Project Title: Designing a Monitoring and Evaluation System for Instituto Palmas, a Network of Community Development Banks in Brazil

Client/Host Agency: Instituto Palmas de Desenvolvimento e Socioeconomia Solidaria
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Background: The first community development bank in Brazil was Banco Palmas, which was inaugurated in January 1998 in a neighbourhood called Conjunto Palmeira, on the outskirts of the city of Fortaleza. The idea came from the Associação dos Moradores do Conjunto Palmeira (Association of Residents of Conjunto Palmeira) which has around 30,000 residents. They had developed an economic system which included an alternative micro-credit line (for producers and consumers), incentive tools for local consumption (credit card and social currency) and new ways of commercialization (fairs, solidarity shops/stores) promoting local job creation and income generation.

Banco Palmas provides a variety of financial and other services based on the concept of the “solidarity economy.” It has three main characteristics: (1) management responsibilities are borne by the community; (2) an integrated system of local development which promotes credit, production, commercialization and training; and (3) promotion of an alternative “local currency” (Palmas currency), which complements the official currency (real) and is accepted and recognized by local producers, merchants and consumers, creating an alternative and solidarity market between the families.

The Palmas currency is pegged to the real (R$), with 1 Palma = 1R$, which allows productive entrepreneurial activities within the community, like commerce, industry and services, to exchange currency each time it is necessary to replenish stocks of products that are not produced in the neighbourhood. The Palmas currency is already accepted by 240 businesses, which offer discounts from 2% to 15% to encourage people to buy with the social currency.

In order to spread the social technology of the bank, in 2003 the inhabitants of Conjunto Palmeira decided to create the Instituto Palmas. Two years afterwards, the entity signed an agreement to enter into partnership with the Secretaria Nacional de Economia Solidária do MTE (National Secretariat of Solidarity Economy) and the Banco
Popular do Brasil. The agreement allowed not only Banco Palmas but also other community banks to have access to credit and to act as banking correspondents of Banco Popular do Brasil.

Thanks in part to that partnership, the number of community banks has grown to 47 by the August 2009, with 27 of them in the state of Ceará, 5 in São Paulo, 4 in Espírito Santo, 3 in Piauí, 2 in Bahia and Minas Gerais and 1 each in Mato Grosso do Sul, Paraíba, Maranhão, and Para. These banks are located in areas characterized by poverty, banking and financial exclusion, including quilombolas communities (where descendants of African slaves live), indigenous areas, communities of quebradeiras de coco (women whose job it is to cut open coconuts whose seed is used in industries to produce cosmetic products), and isolated districts in the semi-arid northeast and the urban periphery.

In March 2008 the Ministry of Work and Employment (MTE) hired the Federal University of Ceará to evaluate the impact and image of the original Banco Palmas in the Conjunto Palmeira neighbourhood. Some of the findings are worth highlighting:

- 98% of those interviewed consider that Banco Palmas has contributed positively to the development of Conjunto Palmeira.
- 90% believe that the bank has contributed to an improvement in their quality of life.
- 26% believe that their income has increased because of the actions of the bank.
- 22% found jobs thanks to Banco Palmas.
- 61% would give the bank a rating of at least 9 out of 10.

Currently, Instituto Palmas does some research to understand the consumption and production capacity of different communities. Unfortunately, the process is ad hoc and lacks transparency. Several outside researchers have come to Brazil to learn about the community banking model, but the results of their research do not come back to the communities in ways that could be helpful to improve the effectiveness of banks. As the number of community banks continues to expand, Instituto Palmas sees the need to collect and analyze data more systematically in order to improve the community banks; operational performance in their various areas of work (microfinance, social currency, capacity building projects etc…), as well as to assess the social and financial impact that the network is having in the communities where it operates.

Instituto Palmas therefore would like to develop an appropriate monitoring and evaluation (M&E) system for the network of community banks. The methodology should be innovative and user-friendly, so that the results can be used to improve the social and financial impact of the community banks, and also advocate for improved laws and policies governing community banks, while ensuring that the results
are also shared with the local communities.

**Objective:**

Instituto Palmas would like to work together with a group of SIPA students to develop a methodology to monitor and evaluate the financial and social impact that the network of community development banks is having in the communities they serve. The methodology should:

- Be sustainable so that in the future, Instituto Palmas is able to make use of it, in order to conduct its research individually as well as involving other organizations.

- Allow for the results found from the M&E process to be transparent and accessible to the communities, so they can be used to improve the operational performance of the community banks.

**Tasks:**

Over the last few months, Instituto Palmas has been working with a group of current students and recent graduates from Columbia University. This group of volunteers has been doing background research and developing possible indicators for an M&E plan. Once the workshop team is selected, the volunteers will be happy to meet with them to transfer over the work they have done. It is not expected that the volunteers will continue to work on the project, although they will be available as resources for the workshop team.

The expected tasks in the project include:

- Initial desk review and informational interviews in New York City;

- Preliminary analysis and identification of possible M&E indicators for the community banks;

- An initial field visit to Ceara in January 2010 to meet with Instituto Palmas and community bank staff, community members, and others, to start developing a participatory M&E plan for the community bank network, including discussion of appropriate indicators, how the M&E plan can build on the community banks' existing record-keeping and reporting requirements, other data collection methods that may be needed, and how to involve community banks and their clients in M&E activities.

- Further desk review, analysis and refinement of the proposed M&E plan, including possible data collection tools.

- A follow-up visit to Ceara in March 2010 to finalize the M&E plan with Instituto Palmas staff and, if there is sufficient time, pilot some data collection for the plan using tools that the team has developed.

- Final refinement of the M&E plan and drafting of a final report and recommendations.
This process should be flexible and give the workshop team space to shape the project. Concurrently, a social enterprise IT firm, Mahiti, is helping Instituto Palmas develop a general management information system using open source software. This software can capture both financial and social data. It will be important for the workshop team to communicate with Mahiti to ensure that the new management information system is compatible with and can support the M&E plan.

**Deliverables:** The expected deliverables include (1) a detailed work plan; (2) a draft outline of the team’s final report; (3) a draft final report; (4) a final report; and (5) a presentation of key findings and recommendations at SIPA in late April/early May 2010. It is likely that Instituto Palmas will not have the financial capacity to send somebody from the team to attend the presentation, so alternative means need to be discussed to present key findings and recommendations to Instituto Palmas.

**Requirements:** Ideal members of the workshop team (consisting of about six members) would have the following interests, skills and experience:

- Background and experience in Latin America.
- Portuguese or Spanish proficiency required for at least half the students in the workshop (for the rest, a plus).
- Experience in microfinance or community development.
- Proficiency in field research methods.
- Personal qualities:
  - Ability to work in a team
  - Creativity and resourcefulness
  - Excellent interpersonal and cross-cultural communication and facilitation skills.

**Logistics:**

The student team will conduct desk research and informational interviews in New York City beginning in November 2009. Subject to further consultation with Instituto Palmas, the team will conduct field research in Ceara state in early January and March 2010. The team will complete its final report by early May 2010.

Instituto Palmas will provide the team with relevant background documents, and will provide logistical support as needed for the team’s field research.

Each of the students traveling will be joining teams of three people to conduct field work across as many communities as possible. Each team will consist of a technician (a person from Instituto Palmas who visits different banks during the year), a SIPA student and a Brazilian student from a local university.

Instituto Palmas will be responsible for the local travel as well as accommodation and logistics of the SIPA team.