

## **Independent Assessment of the Fomento Program in Fortaleza, Brazil**

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### **Presentation**

The main objectives of the Fomento Program are:

- To increase the impact of donations for community projects in general and for development projects (social or economical), in particular.
- Expand, permanently, the demand for goods and services produced locally (making the local community "familiar" with the local currency and increasing the quantity of money that circulates locally).

This method has been tested, as a pilot project, in the Conjunto Palmeiras community (city of Fortaleza, Ceará state, Brazil), through the construction of the Community School of Socio-Economic Solidarity - the Palmatech school. More precisely, the school will be located in the ASMOCONP- the Association of Residents of the Palmeiras Neighbourhood, the birth of the most effective Brazilian experience of solidary economy: the Banco Palmas.

After the implementation of this method, a method that proposes to contribute to the Integrated and Sustainable Local Development of communities. The financing institutions have concluded to be very important to evaluate it. Therefore, the Federal University of Bahia, via the Department for Studies on Local Power and Organisations' Studies, has been invited to contribute to this evaluation. After using several evaluation instruments, the following report has been elaborated to present some useful informations.

The report is divided in 2 parts. Firstly, some data on the circulation of Brazilian Reais (R\$) and Palmas Local Currency (P\$): how much has been used from the original resources, how much has been re-loaned from the repaid R\$, how the monthly reimbursements have taken place, how much has returned in R\$ and P\$. To facilitate comprehension, we will use the support of tables and graphics. Secondly, we present the information resulting from a research realized to demonstrate the power of application of the Fomento method.

We have attempted to establish a parallel between the construction of the Palmatech school and the construction of the "Incubadora Feminina"- a building of the same dimensions, build in beginning 2000, in the area close to the Palmatech.

Finally, we will expose the challenges and perspectives for the continuation of a local development programme using the Fomento Program

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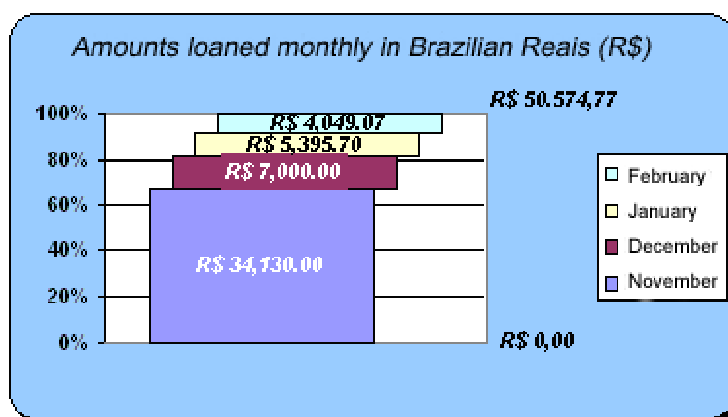
Porto Alegre, Brazil

Bali, Indonesia

## PART I - Quantitative Analysis

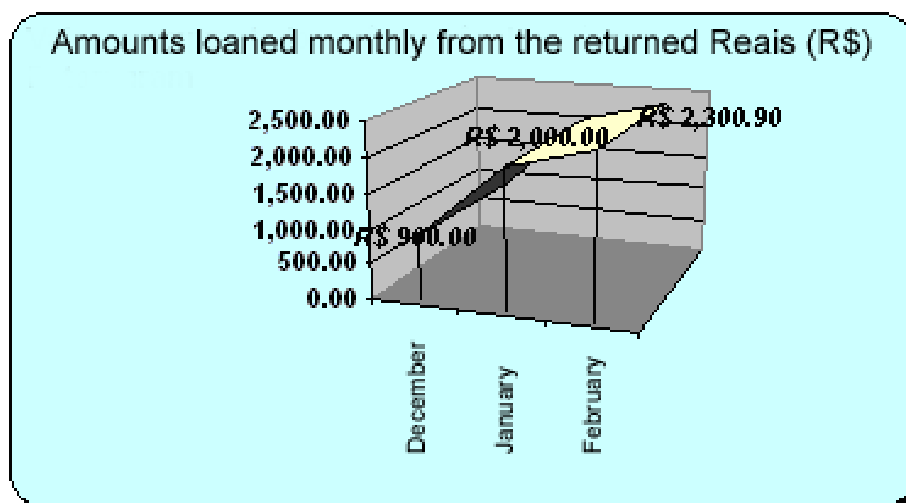
### 1. Amounts loaned, monthly, from the original Brazilian Reais (R\$)

Month	Value in R\$
November	34.130,00
December	7.000,00
January	5.395,70
February	4.049,07
<b>Total</b>	<b>50.574,77</b>



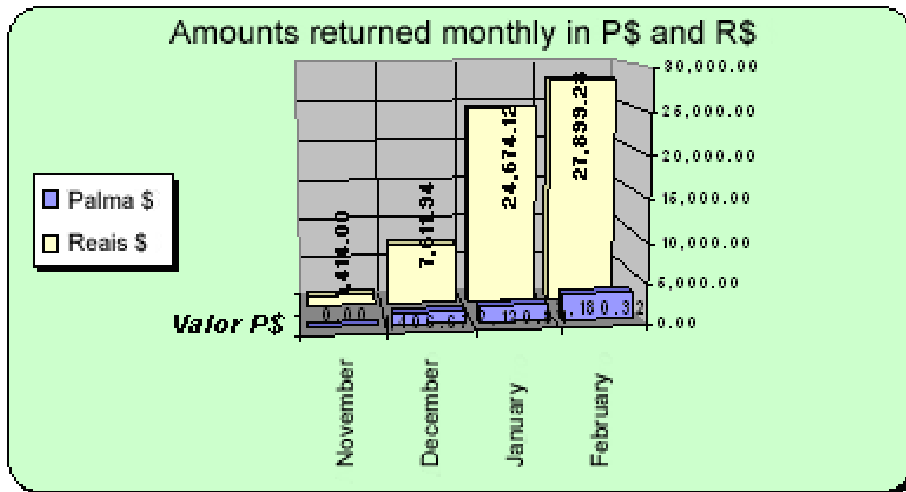
### 2. Amounts loaned, monthly, from the returned R\$

Month	Value in R\$
December	900,00
January	1.100,00
February	300,90
<b>Total</b>	<b>2.300,90</b>



### 3. Amounts returned, monthly, in P\$ and R\$

Month	Value in R\$	Value in P\$
November	0,00	1.414,00
December	1.406,67	6.197,94
January	714,14	17.062,18
February	1.059,51	3.225,16
<b>Total</b>	<b>3.180,32</b>	<b>27.899,28</b>



## Part II – Qualitative Analysis

### 1. Background

In total, 34 businesses received loans from ASMOCONP (Association of the Residents of Conjunto Palmeira). 26 people were already involved, directly or indirectly, with the construction of the Palmatech school. All of these have received Palmas \$ as an 80% proportion of their salary. Besides these, 2 Deposits of material for construction, located in the Conjunto Palmeiras, have also received P\$ directly from ASMOCONP.

Regarding the methodology, from this set of clients a sample has been extracted. Some of the workers of the construction of “Incubadora Feminina” have been included to facilitate the comparison between how the resources resulting from the construction of that work have circulated and how the “financial” resources of the construction of Palmatech circulate.

### 2. Results

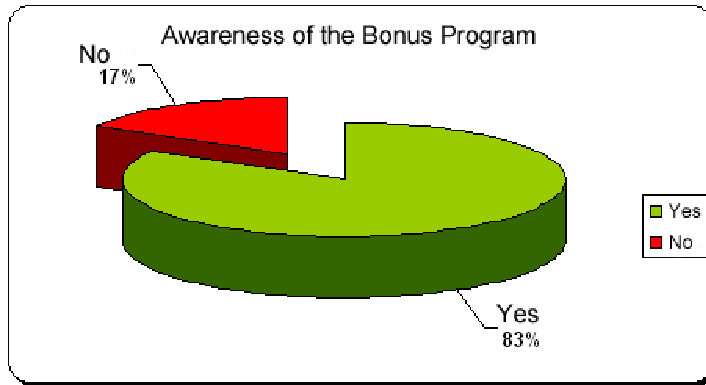
The sample was constituted by 30 residents of Conjunto Palmeiras, divided as follows:

- 5 entrepreneurs that receive Palmas in their businesses;
- 5 entrepreneurs who do not receive Palmas;
- 5 workers from the construction of Incubadora Feminina;
- 5 workers from the construction of Palmatech (who have not worked in the previous project);
- 5 individuals/providers of services who receive Palmas;

- 5 individuals who do not receive Palmas.

The survey was conducted between 23 and 31 January 2003. The following results have been achieved:

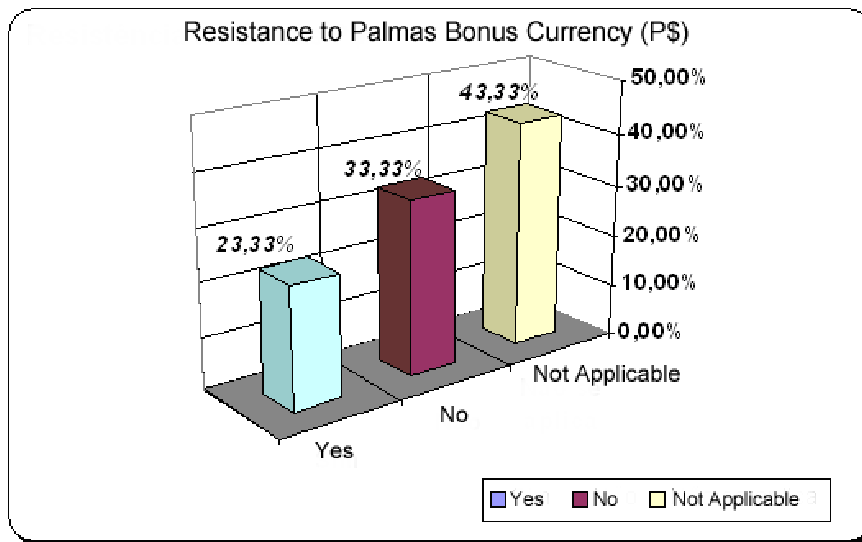
**a. Awareness of the existence of the Fomento Program**



- 83% of the interviewed people have declared to be aware of the Fomento Program / Palmas P\$.

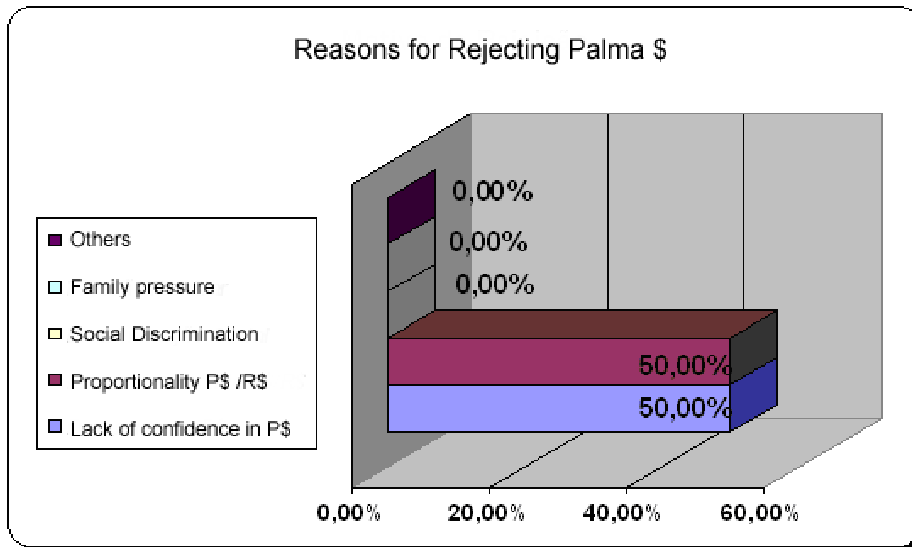
**b. Resistance to the Palmas \$**

We have asked the interviewed people if they had, in any way, encountered resistance from others who are unwilling to receive Palmas. We have considered both the people that resisted but have received the Palmas but also those who resisted and did not receive the Palmas.



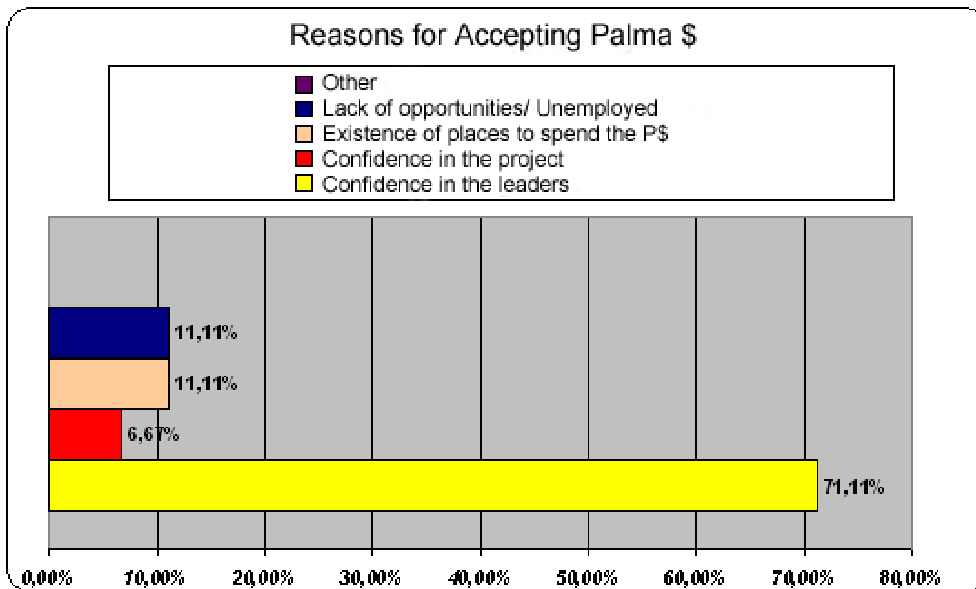
- 23,33% of the interviewed have reported some resistance to receiving P\$ even if, later on, some of them have in fact made use of the currency.
- 33,33% report a willingness on the part of people to accept P\$.
- Information considered "Not applicable" is related to people who have been involved in the construction of Incubadora Feminina or people from a company who had no contact with P\$, and also to those who were not part of the Fomento Program - be it as a wholesaler, a producer or a worker from Palmatech.

**c. Reasons for rejecting Palmas \$**



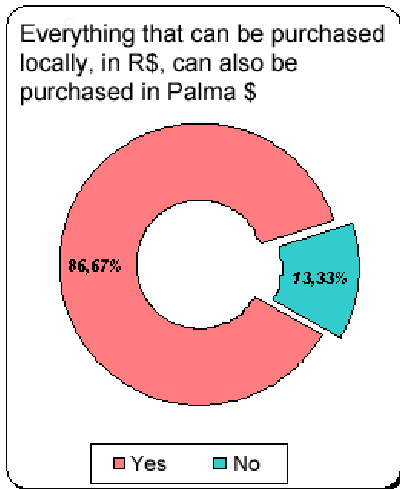
- Two factors have the same percentage as reasons for rejection of the Palmas. One of them is the proportionality between P\$ and R\$. For those who have worked in the construction of the Palmatech School, their salary is paid in the proportion of P\$ 8 / R\$ 2.
- The other factor is the lack of confidence in the social, development and empowering role to be performed by the Palmas.

**d. Reasons for Accepting Palmas \$**



- Among the reasons offered both by entrepreneurs and workers of the Palmatech for accepting Palmas, one answer stands out: *71,11% of them trust the leaders of ASMOCNP.*

**e. The possibility of replacing R\$ for P\$ in consumption and ability of P\$ to increase local consumption:**

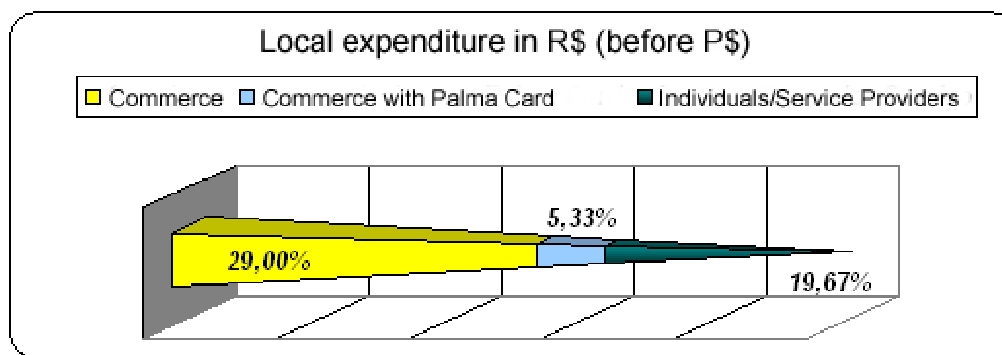
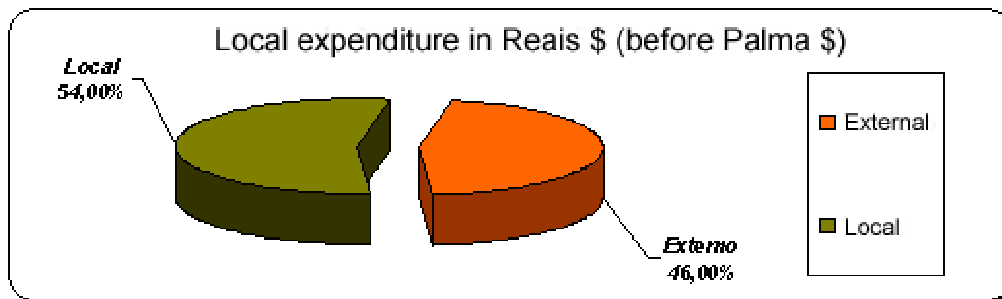


- 88,67% of those interviewed stated that everything that could be purchased locally in national currency (R\$) could also be purchased in Palma \$ (P\$).
- The most impressive result is that 100% of the people interviewed who received Palmas have stated that they have altered their consumption patterns towards local products.

**f. The expenditure pattern of the community before the Fomento project**

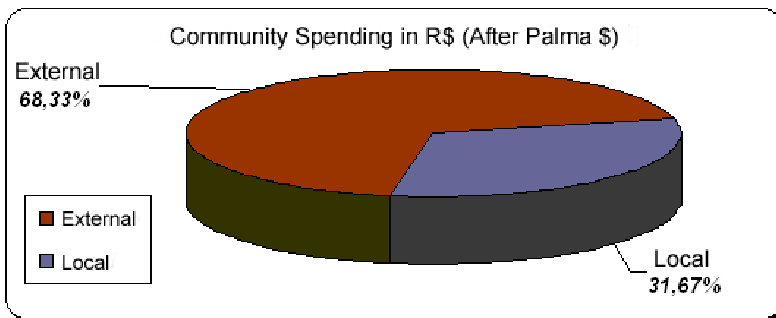
If we analyse the expenditure pattern of the community *before* the introduction of the P\$, the interviews tell us that, on average, of each R\$ 10 that would enter the Conjunto Palmeiras, R\$ 5,4 would circulate inside the community and R\$ 4,60 would be intended for outside the community.

**Local expenditure in R\$ (before the Palma \$ Project started)**



- Approximately, R\$ 2 would be used to pay individuals or suppliers of services, R\$ 0,50 would be intended to pay for the Palmacard and R\$ 2,9 would find its way to the local commerce.

**g. Community spending after the Palmas Project started**

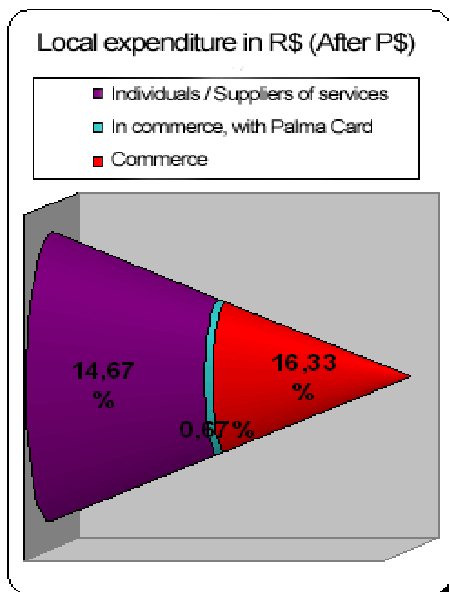


- After the introduction of the Palmas (P\$), the proportion (P\$ / R\$) has been inverted, as P\$ are now circulating locally.

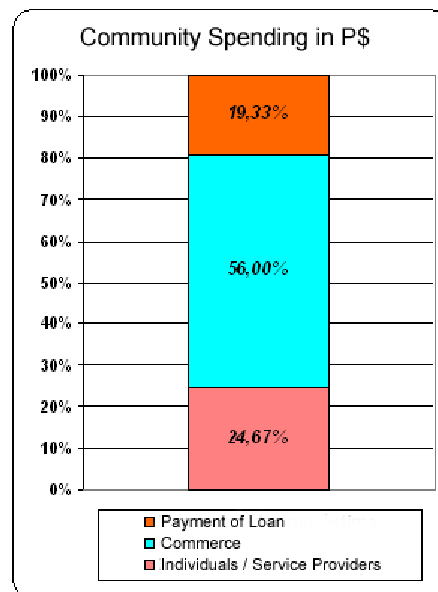
- Therefore, the R\$ received are primarily used for payments of public services and taxes/fees and other costs in national currency, along with the purchases that can't be made within Conjunto Palmeiras with P\$.
- Under these circumstances, the internal flow of R\$ decreases, being compensated by the amount of P\$ that circulates in the community.
- According to the interviews, the external flow of R\$ increases from 46% to 68%, as the local expenditure in R\$ drops from 54% to around 31%.

**h. Distribution of local spending**

**Local expenditure in R\$ (After P\$)**

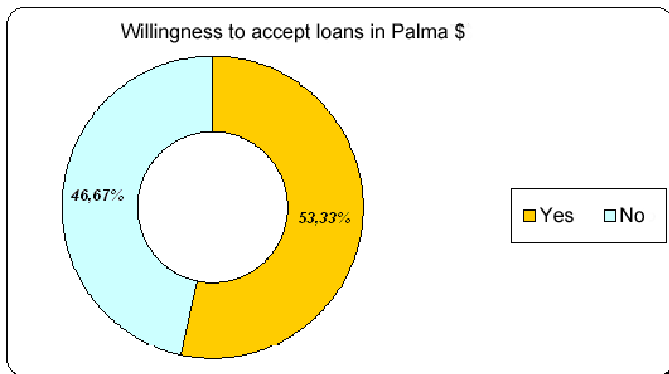


**Expenditure of the Community in P\$**



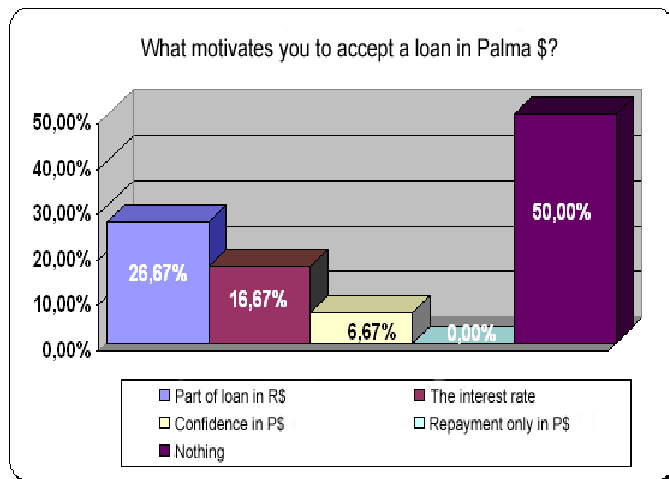
- After P\$ was introduced, the R\$ 3,16 that currently circulate within Conjunto Palmeiras, are distributed as follows: R\$1,46 for payments to individuals / suppliers of services, the part destined to the local commerce falls from R\$ 2,9 to R\$1,63. Finally, R\$ 0,67 is intended to the payment for the Palma Card, a service of Banco Palmas.
- How does the local community spend its Palma \$? With the decrease of R\$ for local consumption, the "space" is taken by P\$. For each P\$ 10, P\$ 5,6 goes to local commerce, P\$ 2,5 for payments to individuals/suppliers of services and P\$ 1,9 will be allocated to the repayment of the loans received by local entrepreneurs through the Fomento Program.

**i. The willingness to accept loans in Palmas**



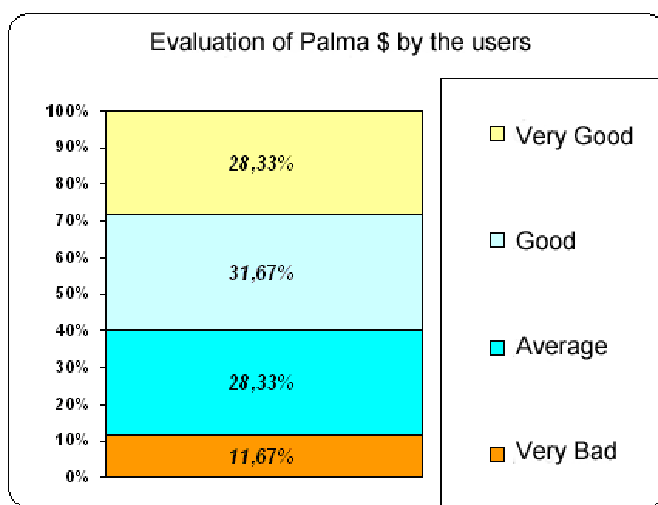
•53,33% of the interviewed has showed to be willing to accept a loan in P\$, if they were in need of financial resources and would turn to Banco Palmas.

**j. The motivating factors to accept a loan in Palmas**



- The 47% that would have no interest in receiving a loan in P\$ has been considered.
- A result that most certainly needs to be observed is the answer of 50% of the interviewed stating that nothing would make them accept loans in P\$.
- 26,67% have chosen to only receive the loan if part would be delivered in national currency (R\$), another aspect requiring reflection.
- 16,67% would choose P\$ if the interest policy is more favourable.
- The confidence of the people in the Palmas (P\$) would lead 6,67% of the interviewed to accept the loan.

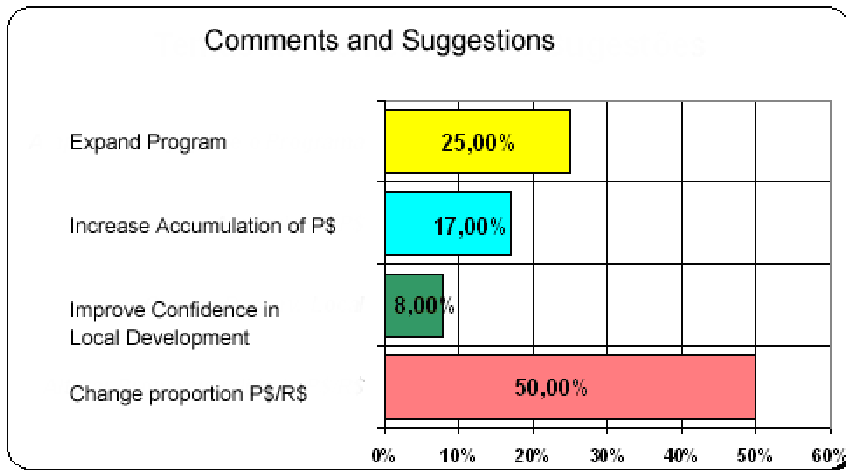
**k. The evaluation of participants' experience with Palmas \$**



- 28,33% of the people have graded the experience with P\$ as being "Very Good". Almost 32% have expressed that they had a "Good" experience with the Palmas.
- Another 28,33% stated that they had an "Average" experience.
- Furthermore, 11,67% answered they had a "Very Bad" practice with the Fomento.



## I. Comments and Suggestions



- Among the ones who have shown interest in sharing their opinion, the majority has mentioned that increasing the percentage of Reais paid to workers would increase participation in the system.

## m. Summary

- The vast majority of those interviewed, 83%, are aware of the Fomento Program of Banco Palmas.
- A majority of those interviewed who are participating in the Fomento Program did not find any resistance in the community to receiving Palmas Money (P\$).
- A majority of those interviewed, 71%, trust the program because they trust the management of the Fomento Program as well as community leaders involved in the program.
- A significant majority of those interviewed, 87%, believed that anything that could be purchased locally with national currency (R\$) could also be purchased with Palmas Money (P\$).
- Before the Fomento Program started, about 54% of purchases were made locally using national currency (R\$). After the Fomento Program started, this figure dropped to 31% as the Palma Money began to circulate in the economy. This means there was more national currency for external expenses.
- After the program started, spending on local commerce increased significantly from 16% to 56% once the Palma \$ was available, and local spending on individuals and services providers rose from 15% to 26%.
- A small majority, 53%, were willing to accept loans in Palmas Money (P\$), as 50% said there was little motivation to do so.
- A majority of those interviewed, 60%, positively evaluated the program. If the rating of "average" evaluation is included, this figure rises to 89%.
- As a suggestion to improve the program, most people felt that the combined-currency pricing system for local products needed to be improved and that the program should be expanded. It should also be added that more motivation for taking loans in Palmas Money is needed.

## **Part III- Perspectives and Challenges**

### **1. Perspectives**

The perspectives presented here, resulting from conversations with the coordinators from Banco Palmas and the Direction of ASMOCONP, are intended to provide continuation to the process that was initiated with the implementation of the Fomento Program within the community of the Conjunto Palmeiras:

- The idea was presented to use the Fomento Program to construct a guesthouse for visitors to the community. There was also talk of building a warehouse to accommodate the storage and sale of products, via the nuclei of collective purchases from the Metropolitan Region of Fortaleza.
- The other perspective is to use the Palmas \$ as microcredit loans from Banco Palmas.
- And, lastly, the possibility of paying the expenses of students that will participate in the training for promoters of social tourism, developed by ASMOCONP with the resources of the ONG "Capacitação Solidária" (Solidary Capacitation) - to be partly paid with Palmas \$.

### **2. Challenges**

The challenges focus mainly on the elimination of the 2 main difficulties encountered during the operation of the Fomento Program in the construction of the Palmatech school, such as:

- Increasing the percentage of R\$ in the combination of R\$ / P\$ paid to workers in the project in order to expand the method to more people that have not participated or will not participate because they consider the proportion of 20% in Reais and 80% in Palma \$ limits the freedom of spending choice. Meanwhile, it is important to expand the number of business members that are a part of the Fomento system to increase the range of spending choice available.
- Avoiding the accumulation of P\$ in the hands of wholesalers that have no possibility of exchanging or using the total amount of P\$ at their disposal, which in many cases is great than the amount of their loans in R\$.
- If this problem not be resolved, they can decide to block the acceptance of P\$ at their businesses until they have spent their P\$ and even if this decision is only temporary, this endangers the credibility in the Fomento Program and reduces its sustainability.