

The Local Knowledge Bank:

Uncovering the Processes and Networks of Social Innovation at Brazil's First Community Bank

By

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Submitted to the Department of Urban Studies and Planning
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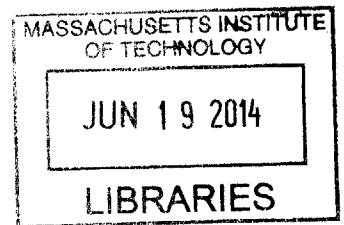
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Abstract

In this thesis, I apply a case study method to examine the processes of knowledge management both within the neighborhood, and in institutional partnerships, by Banco Palmas, Brazil's first community development bank, as a way of uncovering a key component to understanding community-driven social innovations. Founded in 1998, in an urban peripheral neighborhood in Fortaleza, Brazil, the bank is best known for an unusual combination of microfinance integrated with local social currency. An increasing emphasis on community-driven approaches has become part of the practice of development in sectors ranging from economic development, disaster relief, to refugee assistance, yet what to make of the self-organized practices originating from the poor, as a concept, model or theory, is far from clear. First, I outline a "follow the knowledge" research design combining a working conceptual framework of knowledge, multisource data collection, including semi-structured interviews and extensive participant observation, and other fieldwork activities. The resulting 22 formal interviews from 13 institutions and additional case study data were interpreted with mutual corroboration and thick contextualization relying on relevant literature. The findings from within the neighborhood showed that the most effective function related to knowledge had to do with maintaining a community of practice of local social entrepreneurs, which the bank expertly did by combining what I identify as three practices and two processes of local knowledge management. Moreover, the bank's local knowledge directly built on the community's long history of mobilization, and the accumulation of experience-based knowledge was such that the organization could be seen as serving in the role of local knowledge bank for the neighborhood. In institutional partnerships, Banco Palmas provided local knowledge to key partners and allies in academic, civil society and government branches, while responding to a number of institutional constraints in contemporary Brazil, charting a unique path from the grassroots to influencing national policies. In conclusion, I draw lessons on replicating local knowledge bank, suggest strategic and tactical recommendations for Banco Palmas, and reflect on my personal learning experience.

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List of Abbreviations

ABVV	Beneficent Association for Appreciation of Life (a civil society organization in Conjunto Palmeiras)
AIESEC	International Association of Students in Economic and Commercial Sciences
ASMOCONP	Association of Residents of Conjunto Palmeira
BMZ	German Federal Ministry of Economic Cooperation and Development
BNDES	Brazilian Development Bank
CEB	Base Ecclesial Community
CIDI	Integrated Center of Development (a neighborhood association in Greater Fortaleza)
CRAS	Center of Social Assistance
FECOL	Local Social Economic Forum
FINEP	Funding Authority for Studies and Projects (also known as Agency for Innovation)
GTZ	German Agency for Technical Cooperation
IPEA	Institute of Applied Economic Research
NESOL-USP	University of São Paulo Solidarity Economy Research Laboratory
PMF	Mayor's Office of Fortaleza (<i>Prefeitura Municipal de Fortaleza</i>)
PRORENDA	German-Brazilian technical assistance program in slum upgrading
PT	Brazilian Workers' Party
SENAES	National Secretary of Solidarity Economy
UAGOCONP	Union of Associations and Organized Groups of Conjunto Palmeira

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1. Introduction

In this chapter, I introduce the research topic, provide a roadmap of this study's main contents, briefly familiarize the reader with the background of empirical trend and case-specific situation of the topic, review existing literature and their key gaps, and identify the research question to be investigated in next chapters.

1.1. The Research

There are unique approaches from communities around the world to solving economic and social problems. Members of a community are likely to resort to *innovating their way out of* a specific, shared challenge, such as geographically concentrated poverty. Even as the literature is not yet converging, leading multilateral and bilateral institutions, national governments and other actors in the practical fields of development have moved to work more closely with community organizations in recent years. What to make of the innovations originating from poor communities as a concept, model or theory, however, is far from clear or reaching consensus in existing literature. Besides the varied nature of the localized cases themselves, the topic lies across an intersection of at least three relatively independent domains of literature on subjects of international development, each with distinct analytical trends and traditions. Evaluating community-driven social innovation remains something of a puzzle to be completed.

This thesis conducts a knowledge-based study of Banco Palmas, Brazil's first community bank, by constructing a case study methodology whose essence may be called a "follow the knowledge" framework. In particular, the applied research examines the processes and institutional networks related to the use and role of local knowledge in the case of Banco Palmas by tracing evidences of how stakeholders at the bank, in the local community, and at the bank's partner institutions perceive knowledge-related events, facts and values, in relation to their history of interactions with the bank. The actual analysis is based on an original series of semi-structured interviews and multiple other data types, including participant observation and archival documents. The results are interpreted by drawing on thick contextualization informed by all three varieties of the literature relevant to the topic. The analysis extrapolates lessons and implications from this empirical case,

bridging a gap of understanding on community-driven social innovation by uncovering the crucial component of innovation of any sort, which is knowledge.

The rest of this introduction chapter will briefly familiarize the reader with some international development institutions' actions toward greater emphasis on community-based and neighborhood-based approaches and the background of Banco Palmas case, proceed to a literature review describing the three groups of pertinent theoretical and case-specific researches, and explain this study's own research question in connection to the gap in existing literature. Chapter 2 will specify both the conceptual frame and technical details of the proposed "follow the knowledge" case study method and its application, wrapping up with previews of key results. The next two chapters will then expand on the research's findings and their interpretations. Chapter 3 will examine the processes of how the bank manages local knowledge within the neighborhood with various local stakeholders and social institutions. Chapter 4 will investigate the bank's institutional partnerships in knowledge, and explain how the bank and its allies in academic, civil society and government sectors transfer and use the local knowledge originating from the community to build alliances and coordinate actions for social change in the relevant contexts of contemporary Brazil. The sections in the final Chapter 5 will present concluding reflections, including a set of recommendations for Banco Palmas to consider acting on and a discussion on how the case may be replicated, and reopen the discussion to the future.

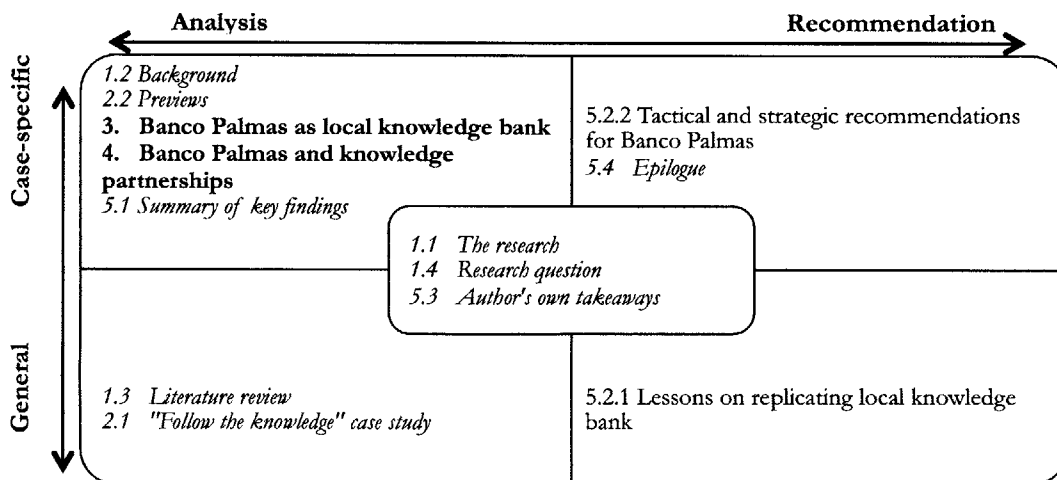


Figure 1: Map of main contents in this study

1.2. Background

1.2.1. Community-Driven Developments

Some governments and development agencies are increasingly cooperating with community groups from around the globe for a variety of interrelated goals. The objectives of involvement include: enhancing resilience and building capacity in local populations, operationalizing service delivery to segments of population who are hard to reach, or, in certain instances, scaling up or replicating innovative practices from one community to other locales. The logic behind the turn to communities among development institutions appears to be that community-driven approaches can be more effective in light of objectives such as capacity, complementarity, resilience, sustainability, and even efficiency. All the same, evaluation frameworks and metrics seem to be still work in progress, and the various institutional programs do not yet necessarily engage in dialogue with each other, or provide clarity as to how the cases can be understood conceptually in relation to each other, or other variations of bottom-up initiatives with community-based or area-based roots such as grassroots movements, private sector entrepreneurship, or alternative types of emerging local practices.

The emphasis on community in policymaking goals and program design is perhaps most common in post-crisis circumstances. UNHCR first outlined a community-based approach in 2001; it now provides training manual for staff and partners on knowledge, skills and teams needed for a “rights-and community-based approach” in refugee assistance, suggesting an internal desire for greater shift in this direction (UNHCR, 2008). For example, assistance professionals are to be required to “regard people of concern not as dependent beneficiaries who are to be ‘saved and assisted,’ but rather as equal partners who have an active roles in protecting themselves and organizing for their own basic needs, even in emergencies” (UNHCR, 2008, p. 6). After the 2010 earthquake in Haiti, USAID’s Shelter & Settlement Sector has gained know-how in neighborhood-based recovery by using “an integrated, multi-sectorial, community-based approach to not only address short-term needs, but also establish a basic platform for longer-term neighborhood recovery” in the KATYIE (“neighborhood” in Creole) program in central Port-au-Prince (USAID, 2012, p. 1), which has also been met with recognition from the press (Brown, 2012). Recently, the US agency

applied community-driven and area-based strategy in the post-typhoon Haiyan recovery in the Philippines, considering it a replicable method for transitioning recovery to redevelopment phases, and hence effective for increasing the longer-term sustainability of aid benefits (Setchell, 2014). Likewise, community-based initiatives and assessments can be seen occupying an indispensable place in post-conflict and post-disaster national recovery efforts in developing countries as well as developed ones, from hurricane Katrina in the United States to Tohoku earthquake and tsunami in Japan, to the recent hurricane Haiyan in the Philippines, potentially running across the usually rarely crossed learning divide between domestic and international development policy analysis. For example, one is tempted to ask: Would it be possible to construct a fine-grained comparative analysis of diverse post-disaster community rebuilding in a developing country setting, as done in the study aggregating assessments of neighborhood-scale recovery endeavors in New Orleans eight years after hurricane Katrina (Seidman, 2013)?

Beyond catastrophic emergencies, community-driven international development projects are also found in economic and social program areas with broader and longer project horizons. The World Bank counted approximately 400 community-driven development (CDD) projects, spanning 94 countries valued at ca. \$30 billion in 2012, as a result of growth in this portfolio segment over the past decade (Wong, 2012, p. iv). The projects dealt with broad contexts and relatively prolonged timeframes, with the 17 projects reviewed having 11.8 years of average term and diverse targets such as education and road access, other than income improvement (Wong, 2012, p. vii). Another example is UNDP's community based adaptation (CBA) projects, which serve the purpose of future disaster mitigation in part by promoting global learning among the member communities from around the world on lessons in climate change risk management involving local community members (UNDP, 2010). These initiatives are typically implemented through various partnerships involving institutions at different levels and civil society actors, in addition to cooperation with the central government traditionally required in projects supported by international agencies.

The different institutional support mechanisms appear to share underlying assumptions and be skating around similar logic, but do not yet talk to each other in any

significant manner. Evaluation methods also remain work in progress. Seen together, the turn to the community-scale among governments and development agencies conveys an emerging basic rationale postulating that community-driven approaches can be a viable strategy for greater capacity building, complementarity of programs, resilience in crisis and in preparedness, and extending the sustainability of these institutions' interventions in local situations by involving the local end-users and stakeholders themselves. The World Bank report on CDD evaluations also cites that involvement of community members in their own resource management decisions and having accountability can produce programs that meet the community's needs more efficiently (Wong, 2012, p. iv). Tellingly, however, UNHCR has *a* community-based approach, and not *the* community-based approach, and the World Bank report timidly examines only 17 projects for systematic review out of the ca. 400 belonging at least partially to the category.

1.2.2. Brazil's First Community Bank: Banco Palmas

Banco Palmas is the first community-organized bank in Brazil, or community development bank (CDB), founded in 1998 in a neighborhood called Conjunto Palmeiras in Fortaleza, Brazil. The case is best recognized in international academic circles for providing an unusual combination of financial services integrating microfinance with local social currency "Palmas", and hailed by Brazilian scholars and policymakers as an example of grassroots innovation associated with solidarity economy movement in Brazil. Over its 16 years of operation, the bank has been linked with improvements in local jobs and incomes despite being located in one of the poorest locales even by Brazilian standards. Previous evaluative case studies conducted by Brazilian and international scholars indicated that residents attributed positive results to the presence of Banco Palmas in the community (Instituto Palmas & NESOL-USP, 2013; Kobayashi, Hashimoto, & Nishibe, 2012; Nishibe et al., 2012; Silva Jr., 2008). Since around 2003, community bank has also been identified as an example to be replicated by initiatives at the Ministry of Labor, and Banco Palmas, or its institutional umbrella of Instituto Palmas, has been collaborating in various arrangements with national, state, city government branches as well as academic institutions and civil society entities to replicate the model in other communities. Over the years, the organization has had rich and

complex interactions with local and external institutional partners while remaining community-driven, making it an ideal subject for detailed case study in this paper.

Home to Banco Palmas, Conjunto Palmeiras is an urban peripheral neighborhood of Fortaleza, Brazil's fifth largest city and state capital of Ceará. The community officially counted 47,000 residents in ca. 120 hectares area. Within the city, Conjunto Palmeiras is considered to be one of the most disadvantaged areas, having the lowest Human Development Index score among Fortaleza's 122 administrative subdivisions, although there are disagreements as to the appropriate measurement of the local population's wellbeing (Instituto Palmas, 2014). The state of Ceará has the sixth highest percentage of people living in poverty in Brazil according to the country's 2010 census. Furthermore, UN-HABITAT estimated that Fortaleza was among the world's most unequal cities in 2005 with an urban income-based GINI coefficient of 0.61, only to be surpassed by Goiânia in Brazil and by South African cities globally (UN-HABITAT, 2010). The community is impoverished according to global, national as well as metropolitan standards.

In 1998, Banco Palmas originally began as a project of the Residents' Association of Conjunto Palmeiras (ASMOCONP), the neighborhood association, which had been active since 1981. In 2003, ASMOCONP also founded Instituto Palmas, a nonprofit organization qualified by the Brazilian Ministry of Justice as a civil society organization of public interest (CSOPI) for microcredit. In terms of formal organizational structure, today Instituto Palmas serves as the umbrella legal body for most community development banks in Brazil, which counted 104 as of May 2014, and was expected to increase more. Banco Palmas/Instituto Palmas group interacts in partnerships with a variety of local, national and international institutions in supporting its operations and creating frameworks to replicate its experience in other communities. With the expectation that the bank would shift more resources toward efforts involving transferring know-how to other communities, there exists also an organizational need to better understand knowledge sharing as it happens in this case.

1.3. Literature Review

While an increasing emphasis on community-driven developments has already become part of *doing* development, what to make of the self-organized practices originating from poor

communities, often unusual and innovative, as a concept, model or theory, is far from clear or reaching consensus in existing literature. To be sure, the cases themselves are varied on many dimensions, and external partners' interactions with them also vary, and, as a result, the local communities' levels of initiative, involvement, participation or power in the overall processes probably also differ widely, even as they are thought to be generally greater compared to earlier interactions or the development agencies' rest of portfolio. Nevertheless, it is not the diversity of cases themselves, but the tendency that the topic touches across an intersection of at least three relatively independent realms of literature on international development that poses challenges to studying this topic. The groups of literature are: poverty and program evaluation literature, organizational research literature, and regional studies. Each of these bodies of work enjoys distinct analytical trends and traditions, and can undertake a study in this topic without reference to the other two domains. Such a study, however, would be limiting, potentially leaving out impacts that could have been shed light on by contributions from the other two types of literature on an essentially integrated phenomenon. Below figure shows a visual diagram mapping existing literature from this point of view.

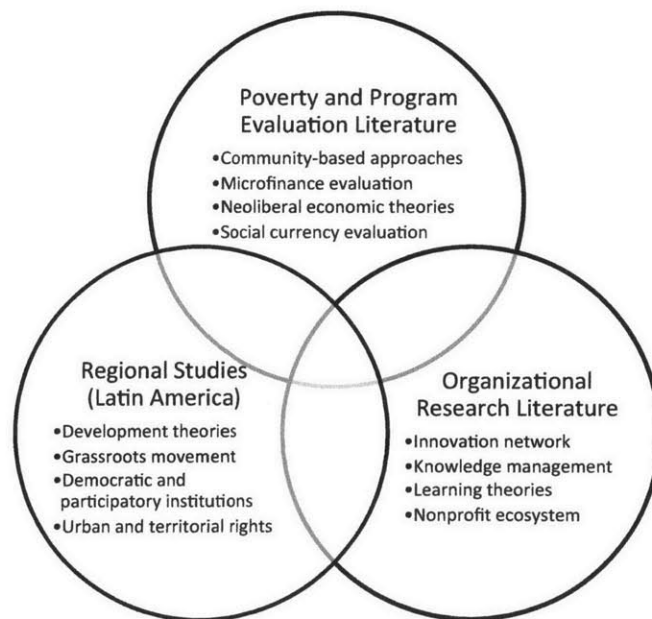


Figure 2: Three realms of existing literature

Next, I discuss each group of literature as it relates to the topic and the case in this study, identifying gaps and potential ways that they could be bridged.

1.3.1. Poverty and Program Evaluation Literature

This group of works may come to mind first when one thinks about development and evaluations. Intended to answer international donors' and policymakers' quest for accountability, the objective of these researches is to rigorously assess the impacts of an intervention policy or program, matching the policy instrument with its stated goals and actual outcomes. The statistically robust and well-defined evaluation results from techniques such as randomized controlled trial (RCT) methodology allow for apple-to-apple comparison with other programs of similar aim. The commissioning parties can then take the results of studies to make programmatic decisions, such as whether to expand or replicate an existing program, or to perform further analysis to make strategic choices, for example, by running cost benefit analyses to decide if there is sufficient bang to justify the amount of buck spent. Hence, the analytical perspective is that of comparative program. Since Banco Palmas is the empirical case to be examined in this paper, the focus of review here is on recent literature assessing the impacts of poverty alleviation efforts, but the approach obviously reaches beyond just one program area. Increasingly, RCT and similar data-driven evaluations are applied not only by international agencies but also in national policies. Some academics have thus attempted to evaluate Brazil's national program of conditional cash transfer, Bolsa Família (Hall, 2006; Higgins, 2012).

Three methodological and conceptual characteristics about this body of literature make it relevant yet too restrictive for assessing the impacts of a community-driven development situation like Banco Palmas, if deployed in isolation. First, the data-driven research methodology, depending on the way the researches are carried out, can bring the spotlight to local practices, local data, and perhaps also to local people. The potential affinity between recent researches of this type and a case like Banco Palmas is the conscious attempt on the part of research community to see the poor not as problem but as having the potentials for creating solutions (Banerjee & Duflo, 2011). The shift of emphasis to bottom-up data could also be signaling a certain shift in evaluation regimes at large institutions of

international development, which were sometimes criticized as a basket case of ideological neoliberalism due in part to their top-down approaches and rigidity.

Second, nevertheless, the techniques of rigorous comparable assessments as spearheaded by RCT and similar research designs intrinsically favor certain kinds of programs, which are more readily evaluable, while the experiments would be difficult to operationalize for other programs. The tendency may be analogous to how certain students “test well” on standardized exams. Given the “publish or perish” pressures of the academic profession, another concern is that the evaluations may lead to preoccupation with a tool that works (and works immediately), resulting in a limited family of readily evaluable types of policies receiving disproportionate attention from evaluators and being researched in large quantities. In addition to being small and thus not having the appropriate scale for the method, community-based approaches’ potential benefits in aspects such as capacity, resilience, sustainability, or knowledge, pose problems of measurement unless their definitions are reduced significantly. Indeed, program complementarities may be the only element testable. Even so, the challenge of small dataset size remains, and it is also complicated to implement RCT for longer time horizons in which the policy environment itself may change; neither could the experiments test for the policymaking or implementing agencies’ proactive functions such as organizational excellence or leadership as a variable.

Relatedly, the third point concerning poverty and program evaluation literature is an observation that development practitioners may need more information than academically rigorous and “valid” evaluation results, at the end of the day, in order to improve existing programs and create new ones. Actual policy reports involving randomized evaluations also tend to be nuanced. For example, recent microfinance evaluation papers using randomized techniques found inconclusive results about the financial product’s independent effects of producing entrepreneurship and thus being a solution to poverty per se, but advised against throwing the baby out with the bathwater, stressing other, more modest but tangible benefits of simply offering the poor another venue to borrow money on the grounds of contextual explanations (Bauchet, Marshall, Starita, Thomas, & Yalouris, 2011; Duflo, Banerjee, Glennester, & Kinnan, 2013). In addition, the rigorous trials by themselves cannot explain nor provide guidelines for how new practices are created, and innovation and its trial and

error processes of making new solutions successful remain in black box. Therefore, the growing body of data-driven poverty and program evaluation literature does not readily respond to many questions surrounding community-driven development cases, and, if the method of research is to be applied, its use should be complemented with other analytical data and perspectives.

As for existing studies on Banco Palmas, mainly two camps of scholars have conducted a number of case studies and evaluative researches since around 2008. The first group is those interested in the Brazilian solidarity economy movement, and the second in Palmas as a benchmark experience of alternative currency. There is yet no work employing randomized experiment method on Banco Palmas or its specific program performance, and previous works have devoted explanatory attentions mostly to defining the unique model of community development as embodied by the case of Banco Palmas and Conjunto Palmeiras, the neighborhood. Even so, the empirical literature on the bank has been increasingly moving toward explicitly and rigorously defined comparative research designs, with development of quantitative evaluation metrics that are to be applicable for all Brazilian community development banks in the future, and more longitudinal assessments as the bank's operational track record grows longer.

The earliest encounters between the community organization and academic researchers in this case appear to have occurred in the early 2000s. The first interests came from Brazilian scholars who had been studying the country's democratic social movements, who were taking a renewed interest in grassroots cooperatives at the time (Singer, 2006). The interactions developed into the bank's full-fledged involvement in the emerging solidarity economy movement, leading to co-authorship of policy papers and joint presentations at domestic and international conferences (Neiva, Braz, Melo, & Tsukumo, 2013). The most comprehensive collection of researches on Banco Palmas up to date, the 15-year anniversary research anthology *Banco Palmas 15 Anos: Resistindo e Inovando* (Banco Palmas 15 Years: Resisting and Innovating), also falls in this lineage, with chapter contributions from various academics and government officials in the movement (Instituto Palmas & NESOL-USP, 2013). Relatedly, an international variation of similar academic interests has analyzed Banco Palmas, and solidarity finance in the form of Brazilian

community bank, as an example of integrated microfinance model (França Filho, Silva Júnior, & Rigo, 2012; Jayo, Diniz, & Pozzebon, 2009), hence engaging with studies categorizing microfinance varieties from around the world such as the World Bank's *Microfinance Handbook* series (Ledgerwood, 1999, 2013). With this connection, it seems appropriate to place some case studies of Banco Palmas from this camp as having similar contributions to evaluations literature as the works offering alternative or additional explanations of microfinance institutions' performance. For example, some scholars have examined the impacts of worker moral behind the success of Grameen Bank (Jain, 1996), while others have contemplated the potential role of varying social capital levels in group lending communities (Mason, 2014). Moreover, authors have produced increasingly comprehensive evaluative methods to study the empirical performance-related data of Banco Palmas, from the basic surveys focusing on income indicators and community residents' perceptions toward the bank at the 10-year juncture (Silva Jr., 2008), to the exhaustive set of evaluation metrics and performance indicators co-created by Banco Palmas, researchers at NESOL-USP, and Columbia University's student teams (Cachicatari et al., 2012), which also constituted key contents in the most recent book (Instituto Palmas & NESOL-USP, 2013).

The second camp of academic interests has been attracted by the currency Palmas, the bank's local social currency, mostly bringing in international researchers specializing in alternative currency experiences from around the globe (Fare, Freitas, & Meyer, 2013; Freire, 2009; Kobayashi et al., 2012; Meyer, 2013; Nishibe, 2012; Nishibe et al., 2012). I use "alternative currency" in hopes of including complementary, local, and/or social currencies, as their specific differentiating definitions are beyond the scope of this study. Generally, the case of Palmas appears to have garnered interests for being an example from the developing world, and having a scheme with the currency resembling much more like alternative money, at least symbolically or rhetorically, than voucher or barter exchange, as well as for having unusual features such as convertibility with the Brazilian real and being issued in microcredit. The scholars came predominantly from continental Western Europe and Japan, perhaps reflecting the strands of sociological approaches to economic theorization in these countries, although the Brazilian Central Bank also undertook an internal study from a regulatory standpoint, which found that Palmas was compatible with national monetary policy and complementary to the local micro economy (Freire, 2009). Further, out of this international

group of currency researches, an interview and fieldwork-based memoir of Joaquim Melo, the co-founder of Banco Palmas, was published as *Viva Favela !* in France (Melo, Freitas, & Becu, 2009), representing the most popular version of literature on Banco Palmas, and has been well-received by the general reader, judging from the book's 4.6-star reviews and availability of 12 used copies as of May 2014 on Amazon.fr ("Viva Favela! - Amazon.fr," 2009).

To be sure, the first and second camps of academic studies are not mutually exclusive, and the researches engage in dialogue to an extent through citations, and conferences may have sessions for both groups. Nevertheless, the alternative currency story complicates any evaluation framework, as tinkering with the idea of currency is not typically considered a development tool but associated more with declining or static micro economies in advanced industrialized countries. An explicitly comparative case study from the second camp by Hashimoto, Kobayashi, and Nishibe and their collaborators, seems to point to the need to appreciate the organization in its own terms. Using a survey tool on perceptions of money, which the authors have conducted on various activists in alternative currency movements in Japan and Argentina as well as on conventional banking and finance professionals, the authors discovered albeit with statistically inconclusive significance that community leaders in Conjunto Palmeiras scored somewhere between the alternative currency activists and conventional banking professionals, being more profit-oriented than the former but less than the latter (Nishibe et al., 2012). The findings suggest that Banco Palmas as an entity and Brazilian community development bank as a model are neither strongly market-oriented as perhaps in the largely scalable types of microfinance, nor completely social as in time-sharing and other kinds of alternative currency schemes, but meant for development goals marrying both.

The bank's recent circumstances of providing technical assistance to new community banks to be set up around Fortaleza in formal partnership with municipal and national government branches, as well as a strategic focus on IT, wherein it is developing mobile survey tools, indicate that there will likely be greater expansion in data collection in the new future. It may soon even become possible for it to provide panel data from multiple community banks to researchers, enabling more rigorous economic impact evaluations in

line with the trends in the literature. At this critical juncture, however, what is missing from the empirical literature on Banco Palmas may be not additional perspectives on how its programs compare with other programs, but how its organization, which for one reason or another came to combine the unique set of programs, potentially compare to other organizations.

1.3.2. Organizational Research Literature

While not obvious at first glance, this group of literature appears to exert considerable influence on the contemporary fields of international development indirectly by providing theoretical backups for the knowledge-based management approaches and organizational focus adopted by leading multilateral institutions, including the World Bank and Asian Development Bank (ADB). In particular, knowledge management, or “KM”, strategies have become part of the agencies’ daily operations and internal and external reporting metrics, if at somewhat superficial levels. The literature on knowledge and organizations began from studying high performance corporate workplace, and remains so to a large extent. The key question is: how does one organization excel at the business it is in through knowledge management, more than its peers? The investigative eye is thus fixed on organizational performance, and the perspective is comparative organization. The existing literature in this group is poorly adapted for looking at small or nonprofit organizations. Nevertheless, the large body of previous researches has created highly relevant conceptual frameworks based on the empirics for understanding the *how* aspects of innovation through its core element, knowledge, and also established important conceptual distinctions concerning the various forms and channels of transmission of knowledge – a notoriously intangible subject – while also paying analytical attention to observable processes and practices involving actual individuals, groups, and whole organizations and networks. All of these foundations, as well as the earlier works’ attentiveness to theorizing based on observations from the fields, make the organizational research literature, and especially key previous theoretical researches on knowledge management, promising for adaptation to studying innovation in community-driven organizations and their network of stakeholders.

Knowledge-based analyses of organizations emerged during a shift in management concerns from efficiency to innovation in the 1990s. Finding inspirations in Polanyi’s and

other theories of knowledge, Nonaka founded the theoretical basis by distinguishing between tacit and explicit knowledge in organizational context, and, more importantly, arguing that conversion between different forms of knowledge and interactions occurring like a ball being passed in a rugby game between individuals in small groups led to creation of new knowledge in Japanese companies (Nonaka, 1995). He further explained the importance of having “*Ba*” (場), a social and situational setting, within organizations wherein spiral processes of knowledge conversion/creation, including socialization and externalization, could take place among small groups of individuals learning beyond their original domains of expertise (Nonaka & Konno, 1998). Some other key conceptual points from Nonaka are that people, not organizations, hold knowledge, that organizations provide social context for knowledge creation and sharing to take place effectively between people, and that looking at interactions at the middle cadre, rather than a view of top-down/bottom-up dichotomy, are critical for understanding knowledge processes. In addition, Nonaka updated discussions on tacit/explicit knowledge by reemphasizing the distinction as a continuum (Nonaka & von Krogh, 2009). Researches in this literature group also examine knowledge-related practices beyond one firm, but in relevant networks such as industry groups, reinforcing the insights about the local and social nature of knowledge, that “knowledge is inherently sticky and must be given meaning” by being “continuously negotiated through interactive social networking processes” (Swan, Newell, Scarbrough, & Hislop, 1999). While innovation is an especially difficult subject to pin down in economic researches (Polenske, 2007), the management studies of knowledge and innovation have contributed to social and strategic understanding of what can be done at organization level in this domain. Furthermore, knowledge-based theory of the firm has combined with learning theories, particularly the concept of community of practice (Wenger, 2000), leading to an outpouring of numerous case studies, with the merged literature constituting a professionalization of the “KM” field, complete with dedicated publications, textbooks, client-facing consulting services and IT solution packages.

In the spheres of international development, prescriptive dimensions of KM studies have penetrated the boardrooms of multilateral development agencies during the 2000s. Top-down introduction of the practices are evident from the World Bank’s former program

director of knowledge management specializing in organizational storytelling (Denning, 2004), and the global institution's reinterpretation of its mission and theory of change under the Wolfensohn presidency that knowledge combined with capital, and not money alone, leads to development and poverty alleviation (Phillips, 2009), to Asian Development Bank's series of Knowledge Management Plan of Action (ADB, 2014a) and annual Knowledge Management Perception Surveys of its employees (ADB, 2014b). Today, the World Bank also estimates that it invests as much as one quarter of annual budget in knowledge products, attesting to the centrality of knowledge in its strategies of aiding developing member countries, albeit 31% of its PDF reports are never downloaded (Doemeland & Trevino, 2014), and hierarchical implementation of KM during the reform years may have led to further bureaucratization of knowledge as employees facing restructuring had reverse incentives to hoard knowledge as a form of power (Phillips, 2009, pp. 71–75). Elsewhere, KM tactics have been applied to promote public sector reforms (McNabb, 2007). Contrastingly, there does not seem to have been as significant an update on the diagnostic studies on knowledge and organizations to expand the foundation of understanding by incorporating other types of organizations to in-depth case studies and building new knowledge-based concepts that correspond with unique evidences grounded in the diverse empirics that populate the landscape of development work.

The existing literature on knowledge management focuses on large firms, as most management science literature does; its frameworks are poorly suited for assessing other types of human organization, and particularly small and nonprofit institutions. After all, Nonaka's is a knowledge-based theory of the firm, and not of the association, the neighborhood, or the nonprofit organization. Absent of standard economic theory's underpinning, studies of nonprofit management are characteristically interdisciplinary; economic theories do not fit well to the job description or behavior of nonprofits, while sociological explanation and models drawing on institutions and structuration theories do not typically provide pragmatic and strategic suggestions to practitioners, even as the studies of nonprofits have moved to focusing on theories of marketing (Helmig, Jegers, & Lapsley, 2004). Hence, the few recent academic researches on the topic of knowledge management with respect to nonprofit organizations treats adaption of cause marketing (Andreasen,

Goodstein, & Wilson, 2005), and some authors even argue that all nonprofits are simply like businesses selling visions (Cullom & Cullom, 2011).

The noncritical appropriation of KM literature can be problematic. To take the example of community-driven social enterprise, which is essentially what Banco Palmas is organizationally, the nature of the organization is at once operational, associational, and transformational. The community-based organization provides products and services to clients who may or may not be serviced by the market, but also needs and depends on the community members' participation and involvement in its model beyond usage of services. At the same time, the ultimate goal of the organization is to catapult changes beyond the local neighborhood, and eventually eliminate from the society and the world at large the problem (i.e. the gap or niche in the market) that it originally addressed. Consequently, fundamental components of organizational theories, such as group dynamics, personal motivations of organizers, users as well as participants, and structures and norms of organizations, differ profoundly from large corporations that formed the bedrock of organizational knowledge theories. Without addressing the unique features of nonprofit organizations (and of the different kinds of nonprofits), knowledge management literature has as yet little to say about knowledge creation at these organizational settings. Even when some elements of the KM prescriptions are to be applied, one size does not fit all (Hume & Hume, 2008). Perhaps it is due to this relative lack of academic studies that operational (as opposed to organizational) applications of the framework have been limited to UNIDO's guidelines to implementation of evaluation and systematic approach to knowledge networks, albeit this application is entirely focusing on private sector entrepreneurial networks and impacts (Kitaoka, MacGillivray, Marx, O'Reilly, & Soares, 2011).

The scope of empirical studies in organizational researches related to knowledge processes is therefore unsatisfactory when it comes to nonprofit sector, yet this body of literature also presents well-tested frameworks for examining knowledge within practical institutional environments, and hence has promising potentials to help with conceptualization of community-driven examples of innovative practices. Knowledge management has already been called hype, hope, or help (Blair, 2002). Nonaka, however, first shed light on the seemingly intangible and ungraspable knowledge-based practices not

by isolating the particular behaviors, performances or tools, but by making sense of them amidst their critical empirical milieus. The resulting evidence-based and contextual study is akin in spirit to the works by development economists such as Amsden (Amsden, 2003) and Tandler (Tandler, 1997), who argued against dominant conceptualizations of the right kinds of development by creating theoretical explanations based on in-depth researches in developing countries such as South Korea and Brazil, theorizing from below. In view of the limitations as well as potentials of this group of researches, then, a contribution may be to unbundle “KM” back to knowledge management in small letters. Then, an attempt at a new kind of case study by modifying the concepts as necessary and by learning from the field of community-driven innovative development practices may be a welcome addition. Synthesizing and clarifying works such as *Working Knowledge* (Davenport & Prusak, 2000), supplemented with a perspective from social entrepreneurship ecosystem (Bloom & Dees, 2008), as well as the earlier works’ conceptual guidelines, could provide the steps forward in this direction.

1.3.3. Regional Studies and Other Literature

The review of literature thus far has argued that a gap in literature should be filled with a different kind of case study that is focused on organization and knowledge at community-driven nonprofit settings, conceptually taking into consideration the defining characteristics of such an organization, that is to say the organization itself as well as its surrounding institutional environment. Regional studies literature provides a rich source of contextualization from bigger picture perspectives as well as from longitudinal point of view, which is after all what development is all about: long-term and holistic transformations. The analytical perspective of this group of literature is comparative regional or comparative country.

Recent researches in English on Brazilian models of local development involving notions of communities, subnational levels of analysis, nonprofit or third sector, or innovation appear to concentrate on two topics: participatory institutions at municipal governments in conjunction with the growth of civil society under the current governing Brazilian Workers’ Party (PT), seen as innovations in public sector (Avritzer & Wampler, 2004; Avritzer, 2006, 2009; Baiocchi, 2003; Campbell, 2003; Lara, 2010), or the issue of land

rights and other territorial rights in informal settlements, focusing on innovations of the law or of applications of the law and human rights principles (Durand-Lasserve & Royston, 2002; Van Gelder, 2010). While enormous regional divergences are acknowledged in large blocs, many researches still rely on aggregate national statistical data to answer questions about civil society phenomenon (Avritzer, 2009), resulting in limited insights about the internal processes or qualitative change, motivations of community organizers or of policymakers, perceptions and shared values, and most of all, creation, accumulation and maintenance of knowledge. Put differently, the studies of the bottom-up in terms of new patterns emerging from Brazil treat the grassroots organization as a unit of analysis, and may be complemented with a closer look inside (processes) and around (networks) of these entities of collective endeavors.

Concerning innovations, current affairs in Brazil are also such that a multitude of examples appear to be emerging from the country, ranging from innovative market solutions such as issuing additional construction rights as bond in São Paulo (Sandroni, 2010) to municipal institution in the form of participatory budget that started from Porto Alegre, to national policies such as leading examples of conditional cash transfer (Bolsa Família), and now an Internet bill of rights in Marco Civil (Meacham, 2014). The trends are top-down as well as bottom-up, and encompassing private sector as well as public sector. Banco Palmas and community development bank (CDB) is also one example. By choosing one kind of innovation as thematic topic and analyzing the aggregate of the category, studies tend to remain sectorial even as simultaneity and concurrence may very well be a defining pattern in economic, social and political transitions characterizing contemporary Brazil, rather than a certain linear trajectory toward greater participation, democratization, or liberalization.

Thus, a case study traversing the institutional landscape of Brazil, with all of its specificities and localized factors, with its meandering history marked by opportunities and obstacles, could also tease out the more subtle institutional arrangements and transitions in contemporary Brazil from a regional comparative perspective. For the case of Banco Palmas and the topic of community-driven social innovation, moreover, incremental process-based, long-term, and subtle qualitative changes are also important for understanding the role of knowledge, necessitating thick contextualization.

To help with the analysis and interpretations, this research will particularly rely on earlier fieldwork-based researches on development experiences of grassroots cooperatives from the region (Hirschman, 1984; Tandler, 1983). While these earlier experiences were mostly based in rural communities of Latin America, the literature is especially relevant because Banco Palmas today is allied with solidarity economy movement in national politics and policies in Brazil because of shared factors and experiences, making them comparable. In addition, Tandler's *Good Government in the Tropics* offers the most in-depth developmental studies account on the Northeast region of Brazil, and especially the local government behaviors in Ceará (Tandler, 1997). Furthermore, liberation theology and its associated grassroots religious movements are relevant as important precursor to a variety of social movements in Brazil in the 1980s, ranging from localized neighborhood associations to national coalition for democratic transition, out of which PT also emerged (Dawson, 2007; Fitzgerald, 2007). As for contemporary bigger picture or global comparative regional perspectives, certain international organizations' recent reports elucidate patterns of regional differences, particularly on inequality at city-scale (UN-HABITAT, 2010), and the Brazilian and Latin American labor market at national and subnational levels (Guimarães, 2013a, 2013b). Related to the last point on labor market structures, institutional analysis of political economy at national levels in terms of hierarchical organization underlying inequality (Schneider & Soskice, 2009), and the regressive labor market complementarities (Schneider & Karcher, 2010) are relevant for understanding the institutional and policy environment surrounding the case of Banco Palmas and the local neighborhood.

Other literature related to the concept of community and collective actions find relevance in planning literature. Briggs' global comparative studies of civic capacity and democracy as tool and pragmatic instrument of community-based problem-solving is an important, alternative perspective on democratic institutions, more from the grassroots organizers' point of view (Briggs, 2008). At this intersection, classic planning theory literature, including the notions of ladder of citizen participation (Arnstein, 1969), muddling through (Lindblom, 1959), and not least of all, planners as change managers for community in time and space (Lynch, 1972) continue to give theoretical benchmarks.

1.4. Research Question

In this study, I investigate the use and role of local knowledge in contributing to a community-driven development institution that is considered innovative, namely, Banco Palmas, Brazil's first community bank. Thus, this thesis presents an in-depth, evidence-based, and multisource, knowledge-based case study of a community-based institution of social innovation. Ultimately, the goals of the study are to identify the processes and networks facilitating the use of local knowledge and their formulation in ways that could be linked to the growth and institutionalization of this particular case and model, with a point of view "told from inside," as experienced by the practitioners involved. The research interests are hence at once empirical-practical and conceptual, and may be described as efforts at conceptualizing the practice in terms of the processes and institutional relations both internal and external to the local community, focusing on knowledge. The investigation hence employs a research method of "follow the knowledge" framework to uncover knowledge creation and maintenance processes and management of such processes by stakeholders and institutions in interaction, which the next chapter will outline. The detailed case study and the findings and their interpretations in turn tell a generalizable story about how to think about knowledge when innovative development models emerge from communities. In conclusion, the study offers actionable lessons for other entrepreneurial community organizations as well as institutions interested in supporting them.

Going into the research, a hypothesis is that the unique origins and treatment of knowledge involving the local community in a community-driven organization like Banco Palmas enable the organization to meet the community's needs with innovative solutions more rapidly and repeatedly because knowledge accumulates locally in local experts and shared experiences. Underlying the research question and its hypothesis are three starting assumptions about community-driven organizations' interactions in knowledge with larger external institutions, especially those that provide resources, such as donor, government, and funding agencies. The three assumptions starting with a "C" would keep the box open in this investigation, and enable more inclusive considerations concerning the potential causes related to this topic, which has not been studied much previously. Specifically, I begin with assumptions that knowledge relations relevant to this study's research question are:

- *Combined:* Knowledge dissemination does not run in one direction; it is likely, in practice, that gains of learning and exchange of information are bidirectional and reciprocal, even if the two institutional partners differ tremendously in size, or tangible resources such as funding are supplied in one-way stream from the government or aid agency to the community organization;
- *Contextual:* Communities and external institutions do not exist in isolation from other entities; rather, they are embedded in preexisting patterns of interrelations, and depending on these contexts, the same information may be perceived differently, leading to divergent significance;
- *Changing:* Patterns of interaction can change from time to time, and are not static over time; both the knowledge relation itself and its context can shift.

With the three C's, this study's basic perspective diverges from the tacit and common sense assumption on the part of development community that knowledge transfers such as technical assistance and capacity building measures will affect local communities in one-way stream, from the development agency or any provider of "intervention" to the recipient community – a perspective that is not equally interested in what such communities have to offer other than participation itself. The pre-research expectation is that both local and external actors have a role to play in sharing and promoting knowledge for community-driven practice to become a model and institution.

2. Research Design

In this chapter, I specify in detail the proposed case study methodology, including its starting assumptions, a working conceptual framework of knowledge, the interview protocols and summary of data collection methods, and fieldwork, wrapping up with previews and a visual map of key results from Chapter 3 and Chapter 4.

2.1. “Follow the Knowledge” Case Study Method

The framework starts by accepting the notion in international development that money alone is insufficient to deliver the job of development, that knowledge, as a critical constituent of local capacity, likely plays a critical role even when finding the tangible evidences poses a problem, as well as the main concepts related to knowledge creation in organizational settings as described in the review of the “organizational research literature” group in previous chapter. Given the centrality of the question of knowledge in making development policies, programs and projects *do* what they are set up to do over the long term, and especially when things are considered to be innovative, the conventional “follow the money” analysis should be complemented with a “follow the knowledge” investigation.

The overall structure of the research is case study. Hence, there will be a synthesis of multiple strands of analysis based on a variety of fine-grained evidence from different sources explaining the same set of events and facts involving Banco Palmas as they relate to the research question. The cross-referencing evidences corroborate each other, and agglomeration of them in terms of patterns and trends permits generalized discussions on this case and this topic. The multisource approach is also practical for examining this complex and long-term subject (spanning 16 years for Banco Palmas as an entity, and 40 years of community mobilization for the neighborhood of Conjunto Palmeiras), as no single dataset is available for the entire period to adequately answer the research question.

In 1.3.2, I proposed that earlier organizational knowledge concepts, modified as necessary to fit the community-based and nonprofit nature of the organization in question, supplemented with institutional analysis, and interpreted with thick contextualization, could provide the steps forward in analyzing knowledge management in this case. The actual research design incorporated a working conceptual framework of knowledge, multisource

data collection methods, interview protocols and manner of codification, and fieldwork, which each following subsection will explain. In operationalizing and implementing the research, the general focus guiding the research development process were:

- First, I agree with Polenske that “Schumpeter probably wrote more about the entrepreneur – i.e. *who* innovates – than about innovation – i.e. *what* is innovated” (Polenske, 2007, p. 5), and hence pay attention to the *how* and *who* of innovation, focusing on the signs of processes and networks (of individuals and institutions contributing to the processes) as keys to understanding what is actually happening inside and around institutions and models of innovation.
- Second, in the spirit of Davenport and Prusak’s chapter “What do we talk about when we talk about knowledge” (Davenport & Prusak, 2000), the hunt for evidence in this study is also based on a process-based view of knowledge, and will be more interested in how people and organizations engage in knowledge-related actions and collaborations, than following the paper trail of fully codified and explicit knowledge products such as reports, as they are not impactful unless individuals and organizations are acting based on them.
- Third, relatedly, knowledge is nearly always localized due to its foundation in human actions, and knowledge transfer is best observed when there are face to face interactions and evidenced by follow-up actions in one of the parties or as joint actions. Thus, aspects such as perception of events by those involved, reciprocity of interactions, sequence or repetition of events, and where actions take place, also deserve close analytical attention. The general expectation is that *doing* involves most knowledge exchange and creation of knowledge from interactions of diverse actors, such as in joint projects, more than abstract understanding or knowing (knowing about).
- Fourth, reflecting the organizational characteristics of the community association, which relies on informal person-to-person networks in the local neighborhood, helped by physical proximity, and also receives support from a variety of large outside institutions, some very far away, the scope of analysis should include these various institutions.

- Fifth, the research is in part about how idea travels over space and time in social sector, and administrative channels of governments at various levels, communications, political movements, and other characteristics of institutional arrangements and networks may be instrumental in addition to geographic conditions in facilitating the transmissions.

2.1.1. A Working Conceptual Framework of Knowledge

Treating knowledge as a variable exposes this investigation to both analytical merits and serious demerits. Knowledge can have a highly abstract definition and thus pose problems for evidence-based studies. Indeed, the first challenge of empirical studies focused on knowledge is: “What knowledge?” (Blair, 2002). Fortunately, a relatively large body of work on knowledge and organizations exists in management science albeit the subjects of these earlier studies cover mostly corporations, as explored in the literature review section. The point of start in understanding knowledge in this research borrows largely from existing works found in this group of management science, with modifications to make the concepts fit for examination of a mission-driven, nonprofit (but sustainable), small-sized, and community-driven organization.

Definition-wise, raw data or facts are different from information, which is still different from knowledge. Information is data that has been contextualized, categorized, calculated, corrected (for errors), or condensed. In other words, information is data that can speak for itself, or, a message that contains data. Knowledge, codified (explicit) or tacit, is distinguishable from both information and data because it entails complexity, and, more importantly, almost necessarily embodies action, or is borne in action. Hence, for example, a decision to give credit to a client is a process and knowledge-in-action; it cannot be reduced to simple aggregation of an internal credit score, characteristics of a client, or the loan officer’s training, etc., and, rather, requires active engagement of knowledge that encompasses all of these information and abilities. People carry specialized tacit knowledge with them, enabling them to make decisions on their jobs, and act based on them, and the knowledge-related interactions among people such as codification, communication, implementation, lead to knowledge-in-action.

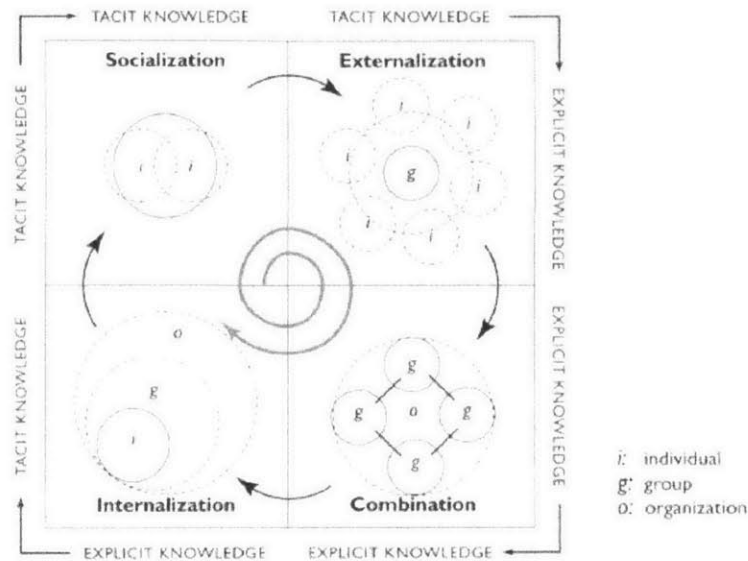


Figure 3: Nonaka & Konno's spiral evolution of knowledge conversion and self-transcending process
 Source: (Nonaka & Konno, 1998, p. 43).

Another conceptual aspect is that development processes of knowledge are best understood as an iterative spiral involving groups of people, wherein creation of knowledge is a function of repeated hypotheses and knowledge-based actions, and methods of finding new information in ways that directly respond to and lead to actions is critical for maintaining relevance of knowledge, as shown in Nonaka and Konno's diagram. The two diagrams in next page present a simplified two-component understanding of knowledge development processes, as being spiral over time, since knowledge become more and more sophisticated and highly systematized through iterations of codification (Figure 4), and as zigzag on a daily basis, because knowers keep the knowledge active through repeated trial and error of knowledge-based actions and acquisition of new experience-based knowledge (Figure 5). Over time, knowledge that fails to continually update itself and evolve through people's actions risk becoming disconnected, outdated, and turning into irrelevant knowledge forms such as mere dogma or pinion, stifling innovation rather than contributing to improvement. In addition, knowledge rarely transmits in secondary forms, i.e. through written reports, or even personal correspondences, and publication of information does not indicate knowledge diffusion, but when there are active interactions among people, the

likelihood of knowledge sharing is greater. In short, knowledge likes to be busy, and does not like to be alone.

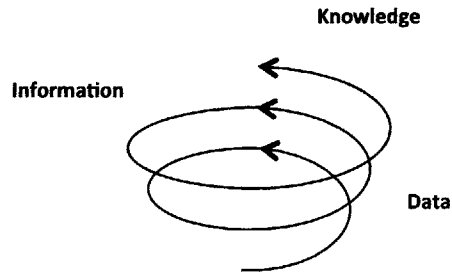


Figure 4: Spiral development of knowledge

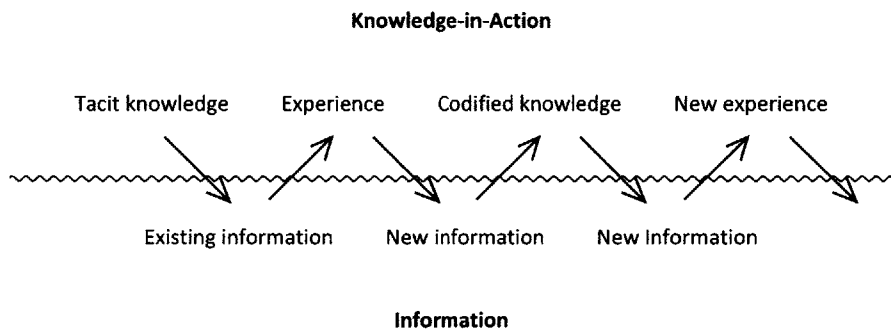


Figure 5: Zigzag development of knowledge

Finally, to put all of these concepts together, what may “local knowledge” mean? Based on preliminary interviews with informants, five potential categories of expertise at Banco Palmas were identified prior to formal interviews: local economy, development strategy, management of community bank, political organization, and social innovation (Table 1). The wiggly line represents conversion from information into knowledge. Some forms of active usage of knowledge may actually be original to nonprofit sector. It may also be argued that some types of knowledge are more transferable or at least communicable beyond the local environment, and are underlined in the table. For example, theory of change underlies mission of a nonprofit, and sharing of value system may motivate individuals in this sector when they interact. Hence, the conceptualization of knowledge assumes a notion of knowledge as “justified true belief” in line with classic organizational knowledge literature, rather than nonnegotiable objective facts (Nonaka, 1995, p. 58).

Table 1: Knowledge types and forms at Banco Palmas (pre-research)

	Knowledge-in-Action				(Irrelevant Knowledge)
Knowledge (complex)	Collective advocacy & political actions Credit & other program decision making Investment decision making (inclu. staff recruitment & development) Experience-based expertise (tacit) Narrative & oral history Product design, development and marketing Service delivery processes Theory of change (mission) Value system (judgment)				(Dogma) (Opinion)
<i>Categories:</i>	<i>1. Local economy</i>	<i>2. Development strategy</i>	<i>3. Management of community bank</i>	<i>4. Political organization</i>	<i>5. Innovation</i>
Information	Local consumption & production patterns, household behaviors	Mission statement, evaluation reports	Financial accounting, credit analysis, training manuals	Participation by community members, social surveys	[To be answered by interviewees]
Data (simple)	Individual resident behavior	Relevant outcome data	Client behavior, service data	Individual participant behavior	[To be answered by interviewees]

Source: Author, based on interview answers.

2.1.2. Data Collection and Analysis

Table 2: Entities interacting with Banco Palmas (pre-research list)

	External	Local (Intra-Neighborhood)
Public Sector	Central Bank of Brazil, FINEP, Other ministries, PMF, SENAES, State of Ceará	CRAS, Health Clinics, Public Schools
Civil Society	AIESEC, Ashoka, CIDI, Fundação Fenômenos, National Solidarity Economy movement	ABVV, ASMOCONP, Nutrition Center
Private Sector	Banco do Nordeste, Caixa Econômico, Columbia University, NESOL-USP, Other households, Petrobras Researchers (individual), Zurich Brasil	Bate Palmas, Households, Micro Enterprises, Small Businesses

Following the guidelines of research design put forward in the beginning of this chapter, including the scope of institutions and network of partnerships to be explored, data collection and analysis identified a list of various entities interacting with Banco Palmas that likely had knowledge-related interactions, and covered a variety of source types in terms of

data collection. Main source of data were identified in accordance with the typical varieties of six sources of case study evidence (Yin, 2009).

Table 3: Sources and data collected in this study

Source	Data	Access
Documents	Banco Palmas / Instituto Palmas / ASMOCONP pamphlets, brochures, annual reports, website information	Online / fieldwork
	Banco Palmas / Instituto Palmas / ASMOCONP survey tools and related publications and other representations of the survey data collected	Fieldwork / request to Instituto Palmas
	Academic publications and conference papers involving partner institutions	Online / paper
Archival records	Quantitative data citations in documents	Online
	Local newspapers and earlier case studies including local statistical and other data	Online
Interviews	Guided conversation interviews with semi-structured interview protocols for each category of interviewees	Fieldwork / online
	Question and answer academic authors of key previous case studies about specific findings in the past, or key contact persons	Online
Direct observation	Neighborhood direct observation for physical and social context, including public facilities, sidewalk, transportation	Fieldwork
	Banco Palmas, affiliated organizations and partner institutions direct observation	Fieldwork
Participant observation	Observation of Banco Palmas research and development operations while working as visiting researcher onsite	Fieldwork
Physical artifacts	Recording of the number, location, design, message, author and visibility of images on display	Fieldwork

2.1.3. Interview Protocols and Codification

Interviews are the most important and original source of data in this research design. Qualitative and open-ended interview responses can provide evidence of knowledge in its complex and intact forms, as respondents can tell stories of their understanding of it, referencing personal experiences in a given circumstances, which would also provide insights into how knowledge may be formed in a given organization. Three customized protocols were therefore developed for interviewing respondents who were staff member at the bank (Banco Palmas employees), in leadership position (Banco Palmas leadership), and in interactions with partner institutions (partners), which was used both for local and external partners. Interviews of employees focused more on the bank's internal practices of managing knowledge, while interviews of the bank's leadership as well as partner institutions aimed to gage the existence and extent of knowledge-based influences and interactions by asking mirroring questions to both sides. In order to concretize the discussions on what could be seen as an essentially open-ended and highly abstract notion, I used the five categories or areas of expertise that were tentatively identified in preliminary interviews: (a) local economy (in the neighborhood), (b) development strategy, (c) management of community bank, (d) political mobilization, and/or (e) social innovation, from Table 1: Knowledge types and forms at Banco Palmas (pre-research). There was a risk of priming the respondents by providing the categories. Nevertheless, I treated the five knowledge types as a topic of conversation in the interviews, clarifying that they were simply suggestions based on my preliminary research, and inviting interviewees to supplement their own categories or types, so as to keep the responses open. Interviews of residents and other types of respondents, on the other hand, were conducted in guided conversation style without predetermined formula of interview questions for more free-flowing information exchange for contextualization of formal interview responses.

The interview protocol for Banco Palmas' partners also included 14 questions of facts that could be answered with a "yes" or "no," for purposes of scoring (Table 7). This scoring system represented an attempt and pilot method to convert subjective and contextual answers into ordinal dataset giving indication about the degrees of normalization and institutionalization of knowledge exchanges occurring in the interactions, so as to enable

certain “apple to apple” comparison of the diverse types of knowledge-involving activities and of the institutional actors involved. In this group of questions, the respondents were told to simply respond with yes/no, and that they could explain more about the facts or events if they wished. After verification of facts with Banco Palmas, the answers to each question were then assigned scores ranging from 0 to 2.0, with 0 representing no action to that effect, and 1.0 signifying a “yes” – recognition of an affirmative fact. Only when interviewees voluntarily commented that there were multiple occurrences of the event or fact in question, were a 2.0 assigned to express recurrent or more regular connections. At other instances, interview respondents said that the bank did not provide or receive technical assistance directly with their institution, but they believed that there were experiences of co-learning and co-creation or that Banco Palmas was providing technical assistance to an affiliate of their organization, or that the two sides had begun discussing a joint program that may be developed later in 2014. Such indirect situations and early phase projects were translated into a half-score of 0.5. While being different types of interactions, all aspects were assumed to have positive cumulative effects, particularly if they were still fresh in the memory of interviewees. The parties or categories of activities with higher sums of scores were interpreted to have generally greater degrees or deeper knowledge exchange with the bank. The scores are analyzed in section 4.1 of Chapter 4.

In terms of sequencing of questions, the yes/no questions corresponding with the scoring system (quantitative and factual “anchor” questions) were posed in the middle rather than at the beginning of interviews in order to avoid setting the wrong tone of “just the facts, ma’am” for the interviews (Weiss, 1995, pp. 50–51). Questions for the bank’s leadership as well as the partners generally progressed from inquiries specific to the organization or the individual’s role, to values and attitudes/opinions about Brazilian economy and society at large. The questions sought to cover the main types of knowledge identified in pre-research phase (Table 1), such as experience-based knowledge, value systems, theory of change, but focused on those that could be reciprocal between Banco Palmas and a partner institution, given this study’s interest in networks.

The questions and answers were mostly conducted in Portuguese, and all formal interviews followed one of the three interview protocols, and were recorded for ease of

coding. The interviewees were diverse in demographic attributes, including gender, nationality and range of age, with the youngest interviewee being 17-year-old and most elderly 81 at the time of interview. Their education attainment levels were even more diverse: some had a few years of primary education, while multiple respondents had doctorate degrees. Furthermore, my own performance in interviewing in Portuguese also fluctuated, and significantly more than if the interviews were conducted in languages that I was more fluent in. The results being variations in interview response length and depth that may or may not be attributable to underlying factors, the answers were manually coded, and thematically analyzed with cross-referencing with field notes from participant observation, rather than systematically through computer programs and counting words, etc.

Table 4: Interview questions for Banco Palmas employees

Interview Questions
1. Please describe briefly your title and role at Banco Palmas.
2. Which is your area of expertise, among the five? If you have multiple areas of expertise, please rank them, or feel free to tell me more.
3. Were you an expert at what you do before joining Banco Palmas, or did you become an expert by working at Banco Palmas?
4. In your responsibilities at Banco Palmas, how often do you communicate with your immediate colleagues, colleagues in other divisions, and people outside of the bank like clients and partners? How easy is it to collaborate?
5. Do you train people at Banco Palmas? Have you received training at Banco Palmas or in the neighborhood?
6. Do you organize or participate in some forum(s) or associations at Banco Palmas regularly?
7. Do you produce written report or give presentations for Banco Palmas? Is it shared internally or externally?
8. At the bank, do you deal with data; if so, how do you collect, organize and retrieve the data, and if any technology or collaboration is involved?
9. Do you design or conduct surveys at Banco Palmas? How do you organize the information and evaluate results, and if any technology or collaboration is involved?
10. How would you describe the working culture at Banco Palmas?

Table 5: Interview questions for Banco Palmas leadership

Interview Questions	
1.	Can you briefly describe how Banco Palmas works with its key partners as it relates to knowledge or expertise?
2.	Which type of information or expertise do you think Banco Palmas has most, among the five?
3.	Which expertise do you think can be developed more, and which do you think Banco Palmas' partners can provide or has provided most?
4.	Which of the information from Banco Pamas do partners find most useful, and how does Banco Palmas use such expertise to build partnerships?
5.	What was the most important event, fact or people in the evolution of Banco Palmas' relationship(s) with key partner(s)?
6.	Has working with partners changed Banco Palmas in any way?
7.	Are there certain values or ideas that partners and Banco Palmas share, and how are these values promoted within Banco Palmas, or jointly with partners?
8.	Are there ways that Banco Palmas and partners can make Brazilian economy or society better together?
9.	Is there anything else you would like to let me know about this subject? [Optional question]

Table 6: Interview questions for partners (general)

Interview Questions	
1.	Can you describe briefly how your organization has worked with Banco Palmas?
2.	Which type of information or expertise do you think Banco Palmas has most, among the five?
3.	Which of the information from Banco Pamas do you find most useful, and how have such information been useful at your organization?
4.	What was the most important event, fact or people in the evolution of your organization's relationship with Banco Palmas?
5.	Has working with Banco Palmas changed your organization in any way?
20.	Are there certain values or ideas that your organization shares with Banco Palmas, and how are these values promoted within your organization?
21.	Are there ways that organizations like Banco Palmas and your organization can make Brazilian economy or society better?
22.	Is there anything else you would like to let me know about this subject? [Optional question]

Table 7: Interview questions for partners (yes/no)

Interview Questions (Yes/No)	
6.	Does your organization have a signed partnership agreement with Banco Palmas or Instituto Palmas?
7.	Does your organization regulate or oversee Banco Palmas?
8.	Does your organization provide technical assistance to Banco Palmas (in which field)?
9.	Does your organization receive technical assistance from Banco Palmas (in which field)?
10.	Does your organization and Banco Palmas have overlapping board of director(s)?
11.	Does your organization have staff who have previously worked for Banco Palmas?
12.	Does Banco Palmas have staff who have previously worked for your organization?
13.	Has your organization authored a report jointly with Banco Palmas?
14.	Has your organization organized a conference jointly with Banco Palmas?
15.	Have you or your organization's staff visited Banco Palmas in Conjunto Palmeiras?
16.	Has your organization invited Banco Palmas staff to participate in a conference?
17.	Has your organization's staff been invited to participate in a conference organized by Banco Palmas?
18.	Has your organization's staff and Banco Palmas staff participated in the same conference or other occasion?
19.	Have your organization's staff and Banco Palmas staff worked on same projects (other than already mentioned)? If yes, have you: a) jointly developed or delivered specific products or services, or b) joint marketing of products/ programs/ services?

2.1.4. Fieldwork

In July 2013 and January 2014, I spent two weeks each time in Conjunto Palmeiras for a total of four weeks of fieldwork. The first visit was a preliminary trip to get a feel of the place and of the people, and decide on the feasibility of studying this topic. The second stay was a fieldwork based on six months of preparation and development of the research design, and culminated in 22 formal interviews, 15 of them fully following one of the three interview protocols, and more informal but informative conversations in Fortaleza, followed by six additional formal interviews in Brasilia and over the Internet. The selection of people interviewed eventually covered affiliates from nearly all groups and organizations that were of primary interest for this study.

Both periods in the field also yielded considerable opportunities for exercise in participant observation, exceeding prior expectations. As a visiting researcher at Instituto Palmas, I interacted daily with the study's subjects. I had a desk and a chair in the bank's two-story headquarters building, was plainly visible, and often discussed my research interests with informants and interviewees. There were many two-way exchanges and a continuum of observations throughout the time. When not interviewing or collecting materials, I attended one of the last FECOL meetings in its old format, the first FECOL of year 2014 (in a new form), a meeting of the Council of Managers of Banco Palmas (a governance body), a journalist's interview of Joaquim, two project meetings between the bank and the mayor's office of Fortaleza, many working meetings between the bank and research and technological partners, and a financial education workshop for women in another suburban neighborhood in the outskirts of Fortaleza. On other occasions, I participated more actively in two neighborhood tours that the bank had organized, a roundtable discussion and mixer comprising of Banco Palmas and visiting partners, and gave a presentation to senior members of the bank. Being onsite twice with a six-month interval also allowed me to witness many changes large and small in the organization, and, by coincidence, encounter negative (a robbery on bank property during a lunch break) and positive (new hiring, partnerships and projects) incidents.

My presence was seen as relatively normal in the community, nevertheless, since people knew that Banco Palmas frequently hosted scholars from faraway countries. In fact I

worked at times in the company of other students from Columbia University, University of Leicester and MIT while in Conjunto Palmeiras. Local residents were accustomed to researchers' attendance and behaviors; our neighborhood tours, endless interview requests, taking photos, living in the hostel operated by Banco Palmas, having meals in local shops, quietly taking notes at community meetings and being inquisitive about all aspects of their lives came as no surprise at all. Some interviewees also demanded our input in return, asking challenging questions such as how exactly each of us intended to contribute to the lives of Brazil's poor with our studies. Hence, the bank's prior history of collaboration and interaction with academics and other outside partners seemed to enable a style of participant observation that imposed limited interference on how things were otherwise happening, even as it made a variety of local individuals, organizations, sites and events reachable and accessible.

Accordingly, interpretations of specific facts and interview answers presented in this case study will be informed by a larger body of empirical insights from "within," which include mutually related responses from the interviewees as well as connecting intuitions gained during an intensive experience of trying to make sense of it all while in the community.

2.2. Previews

The next two chapters present the research's findings based on application of the research design as described in this chapter. Next page's Figure 6: Map of key findings in this study summarizes the location of key findings in the respective chapter and sections. In Chapter 3, focusing on intra-neighborhood scope, I argue that Banco Palmas expertly uses techniques of working the neighborhood, learning by doing, and communicative actions to cultivate and activate local knowledge, while also maintaining the local knowledge by managing community-led evaluations and institutional transitions. I also find that the bank's use of local knowledge directly builds on the community's accumulated experience in collective local knowledge management during its successive grassroots mobilizations in the past, and conclude that the community bank effectively also serves as a local knowledge bank. Section 3.1 presents employees' views in interview responses, and thus is the only section exclusively discussing knowledge within the organization of Banco Palmas. Other sections involve

interactions of other constituents of the neighborhood and community with operations at the bank, while Sections from 3.6 to 3.8 are unique in investigating the relationship of the bank’s knowledge management practices with the community’s historical developments, and in particular, the long and impressive tradition of community mobilization. In Chapter 4, which examines knowledge exchanges with external institutions, I explain that Banco Palmas provides local knowledge to key partners and allies in academic, civil society and government sectors, while responding to a number of institutional constraints of contemporary Brazil, charting a unique path from the grassroots to collaboration with national policymakers. While Brazil’s national structure of political economy and macro-level institutional characteristics are not the subject of this study directly, the last sections of Chapter 4 discusses pertinent “bigger picture” questions related to the community bank model and poverty alleviation policies (Sections 4.6 – 4.8). Sections 3.9 and 4.9 provide chapter conclusions. The body of findings from the two chapters then leads to the essential lessons and recommendations in the last chapter of this study.

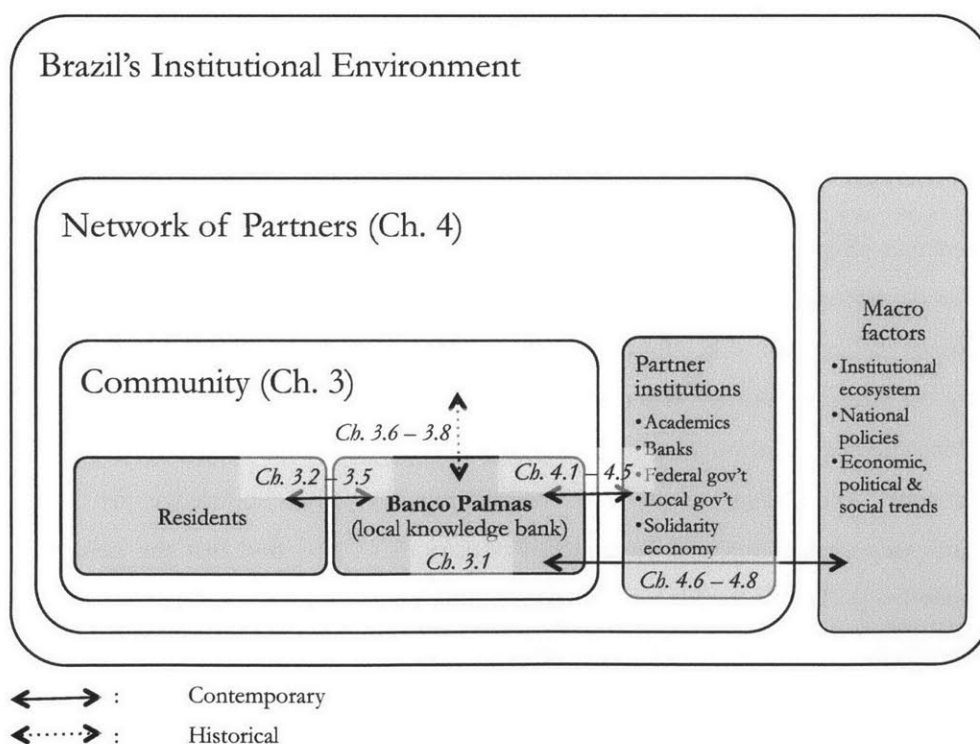


Figure 6: Map of key findings in this study

3. Banco Palmas as Local Knowledge Bank

In this chapter, I argue that Banco Palmas expertly uses techniques of working the neighborhood, learning by doing, and communicative actions to cultivate and activate local knowledge, while also maintaining the local knowledge by managing community-led evaluations and institutional transitions. I also find that the bank's use of local knowledge directly builds on the community's accumulated experience in collective local knowledge management during its successive grassroots mobilizations in the past, and conclude that the community bank effectively also serves as a local knowledge bank.

3.1. Employees' Views

Asked to identify Banco Palmas' chief expertise as an organization, and, if possible, choose among the five areas of key knowledge tentatively catalogued in the interview protocol – i.e. (a) local economy (in the neighborhood), (b) development strategy, (c) management of community bank, (d) political mobilization, and/or (e) social innovation – no local respondent quite followed the instructions to pinpoint one or two choices. Younger and newer employees at the bank, loosely defined as having less than five years of experience, generally thought the bank had knowledge in all five categories, but were vague about concrete descriptions of the bank's organizational expertise, being immersed in thinking about their specific work responsibility. They described their own professional expertise in relation to the bank's particular program or service where they were tasked, rather than some overarching organizational characteristics or strengths.

In addition to selecting key category/categories of knowledge from the five options, senior members of Banco Palmas were questioned more open-endedly about what they considered the bank had, and what others (mainly partners) seemed to think the bank had, in the domain of knowledge and expertise. The managers shared general employees' view that the bank possessed more or less a combination of all of the five kinds of expertise. Longer answers gravitated toward emphasizing political mobilization and local economy (in the neighborhood) as the “old strengths” of how Banco Palmas dealt with knowledge. This view was similar to that held by academic partners with longer experience of collaboration with the bank, which would be analyzed later in this study.

Because of the open-ended conversation style of the interviews with senior managers, respondents formulated and provided more elaborate answers describing what they considered to be Banco Palmas' unique characteristics related to knowledge, regardless of the five prepared options (a) to (e). Three distinct themes emerged from the leadership's free responses. They revealed the bank's managerial perspectives about what the people at the bank and its local supporters collectively knew how to do well, both in the sense that they *knew well* how to do it, and could actually *do it well*. Put differently, these answers were the veteran practitioners' response to the question of "What do we talk about when we talk about knowledge?" (Davenport & Prusak, 2000, pp. 1–24) in this case, defined by their sense of the realities of practice.

The three key know-how of Banco Palmas identified by the leadership were:

1. Ability to maintain a closeness and to engage with the poor in the community context, which may be called a know-how of "working the neighborhood";
2. Learning by doing; and
3. Communicative actions

The first know-how was described in part as a combination of expertise in (a) local economy (in the neighborhood) and (d) political mobilization, if it were to be explained in terms of the five options. Respondents tended to place greater importance on (d) political mobilization as the earlier cause or more fundamental of the two. Political mobilization was not seen as "political" in the partisan politics sense, but understood more in the terms of grassroots social movement at neighborhood scale as in community mobilization and organization. I will call this category of know-how and related activities "working the neighborhood" for this reason. The idea in the second know-how is self-explanatory; how it is implemented in practice will be described in the next sections. Concerning the last type, respondents described it using the word *articulação* (articulation) as often as more common words such as communicating, showing, letting others know, etc. The word *articulação* denotes in Portuguese a form of intellectual activity somewhere between declaration and formulation as in making an idea or situation clear, as in English, but Portuguese speakers use *articulação* much more frequently and conveniently than the English "articulation." I will simply group it under "communicative actions" to express a broader set of specialized know-how

encompassing advocacy, communications in both internal and external situations, certain forms of marketing, crafting of messages, persuasion, presentation, public relations, symbolic representations, and other related activities.

The next three sections will describe in detail these three know-hows of Banco Palmas that emerged from the managerial perspectives collected in this study, primarily based on the interviewers' own words, supplemented with relevant observations and additional evidences from the research.

3.2. Working the Neighborhood

3.2.1. Knowing the Terrain

Banco Palmas knew how to get things done in a difficult neighborhood even by Brazilian standards. This was the confident and shared view of its leadership as well as its workforce. In one senior member's words:

The focus of the bank itself...the capacity it has...can be called as management of poverty (*gestão da pobreza*)...to be amidst poverty, to relate to the poor, and, with a lot of ease, encounter solutions and products and services that are sustainable for development of this poorest population and the most impoverished of territories.

Almost all local interviewees mentioned as one of the first things in their interview responses the organization's history and commitment to be present in, acting on behalf of, and creating solutions from amidst the local population, who were at the base of highly hierarchical Brazilian economy and society. There was also a common understanding that this character of the bank, an ability as much as the very nature of the organization, was what external partners found to be most advantageous or attractive about working with Banco Palmas. The same respondent explained a view generally held by the employees:

I think the most interesting thing about us for the partners is our capacity of proximity to these persons who are the poorest. The great difficulty of big companies and banks is how they can get to these neighborhoods and actually have a relationship of quality. Normally, these companies and banks and universities arrive [to the communities] only to take away knowledge and take away something. We here have a permanent establishment in the community, and have a development in which the community is proactive. This is probably most attractive for our partners.

Comparatively younger members of the bank also shared this view that the knowledge and ability to achieve proactive involvement of the local community was fundamental to the bank's activities in all facets. Another interviewee suggested a clear ordering among the five expertise categories of (a) through (e) when discussing them, and identified the know-how of (d) political mobilization (as in grassroots community mobilization) to be primordial to other types of expertise (it was assumed that the bank possessed expertise in all five categories). In this practitioner's opinion, creating an engaged connection with the local community was prerequisite to the other activities that seemed more directly linked with actual intervention in the local socioeconomic situations or activities that looked more like the main contents of a bank. In this view, however, (d) political mobilization enabled other knowledge-intensive practices such as obtaining relevant socioeconomic data and on-the-ground understanding ((a) local economy (in the neighborhood)), or making sound analysis and strategy to solve the problems in the local economy ((b) development strategy). As for running a community bank, it was understood as basically an outcome of the application of other, more fundamental kinds of knowledge. Successful execution of programs ((c) management of community bank) at Banco Palmas was not as demanding in terms of unique expertise as understanding the local terrain, which was (a), or arriving at the right prescription for development, which was (b), while everything hinged on having a vibrant and engaged community involvement. In this respondent's view, innovation process ((e) social innovation) was an entirely different animal. It would mean carrying out with certain degree of creativity and flexibility the processes of moving from (d) to (a) and (b), and then to (c), over time. Some academic partners interviewed in this study provided responses with marked similarities to this ranking of the different types of expertise at Banco Palmas; this pattern would be analyzed later in section 4.2 of Chapter 2.

The same respondent then said that he was impressed by the fact that the neighborhood residents led by ASMOCONP had organized more than 90 meetings in 1997 during the course of evaluating the urbanization projects of 1992-1997 and deciding to create Banco Palmas. Each assembly was said to have drawn participants in the hundreds up to c. 1,000. Although the interviewee did not have any personal experience of the earlier era of community mobilization in Conjunto Palmeiras, he concluded:

In my mind, a community that is able to meet 90 times in a single year, with so many people and so much energy, and actually decide to do something, that something is bound to be a success. It turned out to be a bank, as we all know, but it could have been anything. If it were a school or even a restaurant, it would have become the most innovative school or restaurant.

It was therefore a shared and strong view among Banco Palmas members that the expertise of working the neighborhood in the context of Brazilian poverty and grassroots community movement was a “DNA” (Maia, 2013), *raison d’être* and core competence all at once for the organization. When describing this set of know-hows, respondents frequently mentioned its function as an enabling asset for other operational areas of the bank, and its close linkage with the concept of “territorial development.” Discussing how the bank actually “does” it, i.e. implement the management of this practical knowledge, answerers spoke about the local history of community mobilization going back for decades, and continuing methods such as consumption and production mapping. They also mentioned concerns and necessities about maintaining this capacity in the future, given the broad socioeconomic changes experienced in the neighborhood and in the country at large.

Looking at it objectively, it was not difficult to see that the bank’s partners would be impressed by its ability based on the conditions found on the ground in Conjunto Palmeiras. The precise extent of the demographic and territorial complexities of the neighborhood is beyond the scope of this study. Nevertheless, fieldwork observations revealed glimpses into the layers of complicating conditions. Demographically, Conjunto Palmeiras inhabitants seemed to be a population of broadly disadvantaged but divergent origins, with varying affiliations. The community had continually grown for the past four decades to include many other families than the original band of displaced fishermen. The neighborhood’s location at the southernmost corner of Fortaleza put it in a position of interface with inland rural regions of Ceará, which periodically suffered devastating droughts. The “push” factor of rural hardships and rising cost of living in central Fortaleza likely poured regional migrants into the neighborhood even though the locale did not possess the “pull” attraction of jobs. The neighborhood’s location at the city’s fringe also meant that initially it was more rural than urban, but lacking in actual agriculture, and even in recent times, building density was relatively low. Combined with the relentless sun of tropical Northeastern Brazil, lower density punished local shops that needed pedestrian traffic to thrive, while it appeared to

make public services such as transportation and policing inherently inefficient. Conjunto Palmeiras was not a favela in the technical meaning of the term, although it had been called so and sometimes local residents would also call it a favela to express something more cultural and social. Concerning land rights and usage, most parcels in the neighborhood were formal, as they were granted officially to the displaced families in 1973 as the sole compensation, although at least one parcel was a public land occupied by residents through collective invasion, a phenomenon not uncommon in the controversial land tenure situations of Brazil (Fernandes, 2002, pp. 104–107). Moreover, the distinction of formal or informal settlement might be of limited importance if the local economy still contained significant degrees of informality. This was the case since it was estimated by social assistance workers in the area that the majority of local families relied on cobbling together informal small jobs with various assistance incomes such as Bolsa Família to make ends meet. At the same time, the neighborhood's rapid urbanization left the community to be surrounded by more precarious settlements, even as populations moved, and violent crimes rose (the bank suffered robberies in 2013 and 2014). These shifts as much as the original conditions of the locality would have been a challenge for any institution to keep up with.

In short, Conjunto Palmeiras was a complicated terrain to maintain an organizational presence in, be it independent business or NGO, especially for the long haul. Yet this was precisely what Banco Palmas did for over 16 years “with a lot of ease.” Local respondents did not appear to consider it simply a communal muddling through. Instead, people talked about the neighborhood's grassroots community movement as a deliberate and organized work, filled with examples of considerable knowledge deployment in the form of learning, proactive planning and executing projects. At one point, I asked a senior manager: “Given that Instituto Palmas is working to support spreading the community bank model to other parts of the country, do you think that many Brazilian neighborhoods have a level of community mobilization similar to that of Conjunto Palmeiras?” The respondent answered:

No; but we can create. Community organization doesn't drop from the sky. It's something you must do. Community bank will require community organization...it's prerequisite. It's a difficult thing. But it's something that needs to be done, and can be done.

It was recognized that working the neighborhood was a necessary foundation for a community bank's operations. It was also seen that this entailed specialized practices and related know-how, and that the knowledge in this field or at least some aspects of it were transferable. The bank itself could be found implementing bottom-up local expertise by various means. It frequently used survey and mapping tools for local data collection and information generation, and also leveraged its own institutional designs and governance structures to connect with the community residents at large as well as the local network of leaders in social entrepreneurship. It also cultivated a sense of trust and legitimacy in the organization by possessing key symbolic representations of the history of the neighborhood.

3.2.2. Use of Maps, Surveys and Technologies

Banco Palmas frequently used survey tools and mapping technologies to generate local data locally. The organization's main survey and other local data collection instruments are listed in Table 8. The most prominent dataset was still the annual consumption and production mapping, while client data from microcredit users actually brought in similar data on a monthly basis. The data inquired in the consumption and production mapping surveys included household demographics and income data, basic spending patterns, and detailed spending patterns on household consumption goods, which were matched with data on how much of these consumer goods were purchased in local shops. Each surveying and mapping exercise would lead to codification of data points in the neighborhood into explicit information, and then representation of the information into fixed knowledge products such as maps, graphs and other media carrying "data with message", which were then hang on walls for anyone from the community or visiting partners to see.

The fine-grained data that Banco Palmas collected were otherwise unavailable from public sources, and could feed directly into the bank's operations such as decisions about the amount of credit to be issued in Palmas or BRL. The bank could also at any moment conduct specialized surveys to gather quantitative information and input from the community that would be useful for improving the services it provided, or evidences to be used in advocacy for the programs. For example, the 2011 poll of 100 Bolsa Família recipient women was linked with the bank's Projeto Elas program. Furthermore, the process of surveying was managed locally from start to end, using proprietary survey tools

such as locally developed questionnaires, and now a new technology (PalMap, a mobile survey application developed at the bank). The data collected would also belong to the bank, not airlifted to some centralized bureau for analysis. The control of process gave the bank complete ownership over the kinds of message that would be embedded in the resulting information.

In addition, the process itself of going into the neighborhood and recruiting local youth volunteers or those being trained at the bank’s community consultancy courses to conduct randomized surveys provided an opportunity to engage the community at the same time. Data collection, however, could only be so good as the starting hypothesis, which would determine the parameters of survey, and the willingness of neighborhood residents to participate. It was necessary and arguably more important that the bank knew how to solicit relevant qualitative, informal knowledge from the community before collecting or utilizing the “hard” data..

Table 8: Key surveys and data collection tools at Banco Palmas

Dataset	Data Collected	Sample Size	Technology	Community Involvement
Consumption and production mapping	Local household consumption (annual)	300-400 households	PalMap	Community consultants & youth volunteers Voluntary survey participation
	Local production of household consumption goods (annual)	200-300 businesses	Paper-based surveys Visualization	
Client data (credit, banking correspondent, etc.)	Household income & spending (monthly) Local business performance	c. 5,000	PalMap Paper-based surveys Banking IT system	Improved services
Poll of 100 women users of Bolsa Família credit (special survey)	Demographic & socioeconomic data of Bolsa Família recipient women	100	Paper-based surveys Visualization	Voluntary survey participation Improved services

Source: Created by author based on information from Instituto Palmas sources (Instituto Palmas, 2011a, 2011b).

3.2.3. Use of Institutional Design and Governance Structure

A second method wherein the bank implemented “working the neighborhood” was through its own institutional designs and governance structures of the organization. The bank hosted a number of community forums on its property and around it, regularly convening people ranging from the more targeted populations (community leaders, women and youths) to the wider public (shoppers and vendors). Table 9 lists the key forums held in recent years. Some forums functioned as integral part of the bank’s formal governing structure, like FECOL and Council of Managers. Open to all residents in the community, FECOL served as the community’s “social auditor” (Morais, 2010, p. 7), while the Council of Managers connected the bank with the most active or veteran leaders in grassroots movement and social activism in the neighborhood.

FECOL and the Council formally represented the community’s oversight of the bank; however, in effect they were the bank’s platform to engage with motivated individuals from the community in ongoing action-oriented dialogue. The bank usually reported updates on its activities, rather than received permissions for future actions from these bodies. Organizers at the bank devoted the majority of time in meetings to inviting the participants to openly discuss any issue in the community, or sharing ideas by breaking into smaller groups to brainstorm for solutions. Group-based programs such as vocational training and business incubation programs also served dual function of giving the local women and youths a space for socialization and networking, with the bank as the physical nucleus for their interactions, while allowing the bank to gain access into any new knowledge generated from the sharing of personal experiences.

It was also apparent that these forums and aspects of institutional design received greater attention from the bank’s management than quantitative data tools described earlier, as the management devoted significant time to run, improve or reform these forums, whereas survey questions seemed rarely revised. This tendency was consistent with the bank employee’s assessment that community mobilization was more fundamental expertise than knowledge of the local economy, related to concrete data.

Table 9: Key local forums hosted by Banco Palmas

Forum	Purpose	Size	Frequency	Community Participants
FECOL	Governance Community meeting	10-50	Monthly	Residents, Council of Managers members
Council of Managers	Governance Big project planning	27	Monthly	Leaders of associations, social groups, local social assistance program
Solidarity market	Street market Festival	[]	Weekly	Residents, vendors
Vocational training courses	Program-specific	[]	Ongoing	Residents (women and youths)
Projeto Elas Women Incubator	Program-specific	[]	Ongoing	Bolsa Família recipient women
Special conferences*	Specific purpose Festival	[]	2-3/year	Residents, Bate Palmas music group, other local associations and groups

*: E.g. 1,000 Youths, 10 Ideas; financial inclusion workshops; Confederations Cup related events (2013).

Source: Data collected by author in fieldwork.

In particular, the bank’s Council of Managers appeared to be a core constituency in the bank’s knowledge management through community engagement. The majority of the Council was comprised of people who might be understood as full-time social entrepreneurs in the neighborhood, although their formal titles were all different. These persons were also always present at FECOL, and contributed actively to discussions. Some of the individuals were on local government payroll, such as the neighborhood’s social assistance officer. Most represented a local social association or a group, which more likely than not they had founded. Others were notable business owners who had collaborated since the earliest days in the bank’s projects by accepting Palmas or youth interns. One Council member was a retired PT activist and also president of a social association, who wore different PT-themed t-shirts everyday, and claimed to personally know every resident in Conjunto Palmeiras and had taken it upon himself to meet 30-100 residents per day simply by sitting at the front porch and greeting the passersby. Another member of the Council identified his profession as *educador social* (social educator). After several follow-up questions, it became apparent that this did not mean that he was a schoolteacher, other types of teacher, social worker, police, or in fact had any source of regular income, as he was a neighborhood volunteer leader focused on youth issues, and worked to provide moral education through a performing arts

group that voluntarily met at a park c. 300 meters from the bank. Banco Palmas clearly benefited from the exchange of ideas among these individuals who had a wealth of personal experience from spearheading social activism in the neighborhood. Some members also commented that it was beneficial to come to meetings at Banco Palmas because they could learn the methods of how to implement their ideas better and seek collaboration.

Related to the last point, an indirect dimension of Banco Palmas' know-how in local community mobilization was that it was supported by a sense of trust and legitimacy in the organization resulting from the community's history. This was possible no doubt because of the residents' personal memories of what had actually occurred in the past, but also reinforced through a variety of imagery that showed the neighborhood's earlier history on display inside the bank's building. The objects conveyed a sense of legitimate continuation of "the lived experience (*vivencia*) of the community," and were in line with the notion that the bank was the go-to place and information center on local grassroots activism since it had the most comprehensive historic records, along with respected local leaders' endorsement.

3.3. Learning by Doing

3.3.1. From Borrowed Technology to Local Knowledge

Its name notwithstanding, Banco Palmas was actually a multi-program nonprofit group, an agglomeration of projects not limited to financial services, as the organization was conducting a variety of education and social programs in Conjunto Palmeiras. Moreover, its portfolio of programs and projects was not static. Most projects seemed to last for several years before they were concluded, put to hibernation, reinvented or revamped, while new ideas were being considered and tested constantly. In the process, learning by doing played a prominent role in the organizational life of the bank. A senior member explained it while responding to the question whether the bank had learned anything from its partners:

Yes, we learned a lot. To take the example of banks, the first partners, we began with Banco do Brasil and then with Caixa Economico and BNDES. We learned the whole banking language and operations from them. When we started Banco Palmas, we were just from the community, from the masses. Not one of us was economist...during the first ten years we had no economist, no [professional] administrator, nobody from the banking system. We learned all of these stories of

the credit, savings, and about the financial world...everything came from dealing with the banks. We learned the process of financial transactions, banking [IT] systems...and we learned with them. It's not from some courses. They [the partners] thought we already had the knowledge, but we, with our girls here, learned everything from working with them. The interest rates, transfers... Nobody had studied it [in school]. Everything was based on practice. Our first software came from Banco do Brasil. They lent us their software, and we learned from it.

The response shed light on several aspects about how Banco Palmas gained and applied know-how related to specific programs and services it provided. The interviewee not only admitted that the bank had learned certain knowledge from its technical partners, but it had indeed learned a significant field of expertise (all banking services) *entirely* by trial and error of collaborative operations. This did not mean that the learning was a passive process. On the contrary, learning in this context was seen as distinguished from the passive style of learning as in schools, where professors would teach, and students would gain desktop knowledge. Instead, it meant acquisition of knowledge by doing the operations first, and adapting the particular technologies and techniques involved in administering the work to the local situations, and thereby generating useful collective experience-based expertise.

In the example of banking systems as well as in other operational areas, learning by doing meant that Banco Palmas conducted business with practical, pragmatic and ad hoc methods as a norm. It appeared that even if a solution tool originally came from outside, or was a "lent" technology as in the instance of banking IT systems, if the workforce had mastered it by learning together and learning it well in the art of implementation, the solution would be considered as locally owned because it was thought that there was more relevant expertise involved in the implementation than in the original system or idea. What counted was the doing. Relatedly, in their answers and how they spent time at work, the employees appeared to prioritize fast actions, pilot projects, and learning over making a project perfect in certain premeditated fashion. For example, the feature phone survey application PalMap, used for mobile data collection, had a partial rollout in 2013 while its realistic usages and marketing plans were still being explored in early 2014 after its launch.

3.3.2. Local Recruitment

The practical focus of Banco Palmas' operational know-how was evident in its staff management practices, from recruitment and training to workplace culture. Workers were recruited from the community first through the educational courses offered at the bank for vocational training of women and youths, including the community consultant course, which basically trained participants in all of the bank's operations through simultaneous coursework and rotational internship experience.

The courses offered as vocational training opportunity for the community also served as a meritocratic recruitment method based on on-the-job performance rather than paper qualifications. Participants in the course typically spent a half-day in classroom, and the other half as intern. After completion, a few might be selected to stay on for full-time internship, and eventually become staff. Most local staff interviewed said that they had participated in approximately three to six months of coursework offered at Banco Palmas before choosing to work for the bank, and that they did not have any relevant training or experience beforehand. Previously, they were student, stayed at home, or had worked in unrelated fields such as nursery teaching. They were required to pass an entrance test based on essays when they first signed up for the training course, but would be evaluated based on how well they learned while performing job tasks at the bank. As a result, by the time they joined as full-time staff, the workers were fully trained and proactively involved in the practical aspects of the organization, while not necessarily considering themselves to be of generalized finance or nonprofit profession since they were trained completely internally in this manner.

Interviewees considered that they became experts in their area of work by working for the bank. The rare cases of university graduates also agreed because they sensed that project experience at the bank made them experts at what they do. Similarly, the bank recruited project ideas through social projects and programs for the community. For example, at *1,000 Jovens, 10 Ideias* (1,000 Youth, 10 Ideas), an educational and brainstorming event for local youths, the bank would select 10 ideas based on feasibility, and support to realize them. Some ideas were being reflected in the bank's preparations for a series of community advocacy and social events targeting the FIFA World Cup season of June 2014.

The recruitment from community courses seemed to have the additional benefit of fostering communal learning habits. Staffs had friends from the class, and were habituated to devoting hours of time to peer to peer learning. A staff with two years of working experience at Banco Palmas could be observed training a new staff on how to perform needed tasks on the bank's IT programs, one-on-one, every morning from 9am to noon during the week. When asked explicitly, all employees interviewed agreed that it was easy to communicate at workplace, and that the relaxed culture at office and friendly relations with coworkers made sharing ideas and asking questions seem natural. People had the impression that they interacted with coworkers frequently – all the time in the case of immediate colleagues working in the same program group, and several times a day during lunchtime, over coffee, in the hallway or at community meetings with others. The layout of the new building as well as the old ASMOCNP compound and the way they were used also appeared to make it easy for staff to circulate and have an impromptu discussion at any time. A relatively recent employee thus commented:

I had never [previously] worked on whole projects, only parts. And so I think I am trained in university but this is the first place I am working on entire projects... Here, it's a very small company, so there is a lot of possibility for learning it all. I do all the processes of technical [solutions], in the area of [information] technology. If I were at a big enterprise, I would only do a piece. ...Besides that, I learned a lot about how a bank works by just being here.

Connected to the above description of the practical focus in human resources management and working culture, employees at Banco Palmas also revealed decidedly pragmatic comportments toward potential solutions, technologies, and ideas of new projects linked with resources from outside. It came across particularly strongly in the interview responses of the bank's most senior members when discussing institutional partnerships. In its relations with outside institutions, the bank did not antagonize any potential partners even when historical interactions or current business environment had proven to be hostile or competitive (e.g. Central Bank of Brazil, Banco do Nordeste). It was regarded as perfectly possible to find an area of mutually beneficial cooperation once the antagonistic episode was over, or in fields not in direct competition. The underlying philosophical outlook of the world held by its leadership and promoted was that the world was neither good nor bad, but merely "*mal distribuído*" (ill-distributed), and that tools for change were already available in the

world – the expression was “*o mundo tem jeito*” (the world has ways) – and could be useful regardless of their ideological origins. Thus, pragmatism trumped other sympathies when it came to finding solutions to local development challenges. Although the community was said to be an electoral stronghold of PT, and had originally been displaced by the municipal government of Fortaleza, partnering with big banks and the municipal government was seen and pursued as sound strategies for Banco Palmas.

3.3.3. Planning on the Go

Another, third characteristic of the learning by doing approach was that uncertainties, planning as going, and operational decisions contingent on circumstances were accepted as normal. Ad hocism at Banco Palmas was partly acknowledged as a product of necessity due to limitations and demands of the bank’s funding sources, and partly relished as an advantageous character of an organizational structure that was small, flat, open, and networked with the community. The funding with the longest term that the bank had secured was BNDES’s financing for microcredit, which was three years and subject to renegotiation for renewal. At the time of the second fieldwork, delays in the negotiations were said to be resulting in the bank’s de facto scaling back of lending to new clients. The new building of Instituto Palmas was financed with an innovation award grant from FINEP and other one-time grants that the bank had won over a few years. The bank was hence in no position to accumulate meaningful equity from stable expansion of microfinance or other commercial services, and there were limited options for bolstering organization-wide financial sustainability. Each program essentially paid for itself with short-term research and development funding (e.g. PalmasLab), or by cobbling together social program funds from multiple public sources (e.g. Projeto Elas). In the case of research and development grants, donors expected concrete results as soon as in three to six months. Necessity and operational experience both likely caused the organization to evolve in ways that made it capable to meet these expectations.

A clear advantage in all of this was that, as an organization and team, the bank could learn and react faster than most of its institutional counterparts. Both the bank’s management and external partners held this impression. Asked why this seemed to be the case, a worker at the bank responded, “their problem is that their organization is such a

pyramid, such a closed thing; we are wide open. So it is much easier for us here to learn from them.” Another consequence of the ad hoc mode of operations was that there were abandoned or hibernating test projects lying around, with their relevant equipment or half-researched knowledge hardly being used. Nevertheless, applying the approaches described in this section, the bank was generally able to maintain know-how that was updated and directly relevant to programs and solutions it applied in the community, without significant burdens of carrying too much desktop knowledge or having to synchronize its workers’ knowledge backgrounds. Internal operations of the bank both created and relied on being an effective face-to-face community of practice, comprised of practitioners entirely trained in the community, and who continually learned how to make projects work by doing them.

3.4. Communicative Actions

3.4.1. Communicating at Every Step

Two of the most senior members of the bank interviewed stressed communications as a core activity in which the bank had considerable expertise. According to their understanding, communications was not an ancillary function to help with some “main” activities at the bank such as credit or social programs, but was an integrated and critical component of the core organizational competence at Banco Palmas. As such, it was considered that actions in the field of communications firmly occupied a central place in the organization’s strategic plans and moves, and permeated in everything big and small that the bank did. It also appeared that activities discussed together in the interviewees’ responses were not communications in the narrow sense, limited to delivery of existing message or information, but rather were knowledge inserted in a variety of activities ranging from management of relations with local and external stakeholders to advocacy and marketing instruments. For this reason, the activities would be better comprehended as communicative actions. “We are good at what we do, but also very good at showing it well to our partners,” one interviewee commented. Another senior manager explained:

The strategy that we have used first, since the period of construction of the neighborhood, is to record, that’s to say, write. So we have a lot of written materials. Books, leaflets, brochures, booklets, songbooks...a ton of them. Writing down what we do helped a lot in letting people know. We don’t have a special team for

communications here, but the bank could communicate relatively well what we do. Also, we are able to give life to a lot of the things we do. The names, for example, everything is called “Palmas” something. PalmasLab is mainly a technical education course, but it’s called a lab. These names...even Banco Palmas, it’s not really a bank. You have to be thoughtful to give a name. Yes, it’s like having a brand. It communicates well, and catches people’s attention... So this method of communication, of doing things and at the same time communicating, succeeded in gathering the attention of certain interesting parties, principally the banks.

The respondent in the quote identified dual purposes – recording, and publicity – and two media forms – written materials, and other forms of embedded message such as branding of the organization – on the subject of communications as a core strategy. The interview also revealed that deliberate communicative actions represented a traditional local expertise, and implied that the know-how had overlaps with the know-how in working the neighborhood. A booklet collected from fieldwork entitled *Memória de Nossas Lutas (Memory of Our Struggles)* exemplifies a typical documentation from an earlier period in the neighborhood (ASMOCONP, 1998). Part collective memoir, part evaluation report, as well as advocacy and promotional material, the 29-page document presents survey data, but its most unique contents are the 34 original comments with each interviewee’s pictures, ending with the personal touch of an open invitation to visit Conjunto Palmeiras. The narrative style seemed to encapsulate the information in the booklet in an accessible manner to this day.

3.4.2. Example: Applying Community Narrative in Financial Education

While written materials were obvious examples of codification of tacit knowledge into transmittable narrative forms, sophisticated use of the narrative and storytelling could also be found in many of the bank’s programs. For instance, financial education workshops included a theatrical performance explaining in simple language the complex concepts of local consumption linked with social currency in next page (Instituto Palmas, 2012, pp. 3–4):

<i>Mas leitor a diferença</i>	But the difference
<i>Eu vou dizer é agora</i>	I'm telling you is now
<i>Comprando fora daqui</i>	Buying outside
<i>O seu "dindin" vai embora</i>	Your "dindin" (money) will leave
<i>Mas a vida comunitária</i>	But the community life
<i>Melhora de hora em hora</i>	Will improve hour by hour
<i>Também não esqueça amigo</i>	Also don't forget friend
<i>Da moeda social</i>	About the social currency
<i>Que circula internamente</i>	Circulating internally
<i>De forma muito legal</i>	In a very cool way
<i>Mantendo a riqueza ali</i>	Keeping the wealth there
<i>Dinamiza e faz fluir</i>	Vitalizes and makes it flow
<i>A economia local</i>	The local economy
<i>Se a moeda circula</i>	If the currency circulates
<i>Naquele local somente</i>	In this place only
<i>A riqueza do lugar</i>	The wealth of the place
<i>Não vai pra longe da gente</i>	Won't go far from us
<i>Passando de mão em mão</i>	Passing from hand to hand
<i>Valoriza a região</i>	It enriches the region
<i>Que cresce constantemente</i>	Which grows constantly
<i>A moeda social</i>	The social currency
<i>É bom que se compreenda</i>	It's good to understand
<i>Gera na comunidade</i>	It generates in the community
<i>Justiça, trabalho e renda</i>	Justice, jobs and income
<i>Articula ao mesmo tempo</i>	At the same time it articulates
<i>Num perfeito casamento</i>	In a perfect marriage
<i>Produção, consumo e venda</i>	Production, consumption and sales

Though it was impossible to translate the original version's rhymes into English, the ease of knowledge transfer in this theatrical and colloquial format was palpable. Local residents, representatives from institutional partners, and foreign researchers all responded extremely positively during a demonstration of financial education workshop in another peripheral community in Fortaleza, which was filled with comical performance from the participants in Projeto Elas. After a festival-like scene, workshop participants could be seen asking for more printed materials, and speaking to each other and the bank employees about the topic. In another example, the bank usually insisted for any potential partner organization to visit the community first, where it provided neighborhood tours by curating different local institutions such as businesses and social groups, with cooperation from their leaders, who would volunteer to answer questions, thereby facilitating face-to-face encounters and using the effect of being in the environment to convey complex messages of local knowledge to potential and existing partners.

Scholars of organizations point to narrative and storytelling as one of the best ways to share complex, experience-based and subtle knowledge within organizations and in knowledge networks, as the human mind digests information better narratively than argumentatively or paradigmatically (Davenport & Prusak, 2000, p. 81; Denning, 2004). The bank's community movement roots seemed to reinforce its relevant competence in communicative actions, notably for wielding the right language and power of narratives both for local context and for outside partners. In the community, local leaders in the social sector became recognized through their skills to communicate and motivate others effectively. One of the most elderly members of the Council of Managers commented that he first discovered his own leadership skills when others told him that they thought he spoke well in religious meetings. Bank employees were also typically accustomed to speak publicly in various community meetings and workshops for the community. Despite what may be considered as messy and creative improvisation processes of program implementation described in the previous "learning by doing" section, having expertise in communicative actions meant that the bank was still able to turn local tacit knowledge into finely calibrated, deliberate and coherent knowledge products while preserving their subtleties in narratives.

3.4.3. Example: Marketing of “Palmas” as Counterhegemonic Brand

To add to the repertoire of communicative actions practiced at Banco Palmas, another tactic was something close to branding as the earlier interviewee had pointed out. Harnessing certain elements of communicative actions such as symbolic language and representation, a corporate identity of Palmas was cultivated with the signature green color, palm tree logos, etc. The bank did not neglect these “superficial” aspects. There was also a conscious effort to convey the grassroots origins of its existence in these identity objects by using the word community whenever possible, as in community development banks (CDBs). The word *comunidade* (community) itself at times evokes an impression of low-income and working class neighborhood in Brazil, if not outright informality, and as such is in part analogous to terms such as *morros* (hills) and *periferia* (periphery), associated with imagery of favela and poor locality, just as affluent neighborhoods on the opposite end of the spectrum tend to be named *jardim* (garden) and such things. The implied stigmatism of these urban terms may be similar to “inner city” in American English, or *banlieue* (suburbs) and *cité* (satellite city) in modern France.

It was a strategy to reverse the connotation and drive a positive advocacy effect by bringing the spotlight to such words that were connected with how the poor identified themselves. A senior member elaborated on the intentions of the bank’s strategy:

I think I put a lot into it [communications strategy] because in Brazil and in Fortaleza, there are many people doing cool and good things, but nobody knows about them. It’s beyond people’s horizons. In a way, you have to “spectacularize” what you do. Rich people and great companies spend a fortune on communications. We don’t have that money. We have to do it in the ways we know how. The great companies and media always have a tendency to broadcast badly about these communities, that the neighborhoods are marginal, dangerous, that people are doing nothing there, and so on. It is as if all good things must come from the rich parts of the country. Now, when poor people of the favela and of the periphery do end up doing something good and interesting, you have to emit a lot [of information]. Give it a name, talk about it a lot, and do everything. It’s still not enough, and we need to speak up yet more. But I think this strategy has helped the bank in terms of relations with partners and much more.

As the latest characteristic bold move, it was decided that the new partnership with the mayor's office of Fortaleza to create c. 10 other community development banks in a cluster at the city's outskirts would be called "*banco da periferia*" (periphery bank).

3.5. A Model: Three Practices and Two Processes of Local Knowledge Management

3.5.1. Three Practices: Is Local Social Innovation Simply Muddling Through?

The three types of techniques presented thus far in this chapter – namely, working the neighborhood, learning by doing, and communicative actions – identified how Banco Palmas both pooled and connected local resources and talents to create knowledge in the community. Through its standard operations, the bank generated and circulated otherwise inaccessible knowledge relevant to the community. Combining the methods of working the neighborhood, learning by doing and communicative actions in its programs as well as institutional designs, it supported codification of tacit and experience-based knowledge in the neighborhood into explicit knowledge products, provided opportunities of new learning experiences for community members, and also gained from sharing of these explicit know-hows within the organization from staff to staff and with local stakeholders, particularly with local social entrepreneurs. As a result, an active community of practice in social entrepreneurship was maintained with Banco Palmas as its physical nucleus, coupled with constantly renewed knowledge-in-action of doing local social development.

The ensuing inquiry that emerges from analysis so far may be this: Is local social innovation simply a case of muddling through? Some of the more detailed practices found in the investigation, such as learning by doing, and especially the trial and error and "implementation first" approaches, or the norms of actions at neighborhood forums, where decisions on collective projects were made with limited information by those participating, who held diverse experience-based expertise but by no means were "expert" in comprehensive or certified ways, and the resulting solution formulation processes certainly resemble the "science of muddling through" that Lindblom described (Lindblom, 1959). In a neighborhood and community-based context, it then followed that the solutions actually emerging from this neighborhood would be innovative in that it would be improvised and customized to best address a localized problem, and would have been implemented already

even in trial phase. It is possible to argue that the bank is simply an amalgamation of multiple projects, and the projects sum of numerous attempts at doing the best one could with resources at hand. Certain other aspects about how the bank operated, however, suggested that there was more than muddling through at play pertaining to the question of local social innovation. For example, working the neighborhood could contribute to success of new methods, or products or services, by first inputting knowledge about what was really needed in the local community, and then also by providing certain legitimacy from the participation in developmental processes themselves so that residents would more readily use the outcome. Communicative actions also meant that the bank often had outsized reach for its theory of change and mission. Social innovation was twofold, including the custom-made services themselves, and innovation in theory of change integrating all the approaches, and there appeared to be additional enabling factors than muddling through in pulling these factors together and supporting the institution of the local community bank itself.

3.5.2. Managing Knowledge against Time

The descriptions of three practices offer a relatively short snapshot of the bank's activities related to local knowledge. They represented ingredients of the bank's knowledge management processes at normal, relatively stable moments. There had to be also an important time component to this puzzle, given the inherent, material and structural, uncertainties of pursuing ambitious social missions over the long term in a community undergoing significant changes. The literature on organizational knowledge management argues that successful knowledge management in the organizational context depends on how a company or institution is able to keep its specialized know-how alive over time, avoiding dogmatization or other pitfalls for active knowledge to degenerate into disconnected, fragmented, inactive or irrelevant pieces, which tends to happen anyways given that business environment and circumstances are constantly shifting.

On this front, fieldwork also yielded noticeable evidences from the local interviewees' responses that Banco Palmas claimed to be, and was perceived to be, the offspring and inheritor of the Palmeira neighborhood residents' much longer history of community mobilization and collective actions. The perception was embedded in the sense of trust and legitimacy surrounding the organization, and was considered to be the

foundation of its organizational function in the neighborhood. Furthermore, this was not simply a question of imagery, but bore concrete significance since the bank depended on the participation of local association and social group leaders for its good governance and effective operations, as these key individuals had unmatched personal expertise and network of working the neighborhood. When Tendler studied cooperatives in Bolivia in the early 1980s, she remarked that “the most obvious achievement of the Bolivian groups is that they still exist, almost ten years after their creation” (Tendler, 1983, p. 1). The Palmeira neighborhood’s grassroots movement has had its origins in the 1970s, much like the rural Latin American cooperatives in Tendler’s or Hirschman’s studies, but the community institution in this case may be more remarkable for not only still existing after forty years, but also for the transformations it underwent to be considered an innovative model in the present time. Indeed, what the bank could be today was inseparable from the long and unique history of community mobilization and organizing in Conjunto Palmeiras.

Analyzing evidences in this study such as local residents’ descriptions of the neighborhood’s history and organizational changes between the first and second fieldwork periods in this study, it was possible to discern two processes of knowledge management that Banco Palmas applied to address the uncertainties of its operational environment over time. The two processes of managing knowledge against time, as it were, would be best called: 1) learn, evaluate, innovate, and 2) management of transitions. The processes complement the special aspects of the three practices described earlier, and they could be understood as the warp and woof of local knowledge management in community setting. Moreover, just like simply doing development work in the neighborhood was not such a simple matter for the community organization, being there for long periods of time also depended on the two processes being successfully undertaken.

First, a recap of the local history is relevant before diving into further investigations. Subsequently, the rest of this chapter will describe the two additional fortes of Banco Palmas, and end by synthesizing the framework of “the three practices and two processes of local knowledge management” to argue that the bank effectively served a double role as local knowledge bank for the neighborhood, as predecessor intermediary organizations had historically done, in addition to the official role as a local pro-poor financial institution.

3.6. A Look Back in History

3.6.1. Conjunto Palmeiras 3.0

The story of Conjunto Palmeiras begins as follows. In 1973, during a phase in Brazil's military dictatorship, the municipal authority of Fortaleza evicted poor inhabitants from coastal communities for redevelopment of the land, and affected people were assigned to inhabit a location in Fortaleza's far-flung periphery without any compensation or provision of public service and infrastructure from the government. Little by little, families organized together to demand basic public services in the 1970s with great difficulty, until a breakthrough occurred when they formed ASMOCONP in 1981; thereafter, mobilized residents and governmental and international partners successfully completed the public works for the neighborhood to urbanize by 1997. At this moment of achievement, however, a community-wide assessment of the local economy revealed that some families were leaving the neighborhood because they lacked sufficient means to pay for newly introduced utility bills. In response to the new challenge, ASMOCONP created Banco Palmas in 1998 to promote local consumption and production by issuing credit in an original social currency "Palmas," among other methods. Instituto Palmas, a nonprofit entity, was established in 2003 to help expand the experience to other parts in the region and the country.

Virtually all literature on Banco Palmas begin with or at least include a variation of this account, which narrates the tale of the neighborhood's origins and development leading up to the founding of Banco Palmas. The "genesis" story offers compelling historical explanations about the bank's creation, and is remarkably similar in different output versions, whether it is presented in academic journal article or on the bank's official website on the page regarding the history of Conjunto Palmeiras (Banco Palmas, n.d.). The bank's employees, partners in government and private sectors, local residents and academics could all tell the story.

The storyline implies a relatively linear progression of events wherein the community movement to develop Conjunto Palmeiras was met with successive developmental outcomes. From an institutional point of view, it gives an impression of stable governance of the community's development processes led by ASMOCONP and its direct creation, Banco Palmas, in the role that Hirschman called "social activist," similar to the French term

animateur social or Spanish expression *promotor social*, coordinating and promoting a number of social and cultural actions besides the ones it was originally founded to advance, and serving as an intermediary between outside donors and the grassroots (Hirschman, 1984, p. 79).

For purposes of this study, it helps to make two qualifications about this history. The first is: It should be noted that the “Conjunto Palmeiras” in the minds of local individuals interviewed and most Banco Palmas members and affiliates, and hence implicit in the narrative, is probably different from the official administrative tract of Conjunto Palmeiras today. When Conjunto Palmeiras was officially made an independent *bairro* (neighborhood) in 2007, adjacent settlements that had been occupied in more recent years were grouped together in the same administrative unit, making the neighborhood suddenly and arbitrarily larger (Instituto Palmas, 2014; Morais, 2010, p. 2). The people of “Conjunto Palmeiras” still identify with a cognitive image of the historical settlement area, and most data generated by Banco Palmas also follow this assumption. As a consequence, the disparity between the two images has caused some misalignment between data from official census and data collected with more bottom-up methods at the bank, sometimes leading to different generalizing conclusions based on the numbers, from basic demographic and spatial figures to quantitative evaluation metrics and definitions of success. I will simply acknowledge that this issue of ambiguous and shifting spatial demarcation exists as a result of the neighborhood’s long-term growth until the present time, and that local actors are aware of it.

Moreover, listening to storytelling by older community residents revealed certain aspects in the community’s history that appeared to have become relatively underappreciated in its recent versions. Importantly, older residents indicated that they had participated in an earlier community body prior to ASMOCNP, and that there had been at least *three* distinct phases of community development. Banco Palmas represented the latest model – the version 3.0, or 3.5, if establishment of Instituto Palmas could be considered a substantial institutional change. There have been three generations of intermediary community organizations serving the crucial role of coordination in Conjunto Palmeiras, including Banco Palmas. These phases were characterized shifts in the community’s grassroots

institutions, in addition to the changes in program or issue priorities as described in certain previous case studies (Jayo et al., 2009, p. 8).

This modification that there likely were at a minimum three spurs of community mobilization rather than one long or two closely related ones does not necessarily contradict with the main history of Conjunto Palmeiras told by everyone. It would, however, lead to an image of more subtle sequencing of events in the four decades of community-driven development at Conjunto Palmeiras, and could provide more information about how certain modes of doing things became institutionalized to this day. Furthermore, having a contextualized understanding of the Palmeira neighborhood's historical patterns of community movement and its institutionalization is useful to answering this study's question. It appears that knowledge creation, sharing, and retention were undertaken as an integral part in the community's unfolding history and endeavors to make local institutions work. The three phases – each with CEB, ASMOCONP, and Banco Palmas acting as the intermediary organization – are summarized in the next paragraphs. The descriptions combine the well-known account with added information for relevant contextualization.

3.6.2. 1973-1980: Base Ecclesial Community

The first impetus to organize the community in the Palmeira neighborhood originated in the residents' participation at grassroots religious gatherings of Catholicism, or Base Ecclesial Community (CEB). After being displaced in 1973, affected families were resettled in what was then an area of abandoned *fazenda* (plantation), which was practically outside of Fortaleza since periphery was rural at the time. These earliest settlers were confronted with abject poverty, child malnutrition, cholera outbreaks, utter lack of infrastructure (electricity, road, sewage, water) or public services (health, school, transportation), and faced imminent environmental dangers of pollution from the landfill and the tendency of flooding. The earliest outside resources to arrive to this scene were those of the CEB movement, which was strong in Latin America and in full swing in Brazil since the 1960s. The first neighbors of Conjunto Palmeiras thus began to seek communal solace in prayers at CEB, which typically met at community members' homes.

The CEB movement diverged from catholic orthodoxy of hierarchical institutions, and aspired instead to grassroots pastoral organization and practice at the society's "base," having close affinity with liberation theology and its emphasis on the church's moral obligations to the poor. The religious movement brought clergies, resources and intellectual influence to remote and previously neglected communities in Brazil, ranging from indigenous and rural populations to impoverished urban favela and periphery. In the process, the movement was equally shaped by the demands from the communities it reached. In the political context of Brazil's dictatorship, the emergence of CEB also meant that the progressive catholic spaces became a shelter for local social interests that were previously channeled through labor unions and other political and social associations being banned; indeed, a "mature CEB" would engage both believer and lay members of a community to take actions on land, health, housing and education issues at the grassroots level (Dawson, 2007, pp. 152–153).

Thus, the string of Brazilian and European pastors and pastors-in-training, and certain amounts of Catholic relief funding that reached Conjunto Palmeiras during this phase also brought techniques of community engagement tested in other CEB communities all over Brazil. An elderly resident recalled this era, saying, "We prayed together a lot. Our Maria would have been very happy to see our piety, but she would have been very sad to see our misery." Prayers were soon found to be not enough for the group of people in a state of perpetual crisis. By 1978, the city government provided a public school, urban social center and clinic for the neighborhood as a result of the first mobilized appeals during this period.

3.6.3. 1981-1997: ASMOCONP

Brazil's military authorities decided that *distensão* (relaxing) of the previous years had gone well enough, and began the political process of *abertura* (opening); a neighborhood association could be officially established, and ASMOCONP was founded in 1981. Residents constructed a building for the association for one of the first projects. With the new association and its physical seat as the focal point, mobilization of Conjunto Palmeiras residents for public services continued throughout this period. In earlier actions, residents obtained results mostly by pressuring the municipal and state authorities with a mixed strategy of agitation, negotiation, protests and threat (of boycott, sabotage, and breaking

things). In other cases, residents were involved in government initiatives or programs to bring resources to Conjunto Palmeiras.

Meanwhile, local personalities who emerged within the community movement as leaders went on to create various associations and social groups in the community addressing specific issues, such as child and youth mortality, nutrition and health, etc. By 1990, there were 26 formal associations and groups for social causes in the neighborhood. It was often found that the most active members of the organizations were the same faces, and that such core activists would meet frequently at ASMOCONP, whose projects concerned everyone and required joint actions of all groups. In 1991, neighborhood leaders formalized this alliance, and the federation of associations in Conjunto Palmeiras would be called UAGOCONP (Union of the Associations and Organized Groups of Conjunto Palmeiras). In the same year, ASMOCONP organized a seminar named “*Habitando o Inabitável*” (living the unlivable) in the community to discuss the variety of social problems.

The most significant projects from this phase and for ASMOCONP were infrastructure projects under the PROREND A program. PROREND A was a German foreign aid program for slum upgrading in Brazil, bringing together the German international development aid concept of “fighting poverty through self-help” and the Brazilian President Sarney’s new slogan of “*tudo para o social*” (all for the social sector) at the time (Mathaeus, 1997, p. 4). The urban segment of the program was implemented in select neighborhoods of Porto Alegre and Fortaleza following two technical assistance agreements signed between the governments of Brazil and Germany, each for the states of Rio Grande do Sul and Ceará. On the German side, the program was financed by the German Federal Ministry of Economic Cooperation and Development (BMZ) and executed by the German Agency for Technical Cooperation (GTZ), and on the Brazilian side, local funding would be matched, and a neighborhood association’s participation was a must.

In the case of projects in Conjunto Palmeiras, PROREND A projects began in 1992, with financing from GTZ (50%), the mayor’s office of Fortaleza (25%), and the government of the state of Ceará (25%) (ASMOCONP, 1998, p. 5). What characterized PROREND A above all was its aim as much as insistence on empowering the local population and changing its relationship with the public sector by involving neighborhood organizations.

This was to be achieved by “strengthening of neighborhood associations, the creation of local development committees, the transfer of financial resources to these committees and the stimulation of self-managed actions and aspects, directed towards ‘Urban Management by the poor,’”; the rest of objectives such as fixed assets to be provided were left for a decision based on community needs (Mathaeus, 1997, p. 5). In the Palmeira neighborhood, it appeared that ASMOCONP was a partner ready for such ambitious aim, and experienced a significant degree of proactive responsibility and coordination tasks in the management of projects throughout the processes, including planning, modification, construction, and evaluation. A key triumph was the construction of 1.7 km of drainage canal, a crucial infrastructure demanded by the residents since they first settled in the neighborhood.

It was considered that all public works for urbanization of Conjunto Palmeiras were complete at the end of the PRORENDA projects in 1997. Judged from public infrastructure delivery, the neighborhood had become fully urbanized. Moreover, ASMOCONP could claim ownership of the success. “*Deus criou o mundo e nós construímos o Conjunto Plameiras*” (God created the world and we built Conjunto Palmeiras) became the association’s defining motto (Maia, 2013). In the final year of PRORENDA, ASMOCONP also organized evaluations of the “Living the Unlivable,” including numerous mass meetings and community-led surveys of the local economy to answer the question of “*Porque nós somos pobres?*” (Why are we poor?). The findings: The neighborhood was transformed physically, but it was discovered that residents still lived in poverty because they would spend their hard-earned money on daily necessities at stores in central Fortaleza, relatively expensive and far, rather than at local shops.

3.6.4. 1998-Present: Banco Palmas

Banco Palmas was inaugurated in January 1998 as a new project under ASMOCONP, and for the most part of its 16 years of operations it worked in an extremely close and symbiotic relationship with the neighborhood association, until the bank’s growth in size and other dimensions finally outstripped the parent organization. The bank was housed fully or partially in the ASMOCONP building from the founding until 2013. During the long cohabitation years, ASMOCONP was also reformed. ASMOCONP still collected a small membership fee and acted as community-based advocacy group for Conjunto Palmeiras

residents on education, health and infrastructure issues. UAGOCONP meetings seem to have gradually toned down, while FECOL was introduced and held every week, regularly drawing more than 50 residents until it became less frequent after around 2010. A board for Banco Palmas, *Conselho de Gestores* (Council of Managers), was also formed comprised of 27 notable community activists and leaders, and has been meeting once a month.

Stronger relations with institutions and influences outside of Conjunto Palmeiras and Fortaleza also characterized this phase from the start. The two co-founders, João Joaquim de Melo Neto and Sandra Magalhães had originally come from outside as a kind of relief worker for the community. Joaquim arrived in the neighborhood in 1983 as a pastor-in-training at the CEB to complete the studies as a Catholic seminary student. Sandra began a career as social assistance worker at the municipal government in 1982, and started assignment in Conjunto Palmeiras in 1984. Both had chosen to stay, and emerged as respected community leaders through involvement in ASMOCONP projects. On the outer wall of the new Instituto Palmas building, dedicated in 2013, Paul Singer's quote read prominently: "*Ninguém supera a pobreza sozinho. –Paul Singer*" (nobody overcomes poverty alone). Professor Singer is a symbolic leader in Brazil's solidarity economy movement, and currently serves as the Secretary of SENAES. The same phrase was similarly painted on the ASMOCONP building's wall when Banco Palmas was headquartered there. Since the founding of Instituto Palmas in 2003, the bank has intensified support for the creation of community development banks (CDBs) in other parts of Brazil and Latin America as part of solidarity economy, and also increased collaborations with academic researchers. In addition, relations with funders and technical partners such as commercial banks have become increasingly rigorous and numerous under Banco Palmas, partly due to larger and more multifaceted scope of work.

As described earlier, Banco Palmas was never purely financial in its programs. The bank does and has been devoting considerable resources to what are better categorized as educational and social activities, as well as businesses other than credit, insurance and social currency, even as all projects are envisioned as having integrated effect on the local economy. That being said, the social currency Palmas is the organization's namesake, and the practice of providing credit coupled with a component in Palmas and annual local

consumption and production surveys has continued with various technological improvements over time, and continues to feature most prominently in the imagery of the bank's presence in the neighborhood. On the other outer wall of the new building, across from Professor Singer's phrase, was a huge illustration of the original 10 Palmas note. The words underneath it proclaimed: "*Essa é nossa*" (This is ours!)

3.7. Learn, Evaluate, Innovate

3.7.1. Community-Led Evaluations, Big and Small

In the history of community movement in Conjunto Palmeiras told by local stakeholders, the most emphasized parts were not necessarily the tangible projects themselves; rather, the descriptions often highlighted the periods before and after the milestone accomplishments. It was as if the concrete outcomes were simply an outcome or a physical proof of the right process. In particular, when talking about past development, residents shared stories centered around community-led learning, evaluating, and, as a result of the previous two, certain innovations in the ways they approached each project.

The analogy of learning was strong in the accounts of older participants. They felt that they had learned everything from zero in the community since the days of CEB by gathering together and teaching each other. There were also various anecdotes about small and large evaluations that veteran community leaders had implemented in the past. An episode often told from an earlier phase was concerned with a transportation problem in the 1980s. At the time, it was felt that the private bus company providing bus services connecting Conjunto Palmeiras to central Fortaleza was giving services less frequently than the 10 times per day that it claimed officially. Four community leaders from different associations devised a plan for fact-finding and action. The four carried it out by spending an entire day at the main bus stop from six in the morning to midnight, recording every bus that passed. In the ensuing negotiations with the bus company, the residents presented the evidence that there were only four bus services and also made credible threats to vandalize the company's busses if it did not live up to its words. This led to the bus services to actually run at the scheduled frequency.

From this small example to the larger, community-wide assessment and evaluation efforts such as the “Living the Unlivable” under ASMOCONP, which were holistic evaluations of the community’s situations by the community members themselves, each iteration undertaken locally represented a collective learning experience about how to manage the process of evidence-based evaluation itself. Finally, it seemed to occur that the high levels of community mobilization in these evaluative cycles often made the findings to *not* loop back to improving the old and existing, but instead to open-ended discussions about fundamental problems of the community at the moment by its various members, which then would evolve into introduction of new project ideas or reinvention of current and past practices. The most famous example of this trend was the informal community census and the first consumption and production survey in 1997 that led to the community’s decision to create Banco Palmas, but it was a more general pattern. “Learn, evaluate, innovate” in the episodes of grassroots community organization in Conjunto Palmeiras tended to become a springboard for departure from the conventional.

3.7.2. Evaluating the Evaluations

The cycle of learn, evaluate, innovate had been in practice in the community’s grassroots projects for at least three decades in various scales, and could be seen as ingrained in patterns of actions in all aspects of Banco Palmas. In the past as in today, certain ones from the accumulated learning experiences of evaluations would be translated into explicit knowledge and edited into coherent written documents, as pointed out earlier in this chapter. The editorial and documentation tasks in those cases would serve as a second round of learning experience from evaluation process itself, while the resulting contents would become a reference or textbook of sorts for how to perform similar assessments in the future. Many more experiences, however, did not make it into a document, but were still relevant inspirations for actions, as evidenced in the abundantly and repeatedly shared stories that comprised the community’s oral history. Patterns of learn, evaluate, innovate could also be found in the bank’s product or program cycles. In an interview conducted in January 2014, Joaquim was quoted responding to the question “How frequently is Palmas currency used in the neighborhood? How much of it is in the market?”, by commenting, “40 million Palmas are in the market today...our goal with Palmas currency was to create a culture of

local consumption. That was achieved and in the future it is probably not going to be that important, but it did help us generate that culture” (Vasquez, 2014). The amount of Palmas issued and the amount in circulation are not the same matter; the latter would be really “in market,” being exchanged in economic transactions in the neighborhood. During the fieldwork, an owner of local supermarket commented that it was rare nowadays to encounter a customer paying with Palmas. There was also a shared impression among the visiting academics in January 2014 that the social money’s active circulation had probably declined considerably compared to the last academic fieldwork on the subject in 2011 (Kobayashi et al., 2012; Nishibe et al., 2012). The background story for the quote was, however, that the bank evaluated Palmas against the intended learning effects rather than in its performance isolated from integrated context, and that the response to the social currency’s recent declining circulation was not by clinging to the tried form, but a reinvention: the bank was preparing for an electronic card version of Palmas..

3.8. Management of Transitions

3.8.1. Disruption and Continuity in Community

Another recurrent feature in the case of Conjunto Palmeiras is the coexistence of disruption and continuity in its historical patterns of community development and the local institutions involved. Findings from the fieldwork showed that local stakeholders clearly perceived Banco Palmas as the rightful successor of four decades of community organization in Conjunto Palmeiras. Yet the bank was also manifestly different from its predecessors in many aspects. As an institution, Banco Palmas was not a residents’ association or grassroots religious gathering, but a community development bank, defined by its works in providing financial services and economic education opportunities. It was also conceivable that competition and tension were not absent between the different organizations in the neighborhood. There were historical rises and falls among the three intermediary organizations that had coordinated community-wide actions at different phases. Transition from one intermediary organization to another would alter the model of community development in the neighborhood profoundly, as each organization’s nature of institution

and special focus in community needs would shape the theory of change it formulated, the resources it attracted, and main projects and collective actions it coordinated.

For instance, there was a large degree of membership overlap between CEB and ASMOCONP in the early 1980s (Morais, 2010, p. 4), but by the time around the creation of Banco Palmas in 1998, ASMOCONP had become secular, CEB had faded, and the community movement for social causes in Conjunto Palmeiras had decoupled with the grassroots Catholic religious network of Brazil or abroad. In recent years, Catholic or Evangelical Protestant religious groups in the neighborhood did not have representation in FECOL or Council of Managers, and thus did not seem connected with the community of practice at Banco Palmas. If there were overlap of membership, it was kept in people's private lives. This kind of secular turn did not always, or inevitably occur. The legacy of the once widespread CEB movement varied from region to region in Brazil, and from community to community even in the same city. For a comparable example, another peripheral neighborhood in greater Fortaleza, which was considered by community organizers from both communities as highly similar to Conjunto Palmeiras, had retained its Catholic religious character since the nascent days of 1970s and 1980s, and its church-affiliated community center still functioned as the main neighborhood association.

Transitional phases were important. The way they were handled in the case of Conjunto Palmeiras prevented loss of previously accumulated local knowledge and reinvigorated the community's participation at key turns of events, resulting in institutional growth of the local community organizations and hence attainment of a net gain for the institutionalization of grassroots community movement in the neighborhood despite risks of conflict at such times. Potential or inherent conflicts of interests between associations and social groups in the neighborhood included redundancy or incompatibility over membership and/or target service population, access to and allocation of donor funds, and differences in the theory of change embodied by each organization. Nevertheless, it appeared to be a paradoxical yet recurrent phenomenon that at each key moment there would be departure from previous model of community development, but also significant continuities in terms of community leaders involved, certain overarching concepts and institutional designs.

3.8.2. Example: Rising and Falling Community Organizations in Conjunto Palmeiras

This phenomenon of coexisting disruption and continuity is best illustrated with findings from actual observations. Comparing the circumstances in the community between July 2013 and January 2014, I discovered that the relationship between Banco Palmas and ASMOCONP had undergone an important transition during this phase. Namely, it appeared that Banco Palmas had effectively taken over the role as the neighborhood's intermediary organization from ASMOCONP during the six-month interval between the first and second fieldwork. There were earlier signs of a gradual shift of the *de facto* responsibility from ASMOCONP to Banco Palmas/Instituto Palmas indirectly revealed in previous case studies; it finally happened this time that the change in institutional configuration took place formally.

Prior to the first visit to Conjunto Palmeiras, my views about the interactions among key stakeholders and institutions in the neighborhood were informed by the existing collection of case studies based on other scholars' fieldwork and interviews. In works written before 2009, ASMOCONP and Banco Palmas were often recognized as one entity. In Figure 7, for example, three key projects and services of Banco Palmas are illustrated in a study as components of ASMOCONP's development strategy. The authors analyzed that Banco Palmas was created because ASMOCONP had redefined its priorities for the community in 1998, and hence the bank was seen as an integral subcomponent of the neighborhood association, simply signifying a group of projects under the association's organizational umbrella (Jayo et al., 2009, p. 9). In later papers, ASMOCONP, Banco Palmas and Instituto Palmas tended to be presented in equal stature in a type of triangular constellation of institutional forces in the community. Figure 8: Kobayashi et al's relations of Banco Palmas and surrounding organizations captures Banco Palmas in a triangle of mutually enhancing influences in the neighborhood, wherein ASMOCONP lays the foundation for the community's culture of solidarity behaviors, Banco Palmas provides income-supporting services, and Instituto Palmas raises funds and coordinates national network building (Kobayashi et al., 2012; Nishibe et al., 2012). Each study implied a sense of stability or permanence of community development model as practiced in the Palmeira neighborhood

based on what the authors observed to be the structural relationship between the local institutions during their respective timing of research.

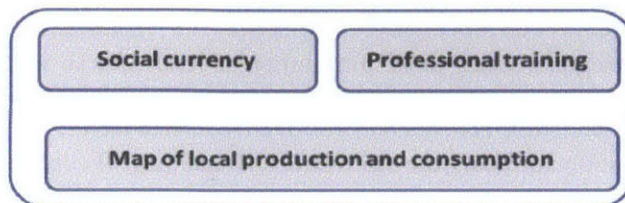


Figure 7: Jayo et al's three pillars of ASMOCONP's developmental strategy.
Source: (Jayo et al., 2009, p. 10).

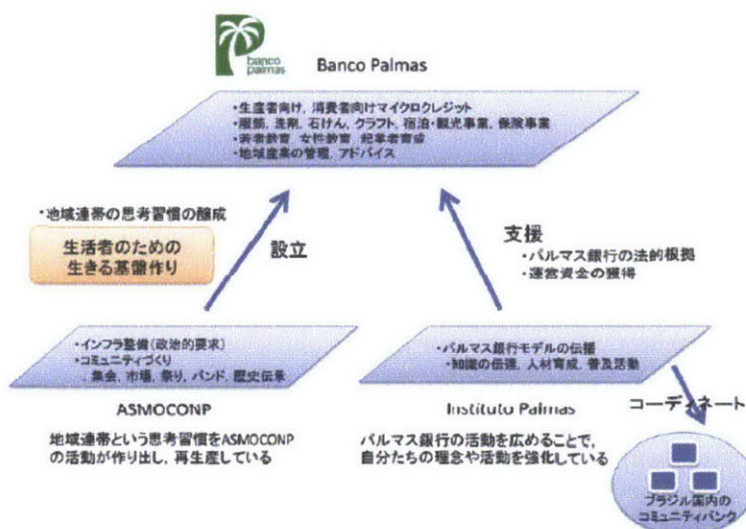


Figure 8: Kobayashi et al's relations of Banco Palmas and surrounding organizations
Source: (Kobayashi et al., 2012, p. 9).

My own findings coincided with a period of relatively high uncertainty and a marked shift for local institutions in Conjunto Palmeiras. In the first fieldwork in July 2013, I observed signs of a subdued controversy between the leaderships of ASMOCONP and Banco Palmas. During the time, ASMOCONP leaders remarked that the neighborhood association had become very small relative to the bank because of the latter's growth, and because fewer local residents were willing to pay the association's membership fees as most of its veteran members were aging, and, more critically, residents' participation in the forums it organized had declined dramatically. This situation contradicted my expectations based on the most recent previous case studies, which underscored ASMOCONP's secure part in the

local ecosystem of institutions for making the Banco Palmas model work sustainably. The FECOL I observed during the first fieldwork drew barely a dozen people. Due to lack of enthusiasm from the community, FECOL, originally a weekly forum, had become less frequent and more irregular, being held bimonthly or less. As an idea for rescuing the situation, ASMOCONP leaders on occasions suggested that Banco Palmas could perhaps pay rent to the association for using the ASMOCONP building. People at the bank did not seem to consider this as an option, or see how the revenue for ASMOCONP might solve the problem of declining participation in the community. These disagreements were shared in extremely low-key manners. When asked directly how the relationship between the two organizations was, members, and particularly Banco Palmas personnel, said that there existed no problem at all, and that the bank and its community as represented by ASMOCONP were inseparable. Nonetheless, concerns over the future of this local institutional partnership and the weakening powers of ASMOCONP to organize the community appeared to loom over the heads of Banco Palmas employees and all who were involved in community associations and social groups in the neighborhood. It risked disconnecting the community movement from the community itself.

In January 2014, when I arrived for the second fieldwork, this institutional question had been addressed with noticeable results. Banco Palmas had moved out of the ASMOCONP compound into the new building built with the award Instituto Palmas had won. Organizing FECOL had become the bank's responsibility. The first FECOL of 2014 was held as a special event at the new building, and attracted c. 40 community residents. The participants demanded that the meeting be restored to regular format to be held monthly, which the bank and everyone promptly agreed. General enthusiasm also seemed to have revived, as participants shared ideas of how to make the community meeting even larger, into a super FECOL, or "*FECOL-çãõ*." At another meeting during the second fieldwork, this time the Council of Managers, the bank solicited ideas and took the initiative in starting to plan for a certain comprehensive action plan "*Projectãõ*" (The Project) in 2014; this was envisioned as a major unifying theme of actions to address a single issue (e.g. security in the neighborhood) with all local associations and social groups leading a component in it. In the second fieldwork, it was plain that Banco Palmas had stepped up to take the responsibilities as well as certain credibility and legitimacy as the community's

intermediary organization, and that the role had transferred from ASMOCONP to Banco Palmas without controversy.

3.8.3. Example: Location-based Analysis of Institutional Transition in Community

While signs of continuity and disruption were easy to spot in independent forms, finding evidences of the “continuity through disruptions” as an apparently haphazard and paradoxical yet well-established and integral local norm was harder. Disruptions in Conjunto Palmeiras often led to reintroduction of previous practices and return of existing local social entrepreneurs, i.e. a type of continuity, which still seemed to be qualitatively different than continuity simply resulting from lack of disruption. As a result, the middle to long-term business as usual of community organization in Conjunto Palmeiras could be best grasped as a mode of “continuous disruptions” or “disruptive continuity.” A method of collecting supplementary evidence may be to look into the location where meetings and collective decision making for the community actually take place. This would be an analysis of the physical nucleus of the community of practice; how it was being managed over time would provide insights into how organizational structures and other intangible aspects such as knowledge were being managed.

The old ASMOCONP compound was a treasure vault of adaptive usage of space. During the first fieldwork, I took photographs A to D in Figure 10 inside the group of buildings. Photographs A, B and C show the main hall, which seemed to have been designed as community meeting auditorium originally, but was serving both as ASMOCONP headquarters as well as Banco Palmas’ credit office. The building itself had high ceilings and open spaces with no partition, and a stage for community theater performance (shown in photograph Figure 10: C). Photograph D shows the location of FECOL meetings and certain educational workshops; it was an open-air public space. Different phases in the neighborhood’s history were displayed next to each other all over the walls inside the compound, together with other cultural objects, such as the painting of Che Guevara in the upper right corner of photograph C. Photograph B shows the largest and most prominent of such objects – a 3D map of the original neighborhood area with the words “*O Conjunto Palmeira Que Nós Construimos*” (the Conjunto Palmeira we built) above it,

which was an unmistakable symbol of ASMOCONP's leading role in the neighborhood's public works for urbanization. On the other hand, posters and banners related to Banco Palmas businesses represented the most abundant type of items. The location itself thus embodied a shared and communal place marked by adaptive and shifting uses, integrating the practices of accommodation and coexistence in its physical layout.

In the second fieldwork, the ASMOCONP building was closed partly due to concerns over its building safety. A wide banner decorating over its shut windows read: "*Parabéns! Conjunto Palmeira pelos seus 40 anos e ASMOCONP pelos 32 anos de muito trabalho, dedicação e amor a este bairro*" (congratulations! Conjunto Palmeira for its 40 years and ASMOCONP for the 32 years of hard work, dedication and love for this neighborhood) (Figure 9). 20 meters from the old headquarters, the new Banco Palmas was now where all meetings occurred, as described earlier in the section. Comparing the credit offices from the previous and new building, the new room had a distinctly professional and standardized layout (Figure 10: A and Figure 11: A). The most prominent iconic image was now the painting of the Palmas note on the outer wall (Figure 11: B). Nevertheless, many historical objects from the previous office had also moved into the new Instituto Palmas building, such as the series of banners with photographs from the neighborhood's construction projects displayed in the hallway.



Figure 9: Photography from Conjunto Palmeiras: Exterior of ASMOCONP compound in January 2014

The characteristics of two places reflected the condition that community organizers in Conjunto Palmeiras habitually employed open, adaptive and multipurpose approaches toward institutional structures, and that institutional transitions were managed in inclusive and celebratory ways in relatively stable times as well as at moments of definitive change, as shown in the enlarged FECOL. Transitions did not mean domination or exit, but relocation of the shared institutional space and role that was the neighborhood's intermediary, which entitled the new body to the objects and knowledge, as well as the permission to reinvent past practices. Seen from the perspective of management of transitions, ASMOCONP's slogan itself "God created the world and we built Conjunto Palmeiras" was a hybrid and bridging statement between the earlier epoch and the new; the motto connected in one phrase the community with its religious origins and the self-help spirit of PRORENDA infrastructure works, embodying a message of continued trajectory. Equally, the institutional function of UAGOCONP could be found in Banco Palmas' Council of Managers, while FECOL was re-launched in the Sandra Magalhães Room in the new Instituto Palmas building (Figure 11: C).

Thus, the boundaries between what were perceived from outside as three distinct entities – ASMOCONP, Banco Palmas and Instituto Palmas – were, and had always been, blurry in practice, which meant that certain organizational functions were transferable without formal institutional changes such as establishing a new organization. There existed informal sharing of tasks, resources and responsibility not least because the office space was communal at the old ASMOCONP compound for 15 years. Earlier in this chapter, it was found that those who were involved in community movement in Conjunto Palmeiras knew how to work the neighborhood and build consensus in a complex terrain. In addition, historical patterns as well as more recent events concerning the relations among local institutions in the neighborhood told that there existed certain shared know-how about how to transition power, knowledge and responsibility between different community institutions over ten to twenty years. Like Lynch's hypothetical public space of "public attic" where old technologies would be preserved to provide a sense of continuity in time and place for a community (Lynch, 1972, p. 43), one function of the intermediary organization in Conjunto Palmeiras was to maintain the community's common history, and keep the knowledge of community solutions from the bygone days connected to present day practices.



Figure 10: Photography from Conjunto Palmeiras: Interior of ASMOCONP compound in July 2013



Figure 11: Photography from Conjunto Palmeiras: Exterior and interior of Instituto Palmas building in January 2014

Hirschman argued that there were two benefits that would arise from conflict between new and old theories in democratic market society; namely, that the introduction of a new theory could have direct “persuasion effect” as well as indirect “recruitment effect,” wherein new participants could be drawn into the debate, and then begin contributing new ideas in ways different than what first brought him/her into the conversation (Hirschman, 2013, p. 348). The institutional shifts in the case of Conjunto Palmeiras served as an instrument for rebooting community engagement, signaled with re-launch of a tradition such as FECOL. Understood this way, certain innovations in Banco Palmas were reimagined and reinvented solutions from the community’s past experience, which could benefit from the recruitment effect while enjoying a degree of recognition for familiarity and having local roots. A transition well managed was undoubtedly a positive accomplishment and turn of events for local knowledge. Key persons encountered in the first fieldwork were still present in community events at Banco Palmas during the second fieldwork, while the crowd was larger and more diverse in age and other attributes, and participation more animated.

3.9. *A Neighborhood’s Local Knowledge Bank*

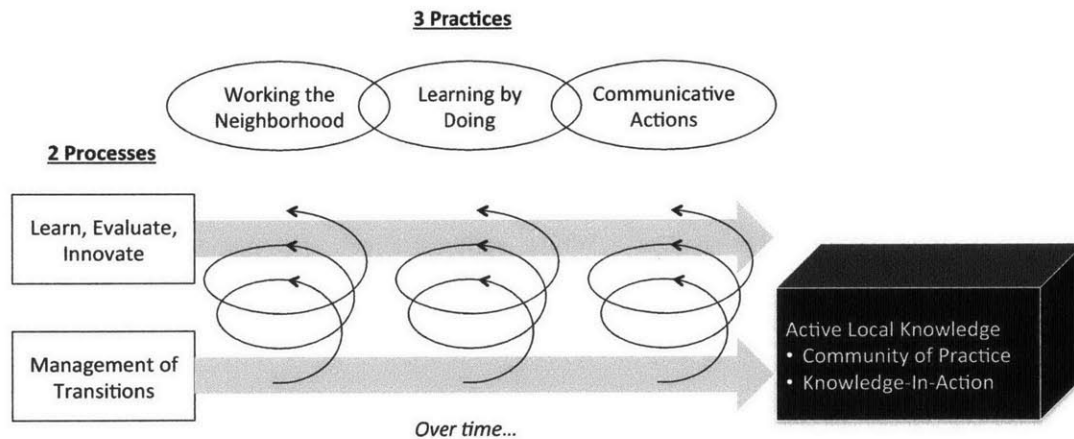


Figure 12: The local knowledge bank

The three practices and two processes of local knowledge management described in this chapter is visually represented as a conceptual framework in Figure 12, and may be best understood together as a job description of a local knowledge bank. As much as it was a pro-poor financial institution based in the neighborhood, as intermediary organization,

Banco Palmas was the institutional and social nucleus of the longstanding community of practice of social entrepreneurs in Conjunto Palmeiras.

In concrete terms, the bank's most important and effective functions related to local knowledge had to do with maintaining the community of practice and experience-based know-how alive in the neighborhood through integrating key works in working the neighborhood, learning by doing, and communicative actions in its operational areas, and effectively managing the cycles of learn, evaluate, innovate, and handling institutional transitions over time. Its practical instruments for knowledge management involved mainly two venues: through its operations and institutional designs. In particular, survey tools for local data, governance structure and local forums connected with key populations and local residents at large, symbolic representations of the community's common history, practical training and recruitment of its staff, pragmatic approach to potential solutions and partners, flat and agile internal organization, prioritizing communications, harnessing the powers of narrative and storytelling in knowledge products, branding, implementation of "learn, evaluate, innovate" in big and small processes, and local network of grassroots institutions and its leaders were found to be critical for the bank's abilities with regards to local knowledge.

Banco Palmas' external partners interviewed for this study revealed a tendency to attribute the community bank model's success to its co-founder(s) Joaquim and/or Sandra; this trend would be examined in the next chapter. The matter addresses the mystery of the ultimate origins of local knowledge. While administratively belonging to the large Jangurussu district until 2007 (Morais, 2010, p. 2), the neighborhood's identity as a unique *bairro* (neighborhood) appeared to be strong since its earliest period of community mobilization, and it could be speculated as to its original source. Might the community's start from a status of *tabula rasa* created by displacement have caused its members to behave differently than in other communities, or were certain motivations and talents of key individual(s) truly decisive? The causal argument for personal ingenuity or charismatic leadership could be strong for certain aspects, such as communicative actions, where the personal color of Joaquim, who had previously worked in the community first as Catholic clergy, and later as public school teacher, community radio host, community theater director,

and editorial lead in research projects and publications, seemed more pronounced. Local residents, however, did not especially refer to the role of individual leadership in their interview responses, and never discussed the role of leadership in isolation from other factors. The subject word was nearly always “we,” “the bank” or “the community.” It was also a fact that Joaquim, Sandra as well as all other veteran figures in the grassroots community movement in Conjunto Palmeiras had become community leaders in the community; their leadership was arguably made in Conjunto Palmeiras, where they built their entire professional lives.

Moreover, analysis in this chapter suggested that local knowledge was essentially organized community knowledge in the sense that it required continual interactions involving a variety of local actors and institutions for the codification and translation of experience-based knowledge in the neighborhood into collective actions and knowledge products, and a certain virtuous cycle of accumulation and updating of such know-how. Existing analysis of participatory institutions and civil society movement in Brazil tend to evaluate the impact of activism in neighborhood-scale associations in terms of their interactions with city-wide or state and federal governments and political parties (Avritzer, 2009). This case implies that development of community-based associations could also be understood in the context of the processes of learning among local members and representatives of organizations tied together in geographical and social network of proximity. In these aspects, earlier works on Latin America’s local development models appeared to still carry explanatory powers over backgrounds of recent situations. Hirschman described that the oscillating politics of Latin America left groups of local individuals who would dedicate their lives to career in social sector with changing official capacities, whether on government or donor payroll or not (Hirschman, 1984, p. 93), which was true in the case of Conjunto Palmeiras’ veteran members of the community of practice. Porous characteristics of each organization in the Palmeiras neighborhood and the cooperation among them resembled Tendler’s descriptions of the grassroots level of civil service in Ceará, where low-level municipal and state civil servants were found working outside of their official capacity with civil society actors, seeking a sense of acceptance from the local community (Tendler, 1997).

4. Banco Palmas and Knowledge Partnerships

In this chapter, I explain that Banco Palmas provides local knowledge both symbolically and as technical assistance to its political allies in academic, civil society and government sectors, while acquiring resources conducive to more knowledge creation locally, such as finance, talent and technology from more pragmatic partnerships. I also argue that the bank's disperse partnership activities constitute a logical strategy in an environment of competing trends of democratization, liberalization, and participation in the political and social environment at large, and the emerging institutional ecosystems for supporting social innovation, and analyze that the path from grassroots to institutionalization in today's Brazil is pluralistic. I also argue that the bottom-up model of Banco Palmas is complementary to Brazil's national policies of poverty alleviation, with important contribution being to diagnostic knowledge about poverty, and conclude that the bank would continue to offer valuable knowledge about conditions and measures of alleviating spatial poverty.

4.1. Profile of Partnerships

4.1.1. Key Partners

The methodology chapter of this paper sought to identify all major institutional actors related to Banco Palmas. Below is a different chart, which maps the entities that I came to know during the course of this study through personal encounters and formal and informal interviews (Table 10: Entities interacting with Banco Palmas encountered in this study). Some of these groups form part of the bank's governance framework in Conjunto Palmeiras (e.g. CRAS, local civil society associations, Bate Palmas and local businesses) or have formal ties as external institutional partners. Others such as local households are clients of the bank's services, while yet others such as Banco do Nordeste have witnessed mixed dealings of cooperation and indirect competition depending on the latter's departments. The relations span public sector, civil society as well as private sector. For purposes of this study, I included all groups that were not legally of public nature, either as governmental (local and federal) or as nonprofit association or foundation, in the private sector category. For example, the federal government of Brazil controls most equity shares in Brazilian development banks (e.g. BNDES and Banco do Nordeste), but these organizations are regulated as financial institutions, and disburse investments and loans rather than appropriate government funds directly. Thus, they would be considered private sector actors here. Universities would also fall into the same category since they were neither governmental nor civil society entity. Among the six boxes in Table 10, this chapter will

focus on the various external partners, examining what members from the partner institutions revealed about how knowledge, and particularly local knowledge, was transferred in ways that shaped the greater institutional environment for Banco Palmas.

Table 10: Entities interacting with Banco Palmas encountered in this study

	External	Local (Intra-Neighborhood)
Public Sector	Central Bank of Brazil FINEP PMF SENAES	CRAS Health Clinics Public Schools
Civil Society	AIESEC CIDI Fundação Fenômenos	ABVV ASMOCONP Nutrition Center
Private Sector	Banco do Nordeste Columbia University NESOL-USP Other households Researchers (individual)	Bate Palmas Households Micro Enterprises Small Businesses

The primary supporting information in this chapter was obtained from structured interviews using the interview protocol for Banco Palmas’ institutional partners. Most interviewees were employees from institutional partners with the exception of certain individual academic researchers. The facts and descriptions of events were then corroborated with responses to the mirroring questions posed to the bank’s senior management, and also with certain answers from additional interviews with other participants, who were similarly connected to the exchanges between the bank and its counterparts. Posing parallel questions to Banco Palmas and its partner institutions also helped to discern patterns in perceptions about knowledge from the two sides, in addition to comparing differences among partners.

4.1.2. Patterns of Knowledge Interactions found in the Scoring System, and Analytical Limitations

The interview protocol for Banco Palmas’ institutional partners included 14 questions of facts that could be answered with a “yes” or “no,” and then scored. This scoring system represented a pilot research design to convert subjective and contextual answers into ordinal

dataset giving indication about the degrees of regularization and institutionalization of knowledge exchanges, so as to enable certain “apple to apple” comparison of the diverse types of knowledge-involving activities and of the institutional actors involved. The small sample size (N=8) in this research would warrant only inconclusive findings from a statistical standpoint. Nevertheless, the results provide an interesting, if tentative, place of start for the analysis of Banco Palmas’ institutional partnerships in knowledge, as well as offer reference for future researches with survey methodologies and greater sample size, rather than being combined with qualitative, in-depth interviews, as was the case of this study. The next two bar charts present the sum of scores sorted by type of knowledge interactions (Figure 14), and type of partner institutions (Figure 13). All eight samples came from different institution types (thus the scores were raw, not averaged), and it is possible to observe patterns, although there are reservations about the representativeness of each sample.

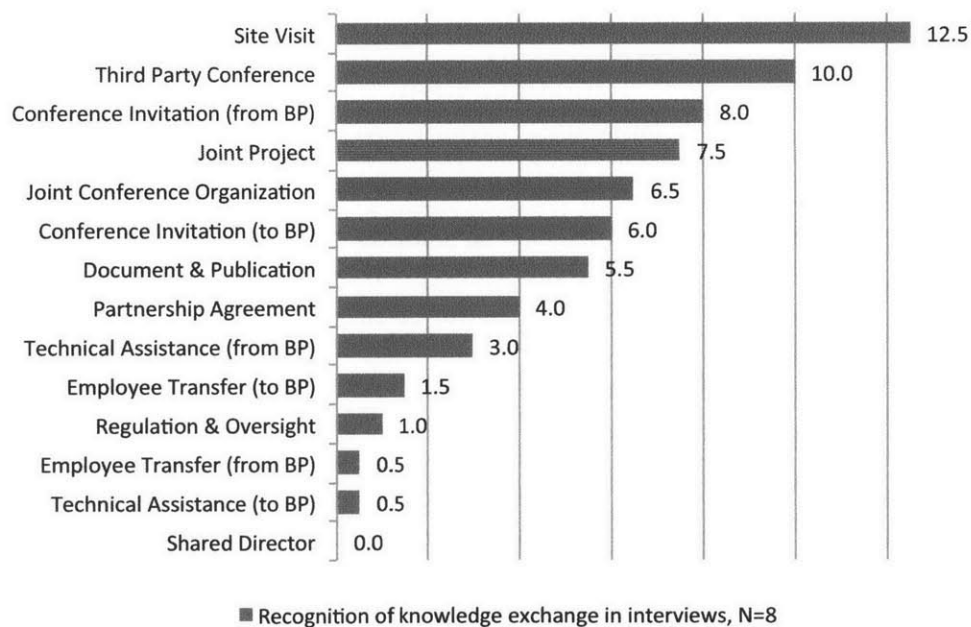


Figure 13: Knowledge exchange scored by types or channels of exchange

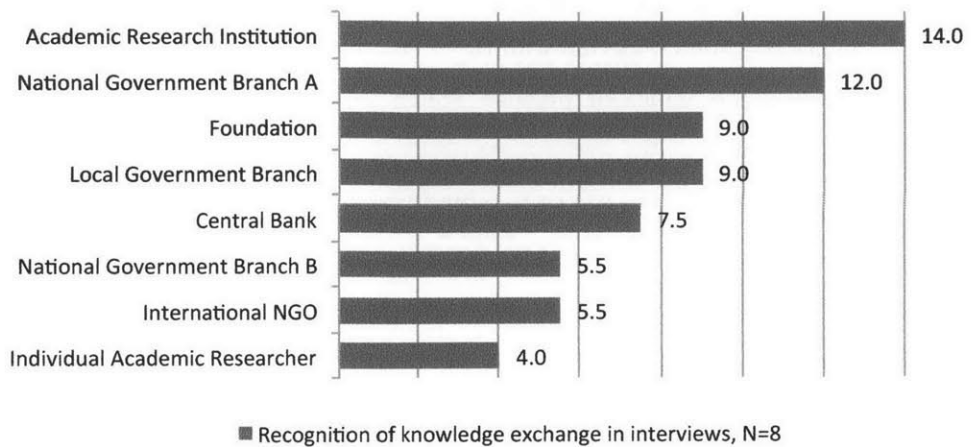


Figure 14: Knowledge exchange scored by types of partner institution

A quick review of the scores suggested that the top most frequent or intensive inter-institutional activities related to knowledge were site visits to Conjunto Palmeias, meetings at conferences organized by third parties or organized by Banco Palmas, and joint projects. On the other hand, it was harder to find formal or permanent knowledge “deals” such as signed partnership agreements or acquisition and/or transfer of experience-based expertise in the form of employee transfers, or explicit recognition of expertise transfer under the category of technical assistance. When asked, interviewees from both partner institutions and Banco Palmas observed that the bank gave technical assistance to others in some cases, but almost no case was found in which the bank was seen to receive “technical assistance” from external sources. Another characteristic related to formal institutionalization was that none of the interviewed officials considered that their organizations had oversight or supervisory powers, or responsibility, for that matter, over Banco Palmas’ organization, apart from the specific joint projects that their organization had financed or worked in collaboration with the bank. This led to a combined score of merely 1.0 for item “Regulation & Oversight” in Figure 13. As the bank’s governance structure was self-contained within the network of social activists and groups inside the neighborhood, there also did not exist any overlap in directors or managers with external partners. These patterns seemed to put the neighborhood-based community organization in a regulatory blind spot, even though it was engaged in financial services that might merit close governmental supervision. Contrasted to this absence of formal supervision mechanisms from the outside, the frequency of

conference invitation, participation as well as co-organization suggested that the local community of practice was still connected with larger communities of practice, and a certain network among these communities of practice, which joined institutions and groups of individuals who were working on the overlapping issues of community-led social innovation, financial inclusion, microfinance, and solidarity economy and finance in Brazil.

The breakdown of the scores by partner institution types seen in Figure 14 revealed that academic research institution ranked top when all channels of knowledge exchange were considered. On the other hand, individual academic researcher as a category scored in last. Patterns of connections with government branches also were not linear. Banco Palmas shared knowledge heavily with certain federal government branches, but not with others, and the bank was not particularly familiar with working with local government branches. Thus, the organization's relations with the public sector did seem to lend themselves easily to generalization as decentralized or statist, as it was unclear if one level of government was *a priori* more influential on the organization.

In addition, longer history of interactions did not necessarily constitute stronger evidence of shared knowledge. At the time of the interviews, a nonprofit foundation and local government branch were just finalizing partnership agreements with the bank on joint projects, both being relatively new partners. Nevertheless, their knowledge interactions with the bank appeared to be more "thick" than longer-term institutional partners such as international NGO, which had a fixed scope of cooperation and was funding recurrent programs. In other words, institutionalization or normalization of knowledge relations did not seem to have built up automatically or lineally over time. Overall, the scoring system supported an image of partnership structures in which Banco Palmas was relatively independent organizationally, fiercely self-reliant in its technical know-how (i.e. expertise of doing things), at the same time supportive of its partners and their affiliates if they were in need of technical assistance, and was connected to larger communities of practice through network-like interactions.

Although the points outlined thus far imply the likelihoods of knowledge exchanges happening among this group of actors, the artificial scores can only answer part of this paper's research question on local knowledge's comprehensive role in community

development, even if the numbers were statistically robust. For example, individual academic researcher as a category came in last in the scoring system; however, researchers typically spent the longest cumulative days and hours in Conjunto Palmeiras, between two weeks to upwards of one year – a variable not captured in the aspect “Site Visit.” The small sample size, again, also likely skewed the results. Technical assistance, for example, had surprisingly small place in the overall patterns. If financial institutions who were Banco Palmas’ banking correspondence partners had been interviewed, the scores for technical assistance might have been somewhat higher, as the bank’s management had commented that they had learned banking sector-specific know-how as well as the notion of operational efficiency from the big banks. Relatedly, the scores weighed variety of activities related to knowledge output, such as documents, conferences, projects, and legal documents, more than volume of a single type of activity, which could have inherently favored organizations over individuals (academic researchers), and flexible organizations over rigid ones. Lastly, the scores were only a snapshot and did not account for possible causality, accumulation or processes and sequences in the development of the patterns of knowledge exchanges.

In the next sections, insights expressed by interviewees are analyzed synthetically according to several key themes that explain how (local) knowledge was dealt with through partnerships in the case of Banco Palmas, and what the implications appeared to be for the broader context of social innovation in contemporary Brazil.

4.2. Local Knowledge Seen from Outside

- What kind(s) of knowledge or expertise does Banco Palmas seem to have most?
- Which knowledge or expertise of Banco Palmas is most interesting or important to your organization?
- Did interacting with Banco Palmas have any impact on your organization, particularly related to your organization’s capacity to achieve its own missions?

Responding to the above questions, interviewees from Banco Palmas’ partner institutions unanimously highlighted the community-led and experience-based nature of the knowledge that the bank seemed to possess. It was seen as important where know-how came from, and that Brazilian community banks had roots in community and neighborhood in Banco

Palmas, the first case. Indeed, speaking with the external partners, it came across that there was a shared envisioning of Banco Palmas as an organization and Conjunto Palmeiras as a community as one example and the same story. Treating the Palmeiras neighborhood and Banco Palmas as synonymous in turn appeared to give a sense of legitimacy around its historical continuity, as well as certain validity arising from being grounded in the specific place and people from “the base” – as if an image of a Brazilian reality intact. In addition to this fundamental, consistently shared and almost *a priori* appreciation of the “local” of the local knowledge, certain academic quarters took special interest in the processes of community organization, which closely mirrored the bank’s own understanding of these processes, while government officials from local and national levels as well as civil society actors identified key development strategies, principally the area-based (territorial) and integrated community development approach and microfinance model, and specific programs such as financial education and Projeto Elas, as key expertise of the bank, reflecting their organizational interests in collaboration in such domains. It also appeared that the emphasis on the local origins of knowledge by external partners was met with a proactive position or a sense of pride in expertise from the bank, although the two dimensions could be mutually reinforcing.

4.2.1. Shared Values, Aspirations, and Appetite for Local Knowledge

The emergence of the community bank in Conjunto Palmeiras itself was viewed as “an experience to be referenced” in national discussions, and an innovative accomplishment meriting recognition. First and foremost, the case was seen as a holistic package of experience-based and tested body of knowledge from a community. For activists in the solidarity economy movement in Brazil, Banco Palmas and Conjunto Palmeiras represented “the best concrete experience we have.” One of the most senior government officials from SENAES remarked that Conjunto Palmeiras was an “incredible story” that had always amazed him, and recounted the history of the neighborhood from its displacement. An official in the Central Bank observed, “working from the base of community, they are [having a positive impact on Brazilian economy and society as a whole], and the community is getting better...serious work in community has already had motivating impacts...and collective action is very important, too,” while ensuring to point out that, “...this is my own

thinking, not the Central Bank institutionally.” A Brazilian academic interviewed also observed, “Banco Palmas is already doing that...to have a bank for the poor, it already is a result.” Perhaps because the case was a leading point of reference and a comprehensive or “intact” example in certain social sectors of Brazil, I also encountered on multiple occasions federal government officials and private sector persons who knew *of* the bank, but had more than three degrees of separation from any person in Banco Palmas or in the Palmeiras neighborhood.

In other words, the case of Banco Palmas embodied, for certain individuals in Brazil’s academia, financial, civil society, and government sectors, a story that one would want to tell her/his colleagues about. Knowledge is inherently complex and not easily transferred, as examined in the body of literature on knowledge management. Even when a piece of information seems to be disseminated, transmitted from its origin to destination, it is no proof of actual transfer because a genuine knowledge transfer is in fact transmission + absorption and usage (Davenport & Prusak, 2000, p. 101). Therefore, criteria such as attention, appetite, and affiliation make a big difference in knowledge exchange, more than the allegedly neutral and objective concept of “access,” an overused word according to the authors of *Working Knowledge* (Davenport & Prusak, 2000, p. 176). In the fields of social innovation and nonprofit sectors, as are the interests of this research, it may be appropriate to add another “A” word to explain the spread of knowledge, i.e. aspiration. The previous chapter of this paper argued that the processes of local knowledge creation in Conjunto Palmeiras involved significant amounts of formulation and communication (*articulação*), wherein narratives played a large role in turning experience-based know-how into codified and coherent yet active forms. It was possible to observe that the powers of narrative also went far in partnership building outside of the local community, and that diverse individuals with key shared aspirations or certain affinities could absorb and re-transmit variations of local knowledge thanks to the “story” aspect.

Apart from the appreciation of the local nature of knowledge, certain academic partners responded to the five possible categories of know-how presented in the interview question by describing their own observations about the sequences of how the experience of Banco Palmas and Conjunto Palmeiras likely developed, which largely resembled the bank’s

own understanding. An interviewee who had worked previously in academic research institution thus observed, “all of these [five] together...but the strongest they have is political mobilization, the relationship that they have with the community...that origin and story for me is the most important” because “it makes other things possible.” A researcher who was visiting the bank for the first time also remarked:

From an external point of view, political mobilization first, knowledge of local social economy, social innovation and development strategy at the same level, and then management of community bank. Through my experience of seeing things here, and the history of Conjunto Palmeiras, I'd put management of community bank at the end. It's like the ushering in of the whole story. They ended with this, but started with community organization. It's as if strategy and innovation were the means or process of getting to community bank.

In these views from the academic sector, it was possible to find the “unrecognized and undervalued” role of local intermediary (Briggs, 2008, p. 304). Grassroots community development does not emerge from nothingness (“community organization doesn't drop from the sky”). An interviewee from NESOL-USP described succinctly:

I believe this: they have great knowledge in local economy, political mobilization, and management of community bank. The union of these three aspects creates social innovation. ... Social innovation is not itself a knowledge, but rather an ability and also a competence, based on all the years that they've worked already through the community's struggle, to do very simply this: bringing together what happens in the neighborhood and outside the neighborhood, but doing it locally.

4.2.2. When Community Organization Gives Technical Assistance

Elsewhere, civil society and government partners identified useful knowledge in the case of Banco Palmas, principally the area-based and integrated local development strategy or microfinance model, related to specific programs that could be replicated or scaled up in collaboration with the bank. Speaking from the standpoint of an activist in the movement of solidarity economy, an academic researcher described the bank's contribution to the model of “territorial development” as next:

The big knowledge that Banco Palmas brought to us was to work with the territory as a whole...this question of territorial development...theirs was a model of local development that is more articulated. It was nothing very specific, but a concept: to engage with the local dynamics, and to think territorially.

City government official similarly highlighted the know-how of integrated and community-based microfinance that was to be implemented in the new tri-party partnership among Banco Palmas, the mayor's office of Fortaleza, and SENAES for the "Periphery Bank":

...Microfinance is a more direct way [of supporting entrepreneurship and employment in low-income population]. I think it's the excellence of Banco Palmas to arrive at the most precarious population, and empower them. ...We understand from their experience that for the poor, "*nome limpo*" (clean name) is essential...they are actually the best repayer of debt...as they only have clean name as asset. We also know that microfinance is important as a means, but "*capacitação*" (empowerment) is fundamental. ... The community bank must not lose those characteristics as the bank of the people. Accompaniment is the secret for supporting these entrepreneurs.

Additionally, interviewees at the Central Bank expressed personal views that Banco Palmas represented one of the promising potential partners from civil society in the area of financial education, and that they hoped to develop a methodology building on the existing experiences, "including the language and all of that," which could also be transferred to other communities through the Central Bank's facilitation.

Finally, what may be the "views from the outside, viewed from the inside" i.e. Banco Palmas' own perspectives on its interactions in knowledge with external partners? Faced with heightened interests in the local experience in interactions with the external institutions and actors, the management at Banco Palmas tended to find that the bank had greater concrete influence over its partner institutions than the other way around, the gaps in organizational size notwithstanding. One member observed, "Our principles don't change...but our partners seem to change, and I can see their views evolving after the exchanges with us." The well-established local processes of knowledge management within Conjunto Palmeiras, including the "learning by doing" characteristic described in the previous chapter of this paper, also appeared to enable the bank to engage in co-creation of projects with external partners. Another senior member therefore found, "...many people are afraid of dealing with great organizations," fearing that "they will get lost in partnerships with big organizations, that they would get lost in their big names," but it did not have to be the case "if I know my role, my institution, and my work very well, I can deal with them without losing myself."

4.3. Business Partnership and Political Coalition

4.3.1. Transactional Knowledge Partnerships

Briggs observed that effective civic solutions to community problems would require *both* the underlying “stable coalitions...for broad-based support” as well as “pragmatic, implementation-focused alliances” among the institutions involved, because “coalitions authorize things, and alliance or partnership arrangements get them done” (Briggs, 2008, p. 301). This view of the structural requirements can elucidate not only the collective actions by the alliance of actors within the Palmeiras neighborhood, as described in the earlier chapter, but also the nature of Banco Palmas’ various external partnerships. In particular, the bank’s external ties could be seen to include two types: the more political, and the more pragmatic (or programmatic) alignments of interests and actions. In addition, just as Briggs observed that “broad-based” coalitions authorized pragmatic partnerships, the bank’s “business partnerships” and “political coalitions” could be seen as two wheels contributing to securing critical resources and institutional support, thus enabling the effective construction and implementation of the solutions that the bank represented. In the domain of knowledge sharing, business partnerships tended to supply technical know-how to the bank, and political coalitions had a tendency of giving the bank a platform to disseminate its local knowledge to wider audiences. Furthermore, it appeared that the most intensive and creative exchanges occurred when the two sides of partnership tried to build a concrete implementation-oriented business partnership based on underlying political coalition.

In some partnerships of Banco Palmas, the two parties had narrow and focused mutual intersection of interests or organizational mission; these partnerships suggest partnership whose essence is knowledge transaction. Two external institutions that had interviewees comment that Banco Palmas probably did not have impacts on their organizations were also the ones that provided critical resources to the bank over the recent years. FINEP had awarded the national award of social technology in 2008, which partially financed joint research between NESOL-USP and the bank as well as the new building for Instituto Palmas. AIESEC had supplied talent to the bank in a stream of student interns since 2009. An earlier example of business partnership was also the banking correspondent services through contracts with banks, which brought in an entire body of knowledge in

financial services and the notion of organizational efficiency to Banco Palmas, according to some of its members. At times, the very nature of the organization as a social enterprise essentially invited support from certain international NGOs, such as Ashoka in 2004, and AIESEC around 2008-2009. These business partnerships could take place relatively rapidly since they were based on the partner institution's pre-established theory of change in the case of nonprofits, and business model in the case of banks, which sought to expand service coverage. Banco Palmas simply fit into the existing scopes of interests.

As a result, the bank appeared to be on the receiving end of technical know-how and talent transfers, in part due to the fact that the scope of actions would be clearly defined from the beginning, and the partnership would be less of a joint construction from scratch.

4.3.2. Forging Policy Partnerships from Political Coalitions

A more significant portion of the bank's partnerships contained political coalitions or social movement coalitions based on shared values about the perceived problems and needs of the Brazilian society. It was sensed that the partners and Banco Palmas shared, and that the most intensive and creative exchanges involving knowledge occurred when the two sides of partnership had to build a concrete implementation-oriented business partnership based on underlying political coalition.

The previous section of this chapter touched on the importance of conditions of improved knowledge transfers such as affinity, appetite, aspiration, and attention. Davenport and Prusak also analyzed that knowledge exchange required a foundation of trust among those engaged (Davenport & Prusak, 2000, p. 35). When asked if Banco Palmas and their organizations shared any values, many respondents gave their personal opinions, which placed issue priority on the country's inequality, and a need for or openness toward alternative methodologies. Thus, even in the cases of more businesslike partnerships or institutions that seemed to have limited interactions with Banco Palmas, individual officers and project managers expressed that they saw shared values between their work and the bank. For example, a local government official observed:

We share many important values... I can think of inclusion, solidarity economy, social entrepreneurship...and people's methods...something really concrete, you see. Fighting poverty is a high priority for us. Our people are wonderful in many

ways...creative, productive, *bon vivant*. But just think of the gap in education we have...and the gap between the haves and have-nots in the material, intellectual, and many other senses. We have to develop ways to get out of this situation. We have to combat poverty and misery. Poverty is like a cancer for humanity... I think public finance should be spent on those with the highest needs.

A federal government official commented, "I would say the necessity to create alternatives for social inclusion, which was pretty much the focus of our project," and further explained:

In my opinion, policies and politics of the federal government don't pay too much attention to the population who cannot succeed or access the market economy of work [labor market], which is to say formal work, for historical reasons of lack of education, opportunities, so on and so forth. So the alternative attempts like Banco Palmas are trying to find ways to include them into the activities of generating income and having a better quality of life.

The broadest statement of shared values came from a Central Bank official:

In fact there always were [shared values]. The question of...social responsibility, for instance, any organization and anyone really should have it. Or the principle of trying to know how to strive for inclusion, fight against poverty, and financial inclusion for the low-income population. Of course fighting inflation is a big role [for the Central Bank]. Fighting inflation is actually also a way of fighting against inequality and poverty. The low-income people suffer most in inflation. Another way of doing this is to create channels of transferring income. Another is to create services that cater to the needs of this population. Yet another is to adequately supervise financial products like savings...

Knowledge of hyperinflation's disproportionate consequences on the poor, which an ex-president of Brazil called "dirty little secret" (Cardoso, 2007, p. 184), and the situation of the persistent inequality and poverty is indeed no secret in Brazil, arguably constituting a sense of national moral conscience held by the Brazilian society as a whole, or at least the many quarters in its major institutions. After all, poverty alleviation is widely seen as having been the priority of the Brazilian national government since Lula's presidency, and "*Brasil – país rico é país sem pobreza*" (Brazil – rich country is country without poverty) has even been the federal government's logo since 2011.

There are parallels between this "broad base" as observed in the interview responses, and Banco Palmas' more specific comportment toward partnerships based on the Palmeiras neighborhood's earlier experiences in cooperation with the external world. Supporters of

liberation theology typically saw poverty as a structural sin in the society, deserving immediate remedies (Fitzgerald, 2007, p. 254), which had close affinity with the tradition of Latin American progressive social thought that treated inequality as inherently undemocratic and causing underdevelopment (Fitzgerald, 2007, p. 257). Empowerment of the base was not a concept but lived experience through the PRORENDA program's ideal of urban self-management by the poor (Mathaeus, 1997). These factors contributed to political and social coalitions with government branches such as SENAES, certain elements within public banks BNDES and Banco do Nordeste, as well as academic sectors that had been studying grassroots and cooperative-like phenomena in Brazil. Even before direct or formal interactions, individuals from the organizations that are the bank's partners today had become interested in Banco Palmas through initial contacts at conferences or by hearing about it from a third party.

Transforming shared values and principles into actionable partnership, however, consumed most work in terms of partnership building efforts and seemed to yield most fruits in the participants' perceptions about new knowledge generated. From Banco Palmas' point of view, a management member remarked:

There is a lot of discussion and knowledge sharing especially when they come here to where we are. Those processes are terribly interesting. Once we start working, that is to say implementing things, it feels like there is actually less knowledge sharing. We share what we do, based on the agreements or joint projects...and we are working together in that sense. But by then we will be focused on new partners we can get... In many ways we are acting in emergency, based on changing situations, and our resources are always scarce.

In order for practical knowledge to cross boundaries and be brought into a new environment i.e. different institutional context than its origin, considerable translation is required even when underlying values motivating the actors are shared, amounting to co-creation of new and action-oriented narrative and related knowledge-in-action. Moreover, such processes also seemed to serve as an opportunity of renewal or updating of knowledge in response to evolving institutional circumstances.

4.4. The Role of Academic Partners

4.4.1. Sympathetic Knowledge Partner

Academic research institutions and, to a lesser extent, individual academic researchers appeared to enjoy uniquely synergistic relations with Banco Palmas in terms of knowledge creation. The bank's senior manager observed, "We make partnerships with universities to try to systematize, elaborate on, and search for our knowledge." The greater centrality of knowledge in partnerships in these cases made academic partners different than the bank's other institutional partners. The processes of interactions and their outcomes in knowledge products as well as know-how generated during the collaboration were seen as contributing toward strengthening of the bank's knowledge management and partnership building capacity. In particular, academics were unique in participating directly in the local knowledge creation processes that were described in the previous chapter, by the virtue of long-term research commitments, and for carrying ideas of best practices from respective expert fields with sharing of the knowledge itself as objective. Their contributions strengthened the bank's practice of communicative actions, with regards to articulation of theory of change, and process of evaluations, where the partners jointly developed objective performance metrics.

Moreover, institutional structural similarities also underscored the two sides' interactions, making joint projects especially "joint" and mutually enhancing in nature. The evidences seemed to provide convincing signs that if academics and community organizations collaborated, there could be fertile outcomes for the community organizations. The academic/community organization partnerships also appeared beneficial and spilled over to social movements beyond the community, creating a network.

The development of alliance between Banco Palmas, the solidarity economy movement and NESOL-USP showed that well-organized intermediary organizations with roots in community mobilization could contribute its local knowledge methods and products to a nascent movement, helping to connect the grassroots and intellectual inspirations, and to legitimize the movement. It appeared that nowhere were the synergies felt more strongly in recent years than in the bank's collaboration with NESOL-USP. Generally, it was better

for knowledge interactions to be through partnerships with research institutions rather than with disperse individual researchers so that institutional commitment and organizational resources could come into play, and ensure knowledge creation and development over longer terms. In doing the actual work, university research groups and the bank also shared a *modus operandi* of “democracy at work,” wherein open and egalitarian exchange of ideas between the two relatively small and flat organizations could take place, making interactions more agile than were the case in partnerships with hierarchical mega institutions. In the views of participants in the recent project involving Instituto Palmas, NESOL-USP and Columbia University to develop comprehensive evaluation metrics for Brazilian community banks, support from the government was important because it was a beginning and sources of resources, but the hands-on process of laboring over joint evaluations and reports brought the parties closer, creating a genuine sense of merged expertise, together with new ways of speaking to the society, as described earlier as “a new narrative” employed by the bank. For academics who believed that greater voice from the community was needed in Brazil, an important outcome or byproduct of the knowledge creation was a sense of reward and renewed motivation to the field of social works in Brazil. One of NESOL-USP’s researchers commented that one method to change the Brazilian economy and society for better was “for the university to work with the community in dialogue,” explaining:

Certainly we learned more from Banco Palmas than what we brought to them. But more importantly, we succeeded to work together. We created new knowledge. We took the knowledge from the university and tried to learn from the community, and created new knowledge as a result. It was a conscious choice to do that. In a society like Brazil, which is to say a society with much inequality, the university needs to work with the Brazilian society, and use our knowledge to construct new knowledge.

4.4.2. Improving Articulation and Evaluation of Local Social Innovation

Whether individuals or teams, this group of external partners would spend the longest periods of time onsite, immersed in Conjunto Palmeiras and sometimes home-staying with residents. From the start, the researchers interested in studying Banco Palmas would be a self-selected and motivated band since academic researchers choose their own subject of research. Individual researcher would also arguably be carrying the highest personal interests and stakes in discovering new findings about Banco Palmas and making a persuasive case to

the world for the uniqueness of this local experience, while also somehow relating its significance to a generalized context of the relevant specialization.

In addition, the bank's collaborations with researchers would involve almost by default creation of new knowledge products. Many academics would experience the most substantial exposure to local knowledge compared to other types of institutional partners, increasing their chances of spotting a new aspect of local knowledge and codifying it, which they then could tell the world about, and also be most directly and intimately involved in joint creation of other local knowledge through working together with the community. Part of the knowledge production would be incorporated in local processes in the future, and in some cases become part of Banco Palmas' own codified knowledge repository.

There had been two main thematic streams of cooperation with academics for Banco Palmas. One was the primarily Brazilian interest in community banks and solidarity economy, having the roots in earlier studies of the grassroots and social movement, and closely linked with the solidarity economy movement itself. Another group had more international profiles of researchers, primarily from Europe, and found interest in the bank as one case among many in the comparative studies of social currency implementation cases. The two academic circles could be found having overlaps and mutually referencing ties, as well as direct exchanges at larger international conferences, which in turn enhanced overall academic interests in this topic by increasing the number of participants.

In the processes of consultation, data gathering, reviews of reports, and in some cases joint-authorship, experience-based know-how would be generated within the bank, starting from the leadership and at PalmasLab, to employees and neighborhood residents who participated in interviews or workshops given during the researchers' stay. The joint efforts between the local and external parties in these situations would lead either directly or indirectly to significant creation of new local knowledge related to *articulação* and evaluation. Because of the partners' and the projects' status of bringing together outsider-insider perspectives, the results would be particularly effective and influential for the bank's ability to communicate with other external partners that require more sophisticated and/or information-laden communications, such as federal government branches, large banks and some international NGOs. In addition, the knowledge product outcomes in the form of

research publications and reports would serve to recruit even more potential academic partners through the established channels and platforms of knowledge exchange in the academic world, made up of publications, peer reviews, specialized conferences, etc., which incidentally were organized network-like, relatively individualistic, decentralized, and globalized, thus making it easy to proceed to further collaboration with Banco Palmas with next steps being invitation to present in academic conferences or any type of forum such as workshops.

Partnerships with academics were certainly not without problems. In some cases, no feedback came from the researcher after the period in the field, and any data collected was lost to the bank, together with the hours dedicated for facilitating the research. Many research projects seemed to be repeating extremely similar investigations, providing little difference or additional practical value, at least from the bank's point of view. The bank also had difficulty keeping track of the numerous reports, unable to consistently keep a library for shortage of resources, or to develop a logical and relevant organization framework or cataloging system for the diverse yet overlapping discourses, although there was a recognition that ability to do this would improve the bank's capacity of making the best out of academic researches in the future. As a practical matter, hosting researchers and running joint projects already required special coordinating, translating and creative capacity on the part of the community, which was something that the residents of Conjunto Palmeiras were experts at thanks to the experiences of working side by side with international volunteers and aid professionals in the neighborhood since 1970s. In recent times, the bank preferred to handle many academic partners simultaneously, creating a sense of healthy competition while aiming at more efficient management of the progress of collaborative projects.

Even with all the issues and a worry that the bank was not getting as much out of the researches as it could be, there was still no doubt that academics had become an important category of partners. This was also increasingly the case because transferable knowledge, which needed to be systematized as well as articulated, was becoming less of a luxury and more of a necessity for Instituto Palmas' work in supporting the expansion of community bank model in other locations and communities through partnerships with the public sector. The positive impacts of the years of close interactions with the academic world could also be

found readily at the bank. In effect, in addition to the rhetoric of Brazilian community activism, militantism and social movement, key figures in the bank had acquired a second (or third?) language, wherein cutting edge concepts in relevant social and economic studies could be applied to very practical situations in Brazil. At one instance, a Banco Palmas member could be found describing:

There is something we call 'the monetary ecology'...it's an expression. Well, everyone likes ecology. You don't pick just one bug, one animal, or one plant, for example. Everyone likes variety. Everyone likes forests. A forest is diverse. In economy, we argue that we also need ecology. We should have various types of banks. It would be a problem if there were only Banco Palmas, or only community banks, or only private banks, or public ones. So we think there should be various types of money, various types of banks...

The response was an example of a newer type of narrative employed by the bank's leaders, effectively bridging between the abstract concept of monetary ecology, which some visiting researchers had also used (Kobayashi et al., 2012), and a statement that was more generally about situating the bank in the broader political context in Brazil.

4.5. People and Network

4.5.1. Partners within the Partner Institutions

The previous sections argued that Banco Palmas straddled homogenous and heterogeneous institutional relations not only because of the diverse institutions it interacted with, but also because of the key differences in the nature of partnerships (focused and businesslike vs. broad-based and political/social), and also illustrated that academic institutions were a unique and important breed among the partner institutions. Who were, however, individual actors in these connections, and how did the knowledge-intensive interactions take place among them? What happened first, and what followed next? What were the methods of knowledge transfer, and how could all the processes be interpreted as indicative of normalization or institutionalization of knowledge relations? To answer these tangible questions, it is best to first review the key attributes of actors and stakeholders involved at the individual level, and then describe an example of interactions in detail that exemplifies how knowledge relations seemed to develop in the case Banco Palmas.

The people who appeared to be of critical importance in the development of partnerships were often found to be mid-level government officials and decision makers at project level in other organizations. They were instrumental in producing concrete outcomes and important turn of events for Banco Palmas, including the evolution of relationship with the Central Bank, national award for social technology from FINEP, the most comprehensive publication about the bank up to date (Instituto Palmas & NESOL-USP, 2013), and new opening of project and funding opportunities.

Sometimes the individuals moved between different responsibilities, or even across organizations. In certain sense, the institutional walls appeared to be porous when it came to knowledge-based activities, and events could be better understood by taking into consideration the web of personal contacts and previous project histories of each professional. For example, an official at a city government branch in Fortaleza had previously worked for the state government of Ceará, where she was not involved directly but had gained knowledge about initiatives to replicate community banks in the interior areas of the state, and now was responsible for the joint project of opening community banks in the outskirts of the city. Another example would be when academic researcher(s) and professor(s) from NESOL-USP began to work for SENAES, bringing in their extensive experiences of collaboration with Banco Palmas in academia and the movement to the federal government. Yet other instances were when a private foundation negotiated to hire an employee of Banco Palmas to work part time on its staff payroll in a partnership agreement with Banco Palmas, or when a Central Bank official previously researching complimentary currencies had a shift of responsibility to begin working in the field of financial education, which meant that previous research interests helped to generate new interests toward possible collaboration in design and implementation of programs with the bank.

Many participants in the partnerships with Banco Palmas also held an impression that certain key persons played key role in its most important external institutional relations, although in some cases the precise extent of personal influences deserve a closer examination. Officials at SENAES and other activists within the solidarity economy movement pointed to Sandra, or Sandrinha as she was nicknamed, as the instrumental figure

in the earlier evolution and deepening of Banco Palmas' participation in the movement. Other parties, such as the Central Bank and organizations that came into contact with the bank later, identified the other co-founder, Joaquim, as the principal force behind moving cooperation arrangements forward and improving institutional relations. Within the bank, Joaquim was observed to be "the person who gets the doors open" when it came to partnership building, and this may be an accurate observation. Moreover, it is possible to infer that the co-founders' traits as a kind of outsider-turned-insider facilitated the pursuit of external partnerships at Banco Palmas since the early days, although facts concerning these earlier years would have to be somewhat speculative. For instance, Snadrinha was born in the interior of Ceará, and probably possessed certain familiarity of poverty-related rural initiatives such as the cooperatives movement while also having an established career in the city's social assistance works. Thus, certain individuals within the bank had characteristics as a "knowledge broker" (Davenport & Prusak, 2000, p. 29) in the terminology of knowledge management, vis-à-vis the external institutions, and had the ability to speak to different potential partners. This connectivity with the outside and understanding of the external perspectives were stronger in Banco Palmas leadership than the community's previous movement leaders, even as the community itself had already learned the know-how of proactive collaboration with external partners once they were in the neighborhood as with CEB clergypersons and German aid workers in PRORENDA.

On another front of the bank's key external relations, those interviewed in the solidarity economy movement, including Banco Palmas and others, tended to consider that the dramatic improvement of relationship with the Central Bank was to an extent a fortuitous coincidence of there happening to be an official and researcher within the regulatory body who had sympathetic views toward complimentary currencies. In this specific case, observations from within the Central Bank actually suggested that there was a small number of predecessors tied to resolving the two legal processes against Banco Palmas, and that the non-confrontational relationship between the bank and the Central Bank was established without contribution from the official in question, who came into the picture a few years later, and, moreover, that there already had been a faction within the regulatory institution, unrelated and predated to the episode with Banco Palmas, that had an interest in complementary currencies and other nontraditional solutions for approaching the

populations of the society who were difficult to reach by orthodox financial intervention tools.

4.5.2. Example: Leveraging Knowledge Network to Win Over BNDES

The above descriptions summarized the types of professional individuals involved in the network of institutional partnerships around Banco Palmas. The next question to be explored would be: How did they actually interact, using knowledge, over some period of time or progress of matters, and in ways that carried larger institutional impacts? The question would be best answered with words of one of the bank's senior managers detailing the processes of winning a partnership, as it were, with BNDES:

...I think when you have a relationship with these great institutions...at the micro level, which is to say at personal level, what is important is to have no prejudice or preconception. We have a lot of prejudice in Brazil. For us in the solidarity economy movement, we tend to think that everything that is 'banks,' like BNDES or the Central Bank, is a bank of terrible things, a bank that maybe destroys things. Banco Palmas has always thought, 'Well, it's not so much like that.' Central Banks is made of humans. BNDES is, too. There are various people inside there. ... We don't have any issues against talking to people inside who are on the good side, so to speak. And we are not afraid to speak with them. When we started having conversations with BNDES, which is a huge company and huge investor, dealing in the hundreds of millions...or billions, we discovered that inside the bank there were people, and that there was a little department that dealt with small enterprises. We made an appointment, met, talked, joked together... Then, we did a seminar inside BNDES. Imagine it. BNDES, who usually does huge conferences... Then, we analyzed some possibilities for a project, and we did a project with 3 million [R\$]. I think it must have been the tiniest project of BNDES. For them, it's so minuscule! But it is there. It has been done. And we went to BNDES to do another seminar in Rio at the BNDES headquarters, together with persons from Columbia [University], with some students, professors, and interested mayors since it was about community banks. BNDES supported it, too, including our airfare and what not. It gave us great visibility.

[Why do you think they supported it?]

There exists a side within the organization of BNDES who thinks like this: 'We have done so much of big things; now we need to support the poor also.' Not the directors, but there are staff who think this way. There were city governments willing to work with us. And then we convinced the directors. On the day of the

conference, the directors were present at the open table. These were the people of power in BNDES. On the other side, there were people from the communities and *morros* [hillside favelas]... And I think the directors saw that there existed a world outside of the Batistas and giant enterprises [reference of Eike Batista, a Brazilian business magnate based in Rio de Janeiro]. Three months later, they approved our project. So you have to have a strategy that goes like this: Don't be prejudiced that the big guys won't help; know that inside there, there will always be somebody, a staff, a director, someone, who will help. You have to have patience.

Key characteristics of the institutional partnerships involving knowledge in this case were captured tellingly in the facts described in the above interview response. Pragmatic focus, effective communications in face-to-face meetings, with the help of narratives refined from interactions in the community, and confidence in one's own expertise in local knowledge were powerful when combined together, particularly in getting the relations beyond the first informal "conversations." Contrary to sometimes being characterized as talking shops, conferences served a twofold function in accelerating the institutional partnership: by being a low-threshold joint project, and by also being a platform – highly visible and openly accessible – for facilitating knowledge transfers among diverse participants, i.e. casual attendees, contributors, organizers, panelists, etc. When the seminars were held inside the big institutions, they also became an opportunity for Banco Palmas and its initial allies within the organization to spread the knowledge and recruit more interests, while bringing themselves closer to the organizations' decision-making systems. Lastly but not least, Banco Palmas' own actions had multiplying effects in terms of knowledge exchanges as it had a habit of bringing other partners to conferences and other meetings whenever appropriate, thus presenting more experts who could speak for different versions of experience-based knowledge related to the model of community development the bank represented. As a result, a small start could be developed into a wider platform for dissemination and transfer of knowledge, which also contributed to building a momentum or a whole set of context within the new partner organization, and helping the relevant decision-makers to take concrete institutional decisions.

In sum, behind the formal blocs of institutional walls of the great Brazilian institutions, which were typically hierarchical and introverted, there seemed to exist a more flexible and fluid network of actions and actors engaged in knowledge exchanges and new

co-creation of knowledge focused on implementation-oriented public. The characteristics described above were also found in the tactics of some of Banco Palmas's partner institutions, in particular in solidarity economy movement. It was a strategy of SENAES to promote the concept of solidarity economy inside the many branches of the federal government by giving numerous workshops and seminars to any department that welcomed the opportunity, and then establish partnership agreements with these other government branches, including many federal government ministries and certain local governments.

4.6. Democratization, Liberalization, Participation

4.6.1. Concurrent Visions and Innovation in Brazil

Although recent literature with regional focus on Brazil and pertaining to urban planning often focus institutionalization of municipal or lower administrative level participatory institutions in conjunction with PT's emergence and passage to federal power (Avritzer & Wampler, 2004; Avritzer, 2009; Baiocchi, 2003), the country's situation, as indirectly observed in the discussions of Banco Palmas' institutional partnerships so far, does not warrant characterization as one trend is dominant over all. To the contrary, the defining character of the national political and social "macro" circumstances in Brazil today may be that of concurrent trends of competing and contradictory movements from various sectors. In terms of context for social innovation, specifically, it may be relevant to understand the institutional environment as being characterized by three concurrent dynamics, namely, democratization, liberalization, and participation. Participation may or may not overlap with the previous two, although it is sometimes assumed in the literature that "democratic participatory" is an inevitable package. Some market-oriented reforms can be considered as combining liberalization and participatory notions, such as financial education for the poor or encouraging entrepreneurship. Moreover, most observers would not disagree that the traditional and probable root problem of Brazil, and of Latin American development, in the form of hierarchical economic-political-social structure of overall national institutional configuration also remains persistently in place, despite all the reforms (Schneider & Soskice, 2009; Schneider, 2009). Seen together with these undercurrents, the confusion over the situation of the poor in Brazil's neglected corners, whether it is even genuinely improving or

which solutions have priority, actually reflects the country's broad changes across sectors. In fact Banco Palmas may be seen as responding to all three trends, for having democratic and participatory setups in local forums, for expanding credit and sales and purchases while also encouraging economic participation, etc.. People and network supporting innovation, and their rationale for the support, may be better understood with this bigger picture in mind. Another way to picture this is that, despite a general agreement of poverty as an issue of priority, the path to overcome poverty, and hence the hierarchical and unfair organization of the economy and society, is not clear because the notions of democratization, liberalization and participation are all competing. Another take is that social innovators need to be entrepreneurial and flexible in charting a path to growth.

The simultaneous movement toward greater democratization, greater liberalization, and greater participation can also, and is reasonably expected to, contradict each other, cancel out some outcomes, result in setbacks, and make situations sub-optimal from any one of the perspectives, which are already widely diverse due to the country's continental size and historical complexities. There also apparently exists competition for institutionalization due to these competing ideas within the federal government and at multiple levels of administration, and one ministry could very well have competing departments or policies. The combined effect may be that each idea or "ism" inspire innovative measures and promotions, but actual replication and scaling become challenged because of the larger trends that land bigger national interests of the country that are in concurrence. Hence, Carolini found a dilemma between São Paulo's participatory institutions for democratic deliberation on public finances, with balanced budget, a goal related to economic liberalism and administrative reforms in that direction, which were both to be pursued (Carolini, 2012). On the positive side, the three great currents could provide subtext to bring together actors from a surprising set of corners to formulate practical partnerships.

4.6.2. Example: Banco Palmas and Brazil's Solidarity Economy Movement

The meaning of innovation, or rather, what it means to innovate, in Brazil today, from a practical standpoint, can benefit from an understanding of how entities navigate the landscape of concurrent trends toward democratization, liberalization, and participation. How solidarity economy movement emerged, and the contributions and relations of relevant

institutions researched in this study, Banco Palmas, NESOL-USP and SENAES, display characteristics of this point. It shows that a neighborhood's local knowledge is inherently responsive to all three of the major trends in Brazilian society, and can represent an important asset for more idealistic civil society movement, and go a long way in influencing a nascent movement, even helping it enter the government at the right moment. At the same time, Banco Palmas could represent different types of innovation model to various institutional supporters at diverse moments.

The notion of social innovation is an interesting case. After the institutional and political changes for democratization were attained to a great degree in the 1980s and early 1990s, and liberal reforms took place with stabilization of the currency and the national economy under President Cardoso, it appeared that social innovation became increasingly important for Brazilian federal government branches and also other public and private sector institutions in the 2000s. Banco Palmas won a national award for "*tecnologia social*" (social technology) from FINEP in 2008. It also received grants from private companies (albeit partially owned by the government) such as Petrobras. Social technology denotes methodology, including product, services or technologies, or technique of making change or solving problem for social goals. There was a sense held by certain actors within the federal government branches, however, that the sense of support for it had already peaked out. An official related to the field remarked:

Social technology as an area was created and added in the last decade [as a focus for the agency]. Now there are changes within the federal government. It [social technology] is losing momentum a bit. If we were to pinpoint, I would say it had the greatest momentum at a certain time between 2003 and 2004. It's just that the preoccupation in the government has shifted. This [change] is not really related to solidarity economy.

Thus, according to some Brazilian practitioners, the situation surrounding social movements was changing. I also heard anecdotally in informal interviews that for reasons unknown, civil society organizations such as neighborhood associations were on the decline since the time of President Lula's administration (2002), and this was confirmed by the dramatic situation of ASMOCONP's dysfunction in Conjunto Palmeiras.

Predating the rise (and decline) of interest in social technology, solidarity economy movement carried Banco Palmas and the local knowledge experience from Conjunto Palmeiras into spotlight and national policy sphere over a relatively long period of time. Encountering the case of Banco Palmas and meeting its organizers profoundly impacted the researchers who came to form at NESOL-USP and others in the solidarity economy movement, which had been principally rural cooperatives until the community from Conjunto Palmeiras bought into the idea through co-founder Sandra. Having Banco Palmas on board, so to speak, changed the trajectory of the movement's development toward concrete model of community bank and propelled it in its current form when Lula came to power, even as Banco Palmas itself, as a community-based organization inheriting all previous experiences of mobilization under slightly different logics, stayed open to exploring other partnerships:

We were really impacted. Conjunto Palmeiras brought two important innovations for public policy of solidarity economy. It's not just about Conjunto Palmeiras, but they represent. The first is that idea of territorial development, and the second is that they don't separate territorial development from popular development. They combine the two fundamental themes. Popular economy means the elements of the economy that are organized in the popular logic, spontaneous, like artisanal things... Solidarity economy has a democratic logic. It's collective efforts. In the context of the periphery, popular economy can be market economy like microenterprises, too.

The importance of the role was matched with views from within the bank. President Lula had confidentially named Professor Singer as managing director for BNDES, but eventually SENAES was created in 2003 inside the Ministry of Labor, which had a history of interaction with rural cooperatives. The fate of SENAES is uncertain. According to participant in the movement:

When SENAES was created, it was for initiatives of solidarity economy. It was to be a representation of the movement within the government. So it was meant to have a direct relationship with the initiatives of the movement. Since then, solidarity economy grew, and the Brazilian government also became more bureaucratic, so it became somewhat difficult to work with them [SENAES], and we ended up having a bureaucratization of this relationship. To be fair, it's the government as a whole...that's another difficulty, which is always there when civil society and government cooperate... SENAES has its agenda. Every organization of course has its own agenda, and they have the resources... But inside the government, I believe

that SENAES is an immense source of resistance. It's very different. So we still see SENAES as a different possibility of relationship with the government.

Thus, once the innovative model had become official, there were some delays or slowness for complications within the government's competing agendas.

4.7. Social Innovation in an Emerging Institutional Ecosystem

4.7.1. Fragmented Support System

The themes of analysis in this chapter have up to this point focused on the successful features or enabling conditions of Banco Palmas' partnerships in knowledge and partnership building activities using local knowledge that have had wider impacts. It would be a mistake, however, to leave out exploration of the fundamental limitations in the bank's and the community's external institutional environment, which shaped the institutional partnerships and characterized their abilities to make a difference in contemporary Brazil. Bloom and Dees argued that social enterprises needed to think about how to proactively alter key elements in their surrounding "ecosystem," taking such actions as addressing areas of market failure or institutional shortcomings so as to tackle the social system that made the issue that the organization was working to eliminate in the first place; the article primarily drew on the example of Self-Help based in South Carolina (Bloom & Dees, 2008). Compared to the institutional ecology in the United States, however, two critical characteristics of the institutional environment surrounding Banco Palmas differed: the institutional infrastructure and framework for supporting the kinds of community development work Banco Palmas did were only emerging and still fragmented, and the highly hierarchical organization of the political and economic realities in Brazil. The combined effects of the circumstances meant that not only Banco Palmas and its allies in solidarity economy movement but generally groups working to advance an alternative model and vision for social change had to operate under high uncertainty, and cultivate the institutional ecosystem much more from a basic level, in smaller steps, and in a co-learning manner.

The scoring system described at the beginning of this chapter found that Banco Palmas faced something of a regulatory blind spot. None admitted to having oversight responsibility over the bank, even though several government branches had detailed

knowledge and recognition of the legitimacy of the model as a community experience, having been engaged in knowledge exchanges with the bank. Viewed differently, neither control nor supporting institutional infrastructure was strong or comprehensive in the bank's external institutional environment. This posed issues for scalability of the model. It appeared that the bank needed to spend much resources and attention in navigating through the potentially unsupportive institutional environment dominated by large organizations, negotiating the definitions of its function in the society and infrastructure it needed, and also nurturing (or co-nurturing) the other emerging institutions or alternative elements in the existing institutions. Furthermore, part of the institutional environment was that in Brazil, as in Latin American countries, complementarities between powerful institutions from public and private sectors created an overall hierarchical organization of political and economic realities, which were interlocked into what might be thought of as a variation of capitalist system that was fundamentally hierarchical than liberal or coordinated (Schneider & Soskice, 2009). The odds for small institutional actors to become big, i.e. in this case, for a local intermediary to transform itself into national intermediary, would not seem high unless part of the larger reality also changed.

The risks posed by uncertainties in the national institutional environment were clearly illustrated in Banco Palmas' legal episodes with the Central Bank. Continued negotiations in the form of communications and information exchange, including face-to-face meetings and cooperation in the Central Bank's internal research, led to an understanding of the contexts of the bank and its social currency from the side of the Central Bank, and then to an important moment of social approval. An interviewee at the Central Bank commented about its significance:

Not sure if they would consider the same...but the most important event I think was at the first or second forum of microfinance held in Salvador [2009], when the chief of the department in charge of financial systems, who today is director of relations with citizens, and attorney general, spoke explicitly that the Central Bank did not have restrictions over Banco Palmas. The Central Bank studied social currencies, got to know what was their experience, knew that it was important, and understood the legitimacy of that experience in the Brazilian reality. I think that the involvement the Central Bank had in terms of inviting Joaquim to participate at the conference...was important for the development Banco Palmas had. Besides, they also saw that their

experience was one among many, and how it was difficult to implement microfinance...in these communities in Brazil.

Nonetheless, noninterference was not the same as endorsement, and the approval was strictly social anyways. Interview responses from the Central Bank clearly indicated this aspect, in comments such as, "...in fact, the Central Bank doesn't have direct relationship with Banco Palmas...it is a civil society organization not regulated or supervised by the Central Bank," or, "community bank is in fact a banking correspondent...the service was created by the Central Bank, but not regulated...they have contract with each banking institution specifically," and also, "the Central Bank is not directly associated with Banco Palmas...they are important for certain sectors of the society...communities that are poor and facing a lot of difficulties...it's interesting in so far as it's an experience of such community." Finally, interviewees from the government considered that community banks were still so embryonic that it was deemed not appropriate to create regulations.

4.7.2. Gramscian Wars and Growing Pains

While it was good news that the worst had been avoided in the case of earlier legal processes, having greater amounts of information could reduce similar unknowns in the future. At the same time, some in Banco Palmas analogized the bank's many partnerships with large institutions as fighting a Gramscian war of position by entering the decision-making systems of the country and its established institutions, hoping and seeking to change attitudes from the inside. Relatedly, Banco Palmas could also be seen as drawing legitimacy and social support from multiple sources in its institutional ecosystem.

More basically, the external environment meant that the channels for changing the institutional ecosystem as a collective group, not individual voters, could be limited. Traditionally, funding sources were either mega corporations (e.g. BNDES, Petrobras) or the federal government, which itself could be interpreted as fragmented institutional environment with more than 30 ministries, covering what seemed like overlapping areas of responsibility to an amateur, such as the Ministry of Agrarian Development, Ministry of Agriculture, Livestock, and Supply and Ministry of Fishing and Aquaculture. Given these conditions, the bank shared and applied its local knowledge to legitimize the other actors with whom it shared key values, be it the solidarity economy movement or the more recent

strand of social entrepreneurship more aligned with interests of the younger generation. The relatively new sector that the bank sought to insert itself was therefore the emerging social entrepreneurship ecosystem in Brazil, which might not yet have been an ecosystem. According to an interviewee in a foundation established in 2012, 2011-2012 saw several to up to seven impact funds be established for the first time in Brazil in São Paulo, and the concept as well as the activities of social entrepreneurship were only getting started. Given the circumstances, the respondent explained the impacts of collaboration with Banco Palmas:

Banco Palmas definitely affected us. ... In 2014, we want to focus on local development...not education, health, or specific sector, but an approach embracing everything. And we are learning how to do it by using one example and experience to give us a way. We're very impacted...

In addition:

We are a young foundation. We have an opportunity to create ourselves. Not like a big fund who comes and says, "We have 5,000 dollars to support health," and if you don't have health programs, too bad. We will provide some money, but we want to create something together that we can pilot and scale, and we want to have this openness to talk to them in a different way. It should be an equal partnership. ... We're not trying to replicate the bank or Palmas. We're trying to replicate the process...just communications or association...is probably good. But this is also much more difficult. I think we're learning how to replicate and how to expand at the same time, and we are interested in how to share knowledge, not product.

It was likely and not necessarily of cynical consequences that when a clearly larger organization or provider of funding emphasized "equal partnership" with a neighborhood-based organization such as Banco Palmas, they might be in greater need of knowledge from the smaller organization, seeking certain coaching or guidance on how to create programs or how to implement them. Nevertheless, Banco Palmas engaged with not only this one but with others, with the solidarity economy movement being a chief one, lending and transferring local knowledge in their support. It could be seen as an investment in cultivating the institutional ecosystem as these activities also would have the effects of increasing pluralism and more possible sources of resources over the long run, albeit with high uncertainty. Indeed, the path from grassroots to institutionalization in today's Brazil was messy but pluralistic.

An observation to be made may be that an organization's growth could not outpace its supporting institutional infrastructure at national levels, at least not for long. In a developing country where many institutional frameworks and supporting infrastructure in the institutional environment could be only emerging, educating the other institutions by means of knowledge sharing, *sensibilizar* (sensitize), may be important part of external partnerships, and the activities may seem more disperse. Institutional setup of the organization itself as well as the configuration of its support from the society could also be fragmented and shifting all the time. A logical way of dealing with uncertainty, however, is with flexibility in design (De Neufville, 2011).

4.8. Some Macro Perspectives

4.8.1. By the Poor or for the Poor?

All the investigation in this study shedding light on the patterns of knowledge-exchanges and institutional environment of Banco Palmas may lead to a question: Are national and grassroots pro-poor institutions complementary or contradictory? In other words, there needs to be a discussion on how likely or degree to which the “by the poor” aspect and “for the poor” dimension of pro-poor policies and institutions could lead to different overall approaches and ultimate impacts on poverty. Were there any discernable and relevant signs from the research?

A concern for practitioners may be the ultimate impact on improving the living conditions of the poor locally. Hypothetically, an unconditional emphasis by the State on the “by the poor” part of poverty alleviation could mean withdrawal of concrete resources from the communities at the base. Relatedly, there may be consequences for such arrangement of institutions and thinking of development, namely, that the poor and marginalized would be left to fend for themselves, with promotion of innovation serving as an excuse for non-provision of services and irresponsibility on the part of the government. That would be a situation of “by the poor” not being “for the poor” in the grand scheme of things. Even under a less dystopian scenario, one could ponder what would be the consequences if bottom-up measures such as community banks took away the spotlight from the State's innovation in nationwide poverty alleviation such as Bolsa Família. Even

members of Banco Palmas leadership and its local member of the Council of Managers have remarked that the bank was a very small being when put into perspectives, with a three-year budget of microcredit being 3 million BRL (1.35 million USD as of May 20, 2014). On the other hand, local social assistance worker told me that at least half of the families in Conjunto Palmeiras received Bolsa Família. Assuming a household size of four and 100 BRL monthly assistance amount, a back of the envelop calculation indicates that the 47,000 local residents could be receiving equivalent of 3 million BRL in cash from the State in mere three month. Even if the line of argument should be modified, as loan and cash transfer are very different products and can be highly complementary, the point about the relative emphasis of top-down (national) vs. bottom-up (dispersed and community-based) solutions is still relevant.

Before further elaborations on the specific implications, the discussion will merit two analytical guidelines. First, it may be pertinent to distinguish between diagnostic knowledge and prescriptive knowledge, when it comes to knowledge about a social problem and a “model” of its solution being transferred in community of practice involving officials and civil society actors. Second, the patterns of interrelation between top-down and bottom-up dynamics in policymaking and institutionalization of innovations in nonprofit sector may vary greatly from country to country, and even from sector to sector. Some situations may see binary difference, with either a strong State or vibrant local communities dominating, while more likely there will be complex but identifiable patterns in the middle, wherein the civil society actions find paths to meeting the top-down. For the case of Banco Palmas, all factors were relevant, and answering this section’s title question will become argument about the degrees.

The synthesis of the findings in this chapter tended to paint a picture with following characteristics:

- The acceptance of the diagnostic knowledge of Banco Palmas, providing insights into the experience of poverty an its spatial and social contexts, such as that it was crucial to coordinate different elements of the local economy, or to build and provide support networks around families, was unanimous, whereas adoption of prescriptive knowledge was selective and differentiated between partner institutions.

For example, SENAES and solidarity economy supported community bank as a model to be copied in its entirety of institution, whereas a number of other partners only collaborated on microcredit, educational programs, etc.

- In fact, there was a sense that certain sectors of the government, notably the Central Bank, procured knowledge about the situation in Conjunto Palmeiras, not only the experience with alternative currency, related to understanding of community-scale and poor-households' economic activities, and informality.
- The actual solutions from Banco Palmas were complementary to national programs and other public resources, and not meant to “solve” poverty independently, or indeed even to achieve financial sustainability. For example, the thin margins of microcredit operations did not yield enough returns to support the rest of the bank as an organization. Programs such as providing credit to Bolsa Família recipient women enhanced the national, uniform program.

Briggs observed about civic capacity in communities around the world, that “either the grassroots or the grasstops can initiate or lead, and the lead can shift over time” (Briggs, 2008, p. 307) in taking collective actions for solving problems. On community bank model, the role was generally understood to be complementary by national institutions and policies aimed at stabilization of the economy and increasing the access to market economy opportunities for the poorest sectors, since the 1990s with Plano Real, translating into banking the unbanked (Neiva et al., 2013, p. 8). In addition, recently the Central Bank was taking further steps, or adding a second axis. In November 2013, the Central Bank underwent an organizational change, and one of the eight main departments was a department for Institutional Relations and Citizenship, including a Financial Education Department, headed by a deputy governor focusing on this area. An interviewee at the Central Bank described:

Today, the Central Bank is very interested in the question of local development. In the field of education, we are planning a financial education program for women who are clients of the Bolsa Família. It's possible that we would do a project in the future related to education of this type and community...financial education at CBB – it's not limited to marginalized populations...but this is new initiative, the department just got created, and is working on the question of inclusion...you can

think of financial inclusion as bigger: it has branches of education, banking correspondent, cooperatives, students, and so forth...

Seen from the point of view of knowledge exchange, the interactions among Banco Palmas and the various counterpart institutions did not fit binary description of the top-down and bottom-up, or even a continuum, but rather jointly created new knowledge and narratives that had the effect of keeping the people involved in the social sector to continue to get involved and advance various measures, thereby contributing to a sense that government and civil society should work together, with government having an obligation and the communities having relevant knowledge to give. Another way of looking at it is that by creating a knowledge network to promote its model, Banco Palmas connected the individuals and institutions that already had these components, and thus the institutionalization processes and movement of this civil society actor actually served as a connecting tissue for facilitating greater knowledge exchange. Hence, the bank's contribution may not be the community bank model but the learning and knowledge sharing stimulated to keep poverty a priority. Finally, the legacy of Banco Palmas the local knowledge bank may outlive Banco Palmas the community bank. The CEB movement, for example, swelled up and reached thousands of communities in Brazil until the 1970s, but is no longer visible as a civil society movement and type of local institution. Nevertheless, this study found that those who gained skills and experience in community mobilization and collective social innovation continued to remain in the social sector, or, rather, the processes of knowledge creation first sawed in CEB gatherings carried on, and many know-hows were intact in community bank today, which was a completely different institution yet undisputedly a legacy of earlier models. This is not to say that the situation may change in the future, as the ruling party may change, or other shifts may take place in the Brazilian society. Nevertheless, considering that key policies related to poverty alleviation were started under administrations before Lula, the likelihood for the current pattern of interactions to continue more or less appears high.

4.8.2. What Development Model Does Brazilian Community Bank Represent?

Furthermore, what is unique about Brazilian community bank model as embodied by Banco Palmas, and how may it be placed in the diverse spectrum of microfinance and related versions? One thing to clarify is that community bank effectively represents an integrated institution of intervention in the financial and labor market of the local neighborhood-based economy. The combination of diverse programs at Banco Palmas is better understood as an integrated microfinance + micro-employment institution. Second, the combined approach effectively rehabilitates the local economy (and its participants) from informal economy into formal economy. Hence, the bank primarily provides services and products to the segments of the population with least opportunity of formal employment, i.e. women and youth, even as everyone can participate in community organization activities and meetings. Relatedly, the emphasis on creating safety networks around the women and their families can be seen as a mechanism for preventing the lapse back into the informal economy in downturns.

Labor informality is characteristically and persistently high in Latin American countries. In Brazil, in addition, the regional gaps are staggeringly wide. **Error! Reference source not found.** shows that the formality rate finally crossed 50% in 2009, even as the chart includes female domestic workers as formal employment, and thus there may be disagreements as to how secure the formal jobs really are. It also shows that in the late 1990s, right around the time of the creation of Banco Palmas, labor informality actually deteriorated even as the country's currency and economy stabilized. In Ceará, where Fortaleza is the capital city, the formality rate was significantly lower than the national rate, and for women, it was at 31.9% on average, including domestic work. Furthermore, Schneider and Karcher observed that powerful institutional arrangements traversing public and private sectors left the labor market structurally highly hierarchical and disadvantaging the poor (Schneider & Karcher, 2010).

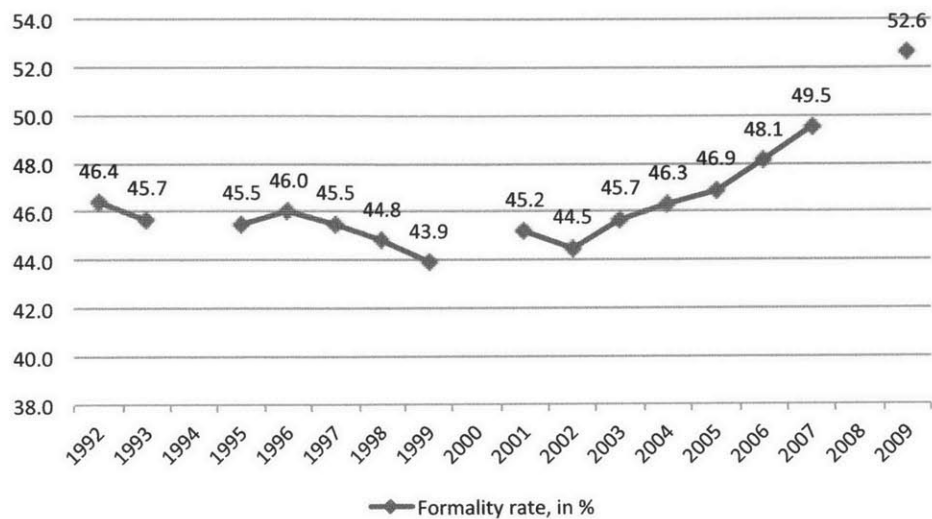


Figure 15: Labor formality rate in Brazil, 1992-2009

Source: (Guimarães, 2013a, 2013b).

Table 11: Labor formality rate in Brazil, sub-national data, 2009

	Total	Men	Women	White	Black
Brazil	52.6	54.7	49.8	60.0	45.2
Urban Area	58.1	60.6	54.9	64.4	51.4
Rural Area	23.8	26.8	19.0	30.3	19.5
Regions					
North	37.4	38.8	35.4	45.2	35.0
Northeast	34.7	35.6	33.4	40.1	32.5
Southeast	62.8	65.9	58.9	66.4	58.0
South	60.4	63.4	56.4	61.4	56.3
Center-West	53.2	56.0	49.6	56.9	50.6
Federation Units					
Ceará	33.2	34.3	31.9	38.6	30.9
São Paulo	67.8	70.5	64.4	69.6	64.3

Source: (Guimarães, 2013b).

Analyzing city-scale poverty in its multiple dimensions, UN-HABITAT described “spatial poverty trap” wherein distance from city center and thus formal employment turned into social distance (UN-HABITAT, 2010, p. 82). Relatedly, the study at Central Bank came to identify social currency as legitimate and potentially beneficial for fostering complementary economic activities with closed monetary loop (Freire, 2009). Thus, what Banco Palmas, and other community bank, can efficiently deal with is relatively isolated urban economy, and toward solving the conditions of spatial poverty by addressing its negative complementarities and creating a cycle of positive mutually-enhancing coordinated actions, in which sustained community mobilization is highly relevant.

A macro perspective on the model of local community development represented by Banco Palmas should take these dimensions into consideration. Brazilian policymakers appeared to be largely conscious of the labor aspect, as after all SENAES is housed within the Ministry of Labor, and seemed to consider the bank’s model as a territorial solution to a territorial problem of poverty. An official at a development bank also recognized that the model of community bank was much more complex than microfinance programs of the group lending types, and more difficult to scale because of local differences. A way to solve the spatial poverty en masse would be to provide large-scale, high-quality and sufficient infrastructure; the best example would be comprehensive urban transportation network. Absent of such national policies or immediate plans of implementation, national policies and financial solution to poverty are requiring supplementation based on local coordination. For example, analysts point out that the conditional cash transfer programs may be doing not enough for the urban poor, for whom the rise in cost of living and availability of informal jobs are outweighing the program’s benefits (Higgins, 2012; The Economist, 2010). To understand and address these issues, the rest of the world is in ever greater need of knowledge from Conjunto Palmeiras.

4.9. Still Getting Ahead Collectively

Forty years after the start of the story, the case of Banco Palmas illuminate the role and contributions of knowledge to discussions of poverty alleviation from community-based social organization in Brazil. In this chapter, the analysis found that Banco Palmas provided local knowledge both symbolically and as technical assistance to its network of political allies

in academic, civil society and government sectors, while acquiring resources conducive to more knowledge creation locally, such as finance, talent and technology from more pragmatic partnerships, or transactional knowledge partnerships. It was found that most intensive exchange of knowledge and co-creation of new knowledge took place when parties tried to forge an implementation-oriented, practical partnership out of broad-based political alliance. Among various types of partner organizations, Banco Palmas had uniquely strong interactions with academic institution, as researchers represented sympathetic knowledge partners because of self-selection, but also benefited from the affinity of academic knowledge network and civil society movement, with both being openly structured and having a culture of sharing knowledge. The effect of partnerships with academics was improvement in articulation of the theory of change, and better evaluations frameworks. Opening of partnership with BNDES was a case in point of how the bank leveraged its network of partners in knowledge to win over an important ally. Taking an institutional analytical perspective, it was also observed that Banco Palmas and its partner institutions operated within a shifting and emerging institutional environment, marked by concurrent trends of democratization, liberalization and participation, as well as nascent institutional support for social innovations. The trajectory of Brazil's solidarity economy movement, from grassroots to creation of SENAES, exemplifies that in this institutional circumstances, the path from bottom-up to national policy is not set in stone but pluralistic. As a result, the bank engaged with diverse branches of government and various partners.

By way of extension of discussions, could all of this focus on the bottom-up innovation in poverty alleviation lead to contradiction with national policies that seem to work, such as Bolsa Família? After analyzing all the knowledge-related interactions in this case, it appeared more likely that Banco Palmas was a complementary solution to national policies and other public sector resources, and that it provided valuable diagnostic knowledge about the problem of poverty in addition to being a model of solution. Finally, Brazilian policymakers appeared to recognize the bank's "model" for being a spatial solution to spatial poverty, integrating intervention measures in local economy's financial as well as labor market. If anything, the local knowledge from Banco Palmas was in greater today.

5. Conclusion

5.1. Summary of Key Findings

The study resulted in a number of findings about management of knowledge in nonprofit community-driven organization setting. While the investigation examined in extensive detail the multiple analytical angles, processes of relatively short and contemporary timeframe to historical dimensions, and networks of actors and institutions from local to national scopes on just one case study, the results may be extrapolated as generalizable patterns to be confirmed in part by future research. In particular, the results of this “follow the knowledge” case study on Banco Palmas indicate:

- First, history of the place and of previous interventions made powerful difference in local knowledge as well as in other dimensions of effectiveness for community organization. Who were there to help the poor before the current institutional arrangements, and earlier processes of political and social community mobilization built the strength of local capacity in present day. The effect was both directly because of the more robust and legitimate local development institution, and indirectly for keeping multiple generations of practitioners in the social sector active and engaged with each other, and hence orienting local talents toward social problem solving. In the case of Conjunto Palmeiras, the history of community mobilization from CEB in the first decade after the initial displacement to ASMOCONP neighborhood association in the 1980’s until recent years, and development interventions from the political and social thoughts associated with liberation theology to German PRORENDA program’s urban participatory infrastructure projects involving community in public works, clearly nourished collective skills of knowledge management in the community, and led to the innovative practices at Banco Palmas later, with accumulation of shared experience-based know-how resulting in the organization to effectively serve as the local knowledge bank.
- Second, community-based nonprofit organization’s knowledge management strategies differed from typical teachings of knowledge management based on studies of large corporations in the following aspects:

1. In relatively small and community-based organization, institutional walls were porous, with inside/outside resembling a continuum rather than dichotomy, and the success of knowledge management depended on how freely local knowledgeable persons such as other social entrepreneurs could enter the common space to share ideas together at a local intermediary organization. Methods such as local recruitment, social forums, and special events strengthened this people aspect of local knowledge, aided by proximity. Moreover, intra-neighborhood as well as extra-neighborhood knowledge partnerships of this type of organization would evolve through network-like interconnections, between peer organizations, and with key individuals
2. For area-based nonprofit organization, collecting local data through maps, surveys, and other technologies, as well as engaging local residents of diverse backgrounds and specializations in the organization's shared problem solving efforts constituted key to local knowledge management
3. While communications within organizations and narratives were generally effective ways of conveying complex knowledge-related messages in any type of organization, communicative actions in community-based nonprofit held a central place and competence in this area of know-how differentiated both individual community leader or social innovator to organizational effectiveness, with local language, often colloquial and intertwined with cultural symbolism, playing a large role, and communications taking place and being a subject of strategy at every stage of the organization's activities
4. The role of knowledge management did not have to be confined to one institution and could belong to a network of local institutions, but the community's mechanisms of managing institutional transitions at times of declining community mobilization and any other temporal change was critical for preventing knowledge loss for the resource-constrained community organization. Sometimes a whole community of practice together with all key leaders could successfully transition from one organization to another without much of a

disruption, and such continuity over disruptions had added effect of reviving certain old knowledge or recruiting new members into community forums

5. When creating partnerships with external organizations, broad-based political coalition on the basis of shared values and theory of change about society at large provided a way forward. Furthermore, the processes of forging pragmatic partnerships out of political coalitions tended to generate rich new set of knowledge both about the prescription i.e. solution model for social problem, as well as for more in-depth and shared diagnostic about the problem itself and why it should be a priority.
 6. Political was not a banned word, as political alignment motivated individuals who were engaged in a network of knowledge sharing on social innovation, territorial development, and related issues. Broad-based coalition with elements of the national government especially appeared to be necessary when a local organization was transitioning into a national intermediary, and therefore translating local knowledge from something completely localized to transferrable and replicable expertise and model, as in this case
 7. Administrative hierarchy did not prevent knowledge relations from starting anywhere, in any sequence or patterns of transmission, its adoption, or formation of knowledge-based network of institutional partnerships and interactions; knowledge interactions and partnerships with external institutions could start at any level, local or national, or in any policy domain, and follow a pluralistic path, albeit the flexibility was constrained and characterized by the broader complementarities among the country's macro trends and conditions for providing an institutional ecosystem of support
- Third, on the other hand, shared characteristics of good knowledge management practices between nonprofits and many other organizations include:
 1. For social innovation or business to be sustainable, i.e. be creating knowledge over long periods of time, it is required to build and constantly renew knowledge networks both within and outside of the organization or the local community

2. Operational activities as well as institutional design facilitate knowledge processes, which means that where community of practice finds its physical nucleus (place) and who comes to these places or forums are critical. Hence, improving knowledge management or starting a process also can benefit from the practical gains in knowledge that can arise from certain institutional design, process design, and governance structure, in addition to the program-specific improvements that come to mind first
 3. Knowledge is essentially localized, personified, and active, and therefore genuine knowledge transfer and sharing involve human interactions and joint engagement in knowledge creating processes; transmission of knowledge products alone do not signify knowledge exchange, but knowledge is best evidenced in actions
 4. In terms of the directions of knowledge sharing, size of the interacting institutions do not matter so much as the networks of practitioners involved, and their professional history. In this regard, the social innovation organizations may have similarities with startup companies, for example, in how they gain knowledge from interactions with the academic world
- Fourth, in some developing countries, social innovation organizations must grow together with an emerging institutional ecosystem and concurrence of major trends, and the organizations' development is profoundly constrained and conditioned by the growth of its supporting institutional ecosystem. Thus, it is a logical course of action to attempt to shape the larger environment for the organization, and sharing of local knowledge play an important role
 - Fifth, academic institutions could have particularly synergistic knowledge interactions with nonprofit sector, notably contributing to articulation of theory of change, and evaluations techniques

Additionally, the analysis of the results led to the following interpretations pertaining to larger perspectives on international development:

- Bottom-up and top-down poverty alleviation institutions and policies can be complementary, while the contexts likely differ greatly from country to country.

Again, national policies may benefit from diagnostic knowledge from the base, even when instances of supporting the prescriptive knowledge are limited

- Brazilian community bank represented a model of tackling spatial poverty by integrated approaches combining microfinance and labor market interventions

5.2. *Lessons and Recommendations*

5.2.1. Lessons on Replicating Local Knowledge Bank

By way of motivation, the hopes in going into this research was that understanding the processes of how pioneering community-driven practices achieve long-term success based on knowledge-oriented practices, and creating a generalizable “conceptualized practice” based on observations of such aspects from a uniquely situated local case, could in turn be helpful for practitioners. The practical knowledge gain could be for external institutions to make better decisions about how and when to support bottom-up initiatives, as well as to inform community-based innovators and organizers about how to better manage local knowledge and engage with external partners in knowledge-based partnerships.

Therefore, it is evident that concluding reflections of this study should include some lessons on replication of the local knowledge bank. I note that replication and scaling are two different matters. For now, the following lessons envision replicating the practices and/or model of Banco Palmas in communities of similar size to Conjunto Palmeiras. The discussion is relevant to the current status of the bank (Instituto Palmas) as it invests its knowledge into supporting, in formal partnerships of technical assistance with federal and local government, a select number of local communities in creating new community development banks in manners more systematic and result-oriented than previously.

- *Where to start?*

Often, the focus will be on the *what* when starting a new institution or new line of pro-poor programs, i.e. which program to introduce, what service to provide, etc. Is it going to be education, or microcredit, or perhaps local social currency, or yet everything at once? The research showed that whatever it is, *how* and *who* matter significantly from the standpoint of local knowledge, which in turn is a key component of capacity and empowerment for the local population as a collective

unit. The research also revealed that institutional design, from the board of directors to community markets, to open forum for local residents, merited deliberate design and investment on the part of organization in terms of the leadership's time and focus as a way of ensuring knowledge creating processes. Bringing local knowers together as much as possible, and creating a physical nucleus for local community of practice likely enhanced comprehensive impacts of the current programs as well as future programs to come.

- *How to implement?*

The job description of local knowledge bank as incorporating the 3 practices (working the neighborhood, learning by doing, communicative actions) and 2 processes (evaluation and innovation, and management of transitions) should serve as strategic guides for managing knowledge in community organizations in general. It may be a worthwhile exercise to also populate concrete measures in each category of action. The implementation begins with recognition that any neighborhood, community or community organization already has tacit, experience-based knowledge waiting to be made explicit and socialized. In order to activate knowledge, it should be emphasized again that local forums, when set up with open participation and oriented toward collective problem solving, is a start. Moreover, organizers can benefit from making the trial and error nature of the endeavors explicit, and taking evaluations as opportunity of deeper engagement and recruitment of more diverse interests from the community.

- *What to do?*

With above understandings, a suggested "to do" list based on Banco Palmas case includes: community-led census its own conditions (using maps, surveys, and other technologies), community-led program evaluations, coupled with training in evaluation methodologies and compilation of final reports and local conferences, local talent recruitment and training, and improving community leaders' and organizational communications strategy. Narratives about local knowledge as well as keeping oral history about the community's "asset" of experience-based knowledge

in the past can be both powerful within the neighborhood, as well as important in opening doors with external partners.

- *How to expand? How to support?*

Community movements, and other movements based on spontaneous start from the grassroots, are probably inherently fragile, volatile and serendipitous, always facing cycles of rise and decline. For this reason, the two temporal threads of the local knowledge bank model are particularly critical i.e. managing local knowledge against uncertainties of time by way of learn, evaluate, innovate and management of transitions. Partnership with academics could advance articulation of the theory of change and evaluation techniques, and the local organization and its supporters could search for the right kind of “sympathetic knowledge partner” in the form of academic research institution. For the institutional supporter, providing funding for community’s self-evaluation, and technology for facilitating local learning, also could improve knowledge processes in community organizations. In the case of Brazil, policymakers could look to identify communities where legacies of CEB and neighborhood associations are successfully kept alive to start the support.

5.2.2. Recommendations for Banco Palmas

For Banco Palmas, recommendations based on the research and its findings from the various analytical dimensions, including the recent trends in the literature reviewed, are:

- Further improvement in evaluations: The tendency of program evaluations in international development to move increasingly toward data-driven and randomized trial-style evaluations will likely continue and become more relevant in Brazil. How effective and impactful in rigorous terms is the bank or any of its products would be a question to be asked more and more frequently. Thus, the bank should seek to learn the methods, and engage with the practitioners of these techniques to be ahead of the general learning curb on the matter in Brazil. In addition, reflecting the findings from this research that evaluations are important for the organization not only for the data and “results” they produce, but also because they entail knowledge creating processes and “recruitment” effect, Banco Palmas may consider designing

these evaluations beyond simply measuring outcomes to enhance learning what contributed to or limited impacts in outcomes.

- **Community engagement:** Declining participation of residents in social forums appeared to be long-term trend and problem, and therefore it will be critical to find or create campaigns to reboot the participation, especially from the apparently apathetic youth. “Questions Campaign” represents a promising method in public engagement campaign of the kind (City of Cambridge, Transition House, & Engage the Power, 2014)
- **Urban planning:** Establishing a connection and partnership involving joint project with urban planning department or school would be highly relevant since the bank essentially dealt with spatial poverty, and its various factors should be explored more in-depth
- **Use of technology:** Technology can be a data collection instrument and/or engagement tool. For example, there are cases of artwork combining oral history in cities and communities with geocoded visualization e.g. (Watanabe, 2011), which can serve as a way of maintaining the local oral history in innovative medium, as well as for youth and elderly (earlier community leaders) to interact
- **Cluster of Periphery Bank:** The currently proposed clustering of new community development banks in the outskirts of Fortaleza would be a positive strategy for knowledge transfer, as the community to receive technical assistance would enjoy face-to-face interactions.

In addition, recommendations on tactical aspects, focusing on incremental improvements of the bank’s existing practices include:

- **Incorporating additional dimensions and adapting local surveys to relate the bank’s operations to the knowledge-related impacts and more comprehensive impacts.** For example, much of the ultimate objectives of the bank’s programs deal with empowerment not limited to immediate income, such as creating a reliable social network for women and youth to help each other, while also fostering communal learning, with the two mutually enhancing, with the material help provided with

microcredit, so that the individuals can achieve long-term sustainable engagement in the formal economy with personal rewards of learning and broadening horizons. Relatedly, data collected on measurements of social safety network (for e.g. how many institutions do families know about, do they know how to get help when individual economic difficulties arise, how have their social and intellectual lives changed, etc.) can help partners better understand the local knowledge and capacity creating part of the bank. Some pilot surveys already are moving in this direction, and thus should be developed more. Developing indicators of spatial dimensions of poverty in collaboration with external partners in urban planning is another way

- Creating shared “knowledge map” with the bank’s local partners could be a viable strategy for foregrounding the bank’s impressive track record as the neighborhood’s local knowledge bank. Previous literature on the bank as well as my study have sought to systematize a researcher’s understanding about the key knowledge at the bank. For practitioners, the authors of *Working Knowledge* said that knowledge map does not contain knowledge, but importantly point to it, and having the organization’s own knowledge map also would communicate to workforce that knowledge was a priority (Davenport & Prusak, 2000, p. 72)

5.3. Author’s Own Takeaways

5.3.1. What Came Out of the Investigation (besides this Thesis)

Much came out of this research beyond the thesis document. During the preparation phase, I learned a new language (Portuguese), familiarized myself with a new regional field (Brazil and Latin America), identified and tapped into MIT resources, and made initial personal contacts with key “guides” and informants. As a result of the two fieldworks, and particularly the series of interviews during the second fieldwork, I understand how I behave in the field, how to operate in unfamiliar physical and linguistic situations, as well as how to go about building knowledge about a completely new regional and country topic.

Going forward, the following personal takeaways will be something of a life reference to come back to from time to time.

1. *Knowledge is a valuable perspective in managing any organization*

2. *Action and research can be simultaneously and rigorously pursued*
3. *Academics can contribute to practitioners by engaging in knowledge creation and exchange*
4. *With six to 12 months of serious planning, any project may be made feasible*

In addition to being a student's journey, the recommendations offered in previous section had the chance of seeing the first steps toward implementation in April 2014, when Banco Palmas representative traveled to MIT. Out of the five strategic recommendations, four saw actions with potential partner organizations, a few collaborative projects already on the table, and they are to be followed up in September 2014. My own "actions" portion of the study will continue in the near future. I plan to get back to interviewees, informants, and those helped to connect me in the process who requested the results to be shared. Current plans are to draft personalized emails and accompany the thesis document with interactive online presentation of its essence in Portuguese.

5.3.2. Future Research

After completion of this research, four main directions of future research appear promising:

- First, additional case studies of community nonprofit knowledge management would help confirm, extend or adapt my findings, leading to a more comprehensive set of lessons and recommendations for practitioners. Relatedly, the pilot quantitative method of scoring that was explored in this study could be developed in the future with adequate sample size for a more robust quantification of how knowledge is created in network of institutions, and show the merits of such analytical approach
- Second, comparative institutional analysis of national conditions for community-driven social innovation, or, more generally, the path from grassroots organization to national policy, would illuminate the conditions enabling (local) practices to have impact for the society at large and on critical issues of development. In this direction, additional case studies from select countries would be interesting; such future studies could compare "hierarchical" Latin American cases to "coordinated" East Asian models of development, and others
- Third, the topic of spatial poverty trap and its fundamental underlying factors could benefit from an extension toward systematic and quantitative analysis. In particular,

a clearer understanding of urban pockets of poverty would only be more important as countries pass the nominal and national threshold of middle income. Situations from developed countries where local initiatives became national intermediaries and policies, such as community development corporations in the United States, could provide related framework for the second and this third area

- Fourth, for studies of innovation in public policy sector, hybridizing the “organizational learning” approach of knowledge management and “learning organization” framework of administrative studies, and in particular of policy travel (Dolowitz & Marsh, 2000), could enrich the process and networked aspects of changes in this sector

5.4. Epilogue: Looking Back, Looking Forward, Learning Together

On the image of time in space shared in community, Kevin Lynch argued that, “a desirable image is one that celebrates and enlarges the present while making connections with past and future” (Lynch, 1972, p. 1). A 17-year old intern at the bank also remarked that the bank was a heritage of the neighborhood, something he grew up with. A recurrent reminder in the back of my mind throughout the tasks of reviewing firsthand data from the field was how Lynch also described that an agency in the community should have the job of “change management,” to “take account of the cumulative effect of transition processes” locally, and in order to do so, “it must learn to make change legible and acceptable. It must master the technique of ‘endless’ planning, in which goals and situations shift perpetually. It must be able to measure and represent change and to evaluate its cumulative costs and benefits” (Lynch, 1972, pp. 238–239). The role of local knowledge bank described in this study resembles remarkably to this description of change manager and endless planner.

The most remarkable discovery in this study may still be how a community has blazed a trail in organized actions, and searching for knowledge in its aftermath has in turn illuminated the surprisingly numerous themes that I discussed in the chapters and sections of this thesis. As for Banco Palmas and Conjunto Palmeiras, the future is uncertain, yet the past appears to expand the possibilities of the present.

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