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WORLD WITHOUT POVERTY
BRAZIL LEARNING INITIATIVE



WWP Series Productive Inclusion Reports

**THE SOLIDARITY ECONOMY
VITÓRIA – ES**

WWP Series Productive Inclusion Reports¹

The Solidarity Economy

Vitória – ES²

1. INTRODUCTION

The experience discussed in this report describes local development and productive inclusion practices in a place known as the Territory of Bem, spearheaded by the non-governmental organization Ateliê de Ideias.

The Territory of Bem is composed of eight communities, nestled between hills and foothills, located on the urban outskirts of Vitória, the capital of the state of Espírito Santo (ES). The communities that comprise the territory are as follows: Bonfim, São Benedito, Jaburu, Engenharia, Itararé, Bairro da Penha, Floresta, and Consolação.

Among the major actions implemented by Ateliê de Ideias in Vitória, what is most closely tied to productive inclusion practices can be found in the experience of Bem Bank, a community bank that offers financial services and technical assistance to the poor inhabitants of the territory.

Over the years, a true social technology apparatus has emerged in the Territory of Bem. As of 2015, the territory was home to a Community Development Forum (Fórum de Desenvolvimento Comunitário), a Greater Good Forum (Fórum do Bem Maior), a social currency, and a community bank, known as Bem Bank.

Ateliê's history reveals a long road of challenges, lessons learned, opportunities, and strides forward in promoting the socioeconomic inclusion of the poor population living in the territory via alternative models shaped by a solidarity economy approach.

Briefly, the “economy for the common good” represents a combination of diverse strate-

¹ The WWP Series of Productive Inclusion Reports delves into the process to plan and implement urban and rural productive inclusion activities conducted by Brazilian state and municipal governments. In the context of the Brazil Without Extreme Poverty Plan (Plano Brasil Sem Miséria) created in 2011 to help Brazil overcome extreme poverty, the government understands productive inclusion to refer to improving capacities, job opportunities, and income for the poorest families in both rural and urban areas.

² This document was drafted based on a technical visit conducted by the WWP's productive inclusion consultant Andrea Perotti in April 2015.

gies and institutional and community instruments designed to foster local economic development by bolstering the work of entrepreneurs and merchants in the territory, providing professional training, and generating job and income opportunities for the community.

The key highlights of this report include:

- Bem Bank and the importance of accessible credit to productive inclusion processes and strengthening the local economy.
- The combination of diverse lines of credit with a local economic development approach.
- The implementation of buying hubs and advising on communication as a strategy to strengthen the local economy.

2. INSTITUTIONAL CONTEXT

- **Implementation period:** Since 2003.
- **Implementation location:** Vitória, capital of the state of Espírito Santo, located on the southeastern coast of Brazil. In 2010, the total municipality population amounted to 327,801 people. Nearly 1.5% of the municipal population lives in extreme poverty, and 100% of the residents are urban dwellers. As of May 2015,

³ It is a direct cash transfer program for families living in poverty or extreme poverty, subject to certain conditions related to healthcare and education.

10.86% of the local population was receiving benefits from the Family Grant (Bolsa Família³) cash transfer program.

- **Main actors involved:** Ateliê de Ideias/ Bem Bank;

Even though the socioeconomic development indicators in the municipality place Vitória in a commendable position, as compared to other municipalities in Brazil, the wealth earned and the opportunities generated are not distributed evenly among all segments of the population.

As is the case in many cities, discrepancies in access to goods or services are evident in the unequal distribution of urban land, the concentration of the poorest population in the city outskirts, inadequate housing, precarious access to essential public services and infrastructure, and the quality of jobs.

The Territory of Bem is embedded in this reality, located in a poor area on the outskirts of Vitória and consisting of eight communities. There, nearly 31,000 inhabitants live in 5,276 homes, according to a survey conducted by Ateliê de Ideias in 2015.

The fact that it is located in the hills adds to the urban poverty context political and geographical implications that shape the way the territory interacts with the city as a whole, even from an economic perspective.

The prevalence of narrow and winding streets, as well as staircases to access second-

ry routes, means that its residents face daily problems with mobility and getting around. The local population ends up looking for alternatives for products and services within its own community, creating opportunities for a network of small businesses to be established.

With an eye towards boosting the local economy, Ateliê de Ideias began to work in the territory in 2003, promoting activities for productive inclusion among the poor population and supporting local ventures.

Beyond its political, institutional, and methodological foundation, Ateliê de Ideias has physical and technical structures set up in the territory, with headquarters in the territory itself and teams spread out throughout various activity hubs for the organization.

In 2015, Ateliê de Ideias organized its community engagement around four core themes: Solidarity Finance, Housing, Community Development, and Social Technology Dissemination.

The organization is also a member of state and national forums and networks, such as the State and Brazilian Forums for the Solidarity Economy (Fóruns Estadual e Brasileiro de Economia Solidária), as well as a cofounder of the Brazilian Network of Community Development Banks (*Rede Brasileira de Bancos Comunitários de Desenvolvimento*).

Ateliê de Ideias is also highly involved in local politics through its participation in various sectoral councils in Vitória, such as the Territorial Health Councils, the Municipal Housing Council, the Municipal Consumer Defense Council, the Land Project Works Commission, a municipal hill urbanization program, and more.

Created in 2005, one of the main activities of the Community Development Bank (Bem Bank) is to provide support to local entrepreneurs and merchants. This work has made Ateliê de Ideias something of a local and national reference in institutional debates and spaces dealing with topics related to the solidarity economy, solidarity finance, and community banks.

In 2015, Bem Bank opened its own building on Morro de São Benedito. To develop its work, it continues to interface with the activities conducted in the other core thematic areas led by the institution, even those related to technical assistance services. That same year, the bank offered housing, productive, and consumer credit lines.

Based on the experience of Bem Bank, Ateliê de Ideias started to receive financial sponsorship from the National Secretariat for the Solidarity Economy of the Ministry of Labor and Employment (SENAES/MTE, in Portuguese) to provide advising on the implementation of 33 other community banks located all throughout Brazil, in states including Rio de Janeiro, Minas Gerais, São Paulo, Federal Dis-

trict, Mato Grosso, Mato Grosso do Sul, Goiás, and even Espírito Santo itself.

This support is an integral part of the Brazilian government's initiatives in the scope of the Brazil Without Extreme Poverty Plan (Plano Brasil Sem Miséria), recognizing and valuing the potential for community banks to reach the poorest and most vulnerable populations.

To develop its actions, the institution also set up private partnerships with the state and municipal governments and with such organizations as the Micro- and Small Enterprises Support Service (SEBRAE, in Portuguese)⁴, the Petrobrás Foundation⁵, and the Oi Futuro Institute.⁶

3. DESCRIPTION OF ACTIONS

The experience of Ateliê de Ideias in the Territory of Bem began in 2003 through a classic solidarity economy approach, based on group

⁴ SEBRAE contributed training activities in topics related to entrepreneurship, managing small businesses, and formalizing micro-enterprises.

⁵ Petrobrás is a publicly traded company specialized in the oil, natural gas, and energy industry. Its values include sustainable development, entrepreneurship, and innovation.

⁶ Oi Futuro is the social responsibility arm of the communications firm Oi. Its mission is to develop, support, and recognize educational and cultural actions that promote human development using communication and information technologies.

incubation for entrepreneurs, which the organization used as a strategy to promote productive inclusion for poor families and individuals.

With the support of other organizations already working in Morro de São Benedito, residents of the community interested in job and income opportunities were mobilized and engaged in collective productive unit projects.

The first start-up was dedicated to fashion and making clothes. Later, other ventures were set up in such diverse fields as the culinary arts, carpentry, cleaning products, decoration, and ecological masonry. In total, six start-ups were launched and received support.

Ateliê de Ideias was formally designated as a non-governmental organization (NGO) in 2003, as a solution to bring together all of the different productive units on a single national registration and make marketing of the products viable.

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At that time, 80 community members were taking part in the enterprises and also participated in the formal constitution of the NGO, which validates the affirmation that Ateliê de Ideias is a community institution.

As Ateliê de Ideias' actions began to spread throughout the region, a set of social technologies were developed in the Territory of Bem, which, as of 2015, was home to a Community

Development Forum, a Greater Good Forum, a social currency, the Bem, and a community bank, Bem Bank.

The productive ventures that were still operating were restructured and transformed into full-fledged micro-enterprises tied to Ateliê de Ideias, under the concept of business partners and education partners. They were named Bem Arte Moda (clothing), Bem Nutrir (culinary), Bem Simples (carpentry and woodworking), and Bem Morar (ecological masonry).

As business partners, the micro-enterprises sell their products and services to society as a whole, promoting the concept of fair trade and conscious consumerism. The profits are allocated to generate revenue to sustain the enterprises and ensure fair wages for everyone involved.

As education partners, the enterprises take part in professional training activities for families and individuals in the community to encourage them to join productive and trade activities, whether as workers, or even suppliers, to the social enterprises.

Bem Bank was born of the informal practice of a group of women in a clothes-making circle who were granting loans to other productive groups. Activities were officially launched in 2005, but quickly ran up against a series of major challenges.

With only the enthusiasm of those involved by way of backing, the entire initial available credit amount (R\$ 9 thousand reais) was loaned out within just one week. The Vitória Prefecture proceeded to make donations, even with outright grants, urging the group to professionalize and institutionalize its lending practices, in an effort to safeguard the bank's equity and ensure sustainability, as well as accountability to contributors.

With the resources paid in by the prefecture, a small team was hired to run the bank. Through a partnership with SEBRAE, the bank was able to engage in strategic planning. Starting from there, it drafted and established policies, criteria, instruments, and control systems.

It is notable that the development process for Bem Bank in Vitória was taking place at the same time as the debate about community banks and solidarity finance nationwide.

In 2006, by then with the backing of SENAES/MTE, as well as Palmas Bank in Fortaleza, Bem Bank organized and convened the first meeting of the Brazilian Network of Community Development Banks (Rede Brasileira de Bancos Comunitários de Desenvolvimento).

Bem Bank would gradually solidify its position as an instrument of community development and a tool to confront urban poverty. Its policies and credit lines began to take shape and its activities in the territory expanded from Morro de São Benedito to neighboring

communities. Initially, the bank offered only productive and consumer credit. It would soon start to offer housing loans.

In 2015, Bem Bank was organized around the following institutional themes:

- Solidarity Finance;
- Housing;
- Community Development;
- Social Technology Dissemination.

The Solidarity Finance area is responsible for the political and institutional management and operational support for Bem Bank. Linked to that is the board of directors of Bem Bank and the team of technical liaisons from the community bank. This area is in charge of financial management, lending policies, and the control systems instituted at the bank.

The bank's team of technical liaisons is responsible for serving the public at the bank's facilities, providing guidance and clarification about the services offered, and receiving and organizing applications, including managing waiting lists for available loan resources. The following duties are also handled by the Solidarity Finance branch:

- Conduct creditworthiness analyses of applicant families and submit applications and the results of the analyses to the Credit Committee to approve or reject them. Once a loan has been approved, draw up the contracts and release the funds.

- Monitor how the funds are used pursuant to the purpose stipulated in the contract.
- Provide guidance for loan repayment and negotiate agreements in situations of loan default.
- Present, disseminate, and share with the community information about lending services, technical assistance, and education.
- Encourage bank borrowers to take part in training activities related to entrepreneurship, business management, and the process to formalize micro-enterprises.
- Aiming to support the implementation of new community development banks, receive teams from other banks and train them in the bank's activities.

The Credit Committee is the body that analyzes and approves or rejects loan applications. The committee is composed of the board of directors and the technical liaisons from Bem Bank, community development agents, and representatives of the Greater Good Forum.

The Greater Good Forum, in turn, exercises social control over Bem Bank's activities. It deliberates on the funds available for lending and provides guidance on loans granted. Besides topics related to the bank, the Forum constitutes a space for articulation, organization, and mobilization for the Territory of Bem, where the problems and solutions to the problems of the communities can be debated.

The Housing area provides technical advising on civil construction to housing loan borrowers and coordinates the social business of Bem Morar, the venture that manufactures ecological masonry products. Actions include providing an initial diagnosis of the residence, drafting a construction project and budget, and technical guidance about the best methods and most appropriate and accessible construction materials to use for the renovation or improvement desired.

The Community Development area, through a team of community development agents, promotes, alongside communities and families in the territory, dissemination, orientation, and articulation among the various services involved in the institution. Moreover, this area is in charge of the following activities:

- As a member of the Credit Committee, taking part in processes related to loan applications and approvals, as well as technical assistance.
- Encouraging residents and local entrepreneurs to use the social currency and serve as the intermediary for productive technical assistance services.

- Coordinate the buying hubs in two communities (Morro de Santo Benedito and Morro de Jaburu).
- Maintain strong local policy engagement with institutional representation at community meetings and in other spaces.
- Forge partnerships with local and community-based organizations as well as neighborhood associations.
- Encourage the participation in formal and informal leaders in collective processes.
- Help mobilize residents, entrepreneurs, and other social figures to participate in social organization initiatives.
- Join up with segments of society for engagement in territorial causes, promoting campaigns/collective efforts and mediate between community demand and public policy bodies.

The Social Technology Dissemination area is in charge of the project that, through the support of SENAES/MTE, advised on how to structure 33 community banks in Brazil. It coordinated communication processes and initiatives to replicate the diverse experiences and social technologies implemented in the territory. It was also responsible for supporting and articulating the Brazilian Community Development Bank Network.

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Communication has been embedded among the strategies to strengthen the local economy. Notable is the technical assistance offered to entrepreneurs in the territory. Assistance on drafting communication plans, layout projects, façades, and brand logos is one of the services offered to the entrepreneurs.

For example, a brand logo was developed for the buying hubs. The image used in the logo is a “little cow.” The shopkeepers receive support to purchase signs for their storefronts. The signs display the “little cow” logo, indicating that residents can find lower prices there.

The technical advising on communication is provided by Ateliê de Ideias alongside Varal Agência de Comunicação, an agency tied to the institution as a business partner. It provides remunerated communication services as a strategy to receive feedback on its activities.

In the context of strengthening the local economy, the beneficiary entrepreneurs themselves play a major role in the success of the initiatives developed throughout the territory. The implementation of the social currency was only made possible thanks to the broad acceptance and support of local shop owners.

Similarly, the buying centers as a means of organization to expand the competitive poten-

tial of local enterprises with respect to large networks of products and services in the city was only able to become reality thanks to the full engagement of local business people.

Another part of the set of initiatives in the Territory of Bem is the public bank Caixa Econômica Federal (CAIXA)⁷, the counterpart to Bem Bank, promoting in the community and territory access to the essential banking services system.

As mentioned before, the municipal government has played a major role in the history of Bem Bank; in fact, it was the Prefecture of Vitória which, with its outright grants, made it viable to put together the seed capital for Bem Bank. In 2006, R\$ 30 thousand was contributed, and in 2007, the amount surpassed R\$100 thousand. The state government of Espírito Santo has also made a major contribution. In 2015, a productive credit line was opened by the state government in the territory through Bem Bank, recognizing and valuing the initiative in the region.

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In 2015, Bem Bank ran a productive credit program for the state government known as CREDITAR. All of the analysis and approval processes were conducted by the community bank team based on their working methodology, while the credit was actually granted by the State Bank of Espírito Santo (BANESTES, in Portuguese). The program was designed for small loans of up to one thousand reais. As of 2015, 66 ventures had received support from that credit line.

⁷ CAIXA is a federal public enterprise that invests in sectors such as housing, basic health, infrastructure, and service provision.

SEBRAE has also been engaged in initiatives run by Ateliê de Ideias. It began to take part in territorial processes in 2007, supporting the drafting of the Bem Bank Strategic Plan. This planning process laid out the structure of policies, systems, and procedures for the bank.

Other foundations, institutes, and corporations have supported initiatives as well in the Territory of Bem. In 2005, the steel producing company ArcelorMittal funded initial dialogue between Ateliê de Ideias and the Palmas Community Development Bank in Fortaleza. Bem Bank was the brainchild of those initial conversations. In 2015, Ateliê de Ideias already received financial support from Petrobrás Foundation and Oi Futuro Institute.

Finally, it is worthwhile to look at the involvement of local community-based organizations. These neighborhood associations and residents' councils in the communities that comprise the Territory of Bem have been very influential in the process to mobilize residents and spread the word about the products and services offered in the territory.

4. CHALLENGES FACED: THE GREATER GOOD PLAN

The process to set up the structure of Bem Bank, in terms of operations and management, brought with it the challenge of gaining a better understanding of the territories, the realities facing the communities, their expectation, and needs, and even tailoring the offer of financial services to meet the needs and profiles of the local population.

With the support of partners, in 2008, a survey was conducted in the territory and community strategic planning was implemented, under the name the Greater Good Plan, an experience that received an award⁸, revealing how productive inclusion processes and economic development are closely tied to other aspects of family and community life.

The Greater Good Plan encompasses political, economic, social, environmental, and cultural dimensions, and until 2015, served as the guiding document for the actions of Ateliê de Ideias in the Territory of Bem.

The document challenges the institution to connect initiatives and develop a model for acting that would consider local development processes and combating poverty.

In this sense, an articulated set of initiatives was conceived of and developed by Ateliê de Ideias in the territory, as part of a broader

⁸ ODM Brazil 2009 award. Community Strategic Planning - Greater Good Plan. Available at: <http://www.odmbrasil.gov.br/sobre/vencedores/3a-edicao-2009/planejamento-estrategico-comunitario-plano-bem-maior>.

strategy involving social and political actors engaged in community matters.

For example, in the realm of Bem Bank's financial services, it created dialogue between consumer credit, productive credit, and housing credit lines, establishing a direct relationship between serving basic needs such as food and clothing, housing conditions, and entrepreneurial capacity.

5. SUPPLEMENTARY INFORMATION

Bem Bank has become a national benchmark for community development banking, and has been recognized for its efforts by the Brazilian Central Bank. In the Territory of Bem, it acted in 2015 as an official counterpart to Caixa Econômica Federal, acting as a bank agency, and making diverse payments, including for the Family Grant Program, as well as opening simple checking accounts free of charge, as well as savings accounts.

This helped Bem Bank to include even more poor families from the hills in the financial and banking system. Moreover, it provides financial education when customers open a savings account, and there they can apply small amounts that remained from paid accounts.

In 2015, the bank was charging an interest rate of 0.75% on housing loans. For productive lo-

ans, the rate varies from 0.75% to 1%, progressively applied starting with the second loan, in the understanding that the initial investment will expand the production capacity and ability to take on debt of the applicant entrepreneur. For consumer credit, there are no monetary corrections.

Housing credit plays a major role in local development strategies and can even be thought of as a decisive influence on productive development. These loans are available for construction and housing renovations. According to Ateliê de Ideias, housing credit is the most successful product line the bank offers, with the highest demand among the population, and for which the bank sees the lowest rates of default.

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[Housing renovations, welfare, and satisfaction with your own house are all considered by the teams at Bem Bank and Ateliê de Ideias as essential prerequisites to developing productive and entrepreneurial proficiency.](#)

Borrowers from the bank, to whom the bank refers as customers, receive technical advising on their productive and construction projects. The technical advising is provided by teams from Ateliê de Ideias and ranges from business advising to technical or construction guidance.

In terms of productive loans, the main advising topics include marketing and communi-

cation. Some of the productive technical assistance initiatives offered to local business people include the consolidation of the two buying hubs.

Clustered together at these buying hubs, shopkeepers from these locations can make large-scale purchases and negotiate directly with the vendors or manufacturers. This helps them acquire products at lower prices and receive better payment conditions.

The main result of this collective purchasing is that products become available to the community at more competitive prices. Likewise, residents shop at the stores in their own neighborhood, rather than going to the big supermarket chains. This engenders a virtuous cycle for the local economy where the hubs are located.

Another important tool is the Bem Social Currency, which was created to boost the local economy, by promoting greater circulation of goods within the territory itself. Qualified merchants offer discounts on products or services bought with “bens,” a social currency, making the currency advantageous and attractive for the end consumer.

Bem Bank will convert reais to “bens” and vice versa at any time. It also receives payments in the social currency and encourages people to use the currency on the market, offering to convert small amounts or trades in “bens.” Consumer credit is offered sole-

ly in “bens.” The bank also ensures that the amount of “bens” flowing into the market is equivalent to the real amount of reais to which they would be converted.

In terms of housing loans, construction and technical assistance is offered by a team of architects from the Housing area. This assistance consists of visits to the homes of the applicants, a diagnostic study of the living conditions, drawing up projects and budgets for renovations, improvements, and construction. Families receive guidance and suggestions about the most appropriate solutions and accessible materials.

Once the funds for the loan have been released, the families execute the works with a model of assisted self-construction, meaning that the technical assistance team helps them manage the works.

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[The Housing area maintains Bem Morar, which manufactures ecological bricks that are marketed and earn money for the institution. The bricks are also available for construction related to housing loans and for other housing projects carried out by the organization.](#)

The loan system developed by Bem Bank uses unique strategies and instruments to analyze and approve loan applications. These include the Credit Committee and the Greater Good Forum.

The process begins with a creditworthiness analysis. This is conducted by the bank's technical liaisons, who are responsible for linking together credit, education processes, and technical assistance.

The idea is for these technical liaisons to be residents of the territory in which they work, which facilitates access to diverse communities, to the families applying for bank services, and helps to promote credibility and confidence.

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The technical liaisons have been trained by the municipality's social services to act as interviewers for the Unified Registry (Cadastro Único), as well. As such, the families on the registry can access programs such as the Social Tariff for Energy and the Family Grant program, depending on their income level.

The federal government's Unified Registry for Social Programs is a tool to identify and track the socioeconomic profiles of low-income families. It is also used to select beneficiaries for social policies and programs and to map deficiencies and vulnerabilities.

Credit analyses are preferably conducted at the residence of the applicant, in order to study the family's expenses and income. However, this analysis does not determine the approval or the value to be loaned.

This experience of analyzing the family's expenses and income becomes an opportunity for financial education for the potential customer to reflect on his or her monthly income, priorities, and capacity to take on debt. As a result of this process, the loan amount is defined based on the family's payment capacity.

To prevent non-payments, the team of technical liaisons at the bank interviews at least three neighbors listed by the loan applicant as references to obtain an informal guarantee. The people listed as references are visited and informed about the loan for which the person has applied. These interviews are used to look for anything that would indicate security or a risk for the transaction.

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The creditworthiness analysis and the family's capacity to take on debt do not include the conventional questions that credit protection analyses ask of debtors.

For example, in order to receive a bank loan, the customer must meet the following criteria: have lived in the territory for at least one year, list neighbors as references, and present proof of monthly bill payments by the family. There are priority criteria adopted as well, especially for housing loans, including the poverty situation and how precarious or hazardous the residence is.

The Credit Committee approves loans. This committee has been formed to ensure impartiality and transparency in allocating the bank's resources. The Credit Committee meets as long as there are funds available to grant loans.

The Greater Good Forum, in turn, is the space for decision-making and accountability. It is in the forum that the community learns about and deliberates on the funds available for credit and monitors loans that have been granted, exercising social control over the activities of Bem Bank.

It is worthwhile to note the strategy used by the forum so that the bank's borrowers commit before the entire community to repay the amount received from the bank. Any customer who takes out any form of credit at the bank is required to attend the forum to introduce him or herself, report the reason why the loan was requested, and make a commitment before all those present to repay the amount of the loan in full to the bank.

After the loan is released, the customer is visited by the bank's team to ensure that the funds are being used for the purpose described in the contract. If the funds are not being used as stipulated, the customer will be asked to come to the Forum again to justify the reason publicly.

In 2015, the bank had housing, productive, and consumer credit lines. Since 2005, the total volume of credit offered amounts to R\$ 1,351,335.02, with 1,049⁹ families served (an average of R\$ 1,288.00 per family). As of March 2015, productive credit alone had been granted to 296 enterprises, for a total of R\$ 579,496.22 in credit offered out of the bank's funds (average of R\$ 1,957.00 per enterprise).

In summary, what can be observed in terms of the social organization capacity in the Territory of Bem confirms the Brazilian government's stance to support the structuring and expansion of community banks in other locations throughout Brazil as powerful tools for social and human development, with immeasurable potential to transform realities of poverty and exclusion.

⁹ Calango Notícias. The Territory of Bem. Available at: <http://calangonoticias.com.br/o-territorio-do-bem/>.

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