



www.ijccr.org · ISSN: 1325-9547

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Martins de Oliveira, L., Sanches, B. & Gonzalez, L. (2022). The Emergence of Socio-Municipal Currencies: An Institutional Change Perspective in Cash Transfer Policies. *International Journal of Community Currency Research* 26(2), 18-35. <https://doi.org/10.15133/j.ijccr.2022.005>

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# International Journal of Community Currency Research

VOLUME 26 (2, 2022) 18-35

## THE EMERGENCE OF SOCIO-MUNICIPAL CURRENCIES: AN INSTITUTIONAL CHANGE PERSPECTIVE IN CASH TRANSFER POLICIES

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### ABSTRACT

Cash transfer policies (CTPs) have become an important instrument for poverty alleviation and combating the effects of crises. Among many recent initiatives, community currencies are promising tools to operationalize these programs by municipalities. This paper investigates if there was an institutional change in cash transfer public policies with the adoption of a social currency issued by the municipality of Niterói, Rio de Janeiro, Brazil, a recent phenomenon that we call “socio-municipal currency”. We drew on process tracing methodology combined with a theoretical lens of the theory of gradual institutional change. Our analysis indicates a gradual institutional change in CTPs. This change occurred through the learning mechanism with the municipality acting on lessons learned from a neighboring city and prior social currencies experiences.

### KEYWORDS

Community currency, municipality, cash transfer, incremental change, process tracing.

### JEL

H7; O3.

## 1. INTRODUCTION

The objective of this paper is to investigate if the emergence of socio-municipal currencies triggered an institutional change in cash transfer public policies and if so, to understand the process by which this happened. Socio-municipal currencies are new types of digital social currencies used to operationalize the payment of social benefits and basic income programs and are established by municipal laws. We studied the case of a cash transfer program carried out by the municipality of Niterói, in the State of Rio de Janeiro, Brazil. The municipality created their own municipal development bank (MDB) and a currency called Arariboia that is used to pay a municipal cash transfer program that outreaches 30 thousand families.

Socio-municipal currencies originated by complementary currencies (CC). CC are generally designed and operated by citizens, NGOs and companies as well as public administrations, working as an alternative form of money, differing from official national currencies (Diniz et al. 2023). The case of Niterói is unique because the city created the currency, the MDB and the fund that transfers income to the population through a municipal law and sought support from a grassroots organization (E-Dinheiro Institute), sharing the same technological architecture with other 70 community banks (Instituto E-Dinheiro, 2021).

CC aims to strengthen local economies, create work and foster solidarity among its citizens-users. Over time, they have become an important instrument to bear big social problems and foster local resilience (Lietaer & Dunne 2015), especially during Covid-19 pandemic (Kuk et al., 2021). At the same time, the socio-economic crisis caused by Covid-19 renewed the debate over public policies for addressing poverty and vulnerability (Wispeleare & Morales, 2021). During this specific period, the Brazilian federal government implemented an Emergency Basic Income (EBI) program, which helped or reached more than 66 million people with a total payment of over USD 53 billion (R\$ 280 billion) (Cepal, 2021). However, the EBI faced logistical challenges to reach the most needed in a timely and safe way (Gonzalez et al. 2020). As a result, the EBI distribution process did not reach all those who needed the resources in time.

Against this backdrop, the case of Mumbuca, in Brazil, is a successful example of EBI implemented by subnational entities. Mumbuca was the first socio-municipal currency launched in the country, in 2013, and has been widely studied by researchers (e.g., Faria et al. 2020). The currency is used as a tool to distribute the basic income program of the city, also situated in the State of Rio. In 2020, Maricá program was expanded to face pandemic effects and become an international reference for EBI implementation (Gonzalez et al. 2020).

The achievements of Mumbuca and the need for basic income during Covid-19 pandemic inspired other municipalities to create their own socio-municipal currencies as a countercyclical policy. Currently, beyond Maricá, six municipalities are operating this public policy: Cabo Frio, Iguaba Grande, Itaboraí, Niterói, Porciúncula and Saquarema (Bellas, 2022; Diniz & Melo, 2022; Ferreira, 2021; Prefeitura de Saquarema, 2022). In addition to being instituted by law, socio-municipal currencies are operated digitally. They are hybrid currencies working in different arrangements that involve interrelations among the community, non-governmental organizations, digital payment operators, and subnational entities.

The emergence of socio-municipal currencies points to a new chapter in the history of CC and seems to indicate an institutional change in Brazil's public policies on cash transfers and basic income programs. Our research draws on a deep analysis of the Arariboia coin, one of the most prominent cases of socio-municipal currencies, to address the following question: does the emergence of socio-municipal currencies represent an institutional change in cash transfer and basic income public policies? If yes, how did such a change take place? We applied the process tracing methodology to answer this question and followed Mahoney and Thelen's Theory of Gradual Institutional Change (2006).

This article aims to contribute to the literature on social policy, more specifically by analysing how subnational entities use CC to operationalize cash transfer policies (CTPs). Empirically the article contributes to the understanding of the new and, yet understudied socio-municipal currencies phenomenon. Also, we contribute with the cash transfer public policy literature, by inquiring about an institutional change triggered in such policy by the emergence of socio-municipal currencies.

## 2. CASH TRANSFER PROGRAMS AND THE ROLE OF COMMUNITY CURRENCIES

Scholars highlight that minority groups and places with vulnerable populations may benefit most from cash transfer policies (Neves et al., 2020; Palmeira et al., 2020). Different forms of CTP have been adopted around the world as central components of social policies addressing poverty and vulnerability (Forget et al., 2013). By the end of 2000s, an estimated 190 million householders, with approximately 860 million people, were reached by social assistance programs in more than 60 countries (Barrientos & Niño-Zarazúa, 2011).

Among the different modalities of CTP, conditional cash transfer is sometimes mentioned as one of the most remarkable innovations in social policy programs in developing countries over the past few decades (Cahyadi et al. 2020). Started in the 1990s in Mexico, Bangladesh and Brazil, today over 63 countries have at least one CCT program (Cahyadi et al. 2020). In Brazil, it was popularised by the success of Bolsa Família (BF) (Levasseur et al., 2018; Neves et al., 2022). In the conditional CTP, the beneficiary needs to satisfy conditions imposed by the policy, such as the need for regular medical checkups (Levasseur et al., 2018). Another modality is the unconditional one, when there is no counterpart or conditions to receive the benefit (Levasseur et al., 2018). Another modality has received growing attention in recent years. The Universal Basic Income (UBI), a periodic cash payment to all residents in a jurisdiction without strings attached (Lee, 2021) has been broadly discussed in the global political arena, and it has received a soaring endorsement from the general public (De Wispelaere & Haagh, 2019).

A large number of papers drawn on the implications of the CTP (e.g., Levasseur et al., 2018; Sun et al., 2021; Neves et al., 2020; Johnson et al., 2022; Martínez Franzoni & González Hidalgo, 2021). Some investigate the public attitude towards the cash transfer implementation (Lee, 2021; Rincon, 2021; De Wispelaere & Haagh, 2019); Nevertheless, other authors put doubts in the adoption of CTP as an effective tool for poverty alleviation, defending that it might oversimplify a complex social problem (e.g., Fouksman & Klein, 2019).

However, little attention has been paid to the distribution channels of cash transfer (see Gozalez et al. 2020 for an exception). With the expansion of CTP, governments have sought to increase the use of electronic means for CTP to improve the efficiency of distribution channels (Chiapa & Prina, 2017). The socio-economic crisis caused by the Covid-19 pandemic drove governments to implement emergency financial aid programs for individuals and companies, especially low-income population, and small and micro-enterprises. Among many initiatives, EBI was implemented by diverse governments as a tool to timely avoid financial insecurity during the pandemic (De Wispelare & Morales, 2021).

One of the ways mentioned in the literature to implement CTP is through CCs. Authors point out that this modality is normally used to face the effects of crises (Diniz et al., 2019; Gonzalez et al., 2020; Janisch & Stapleton, 2021; Martín Belmonte et al., 2021; Reppas & Muschert, 2019), as in the case of the Covid-19 (Gonzalez et al., 2020; Jacob & Boyd, 2020). However, there are differences in CC models, and the literature seeks to map these currencies, proposing typologies, frameworks, and classifications (Blanc, 2017; Diniz et al., 2019; Diniz et al., 2021).

The phenomenon of CC is not new. There have been cases recorded over the last few decades, especially in Europe, Brazil, and Argentina (Lietaer & Dunne, 2015). However, scholars have mentioned that CC experiences remain generally small and marginal (Seyfang & Longhurst, 2013), struggling to become sustainable over time (Hudon & Meyer, 2021). A considerable number of authors argue that some of these cases can be seen from the perspective of post-developmental currents (Barinaga, 2020; Gómez & Prado, 2020; Huttunen & Joutsenvirta, 2019; Siqueira et al., 2020). Some works highlight the importance of involving the local community throughout the CC process (Giménez & Tamajón, 2019; Gonzalez et al., 2020; Huttunen & Joutsenvirta, 2019; Siqueira et al., 2020) and, in addition to the transactional aspect of the currency, its development and use also strengthen territorial and social bonds based on mutual trust between those with a common currency (Souza, 2018).

This work is divided into seven parts. After the introduction and this literature review, we present the Theory of Gradual Institutional Change. Following, we present the methodology. The results session was divided into two parts: first, we introduced the characteristics of the political context of the case studied; then, the institutional change agendas. In the penultimate session, we analyse the results in the light of theory. Finally, we conclude the paper, bringing suggestions for future studies.

### 3. THEORY OF GRADUAL INSTITUTIONAL CHANGE

To answer our research question, we draw the Theory of Gradual Institutional Change (TGIC) (Mahoney & Thelen, 2010). From TGIC perspective, institutions can change by gradual and subtle internal intervention. Not only radical and disruptive events cause institutional changes, but ongoing incremental changes also lead to transformative change in institutions (Mahoney & Thelen, 2010).

TGIC conceptualizes institutions as distributional instruments of power. In this regard, institutions are not monolithic and static blocks of social norms but represent different and divergent groups' ideas altogether (Mahoney & Thelen, 2010). Thus, institutional change becomes the unexpected result of different desires and visions converging. Therefore, institutions would be ambiguous and formed by an intrinsic relationship between change and stability (Mahoney & Thelen, 2010).

Mahoney and Thelen (2010) devise four types of institutional changes:

- Displacement: When change is achieved by removing existing rules and introducing new ones;
- Layering: When change introduces new rules on top of or alongside existing ones;
- Drift: When environmental changes impact the existing rules;
- Conversion: When there is amended enactment of existing rules due to their strategic redistribution.

Mahoney and Thelen (2010) argue that each type of institutional change is intertwined with the characteristics of its political context and institution aspects. TGIC classifies the political context regarding its possibility to afford institutional actors with strong or weak veto possibilities. Institution characteristics are classified according to its capacity to afford actors opportunities for exercising discretion in interpretation or enforcement. The combination of political context and institution characteristics enable the action of four types of change-actors, each one characteristic of one type of institutional change (see figure 1).

Figure 1: Types of Gradual Institutional Change. Source: Mahoney & Thelen, 2010.

		Characteristics of the Targeted Institution	
		Low Level of Discretion in Interpretation/ Enforcement	High Level of Discretion in Interpretation/ Enforcement
Characteristics of the Political Context	Strong Veto Possibilities	Subversives (layering)	Parasitic Symbionts (drift)
	Weak Veto Possibilities	Insurrectionaries (Displacement)	Opportunists (Conversion)

Insurrectionaries can arise in any scenario but are more likely to flourish in environments characterized by low discretion and weak veto possibilities. They do not seek to preserve the institution and do not follow the institutional rules. Symbionts (parasites) thrive in environments characterised by strong veto possibilities and high enforcement discretion. They rely on institutions but undermine the institutional rule from inside out. Subversives thrive in contexts where there are strong veto possibilities and few rule interpretations. Opportunists tend to thrive

in environments with much discretion in how institutions are enacted and few player vetoes or points to avoid real institutional change.

In Mahoney and Thelen (2010), chapters are devoted to analysing institutional change in Brazilian health policy, land policy in Kenya, and social security in the US (Capano, 2019). More recently, TGIC has been applied to local government (Taylor, 2023) and participatory budgeting (Montambeault, 2019), as well as in a study about social security and health (Greener & Powell, 2022).

#### 4. PROCESS TRACING

This work employs the process tracing method, which is a qualitative research approach that enables the development or testing of propositions supported by the identification and analysis of selected evidence in processes, sequences, and conjunctures of events. Its objective is to recognize and trace the causal mechanisms, their constituent parts, and the causal chain (connection between them) that allow explaining the case studied (Befani & Stedman-Bryce, 2017; Bennett & Checkel, 2015; Hall, 2006; Schettini et al., 2018; Silva & Cunha, 2015). By enabling the identification of a process that forms a coherent whole, process tracing allowed the organization of the complex process involving CTP.

In this study, primary data was collected using key policy documents and Brazilian newspapers between the year 2020 and 2022, using google search tools and keywords in Portuguese such as *moeda social* (social currency), *Arariboia* and *política de transferência de renda* (cash transfer public policy). The collected documents were organized chronologically and analysed. In addition, we conduct fieldwork during two distinct time periods. During the first period, one of the authors stayed throughout 6 days in 2022 inside the Banco Preventório, a local community bank that operates a CC through E-Dinheiro platform in the same region prior to the implementation of Arariboia. The second field immersion took place in 2023, during which another author visited Niteroi and several other municipalities in the State of Rio that had implemented socio-municipal currencies. During these periods, the author engaged in discussions with local political and community leaders, residents, researchers, and activists involved in the use or implementation of socio-municipal currencies.

From our fieldwork, we wrote several notes with observations and quotes collected throughout our interaction with the field, which was important to enrich our knowledge on the social and political contextual background of Arariboia. We used an iterative process between empirical observations and the theoretical framework of TGIC to generate configurations of mechanisms that offer plausible causal explanations for the emergence of Arariboia and the institutional change in cash transfer and basic income public policies.

#### 5. RESULTS

Following the TGIC framework, our results first introduce the characteristics of Arariboia's political context and the main agents of institutional change. In the second part, we characterized the role of institutional actors, its institutional change strategies and the causal mechanisms that trigger the institutional change.

##### 5.1 Characteristic of the Political Context

###### 5.1.1 Cash Transfer Programs in Brazil

The first CTP experiences in Brazil came from municipal initiatives. Three pioneer CTP were created in 1995 (Soares & Sátyro, 2010) in the cities of Campinas and Ribeirão Preto (both in São Paulo state) and in Brasília (DF). Between 1997 and 1998, 25 other municipalities implemented their CTP (Lavinias, 1998). CTPs emerged with the increase in the number of social policy actors (for example, subnational public bureaucrats, members of civil society and members of professional's associations) under an increasingly democratized and decentralized system, characterized by fragmentation and dispersion of authority that sought to change the country's decision-making center, a proposal adopted by the new Federal Constitution of 1988. However, the fragmentation of policies under a federal government structure made it an obstacle to an urgent response to poverty (Vale, 2021). In this context, the central government intensified its coordinating role to bring coherence to the CTPs (Arretche, 2013).

The first relevant CTP launched by the federal government occurred in 2001 and was inspired by the model implemented in Brasilia, focusing on children under 16 years of age attending schools (Peck & Theodore, 2010). To implement this program at the national level, the creation of a single register of all the beneficiaries of social policies was an important step towards gathering information on the poor and extreme poor population, allowing the possibility to launch other social programs. Later in the same year, the federal government added two new programs and ended up with four CTP, each managed by a different administrative department (Education, Health, Energy and Social Assistance).

In 2003, a new government was elected and unified the four programs, creating a program called Bolsa Familia (BF), managed by the new Ministry of Social Development (Díaz Langou, 2013). The management model of BF was supposed to combine efforts between the federal and city governments, besides the support of state governments, respecting their autonomy and interdependence (Licio et al., 2011). To overcome institutional constraints, the Federal Government relied on central-local collaboration to implement BF (Fenwick, 2010).

The centralization of social policies and the adoption of clear criteria for eligibility aimed to reduce patronage policies of local governments (Fenwick, 2010) and expand social policies throughout the country (Vale, 2021). Having learned from previous experiences of CTPs, Lula government initially tried to circumvent the reluctance of potential state governors to implement the BF by giving municipalities central responsibility for implementation. States became only responsible for coordinating and training municipalities, giving them a secondary role at the CTPs (Niedzwiecki, 2016).

Programs such as BF have become the main instrument for fighting poverty in Latin America in recent decades (Leyer, 2020). However, with the impact of the pandemic, the benefits of current CTPs may be limited. In a restrictive scenario, the lack of exceptional social protection measures against the impacts of external shocks can produce an adverse scenario and increase poverty rate, reducing household savings and consumption, with the possibility of a change in consumption behavior that can delay economic recovery (Martin et al., 2020).

Brazil is one of the countries that have implemented an emergency basic income (EBI). By the end of 2020, Brazil's Covid-19 emergency assistance program (called Auxílio Emergencial) reached 66 million people with payments totaling 280 billion Brazilian reais, nearly 4% of Brazil's GDP (Cepal, 2021). Potential beneficiaries, however, faced problems registering in a mobile app created by a federal bank. This was the only way to receive the EBI for those who were not pre-registered in other social assistance services of the Brazilian government and had their name in the Cadastro Único (CadÚnico), a national database with all beneficiaries of Federal social policies (Gonzalez et al., 2020).

Furthermore, in 2021, in time of widespread socio-economic deterioration in face of the aggravation of the pandemic crisis, the federal government changed the beneficiary's selection criteria, causing the interruption of EBI payment by two months (Souza, 2021). This non expected block, added to changes in the eligibility criteria that reduced the number of beneficiaries, and the decrease in the amounts paid, forced local politicians to take an active stance on CTPs. In this context, municipalities that already had their CTP strengthened the policies, and others that did not have it, began to adopt them.

The federal law number 12.865/2013, about payment arrangements, and the federal law number 13.019/2014, that enabled partnerships between the public sector and non-profit civil society organizations, allowed local governments to partner with community banks to issue their own local currency and, through it, implement their own CTP (Diniz & Melo, 2022a). Brazilian federalism is unique in the world. With the aim of decentralizing the administration and giving autonomy to the municipalities in the search for solutions to its local problems, the Federal Constitution of 1988 ensured that municipalities became federated entities. They constitutionally have the same legal status as the states and the Union. The autonomy given to local governments meant that each municipality had its own constitution (called Organic Law) and independence to seek sources of funding (Abrucio, 2005).

The municipal parliament (called Câmara dos Vereadores) is responsible for making the laws of the municipality. In the case of CTPs, the Executive draws up the policies and the Legislature needs to approve the law, so that the

policy can then be implemented. This ensures that the socio-municipal currency is a state policy, and not the administration's head of the city hall. In all cases in the state of Rio, local parliaments passed municipal laws to create a fund to feed the distribution of income transfer benefits (Diniz, 2022b).

### *5.1.2 The emergence of solidarity economy*

Solidarity economy has a rich history in Latin America, dating back to the early 1980s with the emergence of the Chilean sociologist Luiz Razeto (Telles et al., 2020). In contrast to the Anglo-Saxon interpretation of solidarity economy, the Latin American version tends to be more radical and politically oriented (Singer, 2010), emphasizing the need for structural transformation of the economy towards a more collaborative approach to producing, distributing, consuming, accumulating, and developing with solidarity.

In Brazil, the solidarity economy gained strong support from popular and social movements and has been institutionalized as a public policy by leftist governments. The creation of the National Secretariat of Solidarity Economy (SENAES) within the Ministry of Labor and Employment by the Brazilian government in 2003 was a pivotal moment in this process, reflecting the mobilization of various social actors who sought the necessary institutional space for initiatives that began to emerge in the mid-90s (Neiva et al., 2013). The establishment of the Brazilian Forum for the Solidarity Economy in the same year further strengthened this movement by consolidating and coordinating various initiatives in the field of solidarity economy. Brazilian community banks and its local leaders are strongly connected with the solidarity economy movement, having been influenced by and e influenced the movement.

After leftist government lost power, the SENAES and the solidarity economy weakened at the federal level but continued to thrive within social movements and among some local authorities. For example, the Mumbuca municipal bank has held early congresses with practitioners and academics dedicated to the subject of solidarity economy, demonstrating the continued interest and commitment to this economic model and its importance to the community banks.

### *5.1.3 Arariboia's proposal*

In June 2021 the mayor of Niterói, Axel Graef, presented a formal intention to create the Arariboia. The measure was adopted to mitigate, in a short term, the effects of the economic downturn caused by the pandemic. The program's objective was to mitigate the extreme poverty in the municipality by transferring cash to citizens in regions of greater socio-economic inequality. In this setting, the Arariboia was conceived as a tool for local circulating of the public benefit, creating jobs and maintaining part of the wealth generated in the territory. The City of Niterói estimated a monthly investment of approximately USD 1.35 million (R\$ 5.6 million) (Prefeitura de Niterói, 2021a), benefiting 27,000 families (Imenes, 2021).

The work on developing the socio-municipal currency involved several secretariats and public bodies, which contemplated the creation of a municipal bank and a social fund to manage the financial resources of the Arariboia. With those actions, the municipality intended also to expand the formal register of commercial enterprises and a reduction in regional inequalities. (Prefeitura de Niterói, 2021a).

### *5.1.4 Characteristics of Niterói Cash Transfer Program*

#### *The complementary currency*

The creation of Arariboia and the Municipal Bank of Niterói was established in a law approved by the municipal chamber on July 7, 2021 (Niterói, 2021). At that time, the mayor of Niterói called upon the successful experience of the neighbouring city of Maricá with Mumbuca to justify the creation of Arariboia. In this regard, he declared that banks are "spaces for dialogue, training and promotion for workers and producers who will be beneficiaries of the currency". Furthermore, the mayor added that this program will have "a space for the [...] beneficiaries themselves to have the possibility of reaching exit doors, thus leaving the situation of poverty and extreme poverty" (A Tribuna, 2021).

The social-municipal currency replaced the Temporary Basic Income program (Renda Básica Temporária, RBT) which was created on an emergency basis. The EBI, worth 500 reais per month, began to be paid in March 2020 and

had the last instalment paid at the end of 2021. The objective of the policy was to provide financial support to vulnerable families in the city during the pandemic. The benefit could be used in supermarkets, markets, bakeries and pharmacies. Different publics were contemplated by the policy, such as: those listed in the CadÚnico, Individual Micro Entrepreneurs (MEIs), children enrolled in municipal schools and workers in the solidarity economy and culture (O Fluminense, 2022; Prefeitura de Niterói, 2021d; 2021e; 2021f)

### Arariboia Municipal Bank

To manage the Arariboia and the CTP, Niterói constituted a Municipal Bank, subject to the Municipal Secretary of Social Assistance and Solidarity Economy (SMASES). The bank is responsible to transfer the necessary resources for funding, maintenance, equipment, institutional strengthening, communication, promotion, and the execution of other financial responsibilities, such as the credit fund, backing of social currencies and “other necessary actions”. The budget of Arariboia Fund is part of the Municipality's budget. In addition, the accounting of this fund will be its own (A Tribuna, 2021; Niterói, 2021).

The first branch of the Niterói Municipal Bank was in Vila Ipiranga, north of the city. The person responsible for the SMASES portfolio, Vilde Dorian, defended that the implementation of the Bank represents yet another advance for their city, both in the development and application of the Municipal Solidarity Economy Policy, sanctioned last year, and in the concern that the mayor and the government of Niterói have with economic development allied to the fight against social inequalities, especially in a moment of health crisis and deepening of poverty in the country (Apolinário, 2021).

The bank also works as a space for other public policies, such as training and guidance to citizens and small or informal business. Also, anyone can go to the Municipal Bank and open their digital account to use the Arariboia in the registered businesses around the city. Vila Ipiranga is located in Fonseca neighborhood. It is the most populous community in Niterói, with over 15,000 inhabitants. The local population already knew about the successful experience of Maricá and believed that the program could be important for the growth of the place (Apolinário, 2021).

The Arariboia is managed by the E-Dinheiro Institute, a Civil Society Organization of Public Interest (OSCIPI) that works as a fintech for community banks to operate community currencies in their territory. The partnership between the E-Dinheiro and the municipality was settled in the collaboration agreement published on September 18, 2020, in the Official Gazette of the Municipality (Niterói, 2020). E-Dinheiro Institute was founded by Banco Palmas, the first community bank created in Brazil, in 1998, and other banks that were organized in a national network of community banks. E-Dinheiro Institute developed a digital payment platform that is currently used by 48 community banks in 17 Brazilian states. The E-Dinheiro Institute's objective is to provide the economic and social development of neighborhoods and municipalities, training, empowering and implementing instruments of social finance, creative economy, solidarity economy and sustainable development, facilitating the process of generating and distributing work, occupation and income, with local development as a strategy (Apolinário, 2021).

### Features of the Arariboia Coin

The objective of the Arariboia is to “foster the economic and social development of communities and establish means to achieve the eradication of poverty and the generation of employment and income for the poorest strata of the municipality” (A Tribuna, 2021). The Arariboia's beneficiaries are also registered in CadÚnico. Each Arariboia unit is equivalent to one unit of the national currency. The initial value of the cash transfer benefit was \$90 Arariboias per person, limited to the number of six benefits granted per family. With this, each person could receive \$90 Arariboias, with the maximum amount established for each family being \$540 Arariboias. The idea is that the value will be corrected once a year based on the inflation of the period (A Tribuna, 2021; Niterói, 2021; Plantão Enfoque, 2021).

The Arariboia is distributed to each beneficiary through a magnetic card and beneficiaries can also transact through the E-Dinheiro Institute app. This distribution is carried out through the Municipal Bank that operates in Social Assistance facilities, such as the Social Assistance Reference Center (CRAS). The Arariboia project envisaged covering the most vulnerable families, registered in CadÚnico. The currency can be used in registered local businesses, such as bakeries, small markets, and small producers, among others (Niterói, 2021; Prefeitura de Niterói, 2021b).

In less than a month, Arariboia injected USD 1,74 million (R\$ 9 million) into the economy of Niterói. There were 130 thousand transactions in 2.400 accredited commercial establishments. Given the initial promising results, the municipality announced that it would expand the Arariboia program to the amount of USD 26 million (R\$ 135 million) per year. By the end of 2021, the municipality had already expanded the beneficiaries base as well. According to the Niterói's mayor, the main objective at that time was strengthening Niterói's economy (A Tribuna, 2021).

In February 2022, Niterói city made the official announcement that it would expand the Arariboia program, and the idea was voted and approved in the municipal parliament. It was proposed that the monthly amount would be increased to \$250 Arariboias for the head of household and another \$90 Arariboias for each member, with a maximum of five additional people. With this, the beneficiary could reach \$700 Arariboias per month if his family has six members. In addition to the change in values, another 4 thousand families were included in the Program, reaching the total of 31 thousand families benefited (O Dia, 2022).

## 5.2 Agents of Institutional Change

### 5.2.1 Mumbuca social-municipal currency

With the end of the RBT, the city hall studied solutions to implement a new program. The social-municipal currency of Niterói was inspired by the Mumbuca currency, from the neighboring city of Maricá. During the launch event of Arariboia, the mayors of Maricá, Fabiano Horta, and of Niterói, Axel Graef, highlighted the integration between the social policies of the cities, pointing out that Mumbuca is a reference in improving the conditions of several families and in stimulating to the municipality's economy, encouraging the creation of similar projects in other places (Diário do Porto, 2021).

Since 2013, all social benefits in Maricá have been paid in Mumbuca, a socio-municipal currency that is only accepted in local businesses. Part of this set of policies are the Basic Income of Citizenship (Renda Básica da Cidadania, RBC), the Worker Support Program (Programa de Amparo ao Trabalhador, PAT) and the Employment Support Program (Programa de Trabalho ao Emprego, PAE), the formers designed to combat the effects of the Covid-19 pandemic (Diário do Porto, 2021). Between 2018 and 2021, more than 687 thousand mumbucas were transferred to the population by the social programs of the city. However, currency circulation was around 2 billion mumbucas in the same period (Ciscato, 2021).

At the end of 2021, Mumbuca Bank had 65,376 accounts open (90% of the accounts held by women), and 19 million purchases were made per month in the city's shops using the social-municipal currency. In addition to the social benefits paid in mumbucas, the Bank, which manages the social-municipal currency, also provides lines of credit to collective groups. For example, Mumbucred offers financial credit at zero interest to formal and informal entrepreneurs; Casa Melhor directs an interest-free line of credit for home renovations; and other lines of credit were created to help professionals in different areas. Given this successful experience and the freedom that the municipality of Maricá had to face its problems, Niterói is one of the examples, but not the only one. Other cities were also inspired by the case of Maricá, such as the neighboring city of Cabo Frio (Ciscato, 2021).

An important turning point for these cities was the decision of the Federal Supreme Court (STF) to allocate royalties from oil exploration to municipalities. With a positive impact on the budget of these cities, part of the royalties began to be allocated to income transfer programs. However, some cities already had their own CTP in place before receiving the royalties (Gobetti, 2023; Raposo & Faria, 2015; Silva & Pereira, 2023; Tavares, 2022).

At its launch, Arariboia began to serve 27,000 families living in poverty and extreme poverty. A total of 18,700 families that received the PBF were contemplated, and around 8,000 more that would not receive the benefit. The socio-municipal currency could be used in registered local businesses, whether bakery, small markets, hortifrutis and small producers and others, making money circulate within the community itself (Prefeitura de Niterói, 2021c).

### 5.2.2 E-Dinheiro Institute

As mentioned early, E-Dinheiro is a digital platform for electronic money and mobile payments used by Arariboia and other socio-municipal currencies. The technology of E-Dinheiro was developed by the Rede Brasileira de Bancos Comunitários (Brazilian Network of Community Banks), led by the Banco Palmas. Banco Palmas was founded by citizens moved by the public power to remote areas and without access to infrastructure. Residents realized that the money spent by the locals did not remain in the community and a community bank was founded, which created the Palmas currency. The initiative's pioneering nature and success, translated into local development, allowed the model to serve as an example for other locations in the country and drew the attention of subnational entities that wanted to solve local needs and did not find an answer to their problems in national initiatives. The expertise of Banco Palmas made possible by the bank's experience allowed the initiative to gain scale and scope (Cernev & Diniz, 2020).

In 2007, the Brazilian Network of Community Banks was formalized, which had objectives similar to those of the institute and in 2015, the Network launched E-Dinheiro in partnership with a local startup specialized in digital finance technologies. The initial objective of E-Dinheiro was to digitize Palmas - the CC of Banco Palmas. With the adoption of the platform, the services provided were gradually digitized and new features were added to E-dinheiro. Over time, E-Dinheiro has been adopted by over 40 community development banks in order to digitize their local community currencies. It works as an electronic management system for community banks and as an application or digital wallet (e-wallet) for users (Cernev & Diniz, 2020).

### 5.2.3 Preventório Community Bank

Preventório (Ferreira, 2018) is a favela located in Niterói. It was formed in the 1980s, mainly through the occupation of part of Morro da Viração, a large stone massif in the Atlantic Forest area facing the sea. The hill is located within the Charitas neighborhood, an upscale area with luxury housing, identified as one of the most expensive areas to live in the state of Rio, and of high interest to the real estate and tourism market. The Preventório Community Bank was founded in response to the challenges faced by the community. The favela had been adversely affected by drug trafficking and lacked access to formal financial services. The creation of the bank provided community members with the means to access microcredit and other financial services, which in turn enabled them to develop their own economic initiatives and strengthen their local economy.

According to Ferreira (2018), the model for the Preventório Community Bank was inspired by the successful Banco Palmas model, and it is a member of the Rede Brasileira de Bancos Comunitários (Brazilian Network of Community Banks). The bank operates its own social currency, the Prevê, and also uses the E-dinheiro platform for transactions. The establishment of the Preventório Community Bank can be seen as a result of a collaboration between the community, the Incubadora de Empreendimentos em Economia Solidária (IEES/UFF), and Enel company, which is a concessionaire of public distribution of electricity services. The IEES was involved in the development of solidary economy projects in collaboration with social movements in Niterói and the surrounding areas. Enel approached IEES to work on community bank projects, which led to the establishment of the Preventório Community Bank.

The bank has played a significant role in the local economy of Preventório, providing community members with access to financial services that were previously unavailable to them. Additionally, it has facilitated the development of local economic initiatives, thus helping to strengthen the local economy. But despite being in Niterói before the institution of the city's CTP, Banco Preventório was not initially included in the policy's implementation design. However, its members participated in public debates about Arariboia and the law that instituted the policy provides for partnerships with local community banks.

### 5.2.4 Niterói Municipality

The municipality is also an important agent of this change, as it understands that the responsibility for CTPs does not lie only with the federal government, but also with the municipality. The city starts to implement its own policy and ceases to be just an intermediary agent of the national policy. This process appears to be linked with new municipalism, an international social movement that, through the democratic autonomy of local entities, seeks to

change the economy and politics (Thompson, 2021). The new municipalism places the municipality as a central entity of social transformation.

Until the beginning of last decade, the institutional actors of CTPs were, mostly or entirely, national. CC were important financial and social inclusion mechanisms, but on a limited scale and with no direct link to the public sphere. The socio-municipal currencies represent the entrance of a new agent, the municipality, that appropriates the knowledge of the technology generated by the CC to develop CTP at the subnational level.

## 6. THE INSTITUTIONAL CHANGE IN CASH TRANSFER AND BASIC INCOME PUBLIC POLICIES

### 6.1 The role of subversives' actors

Upon analyzing the emergence process of Arariboia, it becomes evident that the political context of CTP is characterized by institutional actors with strong veto power. In the context of Brazil's decentralized decision-making systems, municipalities have the autonomy to implement their own policies, and the central state is no longer the sole actor responsible for such policies. This decentralization allows for flexibility and differences in decision-making, whether it be determining tax rates or implementing cash transfer programs. In the case of Niterói, various actors in national and subnational instances are engaging in dialogue to implement their vision of CTP. The Arariboia program was inspired by similar projects in neighboring cities, such as Maricá, in response to the socio-economic crises brought about by the Covid-19 pandemic. This highlights the importance of local actors and their role in shaping the design and implementation of cash transfer programs, as well as the significance of learning from successful initiatives in neighboring areas.

Overall, the emergence of the Arariboia program demonstrates how subnational actors, such as local community banks, grassroots technological organizations, and the local municipality, can act as subversive actors in promoting institutional change. These actors effectively disguise their preference for change by working within the institutional expectations and rules, while simultaneously promoting new rules and policies on the edges of old ones. This can lead to the gradual but significant institutional change that brings about improvements in CTPs.

### 6.2 The layering institutional change

The emergence of the Arariboia in Niterói represents an example of layering institutional change (Capano, 2019). in the CTP. The program required the creation of a specific municipal law, which established rules for the operation of cash transfers in the city. The use of Arariboia introduces new rules in the municipal CTP that are attached to existing ones. Unlike displacement, which creates wholly new institutions or rules, layering involves amendments, revisions, or additions to existing institutions. This strategy is often pursued when institutional challengers lack the capacity to change the original rules.

The emergence of socio-municipal currencies was made possible through the actions of E-Dinheiro and municipalities, which can be seen as agents of change. They pursued their goals without breaking institutional rules, by running in parallel to the national currency system and establishing their own rules that have not yet been fully established by the Central Bank. Through their success in establishing new municipal banks that operate socio-municipal currencies, they have gained legitimacy and promoted their innovative model. E-Dinheiro works to subvert the system from within by leveraging existing institutional structures while also challenging them. Rather than rejecting the system outright, they seek to transform it from the inside out by introducing new financial models and practices.

### 6.3 The causal mechanism

The CTP institutional change was the result of key aspects that constituted the learning causal mechanism, leading to a layered institutional change. Firstly, the historical context of CTPs in Brazil and the emergence of Covid-19 played a critical role in triggering the institutional change. CTPs were not new in Brazil, and they were already familiar to the population. However, the Covid-19 pandemic created an urgent need for the implementation of such programs. The government needed to respond quickly to support those affected by the pandemic, and CTPs became a solution. This context provided a favorable environment for the emergence of new cash transfer models, such as the Arariboia currency.

The regulatory change enabled by federal laws was fundamental to allow the observed arrangement. The federal law number 12.865/2013, about payment arrangements, and the federal law number 13.019/2014, that enabled partnerships between the public sector and non-profit civil society organizations, provided a favorable regulatory environment for the emergence of a new cash transfer model. Also, the empowerment of grassroots organizations and the solidarity economy movement contributed to the institutional change. The solidarity economy movement had already gained traction in Brazil, with successful experiences such as community banks. Arariboia was a result of the collaboration between the municipal government and community organizations. The empowerment of these organizations played a critical role in the emergence of Arariboia.

Furthermore, technological innovation was an important aspect that made this change possible. The advancements in digital technologies enabled the creation of digital currencies that could be operated at a larger scale and lower cost, with more control and transparency. Arariboia was created on the E-Dinheiro platform, which leveraged digital technologies to provide a more efficient and transparent cash transfer program. Finally, the role of the municipal government was critical in this institutional change. The intention of the municipality to create a solidarity public policy, along with the support of the municipal parliament, enabled the creation of the municipal law that institutionalized the socio-municipal currency.

Finally, in this context, learning played a significant role in triggering institutional change. According to Falletti & Lynch (2009), actors can learn from relevant political experiences. In this scenario, learning works as the causal mechanism. As we saw, in the Brazilian case, CTPs were initially designed and implemented by local entities and, after the federalization of the policy, gains were observed, but municipalities lost autonomy. Facing these events, and a right-wing federal government that has ceased to exercise its role as policy coordinator, Niterói learned from the examples of community banks, E-Dinheiro, and from its neighbor, Maricá, that implemented a successful CTP. The Mumbuca coin, Maricá's socio-municipal currency, served as a reference for Niterói's Arariboia.

## 7. CONCLUSION AND FUTURE RESEARCH

CTPs has become an important instrument for poverty alleviation and combating the effects of crises. Among many recent initiatives, socio-municipal currencies are promising tools to operationalize these programs by municipalities. This study has emphasized that the emergence of socio-municipal currencies by municipalities represent an incremental change in CTPs.

We drew on process tracing methodology combined with the theoretical lens of TGIC and conducted a documental analysis and field immersions to explore this issue through the case of Arariboia, in Niterói, Brazil. Our results indicate that the recent emergence of Arariboia stemmed from the long road of community currencies experienced in Brazil and the success of the Mumbuca coin, in the neighboring city of Maricá. Despite the influence of prior success cases, Niterói creates its own rules through a municipal law to implement Arariboia. This indicates that actors in the political context do not have a strong veto capacity but opens space for the institutionalization of socio-municipal currencies by municipalities. Also, our study indicates that the E-Dinheiro Institute is an important actor in the institutional change of CTPs, as they established an alternative cash transfer solution and articulated that with the municipalities.

In sum, our work contributes to the literature on CTPs by showing an institutional change in the design and distribution channels of the programs. Also, by describing the emergence of socio-municipal currencies phenomenon, we empirically contribute to expanding the work of Gonzalez et al. (2020) on EBI and CTPs.

Socio-municipal currencies are adopted to allow wealth to be distributed and recirculated locally. This movement seems to be associated with new municipalism. More in-depth studies on how socio-municipal currencies fit into new municipalism are needed. Also, future research can perform a cross-case analysis to identify relationships and differences between socio-municipal currencies. Finally, Niterói's original project is to build a solidarity economy. However, this is not yet fully realized. Studies that seek to understand this process are necessary.

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## ACKNOWLEDGMENTS

We are grateful for the funding provided by the Brazilian Coordination for the Improvement of Higher Education Personnel (CAPES), processes number 88887.667410/2022-00 and 88887.667417/2022-00.