

# BRAZIL

**SOLIDARY ECONOMY IN FACING THE CORONA VIRUS IN BRAZIL -  
THE EXAMPLE OF SOLIDARY FINANCE**



# **SOLIDARY ECONOMY IN FACING THE CORONA VIRUS IN BRAZIL - THE EXAMPLE OF SOLIDARY FINANCE**

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## **INTRODUCTION**

In this year of 2020, the world society was surprised with a pandemic of the new Corona virus (Covid-19) that significantly affected the dynamics of many countries, affecting not only the economic, but also the social performance of populations all over the world. The high degree of contagion of this virus requires severe isolation from people and drastic political and administrative measures by government agencies and institutions have been taken. However, Covid 19 arrived in Brazil at a time of crisis for public institutions and the dismantling of public policies responsible for providing improvements in the quality of life of a good part of the Brazilian population that was in a vulnerable situation. The extinction of Secretariats and Ministries and the criminalization of social movements by the current President of the Republic reinforces the concern of organizations, researchers and entities with the most vulnerable groups in Brazilian society: blacks, indigenous people, quilombolas, and women, among others, that without recognition by part of the State are more easily subject to contamination by Covid 19.

In this context of lack of action by the Federal Government, the state and municipal governments assumed the role of protagonists, supported by the Supreme Federal Court, adopting measures to try to control the spread of the virus in Brazilian territory, especially in more vulnerable territories. However, from August onwards, Brazil experiences flexibility in some states and municipalities for the reopening of trade. This easing of isolation has caused the Covid 19 indices to grow and become evident mainly in regions of greater social vulnerability. This is seen notably, for example, the two largest metropolises in the country - São Paulo and Rio de Janeiro. Furthermore, this scenario is repeated in other metropolitan capitals, where peripheral communities are the biggest victims of lethal cases.

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This vulnerability did not arise with the pandemic, but it worsens even more in its presence, directly affecting several Brazilian families clustered in the peripheries. To try to reduce the reproduction of this increasingly latent inequality, from the initiative of the national congress, the Brazilian central government approved an emergency measure to guarantee aid of R\$ 600.00 (six hundred reais) - approximately 86 euros - for Brazilian families aiming to ensure that they can stay at home, containing crowds of people in public and private places and, consequently, the spread of the virus.

However, as it sought to guarantee social isolation, it became a great stimulus for viral propagation, as the beneficiary people went massively to Caixa Econômica Federal bank branches, mainly in the Northeast, where both restricted access to these agencies, such as lack of internet can exclude the population from access to emergency assistance. In order to avoid agglomerations in the branches, one of the first measures to contain this problem was made by the Northeast Consortium with a series of initiatives, one of which led by the state government of Ceará, taking legal measures to make the payment of the aid via other channels possible, allowing the outflow beneficiaries.

### **KNOWING SOLIDARITY FINANCES IN BRAZIL**

The creation of Community Development Banks throughout Brazil occurred in the first decades of the 21st century, through the extinct National Secretariat for Solidarity Economy (SENAES). To this end, the model methodology of the Palmas Institute was used, which combined with the Brazilian Network, enabled the strengthening of current initiatives and the creation of new experiences of Solidary Finance throughout the national territory. According to the literature in the area, these organizations currently branch into Solidary Revolving Funds, Solidary Credit Cooperatives and Community Development Banks (SILVA, 2020)

The Fundos Rotativos Solidários (FRS) can be considered embryos of the Solidarity Finance experiences in Brazil, starting in the mid-1980s in the Northeast where they soon spread to the South of the country (NESOL-USP, 2015; SILVA, 2017). Each experience has its specificity and mode of organization according to the historical and cultural conditions and contexts in which they are found. In general, these Revolving Funds provide that their beneficiaries have at their disposal a certain amount of resources - which may be non-monetary, such as small animals or specific equipment, for example - and which, after a predetermined period and agreed between the parties, must be returned to the FRS, so that they can be loaned to other borrowers (SILVA, 2017).

The Cooperativas de Crédito Solidário (CCS) are based on the granting of microcredit in impoverished communities, managed by the residents themselves. In this way, these managers define the specificity of their mode of operation, such as criteria for granting these loans. The "profits" from these operations - at 0 (zero) interest or up to 1.5% - are called "surpluses" and are used to supply any needs for residents of the community. The purpose of these initiatives is not exclusively to generate surpluses, but mainly to provide access to credit for workers in vulnerable situations. These organizations are present in all regions of the country, spreading over communities in 13 (thirteen) Brazilian states, totaling about 128 initiatives (NESOL-USP, 2015; SILVA, 2020).

The Community Development Banks (Bancos Comunitários de Desenvolvimento - BCD) have basically the following characteristics: a) management under the responsibility of the community itself; b) simultaneous articulation of credit, production, commercialization and citizen training, and; c) circulation of complementary social currency, recognized by local producers, traders and consumers (LEAL; RIGO; ANDRADE, 2016). Thus, it is an experience capable of combining all previous initiatives, with Funds and Credit. To this end, BCD's are marked by acting in territories with a high degree of exclusion and inequality where they are aimed at a public characterized by social vulnerability and offer, in addition to financial service in the community (such as microcredit and banking correspondent, for example), support activities and training based on solidary economic principles.

After getting to know a little about what these solidarity finance initiatives are taking place across the national territory, located in peripheral and rural communities, we will now understand how these actions can corroborate in the context of the pandemic. As we have seen, each of these experiences has different origins of structural and functional training. Although all these forms of organization can point out alternative ways to overcome the Covid-19 context, our analysis looked more deeply at the defense of Community Development Banks as a link capable of strengthening community organization in combating the pandemic through power local.

## **COMMUNITY BANKS IN PANDEMIC CONTAINMENT**

We are following an increasing number of victims across Brazil. The state of São Paulo is one of those that is suffering the most from the significant volume of cases and deaths, making victims mainly of young people from the peripheries. Thus, despite the spreading center being the most noble regions where the first cases arose in the capital of São Paulo, the virus proves to be more lethal in the peripheries. Nevertheless, this data also reveals that different from the world scenario where the biggest victims are the elderly and the risk group, the volume of deaths, not only in São Paulo, but throughout Brazil, has been occurring in greater volume among the youngest .

In São Paulo, the Paraisópolis community has been standing out for its community organization process in combating the new Corona virus. Named by the IBGE (Brazilian Institute of Geography and Statistics) in the 2010 census as the second largest concentration of inhabitants in the municipality of São Paulo, the Paraisópolis community has stood out for the reduction in the number of cases. This result is the result of an action carried out by its community council that started a process of training the so-called “street leaders” - who are responsible for the community with the task of identifying people and families in vulnerable situations in each street - in order to ensure equity in the distribution of resources, considerably reducing the lethality of the virus and the number of cases in the community. The Banco Comunitário de Paraisópolis has an important role in this organization process, which since 2018, through the use of its social currency Nova Paraisópolis, articulates with the association of residents and local merchants the use of its currency and the granting of credit, encouraging the network of local production and consumption, consequently reducing the transit of people outside the community.

Community Development Banks are also present in the metropolitan region of Rio de Janeiro, where we highlight at least two experiences that have been developing initiatives since before the pandemic. The first on the most populous hill in Niterói, the Preventory Community Bank is carrying out with the community in addition to the production and sale of masks, converting the resources acquired into food for vulnerable families, fundraising campaigns benefiting until the moment of this researches more than 200 families. Another initiative that we highlight in the metropolitan region of Rio is in the municipality of Maricá, where the Banco Comunitário Mumbuca is located, which has the largest Basic Income program in the world, which benefits more than 14 thousand families in the municipality, initially guaranteeing the value of R\$ 130, 00 (One hundred and thirty reais) per month, currently during the pandemic is managing to pay M\$ 300.00 (Three hundred Mumbucas) to each member of the family, allowing the population to stay at home and consume locally. In addition, Banco Mumbuca has registered more than 5,500 (five thousand and five hundred) community enterprises that accept its Mumbuca social currency, which circulates approximately R\$ 30,000,000 (thirty million reais) in the community per year, strengthening the consumer network and local production driving the municipal economy.

The use of social currency allows the community to carry out its buying and selling operations only in the community, thus reducing the contamination rate in the respective communities, both for its exclusive use in the local circulation and for its use also in digital mode. Since 2016, the Brazilian Network of Community Banks has acquired the E-money platform, which enables the use of social currencies both by digital means and by magnetic card. Instituto Palmas is a pioneer in these actions from Banco Palmas, as we will explain below.

Within the Northeastern reality, the experiences of Community Development Banks are embryonic in Brazil and occur in even greater volume. According to the National Solidarity Economy Information System (SIES), until 2016 only the Northeast region is the largest concentration of these experiences, totaling about 52 initiatives spread across the nine states.

## CONCLUSION

The Solidarity Finance initiatives have an inherent potential to mobilize resources to overcome the situation of social exclusion and vulnerability, to which the peripheries of the Brazilian metropolitan regions are inserted. As exposed in this analysis, Community Development Banks in particular have a differential in encouraging, in addition to resources, community organization around practices for self-management of their activities in overcoming financial or social vulnerabilities.

Thus, we understand that in view of the current scenario where political decisions are under the responsibility of subnational governments, the communities where the experiences of Community Development Banks are present occur independently of government support and also reveal that the organization of these initiatives mobilizes the collective organization through community residents in decision-making, based on criteria that exceed public power according to each reality.

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