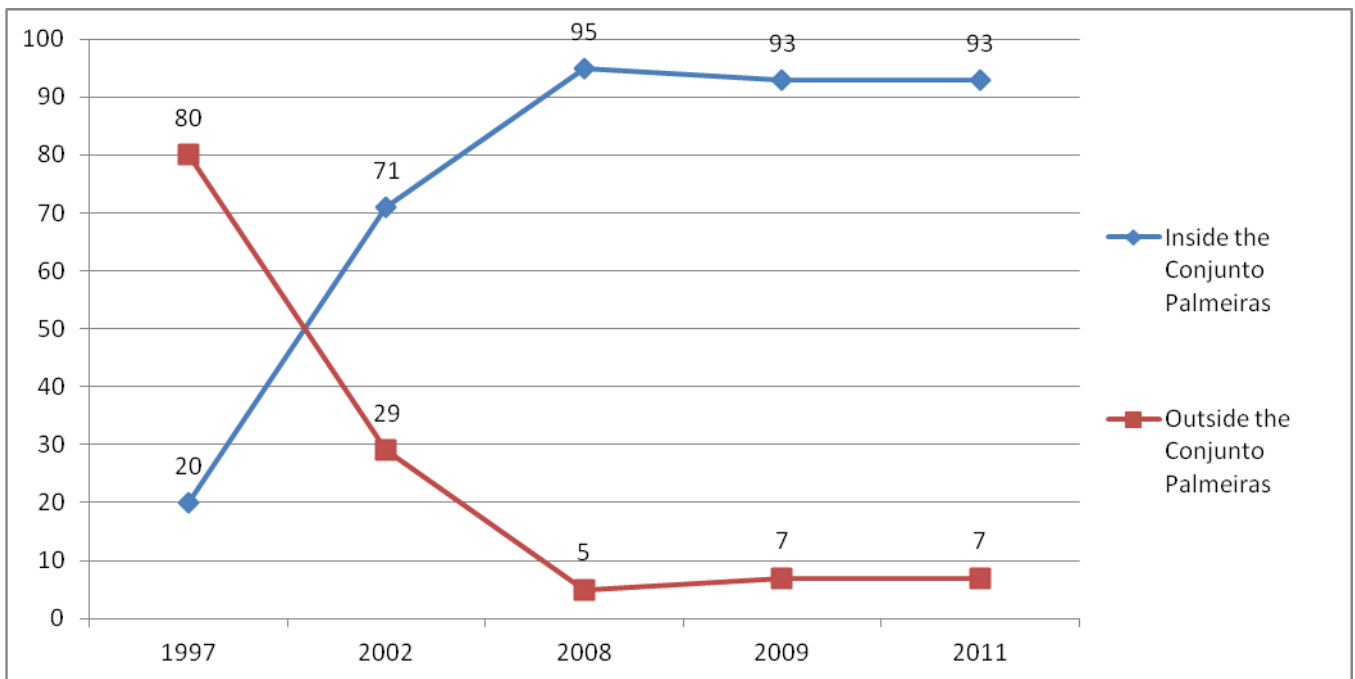
The Palmas social currency therefore follows an organizational logic similar to a common good: the community ownership of the issuing entity is the cause of this type of governance. Thus, the currency Palmas helped create a culture of local consumption.

Based on surveys of consumption and local production organized by the Banco Palmas, it is possible to observe a gradual internalization of consumption within the Conjunto Palmeiras: in 1997, only 20% of households consumed in the neighborhood while this rate was 93% in 2011. However, consumer trends were reversed in 1997-2002. If only 20% of households reported make their purchases within the district in 1997, this percentage has more than tripled in five years to 71% in 2002. Since the Palmas currency was established that same year (2002), the causes of domestic consumption are different. According to officials of the community institutions, this phenomenon is due to joint operations between ASMOCONP and BP. In 1999, the two institutions have developed the campaign "Compre no bairro é but emprego" (buy in the neighborhood for more employment)<sup>4</sup>. This internalization of consumption, a key objective of the SC, has increased over the following years, reaching 93% of purchases within the district in 2011. In other words, money is a tool of mobilization, but is not the only one developed by Banco Palmas.

#### **Progressive internalization of consumption in the Conjunto Palmeiras (percent)**

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4 The campaign consisted in a work based on educational videos, a play and a photographic novel. Released in the community events and in public places (such as associations, schools ...), the media showed the people they could find all the products they need in the area, without having to go look for out -with the loss of time and money related. In addition, various murals turns these messages relayed through the neighborhood.

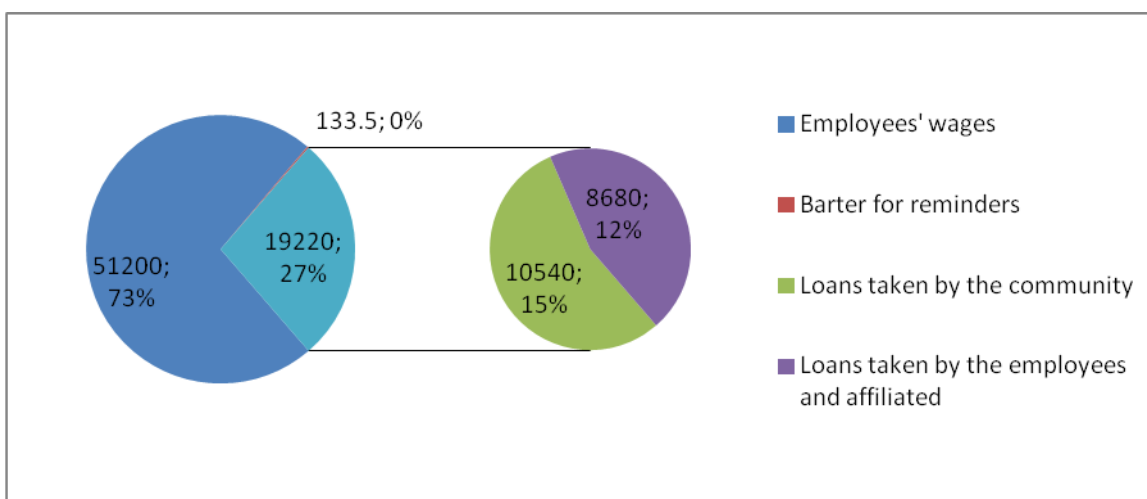


Sources: Melo (2011).

### 3.1. A polarization of cash flows

By examining the flow of social currency managed by BP during the first ten months of 2011, we can see that the money is used by a relatively small number of players, which is part of a concentration of money and reduces its effective circulation.

#### Volumes and percentages of social currency issued from January to October 2011

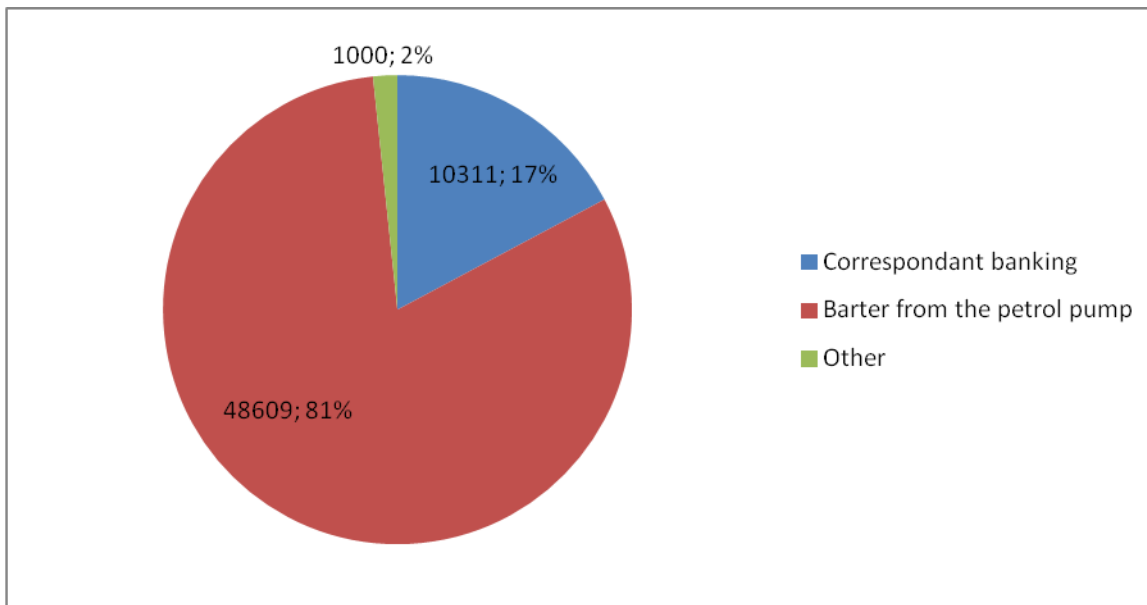


Source: BP's data.

The first figure shows the monetary emission data. We can see that this ten-month period 70,553.5 P\$ were circulated by the BP. Compensation of employees of BP / IP is by far the first transmission with 73% of total emissions, or 51,200 P\$. The consumer loans only come in second place with

27% of the total circulation of Palmas, worth 19,220 P\$. From 27% of those Palmas allocated emission in credits, 15% are community acquired for 10,540 P\$, and 12% by employees or persons affiliated<sup>5</sup> to the BP for 8,680 P\$. Finally, the last way of emission -the barter from Reais to Palmas- does not even represent 1% of total dollar volume, with 133.5 P\$. These are not people from the community who come to "swap" their national currency, but tourists who keep the currency as a souvenir of their visit and emblem of the BP.

Volumes and percentages of social currency returns to BP.



Source: BP's data.

As agreed, contractors and consumers can pay their bills and credits in the BP in SC. Only traders can change their Palmas when necessary. Thus, in the first ten months of 2011, 59,920 P\$ were returned to BP. The analysis of these SC inflows allows us to point out that nobody came to repay loans with the Palmas currency. Businesses and individuals prefer to pay their bills in SC. In this regard, 17% of Palmas returns to BP are assigned to correspondent banking, amounting to 10,311 P\$ over ten months. The revenue of the SC in the BP is therefore mainly attributable to barter Palmas for Reais. There is only one company that does this: the neighborhood's petrol pump. This is indeed responsible for 81% of returns from Palmas to the bank, having exchanged 48,609 P\$ for the equivalent in Reais. This is the only one whose merchandise is coming from the outside. It must change its revenue in local currency to pay its suppliers, the other companies are indeed still able to use SC in the area. Finally, 1,000 P\$ returned to BP as the "barter for site"; above referred as "Other."

3.2. Cycles currency

The various data discussed above allows us to draw two conclusions. Firstly, the main appropriators of social currency are employees of BP, which concentrate 85% of monetary emission. Then, most of the SC ends its movement in fuel pumps. Monetary inputs and outputs are strongly polarized, which tends to concentrate money in the hands of a few, thereby limiting its community ownership.

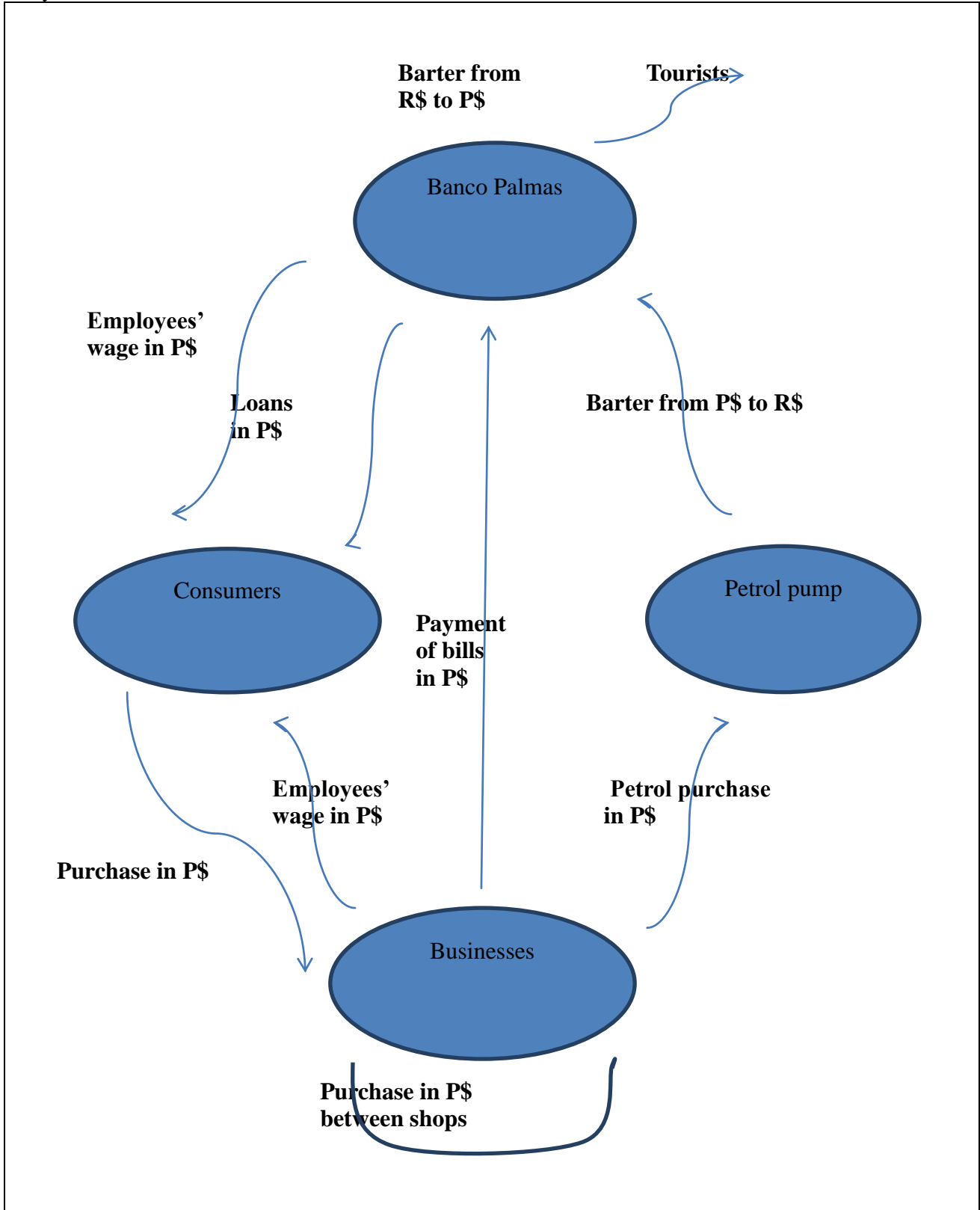
We can therefore determine the Palmas currency circulates as follows: 1) P\$ sort of BP through the

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5 By "affiliated persons", we mean people who worked at the BP, at a solidarity enterprise that BP incubated (PalmaFashion, PalmaNatus ...), or volunteer to ASMOCONP.

payment of wages and ready to go in the community (consumers), 2) P\$ is used to purchase in shops and flows between businesses; 3) business using the P\$ to pay their bills at the BP; 4) business will buy gas at the neighborhood's station; 5) pump fuel comes swap his P\$ to BP because it can not spend in the area. This circuit currency Palmas is conceptualized in the following diagram:

"Dynamic circulation of Palmas"



### 3.3. Currency sustained by other financial products

Social currency Palmas depends on the overall financial profitability of the BP and IP. Indeed, with an administrative fee of only 1% on consumer loans, issuance costs, management and deterioration of the currency are not insured: money does not pay for itself.

We have outlined the process of management and control of the SC by BP agents. All this administration has a cost. The SC generates no income (except 1%), these costs are borne by the microcredit activities of BP, which provide revenue through interest rates. The government does not support the expenses, as Sandra Magalhães recalls:

"Money does not depend on external funding. The management system is funded by [...] the microcredit system, because the SC does not pay, it has no interest. We will always need to own resources to make the money work. [...] If the systems [microcredit and MS] were not related, we would need subsidies to operate the currency. "

The costs of MS are not isolated in the accounts of the BP. Employees responsible for accounting also work in microfinance and banking correspondence. So, it is very difficult to know exactly the amount needed for its management. According to BP general coordinator Joaquim Melo, the administration of SC costs about 600 R\$ per month. Over the year, the control of SC is therefore to 7,200 R\$. Maintaining the system in place is expensive, especially if it is related to the money supply of 46,000 P\$. In addition, we must add the cost of damage to the SC, which have averaged between 300 and 500 R\$ per year.

As we have already pointed out, the borders between BP and IP are thin, it is also the case in terms of accounting. All the various direct and indirect costs of the SC shall be borne by the revenues available to the BP and IP. These obviously result in interest rates charged on loans and the remuneration for the activities of banking correspondence, but also some of the benefits and services provided by the IP to the government. We cannot identify these revenues as subsidies since they are issued in exchange for services: IP is contracted by the government to implement and consolidate new CDB in Brazil.

It is therefore impossible to say that the money is taken entirely by micro-finance, correspondent banking, or compensation paid for a service of IP. The BP, as the majority of companies of the solidarity economy (Laville 2010), hybrid funds from market, State and private households.

However, according to the "managers" of BP, the SC should not be financially viable: it is not the goal. Its success is primarily determined by the changes in economic behavior it has caused and the social convention it represents among users.

## **4. CONCLUSION**

We, at first, used the grid management practices of the commons to analyze the governance of the social currency Palmas. We found that the administrative structure of monetary system largely corresponds to that developed by the institutions of the commons. The framework developed by Ostrom therefore applies for social currencies (except for the principles of monitoring for controlling the circulation of money and not the behavior of users, and graduated sanctions, lacking in social currency). We take in the following table, the design principles as applied in the Palmas monetary institution.

Summary of organization and governance of the currency Palmas device

<b>Ostrom's principles</b>	<b>Application on Palmas currency</b>
<b>Clearly defined boundaries</b>	Large scale currency : 46,000 Palmas in circulation and reserves
<b>Rules regarding the appropriation and provision of common resources that are adapted to local conditions</b>	Free and open access for all by: -micro-credit consumption -salary -barter Reais in Palmas Membership of more than 250 shops and variety of products available Discount for purchase in Palmas
<b>Collective-choice arrangements</b>	Political debate on the role of money and the rules in the community in the FECOL Choice of name and form of SC Currency as a symbol of the community
<b>Monitoring</b>	Central emissions by the BP that monitor and control cash flows (inputs and outputs) Requiring a Reais reserve currency: the <i>lastro</i>
<b>A scale of graduated sanctions</b>	No sanctions existing
<b>Mechanisms of conflict resolution</b>	Conflicts negotiated within the FECOL and BP
<b>Self-determination of the community recognized by higher-level authorities</b>	Multiple public authorities attitudes: -hostility of the Central Bank gradually transformed into interest -SENAES support as assisting the development of BP and CDB -in other CDB, municipalities use social currency as an instrument of public policy for economic and social advancement
<b>Organization in the form of multiple layers of nested enterprises</b>	The various activities are organized by multiple levels of units: -The ASMOCONP: exercises social control devices and participates in collective choices -The BP organizes ownership, monitoring and resolution of conflicts over shared resource -The IP covers the operational costs of the currency

Source : personal work based on Ostrom (1990).

In a second step, we completed this analysis by flow study of the social currency. This shows that a little number of potential appropriators actually use the money. Ownership is in fact concentrated in the hands of a few territorial groups (BP staff, petrol station) preventing Palmas to be used by a large number of inhabitants of the area. Further, the SC do not generate any revenue while its costs

are quite high. Operational expenses are borne by other financial activities of BP and IP. In this case, it depends on the particular microcredit and correspondent banking.

Since January 2012, the Banco Palmas has launched a new social currency. In electronic format, the currency used to make payments by mobile phone but only in the geographical area of the Conjunto Palmeiras. This new money functions the same as the Palmas except it is not physical. The establishment of such a device was made possible through partnerships with the public bank Caixa Economica, the telephone company Vivo and the Mastercard payment system. So, once again, the Banco Palmas is an active monetary laboratory experimentation in order to serve the development of the community. It therefore stimulates an in-depth questioning of the role of money in our society and opportunities for citizen appropriation of this daily tool.

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