11 - e-jobs/e-business

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Viva Cred

One of Viva Rio's pioneering projects, today entirely self-sustaining, is Viva Cred, an autonomous unit within Viva Rio that offers lines of credit to entrepreneurs and small business owners in low-income communities. Created in 1996, Viva Cred was originally inspired by the experience of Internationale Projekt Consult (IPC), a German micro-credit consultancy, which advised Viva Rio during the implementation of the project. Unlike most so-called 'popular banks', where credit is guaranteed through joint surety, the methodology developed by IPC is oriented toward individual loans.

Viva Cred has accumulated a great deal of expertise in the area of micro-credit management. A computerized administrative and portfolio-management system, developed by Viva Rio, which includes information on clients' families, evaluations of business viability, and payment tracking, not to mention the ability to analyze the performance of the program as a whole, has made Viva Cred an international reference point. The software developed by Viva Cred has been made available throughout Brazil through a partnership with the Brazilian Small and Micro- Business Support Service of Rio de Janeiro State (SEBRAE/RJ).

The goal of Viva Cred is to offer credit to entrepreneurs and professionals who are often excluded from the formal financial market. Unlike banks, which demand a series of prerequisites and guarantees before granting loans, Viva Cred has already granted more than 11,600 loans whose only criteria were the viability of the business to be opened and the ability of a client to pay off the loan, without formal guarantees.

To kick off the program, Viva Rio received help from the private commercial bank Fininvest, which specializes in small loans. Besides maintaining a line of credit for Viva Cred clients, the bank also provided R\$100,000 (US\$33,000) for Viva Cred's startup costs, which, along with support from the National Bank for Social and Economic Development (BNDES) and the Inter-American Development Bank (IDB), made the project possible. In 2001, Fininvest signed a contract for R\$600,000 (US\$200,000) with Viva Rio, giving Viva Cred complete freedom to offer credit to small businesses in the municipality of Rio de Janeiro, followed by a second contract. Today the Viva Cred project is completely self-financing, with very low rates of default and non-payment.

The first Viva Cred agency was opened in the Rocinha *favela* in 1997. The second, opened the following year, benefited the residents of the Rio das Pedras community in Jacarepaguá, in Rio's western zone. In 2000, Viva Rio signed a cooperation agreement with SEBRAE/RJ, which provides support to many micro-businesses. Currently, four Viva Cred agencies attend

an average of 10 neighborhoods each. On average, 50 people pass through Viva Cred agencies every day. The loans range from 500 to 10,000 *reais* (US\$16 to US\$3,300), and the interest rate is 2.9% per month, with an administrative fee of 1.5% per month, (significantly lower than interest rates on loans from commercial banks, currently at about 6% to 10% per month -and not available for micro-entrepreneurs-).

Workers' Aid Center (CAT)

Within the Viva Favela web portal, the “jobs” page, with its constantly updated lists of offers and job market profiles, is one of the most frequently accessed. To help fight unemployment, Viva Rio has created a partnership with the Workers' Aid Center (CAT), an initiative of the trade union Social Democracia Sindical (SDS) in conjunction with the Ministry of Labor and Employment. Intermediary between unemployed and under-employed workers and employers in need of labor, the Workers' Aid Center helps workers to obtain and maintain employment. Launched in 1999, the Center registers both workers and companies throughout Rio de Janeiro state, offers databases of job offers and job seekers, and provides advice on opening one's own business.

At the Center's headquarters, in the São Cristóvão neighborhood in Rio, the huge demand for jobs has led to long lines that form at dawn. To resolve this situation, reduce transportation costs for unemployed workers, and offer a better quality of service, the Center joined forces with Viva Rio to expand its points of service. The idea is to offer the Internet to workers as a resource for registering at the Center and staying up-to-date on job openings without having to go physically to the Center's headquarters.

Today, workers who live near a Future Station don't even have to leave their neighborhoods to access the Workers' Aid Center. Registration can be done on-line, free of charge, from any of the ten Future Stations. By registering, workers provide potential employers with their personal info, their educational background, work experience, special qualifications, and desired salaries and positions. Each week, Center staff visits the Future Stations and pick up the résumés of workers who prefer to fill out registrations forms manually. Once registered, workers can access the Center's website at Future Stations to stay up to date on job offers. The Center also provides advice on unemployment benefits: recently laid-off workers can find all the documentation needed to obtain benefits on-line.

The partnership with the Center is responsible for bringing in many new users to the Future Stations; about 150 résumés are sent in per month at each Station. Frequently, people come to the Future Stations for the first time to register free of charge at the Center, then come back to check for job offers on the Internet. For just one *real*, less than the cost of one-way bus fare to the Center's headquarters, a worker can access not only the Center's website but many other employment agencies.

On-line registration has amplified the Workers' Aid Center's efforts, benefiting not only unemployed workers but also employers, who can search the website for potential hires. With a simple design and easy navigation, the Center's website offers bulletins, articles, news on job markets and professional training opportunities, as well as basic information on workers' licenses²⁶, professional opportunities for the handicapped, internships, selection processes, retirement and other social benefits, and unemployment insurance.

Fair Trade

Fair Trade is still not widely known in Brazil. Created in the developed countries of the Northern Hemisphere, the concept proposes a policy of giving value to products imported from developing countries. The goal is to sell products under the "Fair Trade" seal that have been produced by workers paid a just wage, with a portion of the profits reinvested in the communities where the products were made. So far, this international experiment has been mostly limited to food and handmade artisan items. Viva Rio has sought to bring the Fair Trade concept to urban products, specifically textiles, by forming and developing cooperatives, family businesses, and producers' associations. The first to benefit from the Fair Trade program have been small clothes-making businesses and autonomous seamstresses.

With a long tradition of textile manufacturing, Rio de Janeiro has a number of experienced workers in the field. Viva Rio registers seamstresses with cooperative work experience, and then analyzes their work case by case, investing in training and equipment through Viva Cred, and finally making contacts between seamstresses and companies. Currently, the Fair Trade program produces about 150,000 pieces per month for small and large companies, while paying seamstresses about double what they normally receive.

The principal problem for the Fair Trade movement in Brazil, and internationally, is product flow. Part of the problem is in the current limiting of the fair trade market to food items and regional handmade goods, since the global markets for these goods are nearly saturated. Viva Rio believes that the Fair Trade movement can be reinvigorated by expanding the concept to include new semi-industrial products produced by a more professional workforce; these products, besides being "politically correct", should have market appeal, an aesthetic based on current fashions. Viva Rio has worked in this direction, always seeking to create high-quality products that appeal to the taste of the consumer. Although the international market continues to be a target, it is possible that Brazil will provide the project's principal market, as a new culture develops of products associated with socially conscious brands and chains of specialty stores. Viva Rio has opened various shops in shopping centers, malls, and airports, and plans to include in its shop products from other regions of Brazil.

Viva Rio is a member of the Latin American Secretariat of the International Fair Trade Association (IFAT) and is developing a project in partnership with SEBRAE to create a

²⁶ In Brazil, all legal employment is registered in an official *carteira* or license.

national Fair Trade website. The site will provide on-line support for producers interested in participating in Fair Trade, as well as an on-line catalogue of Brazilian Fair Trade products sold nationally and internationally.

Business to Business – B2B

Business to Business, B2B, has advanced quickly in Brazil, but its effects have not reached low-income communities. In many *favelas*, the cost of living is higher than in traditional urban areas; the same product is more expensive for the city's low-income population than in the supermarkets where the middle class shop. Why? Because small businesses in the *favelas* do not have access to the big wholesalers: the logistic of access is complicated, the purchases are small, the businesses do not have credit, and many of them are not legalized, and so cannot emit legal receipts.

Viva Rio began its B2B project by negotiating with a large electronic trading company. The original idea was to make purchases via electronic auction; however, initial investment in software development proved inadequate. Instead, Viva Rio began negotiating directly with big wholesalers, acting as an aggregator of demand and a guarantor of credit. Viva Cred in turn offered credit to local businesspeople, offering revolving credit lines in proportion to the potential of each business. Orders would be gathered using the Internet and sent to wholesalers, eliminating middlemen. As a start, Viva Rio created a partnership with a wholesaler who offered some 3,000 items to retailers.

An initial study proved that the potential aggregate demand of *favela* businesspeople was quite large, and that the project was widely approved of, with some 90% of owners interested in participating. The credibility of Viva Cred with businesspeople helped the idea win people over.

Viva Rio's B2B program relies on community agents, residents of the communities in which they work. After being trained by Viva Rio, the agents visit the commercial establishments of their neighborhoods, looking for new clients and taking orders on palm-tops outfitted with software especially designed for the project. Each agent transmits the orders from his palm-top to a Future Station, where they are processed by the manager there and redirected to wholesalers and distributors, who send the products within 24 hours.

In its initial phase, the B2B program registered some 430 clients, with an average of 5 orders per day in each community. The most common products were basic foodstuffs like butter, sugar, and biscuits, as well as alcoholic beverages.

After functioning for one year, the project suffered an interruption due to the problem of issuing receipts, not always possible for the many *favela* businesses that have never been legalized. A solution is being negotiated with the State Treasury²⁷ through a special

²⁷ *Secretaria da Fazenda*

authorization that will allow the B2B program to continue. In spite of these difficulties, the B2B program represents one of Viva Rio's most creative projects, for its use of the Internet and its potential to improve quality of life for people in low-income communities.

“You Never Forget Your First Business”

One of Viva Rio's most recent projects is “You Never Forget Your First Business”, launched in August 2002. The pilot program is aimed at the businesspeople and entrepreneurs of the Rocinha *favela* and the surrounding areas, offering training courses in ownership and administration, as well as loans -through Micro Cred- for creating one's own small company.

Created by Viva Rio in partnership with ISER and Viva Cred, and financed by the European Commission, the course (one week long, three hours per day) teaches people interested in learning how to create and maintain their own business, evaluate the potential of a project, calculate risk, and draw up a business plan, as well as topics such as marketing, market research, and how to legalize a micro-business. The course is based on study carried out four years ago in Rocinha by Viva Rio and the Fluminense Federal University (UFF)

The “You Never Forget Your First Business” courses are administered at the Rocinha Professional Center by the NGO Campo. Eventually, ten such centers will be opened, with a target of 1000 new entrepreneurs trained by the end of 2003. Viva Rio has chosen successful local entrepreneurs from the course to be trained as new instructors, giving students the chance to learn from people from their own community.

As of April 2003, 100 people have participated in the course, 60 of whom have already received loans to start up their own companies, which, according to Viva Cred, are all doing well. Most of the business plans were for bars, pubs, and luncheonettes, but there were also ideas for franchises in diverse areas such as beauty salons, day-care centers, accessories shops, video rental, gold-plated jewelry stores, pet shops, dry cleaners, and even a cyber café inspired by the Rocinha Future Station itself. (The project was approved, a loan made, and the micro-entrepreneur is presently outfitting the café.)

The loans given vary from R\$500 to R\$5,000 (US\$165 to US\$1650) and are generally made 48 hours after a request is made. For graduates of the “You Never Forget Your First Business” course, Viva Cred offers a special credit line with lower than normal interest rates. As of this writing, there have been no problems with any of the micro-entrepreneurs, and the rate of non-payment has been zero.

Entrepreneurs also receive support from a specialized team of economists and historians from the Fluminense Federal University (UFF) for 12 months after opening his or her business. Though the course is currently only offered in Rocinha, residents of any community may enroll in the course and seek a loan for opening a business.

Many businesspeople enroll in the course simply to acquire skills and improve their businesses, without seeking loans. To facilitate access, Viva Rio will soon offer the course in all its Future Stations. As a way to make the classes more dynamic, Viva Rio is developing a CD-ROM to be used in the Future Stations, also available in Viva Cred agencies to students who have completed the course.

Neighborhood Gardeners and Ecological Projects

The environment is a central problem affecting the quality of life for *favela* residents. Created in 1997, the Neighborhood Gardeners project was developed to train youth in gardening and in environmental education. Participants receive professional training and begin working in public gardens, as well as schools and private residences. In 2003, the project was expanded to include an IT-training program for 16 youths. The students learned how to use Windows, Word, and the Internet, carrying out research on landscape design and increasing their knowledge of environmental issues.

For a period of one month, youth participate in workshops on environmental questions and, at the end of the course, receive a “Neighborhood Gardener” diploma. Since its creation, the program has graduated 130 neighborhood gardeners. The project, which is supported by the Parks and Gardens Foundation, the Cooperative Training Program (Programa Capacitação Solidária) of the National Urban Cleaning Company (Companhia Nacional de Limpeza Urbana, Comlurb), British Petroleum, and the Globo Television Network, among others, is already active in the parks and plazas of the Botafogo, Saúde, and Leblon neighborhoods.

The neighborhood gardeners also collaborate on other Viva Rio projects. During 2002, when the city was suffering from an epidemic of dengue fever, 200 youths from the project received special training and became public health agents, teaching their communities about the dangers of the disease and methods to combat the mosquito that transmits the disease.

Greening the West, another Viva Rio project, is helping to recuperate Rio’s West Zone by planting seedlings of native Atlantic Rainforest plants and raising environmental awareness among local residents. Another interesting project is in the poor neighborhood of Ramos, where an artificial beach has been created using treated water from the Guanabara bay. Originally administered by the state government, the project was transferred to Viva Rio, which trained 38 youth from its Neighborhood Gardeners program to act as Environmental Agents in the cleaning and conservation of the space. Viva Rio project aims to transform the area into a Nature Park and expand its social services to include separate trash collection for recycling for the local community and the colony of fisherman who live in the neighborhood. To stimulate local fishing, a system of artificial reefs will be planted. Due to the lack of government resources, Viva Rio recently left the administration of the project.

Volunteer Civil Service

According to the Brazilian Institute of National Statistics and Geography (Instituto Brasileiro de Geografia e Estatística, IBGE), only 10% of all young men in Brazil are effectively called up for obligatory military service. As a way of offering guidance to the millions of youth who are not approved for military service, Viva Rio has proposed to the Ministry of Justice the creation of Volunteer Civil Service (SCV). SCV was conceived as an educative alternative for youth who reach 18 years of age without completing elementary school. The program is aimed at youth from low-income communities who have not completed elementary school, do not have a job, and live in conditions of poverty. One of the goals of the project is to spur youth to complete elementary and secondary school, to enter university, and to develop notions of citizenship. With funding from the Workers' Aid Fund (Fundo de Amparo ao Trabalhador, FAT) and the support of some 150 NGOs in all of Brazil, the program reached 13,000 youth in 2000. The following year, the number doubled, and the goal for this year is 50,000 youth.

In Rio de Janeiro, the program is coordinated by Viva Rio, which trains youth throughout the state to develop community service projects in their own communities. As of 2002, **the program has benefited 12,165 youth from 31 municipalities throughout the state.** They are offered courses in citizenship, professional skills, information technology, community action, human rights, and how to manage small businesses. Volunteer Civil Service is not obligatory, but many youth seek out the program on their own. Once enrolled, they receive 682 class-hours of a period of six months.

To better comprehend the reality of these youth, Viva Rio has carried out studies on those students enrolled in Volunteer Civil Service. The idea is to profile the target public in terms of their values and experience. The latest study, in 2002, was of some 414 youth from low-income communities between the ages of 17 and 21. More than 71% identified themselves as black or mixed-race; 44% had not completed secondary school; and those who are still in school - about 75% - have not yet completed elementary school. For them, a job is something to be hoped for, since their family income is very low - 60% come from families with a total income below three times the minimum salary.²⁸ Despite the great interest in finding work, only 17.5% percent perform some kind of remunerated activity.

In the daily routine of *favela* life, these youth live in close proximity with the question of violence: 57% have been victims of illegal police searches, 43% report having been humiliated by legal authorities, and 39% have suffered aggression. The majority of these youth consider it important to inform oneself about one's rights as a citizen; 65% believe that human rights should be a priority for the government; and 86% think that citizens who know their rights are likely to be better respected.

Once trained by the Volunteer Civil Service, the youth become 'Community Caretakers', and are eligible to participate in the social and environmental projects overseen by Viva Rio in

²⁸ In Brazil, the minimum monthly salary is currently about US\$80.

their communities. Many of them take further courses to learn how to preserve public assets and spaces, as well as participate in campaigns and studies carried out by ISER. The Caretakers also act as reserves for the professionals of Civil Defense, the Military Police, and Municipal Guards. Civil Defense, for example, trains these youth so that they can act as lifeguards at the safety posts along the cities seashore. Other youth are trained to orient local populations in the fight against the Dengue mosquito. There are innumerable diverse projects that employ Community Caretakers, and once a Caretaker is involved in one of them, he or she receives a stipend of 100 *reais* per month.

The project has grown over the years, becoming national in scope, and has recently expanded to include imprisoned youth. Through a partnership with the Santa Cabrine Foundation, Viva Rio has begun to work in the Vicente Piragibe Penal Institute – which is part of the Bangu Penitentiary Complex. Some 1,400 prisoners are attended, between the ages of 18 and 30, serving sentences of anywhere from one to eight years.

Box L - Business in the Favela

B2B Agent

Young Victor Hugo, resident of the Maré *favela*, saw in B2B a professional opportunity. Hired by Viva Rio as a commercial agent in the development of the program, Victor never imagined that he would be able to do business in his own community. “Commerce here is only held back by the difficulty that storeowners have in making purchases,” he says. Armed with a palm-top, he canvasses the streets of his *favela*, spreading the word about B2B to local establishments. “I’m well-known here, so the community didn’t have any problem accepting me. Storeowners want to do business; now it’s up to the big wholesalers to bet on this market, which is a good a bet!” he guarantees.

Distance Employment

Unemployed, Demontier Pinheiro, a 24-year-old construction technician from the state of Ceará no longer visits job lines. Two or three times a week, he goes to the Future Station closest to his house and accesses the Workers’ Aid Center website. Using the Internet, he posted his résumé and schedules job interviews. With his secondary education completed, Demontier dreams of enrolling in a civil engineering university program. “Once I find a job, I am going to take a pre-*vestibular* course.”²⁹ Until then, I am researching the best engineering courses on the Internet,” he says.

Direct Marketing

After gaining experience working on websites and in cyber cafés, systems analyst Carlos Ramos, 34, decided to open his own business in Rocinha: a cyber café with games aimed at adolescents. The entrepreneur sought out loans from a number of banks, but gave up when he saw that interest rates were above 6% per month. He ended up consulting Viva Cred, where he participated in the “You Never Forget Your First Business” program, and requested a loan for 2,000 *reias* to open his business. In the weeklong course, he was able to focus and clarify his business plan. “I learned how to create partnerships and invest in different forms of advertising. I made banners, hired a sound car³⁰, and handed out t-shirts with my cyber café’s logo,” says Carlos, who will pay off the loan in 12 installments.

Pet Shop in the Favela

Katia Gonçalves, 31, participated in the “You Never Forget Your First Business” course after requesting a loan for 1,500 *reias* from Viva Cred. “I wanted to open a pet shop because here

²⁹ A short prep course for the *vestibular*, the extensive and highly competitive entrance examinations at Brazil’s universities.

³⁰ A car mounted with a PA system that repeats the clients’ advertisements throughout a neighborhood; common in Brazil.

in the *favela*, there are no services for the dogs and cats of the community,” Katia explains. In the course, she learned, among other things, how to research prices. “My prices are the best in the area, and for residents its more practical and cheaper to bring their animals to my shop than to go down to the ‘asphalt’³¹.”

³¹ “Asphalt” (*asfalto*) is common slang for the non-*favela* part of the city, sometimes simply referred to as “down below”.