



Programa ReDes

Public-private partnership for the development of inclusive businesses

Programa ReDes has been acting in small Brazilian municipalities for the last ten years. By 2022, it will have invested USD 32 million in the development of local inclusive businesses. The program considers the increase in donations by families in the region as a success indicator.

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MAIN PARTNERS:

- Companies with investments by Votorantim
- BNDES
- IDB



DURATION:

2010

-present



MOTIVATION/PROBLEM TO TACKLE:

Low human development index and low economic diversification in Brazilian municipalities.



NON-FINANCIAL SUPPORT OFFERED:

- Impact measurement and management
- Business model and/or strategy
- Financial management
- Governance
- Operations (marketing, logistics, IT, sales, purchases, legal)



TYPE OF INVESTOR/SILO:

Corporations and companies



SECTOR:

Economic and social development



FINAL BENEFICIARIES:

- Women
- Minority groups (ethnic and traditional communities, among others)
- People living in poverty or extreme poverty
- Rural communities



TYPE OF FINANCING

Donations

RESOURCES INVESTED OR DONATED:

USD 32 million



SDGS ADDRESSED:

IMPACT:

Support for the development of

69 inclusive

businesses in 55 Brazilian municipalities with high-vulnerability socio-economic indicators.





BACKGROUND AND CONTEXT

Since 2009, Instituto Votorantim and the National Bank for Economic and Social Development (BNDES) have discussed possible ways of bringing together their expertise and the institutions' capital to tackle some of the major economic - development and poverty - reduction challenges of small and medium Brazilian cities.

Programa ReDes was thus set up in 2010 as a partnership between both institutions, supported by Grupo Votorantim's companies, whose purpose is to contribute to the sustainable development of 55 Brazilian municipalities where it operates.



Programa ReDes is a partnership between Instituto Votorantim and the National Bank for Economic and Social Development (BNDES), supported by Grupo Votorantim's companies.

"In many municipalities, there was a need to work with isolated rural communities to foster job creation and income. These municipalities are normally home to 20,000 or 30,000 inhabitants, and their economy revolves around Votorantim. Actions stemmed from the demands of the companies that had received investments, above all to fight poverty and improve the social conditions of the population." Ana Paula Bonimani, Program Management Manager at Instituto Votorantim.

The institute's reach complemented BNDES's expertise in investment and history of inclusive-business support.

"Our point of departure was BNDES's experience in providing resources and infrastructure to inclusive businesses. BNDES's Social Fund works with non-repayable resources, with no return-on-capital expectations. The institute could, for its part, provide guidance on management, training, and local partnership creation, as it is present in supported localities." Ana Paula Bonimani.



DESCRIPTION

ReDes supports inclusive business structuring by forming production chains and investing in projects. The methodology includes the participation of communities in all stages of the program, promoting transparency and bringing together the government, the private sector, and the third sector.

“ReDes was the result of us wondering how to conceive inclusive businesses, which looked like actual businesses, achieving returns and continuity for the benefited community to reduce its poverty and improve its quality of life.” Ana Paula Bonimani.

Votorantim, founded in 1918, has made investments in a variety of industries: cement, minerals, energy, banking, and food. Instituto Votorantim has managed Votorantim’s social investments since 2002, serving as a social intelligence hub for companies and working on shared-value creation. In 2018 alone, the institute invested a total of USD 33 million in multiple projects and mobilized 5236 volunteers. It focuses mainly on Brazil but has operations in Argentina and Colombia as well. Since its outset, 160 municipalities have been impacted. Among other relevant projects, it is worth mentioning the Partnership for the Promotion of Education (Parceria pela Valorização da Educação), which trained 2900 municipal public-school principals and coordinators in 2018 alone.

The National Bank for Economic and Social Development (BNDES), created in 1952, is linked to the Federal Government of Brazil. It operates in various sectors of the national economy through long-term financing and investments. It supports entrepreneurs of every size - even natural persons - in realizing their modernization and expansion plans, just as it helps them start new businesses. BNDES always bears in mind the potential to create jobs, income, and social inclusion in Brazil. In 2019, according to its Annual Report ([Relatório Anual](#)), the bank disbursed USD 14 billion, out of which USD 3.4 billion were specifically allocated to sustainability-related projects, and USD 3.9 billion to regional development projects.



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IMPLEMENTATION

ReDes's implementation process begins by choosing municipalities through mapping activities performed by the institute around the regions where companies that Votorantim operate, prioritizing those facing the greatest socio-economic challenges.

Then, an external consultancy identifies the productive chains and groups that exist in the main municipalities and the possibility to strengthen them as part of the program.

Once the municipalities that will be supported have been determined, liaison with local organizations is established to examine social businesses that could participate in the program: associations, cooperatives, and producers with the potential to start a business with dynamic profit-making for its beneficiaries.

Business leaders are invited to a presentation of the program and development opportunities. A simplified enrollment process and rounds of interviews are then carried out to classify pre-selected businesses based on their management maturity and experience.

One of the tools elaborated for the selection is the Maturity Meter, a methodology developed for the program to analyze the potential of productive groups. The Maturity Meter aims to assess various organizational aspects, including leadership capacity, group cohesion, goal clarity, collaboration capacity among partners/associates, and entrepreneurial experience. The meter is implemented by means of a questionnaire applied by an independent external consultancy.

Depending on the stage each group is at, a recommendation can be made regarding the technical and financial support that is more suitable for the group's profile. Groups are either eliminated or classified into two action models: Incubation or Project.



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 **Tailored
Finance**

Investments always take the form of donations. Each institution contributes 50% of the amount. BNDES's donations are given to Instituto Votorantim, who makes the subsequent donations.

For the business incubation group, seed funding is made available to fund experimentation and develop a viable plan. The funds are not directly donated to the organization, but to a technical partner who manages them as an intermediary.

The project group directly receives the donations within the timeline established by the business plan. Each organization signs a partnership agreement with the institute to define its responsibilities and investment commitment as agreed. A relevant indicator for investments, in this case, is the so-called social return—the estimated time it will take for the amount donated to generate income for the benefited community. In other words, each Brazilian real donated to an organization must yield another real for the community when going through the organization itself. This indicator is relevant to subsequently assess the success of the project too.

After the investments and the training, projects are guided with another tool developed specifically for the program: the Sustainability Checklist. This tool allows to periodically assess how close the program is to becoming autonomous and what its continuity prospects are. When indicators suggest that businesses are not evolving or have regressed, the support may be suspended. This checklist allows for the assessment of businesses in five dimensions: governance, planning, and local collaboration; production and supply; sales, market, and logistics; social-business management; and document regularity.



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 **Non-financial
Support**

Businesses selected for incubation draw up a plan with the help of program specialists. This plan defines the productive opportunities of the organization. An example is the implementation of a shared space that enabled a group of producers to start cooperating for the first time.

As for the project model, selected businesses learn to make a business plan with a market analysis, financial data, and other relevant indicators. It is thus possible to identify businesses that will, for example, get more sophisticated machines or training aimed at increasing their productivity.

A committee constituted by members of BNDES, the Institute, and other companies Votorantim has invested, determines which projects will be granted investments. Similarly, before the presentation to the committee, a socio-economic appraisal of each project is made by an independent consultancy.

In addition to investments, approved projects receive several types of support based on their needs. The program activates a network of relevant partners, such as EMATER—Enterprise for Technical Assistance and Rural Extension, an organization that works in several states of Brazil to support rural producers. Moreover, it delivers technical training for the selected projects with the support of external partners.

Since 2015, a significant portion of the methodology has been improved thanks to a partnership with the Inter-American Development Bank (IDB). There were suggestions to make it scalable and ensure the autonomy of the businesses after their participation in the program. It was then that ReDes Incubation was born; the assessment tools - the Maturity Meter and the Sustainability Checklist, for instance - were enhanced, as were tailored assistance based on multiple business profiles and the strengthening of leadership and local assistance networks.



RESULTS

By 2019, 82% of the USD 32 million had been invested, supporting 69 businesses in 55 municipalities: 50 food-supply businesses, 16 related to trade and services, and 3 dedicated to recycling. Out of this amount, USD 15 million have already been recovered in the form of income for the communities.

62% of the businesses are sustainable according to the Checklist, that is, they show positive post-support continuity. Around 2500 families have benefited from the program (artisanal fishers, *quilombolas*,¹ family farmers, agrarian reform beneficiaries, and recyclable material collectors).

¹ Afro-descendants inhabiting *quilombos* and descendants of people under slavery.

For outcome monitoring, financial data are collected, tests are run, and guidance is provided monthly by technical partners who are close to the project. At the end of 2019, BNDES started an innovative impact-guidance process that is still ongoing, one in which official data from each municipality is cross-referenced with welfare indicators.

An example of a supported business is Itacastanha, in Itabaiana, in the state of Sergipe. The community is involved in and profits from cashew picking through a cooperative of 30 workers, mainly women. When the partnership with ReDes began, Itacastanha already had a factory, but it did not make use of it. ReDes provided training and examined the productive structure of the project. Today, it is possible to find its cashews in Pão de Açúcar, one of the main Brazilian supermarket chains.

“When we approached this project, the group was under precarious labor conditions. Women were breaking cashews on the floor with hammers, inhaling smoke. We examined the machinery, the facilities, the terrain, and administrative aspects so that the community could produce cashews properly. In the process, the group was able to create a brand and sell its product at Pão de Açúcar.” Ana Paula Bonimani.



LEARNINGS AND PERSPECTIVES

After ten years in operation, various learnings shaped the solution. One of them was the observation that supported businesses had varying maturity degrees, hence the need to create a business incubation stage.

“At first, we would start to design business plans. Over time, we realized that some businesses were not ready for greater investments, to run small factories, etc. They needed a previous step to experiment, to work collectively, to deal with the challenges.” Ana Paula Bonimani.

Managing the resources invested is a major challenge for the leaders and the organization. Leaderships that are not so aligned with the new investments and the group’s goals are less likely to succeed in the projects. The Maturity Meter tool was developed to deal with these issues.

A more recent evolution was the creation of an internal project manager position - in addition to the technical partners - who is charge of training. This is a professional who knows about management and guides the projects on a daily basis, someone who is hired by the cooperatives or associations themselves. Having this professional aligned with targets and performance bonuses has yielded better results in terms of business sustainability and the development of those supported.



Around 2500 families have benefited from the program.

The project is still ongoing and is expected to have invested the total of USD 32 million by 2022. The partnership with BNDES in the prioritized municipalities can be added to the investments made by the Public Management Support Program - a public management modernization and infrastructure deficit reduction program for municipalities. If both programs are considered, the resources add up to USD 40 million.