

# Country Case Studies on Inclusive Business

*Policymakers have expressed interest in learning from peers that have already begun to support inclusive business. To support this request for knowledge-sharing, the G20 Global Platform on Inclusive Business developed a series of short pieces that examine the motivations, institutional coordination mechanisms, priorities and challenges that countries face as they support inclusive business.<sup>1</sup>*

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## Brazil

Brazil has an estimated 100 million people living at the base of the pyramid (BOP), making “social impact businesses” very relevant in the Brazilian context. Yet challenges exist in terms of capital supply, the number of social businesses with high growth potential, the number of intermediary organizations, and the broader business environment needed for social business to flourish.

While many public sector institutions have been active on the topic of inclusion for many years and a number of policies exist to support pro-poor business models, Brazil is just starting to coalesce these diverse efforts under the inclusive business framework provided by the G20.

### Building on the G7

Building on the recommendations of the G7 and other bodies, Brazil established a Social Finance Task Force (SFTF) in 2013.<sup>2</sup> The SFTF is composed of 20 organizations, including Brazil’s Micro and Small Business Support Service (SEBRAE), the Brazilian Development Bank (BNDES), investment banks, nongovernmental organizations, and private sector companies. The group developed Guiding Principles for Impact Business in 2014 and in October 2015, after a two-year ecosystem analysis and consultations with 500 individuals, launched the results and issued recommendations for moving the field forward by 2020. Four areas identified by the Task Force for strengthening are:

- Expanding the supply of capital

#### *Advice for fellow policy-makers:*

- 1. Enabling Environment:** Develop and adjust policies to support the enabling environment for inclusive business.
- 2. Capacity:** Develop the public sector’s capacity to support inclusive business. For business, provide technical and management support for aspects specific to working with the poor. Empower women to participate in inclusive business, especially in areas not traditionally accessible to them.
- 3. Financing:** Create accessible funding channels.
- 4. Information:** Build awareness of inclusive business and identify and prioritize locations with higher poverty. Learn from best practices, paying specific attention to local issues.
- 5. Partnerships:** Establish partnerships at multiple levels, promoting and formalizing a governance system for strategic stakeholders. Encourage the participation of a large number of actors, considering the different perspectives of each and their ability to expand reach. Prioritize local needs and opportunities.

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<sup>1</sup> This document has been prepared by the International Finance Corporation, a member of the World Bank Group, for the G20 Global Platform on Inclusive Business.

<sup>2</sup> For more information see:

[http://www.socialimpactinvestment.org/reports/Recommendations\\_Brazilian%20Social%20Finance%20Task%20Force.pdf](http://www.socialimpactinvestment.org/reports/Recommendations_Brazilian%20Social%20Finance%20Task%20Force.pdf)

- Increasing the number of qualified social impact businesses that have high growth potential
- Strengthening the intermediary organizations that are responsible for connecting stakeholders and facilitating the flow of financial and intellectual capital, as well as monitoring business performance
- Promoting a macro environment that is favorable to social impact businesses

Building on these efforts, a new task force on inclusive business that included public agencies was organized in April 2016 by United Nations Development Program and Ministry of Foreign Affairs (MRE) with participation of 16 public agencies and programs.<sup>3</sup> The G20 Brazil inclusive business platform aims to:

- Improve understanding on how inclusive business can contribute to the development and the achievement of the sustainable development goals (SDGs);
- Identify how public agents can collaborate effectively and align their investments and activities to support inclusive business in Brazil, including efforts that:
  - Seek joint solutions for inclusive business
  - Promote technical cooperation in specific areas
  - Understand how to promote the most appropriate public policies for inclusive business
  - Exchange experiences with other countries (G20 and South-South)

*Principles of Impact Business:*

1. Clear purpose to create positive social impact, explicit in the organization's mission
2. Impact is known, measured and evaluated regularly
3. Use of an economic model that allows some kind of revenue generation
4. Governance structures that take into account the interests of investors, clients and the wider community

The task force mapped out the range of the public policies and programs supporting inclusive business in Brazil according to their roles providing information, incentives, investment and implementation support. This information is now available to the public at: <http://www.iniciativaincluir.org.br/>.<sup>4</sup>

### Understanding the Ecosystem

A myriad of government institutions play roles in facilitating inclusion in Brazil, with each institution focusing on unique policy areas as per their mandate. These institutions fall into two distinct and complementary categories, including public policy formulators such as ministries and public agencies, and program implementers including SEBRAE, BNDES, National Service of Rural Apprenticeship (SENAR),<sup>5</sup> Federal Savings Bank (Caixa), and Banco do Brasil.

*Informal coordination and partnerships:* Brazil does not have a formal inter-institution coordination mechanism for inclusive business. SEBRAE looks to strengthen the interaction between institutions and the intermediary organizations that play important connecting functions in the micro and small enterprise sector, facilitate the flow of financial and intellectual capital, and monitor performance.

<sup>3</sup> Participating agencies include: MRE, MDS, MDIC, MTE, Secretaria de Governo: Secretaria Nacional de Articulação Social, MDA, Ministério da Fazenda, Secretaria de Políticas para as Mulheres, Ministério do Trabalho e Previdência Social (SENAES/MTPS), MPOG, Banco Central, BB, CAIXA, ENAP, SENAR, CNI, SEBRAE.

<sup>4</sup> Also see: <http://www.iniciativaincluir.org.br/artigo/149/Implementacao>; <http://www.iniciativaincluir.org.br/artigo/154/O-Ecosistema-Brasileiro-de-Negocios-Inclusivos>

<sup>5</sup> SENAR promotes the professional education, technical assistance and social promotion activities in the rural context, contributing to a scenario of growing sustainable production, competitiveness and social development.



Most institutions report that actions on inclusive business typically involve dialogue between the institution formulating a particular program, the implementing organization, and the agency providing the necessary credit lines. For example, for the Terra Forte Program, the Bank of Brazil Foundation (FBB) engaged an external service provider to implement its specialized agribusiness program in rural areas.

Brazilian institutions also regularly develop partnerships on the sector level – for example, the National Financial Education Committee (CONEF) was formed to promote financial literacy, especially among youth. It consists of the Central Bank, regulators/supervisors of the national financial system, federal executive ministries, and six representatives of civil society. This committee found that its Plan for Financial Citizenship Strengthening provided an ideal platform to mobilize actors around financial education and encourage the inclusion of the private sector.

*State-based structure:* In certain focus areas inclusive business-related initiatives are implemented via state government structures, with coordination occurring at the local-level, such as the Ministry of Industry, Commerce and Services,<sup>6</sup> Financier of Studies and Projects (FINEP) and SEBRAE’s work on technology and innovation. As another example, the Directorate of Productive Inclusion through Ministry of Social and Agrarian Development (MDSA) coordinates partnerships by triggering a network of social assistance secretariats at the state and municipality-level.

### **Support from across Brazilian government**

As noted above, a wide diversity of institutions have developed policies that support inclusive businesses efforts to engage base of the pyramid populations in their value chains. Selected institutions in the ecosystem include:

*Ministry of Social and Agrarian Development (MDSA).*<sup>7</sup> MDSA seeks opportunities for professional inclusion of the users of the Unified Social Assistance System (SUAS) facilitating their hiring in small and large companies as well as strengthening the capacity of poor entrepreneurs via governmental and non-governmental partners.<sup>8</sup>

*Ministry of Finance:* As a central actor in the formulation and implementation of public policies related to the business environment and ecosystem, the Ministry of Finance has developed tax policies to facilitate productive inclusion and support the enabling environment for inclusive business.

*Ministry of Industry, Commerce and Services (MICS).* MICS developed the Inovativa Brasil Program, which uses a technology platform and the assistance of 400 mentors to provide information and implementation support for start-ups. This initiative aims to strengthen business capacity and reduce business discontinuation.

*Central Bank:* The Central Bank fosters inclusive business within the financial system by disseminating knowledge, increasing the supply of financial services to low-income people, and building data bases to support the development of future strategies. The Central Bank recognizes the crucial role of inclusive business as a driver for financial inclusion and socioeconomic development.

*The “S” System:* Brazil’s “S” System is a group of 10 privately managed but publically funded institutions that provide technical and vocational training, including to those in rural areas. The “S” system actors

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<sup>6</sup> Former Ministry of Development, Industry and Foreign Trade (MDIC)

<sup>7</sup> Former Ministry of Social Development (MDS)

<sup>8</sup> Public policy previously implemented by the former Ministry of Social Development and Fight against Hunger (MDS). SUAS is a government-run system that organizes and funds social assistance services and that has a network of social assistance centers.



stimulate inclusive business in specific audiences, through capacity building, individual assistance, collective consultations and other actions. SEBRAE, one of the “S” system institutions is described below:

*Micro and Small Business Support Service (SEBRAE):* Recognizing the relevance of the inclusive business agenda to its mission, SEBRAE focuses on fostering entrepreneurship, particularly by providing guidance to help small businesses grow as engines of the Brazilian economy. SEBRAE has taken on opportunities to support the development of the inclusive business ecosystem; as an “S System” organization and a member of the Social Finance Task Force, SEBRAE primarily encourages social/inclusive business by events and incentive competitions, raising awareness, providing training courses and technical support, developing solutions and products, and coordinating with other players in Brazil’s IB ecosystem -- including entrepreneurs and potential partners.<sup>9</sup>

*Federal Savings Bank (Caixa):* As the largest government-owned financial institution, Caixa is a tool for public investment and expanding broad-based access to finance. Caixa implements public policies that enable the private sector to develop business models to better serve low-income markets in housing through the *Minha Casa, Minha Vida* Program.

*Bank of Brazil Foundation (FBB):* FBB is centered on economic solidary principles and believes in the potential of social business to empower individuals. FBB focuses on implementing, disseminating and scaling up social technologies in partnership with other organizations. It sees social business as a long-term opportunity to consolidate micro enterprises in order to obtain private investment. Advancing inclusive business was included in FBB’s 2016-2018 strategy, including expanding synergies between social business and the Sustainable Development Goals.

*Other institutions that support inclusive business goals in Brazil:*

Banco da Amazônia, Banco do Nordeste do Brasil, Brazilian Development Bank (BNDES), former Ministry of Agrarian Development (MDA), Ministry of Industry, Commerce and Services, National Productive Microcredit (PNMPO), National School of Public Administration (ENAP), National Secretariat of Solidarity Economy (SENAES), National Service of Rural Apprenticeship (SENAR), Special Secretariat of Policies for Women (PMS), The Micro and Small Business Secretariat

*This case is available at [www.g20inclusivebusiness.org](http://www.g20inclusivebusiness.org).*

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<sup>9</sup> Other parts of the “S” System include: National Service of Industrial Apprenticeship (SENAI); National Training Service of Transport (SENAT); National Service of Cooperativism Apprenticeship (SESCOOP); National Service of Trade Apprenticeship (SENAC). National Service of Rural Apprenticeship (SENAR)



## Glossary

Bank of Brazil Foundation (FBB)

Base of the pyramid (BOP)

Brazilian Development Bank (BNDES)

Central Social Assistance System (SUAS)

Federal Savings Bank (CAIXA)

Financier of Studies and Projects (FINEP)

Ministry of Industry, Commerce and Services (MICS)

Ministry of Foreign Affairs (MRE)

Ministry of Development, Industry and Foreign Trade (MDIC)

Ministry of Social Development and Fight against Hunger (MDS)

Micro and Small Business Support Service (SEBRAE)

Ministry of Agrarian Development (MDA)

Ministry of Labour and Social Welfare (MTPS)

National Financial Education Committee (CONEF)

National Service of Industrial Apprenticeship (SENAI)

National Training Service of Transport (SENAT)

National Service of Cooperativism Apprenticeship (SESCOOP)

National Service of Trade Apprenticeship (SENAC)

National Service of Rural Apprenticeship (SENAR)

National Productive Microcredit (PNMPO)

National School of Public Administration (ENAP)

National Secretariat of Solidarity Economy (SENAES)

Small Businesses Society (SCMEPP)

Social Finance Task Force (SFTF)

Special Secretariat of Policies for Women (PMS)

United Nations Development Program (UNDP)