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Solidarity Finance as a Public Policy for Economic Democracy: The Case of Community and Municipal Banks in Brazil

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Solidarity Finance as a Public Policy for Economic Democracy: The Case of Community and Municipal Banks in Brazil[1]

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Introduction

Community Development Banks (CDBs) take part of the solidarity economy in Brazil as solidarity-based financial organizations settled in a specific territory. They operate on the basis of three main directives: democratic management, financial operations integrating the principles of reciprocity and solidarity, and the use of social innovations, such as local currencies (as paper or digital money, through the CDB application called *E-dinheiro*). Their approach distances itself from traditional market principles, primarily seeking to serve social objectives and prioritizing social and political dimensions over economic ones (França Filho, Silva Junior and Rigo, 2012a).

CDBs aim to place society and territory at the heart of development, by implementing co-constructed public services that meet the needs of societies. The CDBs began to operate in 1998, and by 2024 there were 167 of them throughout the country (Rigo *et al.,* 2024). Regarding their financial operations in Brazil, 57.0% of CDBs grant microcredits and 40.0%

[1] Translated from French: TORRES SILVA JUNIOR, J., SCALFONI RIGO, A.,« La finance solidaire comme politique publique pour la démocratie économique : le cas des banques communautaires et municipales au Brésil », *Politiques locales d'ESS au service de la transition socio-écologique*, GSEF, 2025.

use local currencies, mobilizing BRL[2] 1.1B (billion) annually (approximately EUR[3] 169,2M (million)).

The operations of many of these CDBs converge with the public policies of Brazilian State and municipal governments regarding job creation, social protection, income transfers, and access to microcredit. In Brazil, some local authorities have created their own CDB, called municipal bank, with local currencies aimed at promoting the circulation of local wealth and provide social assistance to poor families. More than ten cities in the country currently use these municipal bank experiences to boost local socio-economic development.

These municipal banks are strongly based on the CDB operating model. For example, in the State of Rio de Janeiro, the local authorities of the cities of Niterói and Maricá with their municipal banks (Banco Arabibóia and Banco Mumbuca, respectively) provide the local economy with BRL 11.2M and BRL 8.4M (equivalent to EUR 1.7M and EUR 1.3M) each month. These monthly amounts are introduced using local currencies as part of the payment of a basic income to approximately 20% of their citizens (Waltenberg *et al.,* 2021; Silva Junior and Rigo, 2022; Maricá, 2025).

These are just two examples among the many CDBs and municipal banks that show their social usefulness and importance in building, offering and managing solutions for economic democracy (Dowbor, 2007). In addition, the digitization of local currencies, which began in 2015 and was consolidated by the *E-dinheiro* application of the Brazilian Network of Community and Municipal Banks (BNCMB), has also contributed significantly to the spread of these solidarity-based financial organizations supported by national (França Filho, Silva Junior and Rigo, 2012b) and municipal (Silva and Pereira, 2023) public policies.

The aim of our article is to explore key facts concerning the activities of CDBs throughout their history, and to revitalize and update the role of these SSE (social and solidarity economy) organizations in their relationship with the public sector. Their relationship with local authorities has been marked by periods of support, stimulation and cooperation, but also by conflicts and attempts by governments to co-opt the specific methods by which CDBs work to promote social justice (Sen, 2010) and good living/*buen vivir* (Acosta, 2016) in impoverished areas. Therefore, we will try to show how these different lines of action from local authorities in Brazil fit into the experiences of CDBs and municipal banks, displaying acts of recognition, co-construction and adaptation, but also moments of rupture and appropriation.

Given the descriptive nature of this article, the questions it raises, and the discussions it generates, it can be considered an exploratory study. According to Hernández Sampieri, Fernández Collado and Baptista Lucio (2014), exploratory studies allow for the identification of promising approaches and, at the same time, prepare the ground for further in-depth studies in the future. Exploratory studies allow for more flexible methodological choices than

[2] The ISO 4217 standard defines BRL as the international currency code for the Brazilian Real (R$).
[3] The ISO 4217 standard defines EUR as the international currency code for the Euro (€).

descriptive, correlational or explanatory methods (Hernández Sampieri, Fernández Collado, and Baptista Lucio, 2014).

This text is based primarily on information from a research project we have been conducting since 2022: “Social currency and community banks in Brazil: Potential and limitations as instruments of public policy for the development of territories”, funded by the Brazilian Agency for Scientific and Technological Development (CNPq, *Conselho Nacional de Desenvolvimento Científico e Tecnológico*) of the Brazilian Ministry of Research, Technology and Innovation (MCTI, *Ministério da Ciência, Tecnologia e Inovação*). Data collection took place between April 2022 and March 2023. Our study and analysis focus on the municipal banks Banco Araribóia of Niterói and Banco Mumbuca of Maricá and their local currencies.

In addition to reviewing the literature, we interviewed key stakeholders involved in the creation and implementation of CDBs in Brazil in general, and specifically in the municipal banks of Niterói and Maricá. The interviewees were Joaquim Melo, one of the coordinators of the *E-dinheiro* Brasil Institute and the BNCMB; Marília Ortiz, deputy to the Municipal Treasury (SMF, *Secretaria Municipal de Fazenda*) of the city of Niterói; Elton Teixeira, deputy to the Municipal Secretariat of Social Assistance and Solidarity Economy (SMASES, *Secretaria Municipal de Assistência Social e Economia Solidária*) of the city of Niterói; Danilo Pitarello, Director of Technological Development and Innovation at the Company for the Development of Maricá (Codemar / Maricá); and Larissa Lamassa, advisor at Banco Mumbuca of Maricá.

The research findings have revealed that, as solidarity-based financial organizations, Brazilian CDBs and municipal banks offer a valuable opportunity to analyze the nature of their interactions with public authorities and SSE policies. The results of a comparative analysis of the municipal banks of Niterói and Maricá also show that local authorities can be a significant ally of CDBs and play a crucial role in the emergence and development of these types of local solidarity finance initiatives.

However, this comparison of the cases of banks Mumbuca in Maricá and Araribóia in Niterói has also shown that there is a risk of weakening local community engagement if the government is too involved in the bank's governance and management. With this perspective, the contribution of this article is to show the role of these solidarity-based financial organizations, established on the basis of public policies for socio-economic inclusion and poverty reduction, thereby contributing to social justice and economic democracy.

1. Brazilian community and municipal banks: Origin and current context of collaboration with local authorities

Traditional microfinance institutions and conventional government microcredit programs have failed to effectively reach the poorest people (Brau and Woller, 2004; Naqvi and De Guzmán, 2004). This situation, along with other challenges in the field of microfinance, pave the way for more solidarity-based forms of microfinance, closely aligned with the needs of the territories where they operate and managed by local organizations. In this context, solidarity finance (Ferraton and Vallat, 2011) represents a diverse range of methods and objectives that generally aim to democratize financial resources within a territory through collective and shared design, decision-making and management (França Filho, Silva Junior and Rigo, 2012b; Rigo, 2020; Silva Junior and Rigo, 2023).

In Brazil, as Silva (2020) and Silva Junior and Rigo (2022) point out, the field of solidarity finance comprises several types of experiences, including: solidarity revolving funds (SRFs), solidarity credit cooperatives (SCCs), collective investment groups (CIGs), and CDBs. This article will focus on CDBs and the deriving municipal banks, due to their specific characteristics compared to other solidarity finance organizations.

First, CDBs are the most representative in quantitative terms compared to other solidarity finance experiences in the country. By the end of 2024, there were approximately 167 CDBs in Brazil. Second, they seek to reaffirm an economic countermovement that goes further than the market, by co-designing and co-creating financial services with the aim of being socially useful and generating benefits for society, beyond the emphasis on economic viability.

CDBs are therefore solidarity-based financial organizations that pursue the promotion of social justice, political emancipation, economic democracy, and the good living of impoverished territories by fostering collaboration among local stakeholders (public authorities, producers, suppliers, consumers and service providers). Their operations generally include the following components:

a) Offering credit lines tailored to the needs of the territory, primarily focused on production and consumption;
b) Creating democratic spaces to strengthen discussion and decision-making, bringing people together and empowering them in the management and governance of the CDB;
c) Developing projects and establishing partnerships related to local demands; and
d) Creating and using social innovations, such as local currencies, to increase the circulation of money within the territory.

Among the mechanisms that characterize a CDB, the local currency is the most emblematic, particularly because of the symbolic and identity-related role it plays in the territory as it recognizes it as exclusively its own (França Filho, Silva Junior and Rigo, 2012a). In Brazil, the local currencies of CDBs (Rigo 2020; Rigo and França Filho, 2017) are used by residents, merchants, and local entrepreneurs. The goal is to increase the volume and speed of resource circulation within the territory when linked to lines of credit made available in local currency (either in paper or digital format via the *E-dinheiro* app).

It is considered that Banco Palmas, established in January 1998 by the residents' association of the Conjunto Palmeiras neighborhood (city of Fortaleza, State of Ceará), is the first CDB. Its purpose was to contribute to the fight against poverty, increase incomes, and finance local production and consumption. Recognition of the successful completion of this mission enabled CDBs to spread throughout the country between 2004 and 2015, with the support of local authorities and the Brazilian federal government, through public policies implemented under the National Secretariat for the Popular and Solidarity Economy (SENAES, *Secretaria Nacional de Economia Popular e Solidária*). Also, during this period, it was possible to officially establish the BNCMB[4].

Furthermore, the findings highlighted by Rigo (2014 and 2020) and Rigo *et al.* (2024) confirm the potential of CDBs as instruments of public policy in the country's impoverished territories. Public subsidies are essential to strengthening the impact of CDBs. Throughout the history of CDBs, certain partnerships with local authorities have been key to revealing the significant gains from the alliance between municipalities and these solidarity-based financial organizations.

In these processes of establishing municipal banks and local currencies, each municipality enacted specific legislation to enable the bank's operation and the use of its currency. Table 1 shows that at the end of 2023, there were 15 cases of CDBs / municipal banks supported by municipalities in Brazil.

City / State	Number of Inhabitants	CDB / Municipal Bank	Local Currency	Municipal Regulation
São João do Arraial/ Piauí	8,443	Banco dos Cocais	*Cocal*	Law No. 112 / December 2007
Silva Jardim / Rio de Janeiro	22,026	Banco Capivari	*Capivari*	Law No. 1502 / May 2010
Maricá / Rio de Janeiro	211,986	Banco Mumbuca	*Mumbuca*	Law No. 2448 / June 2013
Limoeiro de Anadia/ Alagoas	25,197	Banco Limoeiro de Anadia	*Free*	Law No. 173 / April 2019
Lauro de Freitas / Bahia	217,960	Banco Ipitanga	*Ipitanga*	Law No. 1853 / December 2019
Porciúncula / Rio de Janeiro	17,832	Banco Porciúncula	*Elephantine*	Law No. 2378 / June 2021

[4] The BNCMB was founded in 2006 as the Brazilian Network of Community Banks and later transformed in 2024 into the Brazilian Network of Community and Municipal Banks.

Itaboraí / Rio de Janeiro	240,040	Banco Pedra Bonita	*Pedra Bonita*	Law No. 2867 / April 2021
Cabo Frio / Rio de Janeiro	238,166	Banco Itajurú	*Itajuru*	Law No. 3286 / July 2021
Niterói / Rio de Janeiro	516,720	Banco Araribóia	*Araribóia*	Law No. 3621 / July 2021
Saquarema / Rio de Janeiro	95,201	Banco Saquarema	*Saqua*	Law No. 2189 / January 2022
Indiaroba / Sergipe	16,949	Banci Indiaroba	*Aratu*	Law No. 645 / February 2022
Iguaba Grande / Rio de Janeiro	29,577	Social Currency Agency Caboclinho	*Caboclinho*	Law No. 1403 / March 2022
Itanhandu / Minas Gerais	15,684	Banco Itanhandu	*Tonites*	Law No. 1494 / April 2022
Santiago / Rio Grande do Sul	50,331	Popular Bank of Santiago	*Pila Verde*	Law No. 442 / January 2023
Petrópolis / Rio de Janeiro	294,983	Popular Bank of Petrópolis	*Ipê Amarelo*	Law No. 8494 / January 2023
Macaé / Rio de Janeiro	264,138	Popular Bank of Macaíba	*Macaíba*	Law No. 5075 / September 2023

Table 1: CDBs and municipal social currencies by date of regulation
Source: Rigo and Silva Junior (2022), Melo (2023) and the IBGE portal on Brazilian cities (2025)[5].

The first Brazilian experience with this model is that of the municipality of São João do Arraial, State of Piauí. After recognizing the potential of the CDB, the city government and a local association launched the CDB Banco dos Cocais in 2007 (Brasil, Marquesan and Mesquita, 2021). Its purpose was to mitigate the effects of the lack of bank branches in the area and the financial exclusion faced by the local population. With the creation of Banco dos Cocais, the city council adopted a law authorizing the CDB to pay public employees and collect municipal taxes and fines using the local *Cocais* currency (Borges, 2010).

However, it was the experience implemented six years later in the city of Maricá, in the State of Rio de Janeiro, which reformulated the relationship of CDBs with public policies. In 2013, the Maricá city hall established Banco Mumbuca and introduced a local currency (*Mumbuca*) in the form of a bank card. In 2015, a further step was taken with the introduction of an app for the *Mumbuca* currency, thus becoming Brazil's first digital local currency (Cernev and Proença, 2016). *E-dinheiro* was introduced by the BNCMB as a local digital currency payment system that allowed users to make purchases at local businesses, pay service providers, and transfer funds between accounts.

[5] Brazilian Institute of Geography and Statistics (IBGE, *Instituto Brasileiro de Geografia e Estatística*): https://www.ibge.gov.br/cidades-e-estados.

According to Joaquim Melo[6], coordinator of the *E-dinheiro* Brasil Institute, the platform developed for smartphones has broadened financial inclusion to include low-income individuals or those underserved by commercial banks. Building on the successful experience of the *Mumbuca* digital currency and the *E-dinheiro* app, re-implementing the methodology of CDBs / municipal banks through direct partnerships with local authorities has become a reality in the country.

In this context, in 2021, a new and unique case emerged: a municipal government establishing a local currency to increase the circulation of wealth within its territory and a CDB / municipal bank as a means of organizing producers, consumers and merchants to strengthen the local economy. This is the city of Niterói, also in the State of Rio de Janeiro, which created Banco Araribóia as part of a project to distribute social assistance in local currency (called *Araribóia*) to the city's families in situations of greater socio-economic vulnerability.

The cases of the solidarity finance public policies of Niteroi and Maricá are central to the analysis of this article due to the differences between both governance models, the nature of the policy, and the volume of financial resources they mobilize. These differences also require reflection on how CDBs and local authorities partner. This will be discussed in the following sections.

[6] Interview conducted on April 13, 2022.

2. The municipality of Maricá and Banco Mumbuca: Shared public policy management between the city hall and the local association

Banco Mumbuca was established by a municipal council law in 2013 as a CBD with the role of serving as the primary financial entity for the basic income, allowance, and socio-economic assistance programs run by the Maricá city hall. The most important of these programs was the citizens' basic income. The local currency *Mumbuca*, in the form of a bank card or *E-dinheiro*, was used by the municipality to transfer this income to the population.

These municipal social policies are funded by the Maricá Sovereign Fund (FSM)[7], whose revenues come primarily from oil royalties (Tramansoli and Siqueira, 2024). With the discovery of new oil fields and oil extraction off the coast of Maricá since the early 2010s, the city's gross domestic product (GDP) has increased by 15,789% in 20 years, rising from BRL 512.0M (approximately EUR 78.8M) to BRL 85.0B in 2021 (around EUR 13.1B), making it the 8th largest city in the country in terms of GDP among Brazil's 5,571 municipalities (Ferreira, 2023).

This is a highly significant figure, as Maricá is only the 154th largest city in Brazil in terms of population (approximately 212,000 inhabitants). However, its position in terms of GDP puts Maricá ahead of much more populated Brazilian metropolises, such as Fortaleza (4th largest city in the country in terms of population (2.57 million inhabitants) and 11th in GDP ranking), Salvador de Bahia (5th largest city in population (2.56 million inhabitants) and 14th in GDP in the country) and Porto Alegre (11th largest city (1.39 million inhabitants) and 9th in GDP in Brazil)[8].

Maricá has thus become, in 20 years, the city that receives the most royalties[9] from this activity in the country (Petrobras, 2025). These oil revenues are a significant source for the municipal budget, which aims to reduce economic inequalities, guarantee social justice, and ensure a better future for the people of Maricá. According to a 2017 municipal law, up to 15% of these monthly royalty revenues must be paid into the FSM. The FSM was established by this same law with the aim of building up savings and mitigating the effects of the volatility of oil resources, promoting strategic projects, encouraging the creation of new revenue streams, and strengthening the financial autonomy and budgetary viability of the municipality (Maricá, 2019).

In June 2025, the FSM was managing BRL 2.0B (approximately EUR 305.0M) in savings and BRL 540.0M (approximately EUR 83.0M) in assets invested in the city (FFSB, *Fórum de Fundos Soberanos Brasileiros*, 2025). Thus, with resources from the FSM and the municipal budget, the Maricá city hall allocates funds to the city's basic income programs. The

[7] https://fundosoberano.marica.rj.gov.br/.

[8] Data obtained from the IBGE portal on Brazilian cities: https://www.ibge.gov.br/cidades-e-estados.

[9] Brazilian Federal Law No. 12,734 of November 30, 2012, stipulates that 3.5% of oil and gas revenues must be allocated to municipalities near the coast where the oil fields or pipelines are located: https://www.planalto.gov.br/ccivil_03/_ato2011-2014/2012/lei/l12734.htm.

municipality deposits the benefit amounts with Banco Mumbuca and provides the bank with a list of beneficiaries for payment. Banco Mumbuca issues the local currency[10] and holds the equivalent in BRL as backing for the *Mumbucas*, in accordance with the requirements of the Central Bank of Brazil (Banco Mumbuca, 2023).

The population receiving social benefits and basic income can use the *Mumbuca* currency in shops and with local producers and service providers. The use of *Mumbucas* is limited to the city. Through Banco Mumbuca, the municipality encourages the expansion of local production and the circulation of local wealth, with the aim of promoting the endogenous good living of the territory. Between 2013 and 2017, the local network established by this bank in partnership with the local authorities, which connects *Mumbuca* users and merchants in Maricá, benefited 14,000 families (Faria *et al.,* 2020). This represents 26% of the city's population having access to resources of approximately BRL 86.7M[11] per year (on average) from the annual municipal budget allocated to these programs through Banco Mumbuca.

At the end of 2017, the *Mumbuca* currency was primarily used via the *E-dinheiro* application. Through the *E-dinheiro* platform, *Mumbucas* were considered a tool for improving payment dynamics for low-income individuals, as their integration with information technology increased circulation within the territory (Diniz *et al.,* 2014; Gonzalez *et al.,* 2020).

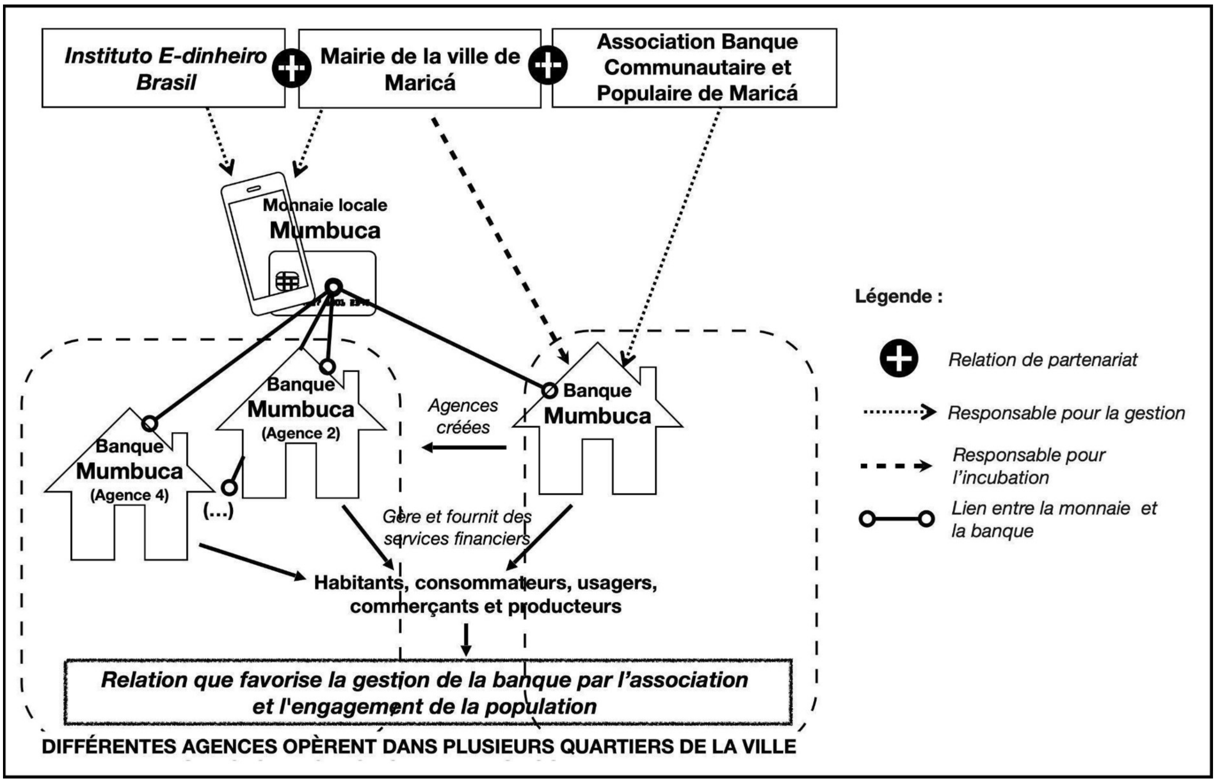
In this application, a 2% commission is levied on *Mumbuca* transactions, and this amount is paid to Banco Mumbuca. The security of these funds helps ensure the bank's permanent capital, which in turn is used to provide financial services to the citizens of Maricá. Banco Mumbuca offers three types of Mumbucred microcredit lines: for solidarity-based productive organizations, for home renovation, and for workers. Most of these microcredit lines have zero interest rates and depend on the formation of a solidarity group. Between 2018 and 2021, these credit lines mobilized BRL 17.0M[12] (Banco Mumbuca, 2022).

[10] Each *Mumbuca* monetary unit has a parity of one BRL.

[11] Equivalent to approximately EUR 15.8M per year.

[12] Approximately EUR 262.5M.

Figure 1: Relationship between the local association, Banco Mumbuca and the Maricá city hall



Source: Compiled by the authors.

Instituto E-dinheiro Brasil: E-dinheiro Brasil Institute
Mairie de la ville de Maricá: Maricá city hall
Association Banque Communautaire et Populaire de Maricá: Maricá Community and Popular Banks Association
Monnaie locale Mumbuca: Local currency *Mumbuca*
Banque Mumbuca (Agence 4/2): Banco Mumbuca (Branch 4/2)
Agences créées: Branches established
Gère et fournit des services financiers: Manages and provides financial services
Habitants, consommateurs, usagers, commerçants et producteurs: Residents, consumers, users, merchants and producers
Relation que favorise la gestion de la banque par l'association et l'engagement de la population: Relationship that fosters the bank's management by the Association and the population's engagement
DIFFÉRENTES AGENCES OPÈRENT DANS PLUSIEURS QUARTIERS DE LA VILLE: DIFFERENT BRANCHES OPERATE IN SEVERAL NEIGHBORHOODS OF THE CITY
Légende: Legend
Relation de partenariat: Partnership relationship
Responsable pour la gestion: Responsible for management
Responsable pour l'incubation: Responsible for incubation
Lien entre la monnaie et la banque: Link between the currency and the bank

Figure 1 illustrates the relationship model between Banco Mumbuca and the municipal authority. Banco Mumbuca has been managed autonomously by the Maricá Community and Popular Banks Association since 2017, in a mutually beneficial relationship with the city hall, as Larissa Lamassa explained[13]. Until that year, the bank operated within the Municipal

[13] Interview conducted on March 3, 2023.

Secretariat for the Solidarity Economy. According to Ms. Lamassa, when the association was established, Banco Mumbuca moved beyond its incubation phase and gained autonomy. This accelerated the bank's interest in taking over the management of the *Mumbuca* currency. Starting in 2020, the Association began working more closely with the municipality to implement social welfare programs and support for workers and entrepreneurs during the COVID-19 crisis.

According to Ms. Lamassa, now the Association, Banco Mumbuca and the Maricá city hall have established a close link. However, the bank has not yet taken over the management of the *Mumbuca* currency. Ms. Lamassa anticipates that the Association will soon assume responsibility for managing the currency within the territory and strengthen this partnership with the local authorities.

3. The Niterói city hall and Banco Araribóia: A relationship where the CDB is subordinate to the municipal government

The city of Niterói is next to Maricá and also benefited from the discovery of oil fields in the same coastal basin in the mid-2000s. As a result, Niterói experienced a twelvefold increase in its GDP over two decades, rising from BRL 5.4B (around EUR 840.0M) in 2002 to BRL 66.3B (approximately EUR 10.2M) in 2021. This made Niterói the 13th largest city in the country in terms of GDP (Ferreira, 2023), while it is only the 44th largest city in Brazil in terms of population[14]. By 2025, just behind Maricá, Niterói is the second municipality in the country to receive the most royalties and other revenues from oil extraction (Petrobras, 2025).

For its part, the city of Niterói also decided to create a fund to ensure the future of its policies when oil revenues begin to decline impacting the budget and the continuity of the municipality's strategic development actions (Tramansoli and Siqueira, 2024). Thus, in 2019, a municipal law created the Revenue Equalization Fund (FER, *Fundo de Equalização da Receita*)[15].

Niterói's FER has several revenue sources. The primary source is 10% of each resource transfer from the Special Participation, another type of oil revenue distinct from royalties. The Special Participation is an extraordinary financial compensation payable by oil and gas exploration and production concessionaires for high-production fields to the federal government[16], States and municipalities. A percentage regulated by federal law is paid quarterly to municipalities with significant production volumes, such as Niterói.

In June 2025, the FER had a reserve[17] of BRL 1.39B (approximately EUR 214.0M). Since 2021, the FER's resources have been used to guarantee savings in Niterói and to invest in the city in order to promote intergenerational justice, prepare for the volatility and instability of revenue flows from compensations for oil and natural gas exploitation, and finance policies and programs aimed at combating socio-economic inequalities (Niterói, 2019).

Regarding the implementation of this last objective of the FER, in 2021, the city of Niterói created the *Araribóia* social currency and established partnerships to manage the municipality's CDBs through a municipal law. The Niterói city hall set up a working group composed of the city's Social Protection and Solidarity Economy Secretariat (SMASES, *Secretaria Municipal de Assistência Social e Economia Solidária*), the Municipal Treasury (SMF, *Secretaria Municipal de Fazenda*), the *E-dinheiro* Brasil Institute, and university researchers to plan the introduction of the *Araribóia* social currency in the city. According to

[14] Data obtained from the IBGE portal for Brazilian cities: https://www.ibge.gov.br/cidades-e-estados.

[15] https://www.niteroidofuturo.niteroi.rj.gov.br/.

[16] Brazilian Federal Law No. 12,734 of November 30, 2012, which determines the rules for the distribution of royalties and special participation due for the exploitation of oil, natural gas and other fluid hydrocarbons: https://www.planalto.gov.br/ccivil_03/_ato2011-2014/2012/lei/l12734.htm.

[17] https://www.niteroidofuturo.niteroi.rj.gov.br/.

Elton Teixeira[18], deputy head of SMASES, the local authorities carried out a series of actions during the COVID-19 pandemic aimed at guaranteeing the population's income, such as the Temporary Basic Income (TBI).

From the end of 2021 and throughout 2022, the city of Niterói distributed the TBI through the local currency *Araribóia* to approximately 50% of its citizens, representing an injection of BRL 134.4M (equivalent to EUR 24.4M) into the local economy (Rigo and Silva Junior, 2022). Unlike Maricá, where the circulation of the local currency *Mumbuca* began in a single neighborhood before expanding citywide, the circulation of the *Araribóia* in Niterói targeted its 516,000 inhabitants from the outset—a population three times larger than that of Maricá.

The Niterói city hall intended to use the local currency as a means of payment for the permanent basic income program, which would replace the TBI implemented in 2020 at the beginning of the health crisis. Between September and December 2021, approximately 4,000 merchants and service providers registered to receive the *Araribóia* currency from beneficiaries of the new permanent basic income program, as highlighted by Marília Ortiz[19].

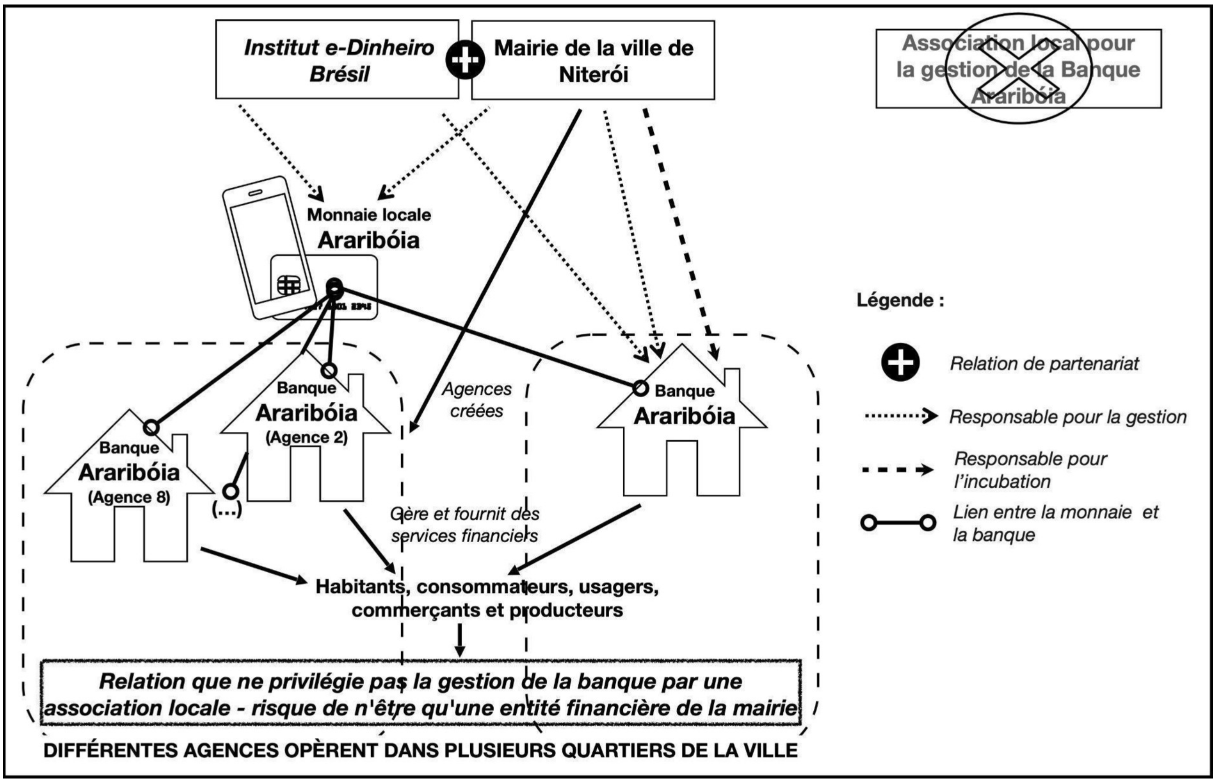
With this permanent basic income program, the city maintained a significant volume of financial resources within the territory, transferring BRL 500.00 (approximately EUR 76.00) per month to 50,000 families in Niterói between March 2020 and December 2021 (Rigo and Silva Junior, 2022). According to Teixeira, between January and June 2022, BRL 56.0M (approximately EUR 10.2M) were spent in *Araribóia* currency in Niterói businesses by families benefiting from the income transfer programs. This represents approximately 730,000 *Araribóia* currency transactions, with a strong multiplier effect on the currency's circulation. Teixeira explained that Niterói has a very strong and influential associative movement that maintains very direct and active relationships with the local government.

However, we have noted that the city government did not benefit from this associative movement during the creation and management of Banco Araribóia. For example, Banco Araribóia is managed by the *E-dinheiro* Brasil Institute, a national organization, and not directly by a local civil society association or organization. Unlike what we have observed in Maricá, Banco Araribóia is treated solely as a policy of the municipal public authority, which manages and controls the bank and the local currency with the *E-dinheiro* Brasil Institute, thus depriving local associations of their management, as illustrated in Figure 2.

Figure 2: Relationship between Banco Araribóia and the Niterói city hall without a local association

[18] Interview conducted on April 20, 2022.

[19] Interview conducted on April 20, 2022.



Source: Compiled by the authors.

Instituto E-dinheiro Brasil: *E-dinheiro* Brasil Institute
Mairie de la ville de Maricá: Maricá city hall
Association local por la gestion de la Banque Araribóia: Local association for the management of Banco Araribóia
Monnaie locale Araribóia: Local currency *Araribóia*
Banque Araribóia (Agence 8/2): Banco Araribóia (Branch 8/2)
Agences créées: Branches established
Gère et fournit des services financiers: Manages and provides financial services
Habitants, consommateurs, usagers, commerçants et producteurs: Residents, consumers, users, merchants and producers
Relation que ne privilégie pas la gestion de la banque par una association locale – risque de n'être qu'une entitié financière de la mairie: Relationship that does not favor the bank's management by a local association – there is a risk of it becoming merely a financial entity of the city hall
DIFFÉRENTES AGENCES OPÈRENT DANS PLUSIEURS QUARTIERS DE LA VILLE: DIFFERENT BRANCHES OPERATE IN SEVERAL NEIGHBORHOODS OF THE CITY
Légende: Legend
Relation de partenariat: Partnership relationship
Responsable pour la gestion: Responsible for management
Responsable pour l'incubation: Responsible for incubation
Lien entre la monnaie et la banque: Link between the currency and the bank

Another factor contributing to withdrawing from an alliance initiated by the local authority is the loss of territorial identity associated with the bank and the local currency. Originally, CDBs were closely linked to a strong sense of belonging and the promotion of elements specific to the territory's culture and identity. This was reflected in the local population's appropriation of the CDB and their choice of its name and currency. This is primarily because each CDB operates within a more limited territory, restricting the circulation of the local currency and the bank's management by a local association.

In Niterói, Banco Araribóia does not have one headquarters or belong to a single neighborhood; it has several branches spread throughout the city. Furthermore, these branches are in buildings that house municipal services in various neighborhoods. For example, Banco Araribóia's eighth branch opened in February 2023 in a Social Action Center (CAS) in Niterói. This branch shares the same generic name, Banco Araribóia, as the other seven, which are in different neighborhoods and whose management team is primarily composed of municipal employees.

Conclusion

This article contributes to starting a discussion on the public policy of CDBs and municipal banks in Brazil, the characteristics of their practices, and their operational model in relation to public authorities. It also aims to contribute to the debate on the place and role of local authorities when they are involved in SSE public policies for this type of projects.

Indeed, CDBs and municipal banks perform economic activities that are characterized by the co-design and co-construction of public services, thus providing a good opportunity for analyzing their interactions with public actors. The fact that CDBs and municipal banks are members of the BNCMB, although at different stages of operation and with some having suspended their activities, contributes to the exchange of experiences and knowledge, coordination of resources, and strengthening of partnerships in the network, and to the support, incubation, training and financing of entities, as well as partnerships with the public authorities themselves (Rigo *et al.*, 2024).

In concrete terms, the comparative analysis of these cases shows that local authorities can be allies of CDBs and play an important role in the creation and development of solidarity-based financial organizations. At the same time, this comparison suggests that there is a risk of restricting a strong local community involvement if the municipal government is too involved in the control and management of the solidarity-based financial organization.

Thus, the municipality of Maricá was able to establish a relationship of cooperation with the management association of Banco Mumbuca. The strength of this policy is sustained by the fact that the city hall guarantees resources through the municipal budget and the distribution of socio-economic aid through the local *Mumbuca* currency. Despite this significant impact, the local authority does not interfere in the governance of Banco Mumbuca, with the management of the local currency remaining under its control.

In the case of Niterói, the local currency was used to provide a basic income to citizens. Although there was a strong associative movement in the city, the city hall did not benefit from it. The dispersion of Banco Araribóia across eight branches throughout the city was not favorable for it to be managed by an association. The Niterói city hall thus established a network across the territory and promoted the image of Banco Araribóia as a municipal bank.

In this case, the bank risks losing its territorial identity and experiencing less involvement from the residents of each neighborhood. The emphasis on the CDB being managed by the local authority has fostered a process in which Banco Araribóia is not shaped as originally envisioned by the founding characteristics of CDBs, but rather as a financial institution within the structure of the local authority. A CDB is distinguished by the fact that it is created based on the interest and commitment of the local community, without direct participation from public authorities. In contrast, municipal versions of community banks are generally created by local governments through municipal law, without direct community involvement in the bank's management.

In conclusion, this comparative analysis reveals the need to maintain a balance between local associations and the city hall to foster greater citizen engagement and governance. In this respect, local authorities are undoubtedly essential partners for the success of local banks and local currencies. However, the temptation for local authorities to take control of the CDB is a risk that must be addressed and mitigated to renew and democratize public action.

While municipalities can be strongly involved in the co-design of public services with civil society organizations, CDBs must retain a degree of autonomy from local authorities and maintain their own democratic governance. The conditions for this autonomy and cooperation can be defined through processes co-constructed by municipal authorities and the residents of the areas where the municipal bank branches are located.

The public policy of CDBs and municipal banks, operating within the framework of solidarity finance, should therefore enable the local population to access credit, local currency, basic income, and local production and consumption markets, as well as to participate in the bank's management. This would reflect a predominant vision of economic and political democracy, where everyone is included in the system.

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ABOUT THE PUBLICATION

Founded in 2013 in Seoul, the GSEF – Global Forum for Social and Solidarity Economy – is a global organization of local governments and civil society actors committed to promoting and developing the social and solidarity economy. Its 90 members, present in 35 countries, represent the diversity of SSE stakeholders: local governments, networks of actors, associations, cooperatives, mutual societies, foundations, social enterprises, universities, etc. The GSEF supports the development of the SSE around the world by promoting dialogue between public authorities and SSE actors in order to jointly develop local public policies that contribute to the achievement of the Sustainable Development Goals (SDGs) and the emergence of ecosystems conducive to the SSE.

The GSEF thematic working groups (WGs) were voted on at the General Assembly on May 5, 2023. The WG on “The Impact of SSE Public Policies on the Achievement of the SDGs” brings together some fifteen researchers from all continents. It is led by Marguerite Mendell (Karl Polanyi Institute) and Timothée Duverger (Chair Terr’ESS, Sciences Po Bordeaux) and supported by the GSEF General Secretariat employee working on his CIFRE thesis.

Following on from research already conducted by the GSEF in partnership with UNRISD, which led to the production of guidelines for local SSE policies, in January 2024 the Research WG launched a call for contributions to gather proposals for working papers focusing on three recurring processes in public action: development, implementation, and evaluation. Through the analysis of these processes of SSE public policy development, the authors of the papers (both researchers and SSE actors) were asked to examine two fundamental dimensions: the contribution of these local policies to the achievement of sustainable development goals, and the paradoxes associated with the institutionalization of the SSE.

A reading committee composed of GT members evaluated more than forty proposals, including the seventeen working papers now published under the title *Local SSE Policies enabling the Socio-Ecological Transition*. Each paper is available on the GSEF website, free of charge, in its original language (English, French, or Spanish) and in English. This publication and the English translations were made possible thanks to financial support from Caisse des Dépôts.

The concrete examples provided by these working papers will feed into programs to strengthen the capacities of local authorities and support the development of public policies favorable to the SSE.

Global Forum for Social and Solidarity Economy

Global organization of local governments and civil society networks

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