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MULTILATERAL INVESTMENT FUND

**BRAZIL**

**REDES FOR THE SUSTAINABLE DEVELOPMENT OF POOR  
FAMILIES**

**(BR-M1127)**

**DONORS MEMORANDUM**

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**PROJECT SUMMARY**  
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The ReDes (Networks) Program for Sustainable Development, better known as the ReDes program, was set up in Brazil in 2010 by the Votorantim Institute and the National Economic and Social Development Bank (BNDES) with a budget of R\$62 million. The Votorantim Institute is part of the Votorantim Group, a Brazilian family-owned enterprise with a presence in 21 countries; it directs the Group's social responsibility strategy, by promoting the regional economic development of communities in its area of influence.

Thus far, the ReDes program has invested in 48 cooperatives in 28 Brazilian municípios. These investments are not linked to the Votorantim Group's commercial interests, but reflect its commitment to developing the human capital and economic dynamism of the localities in which its employees and business units are located. The cooperative ventures supported by the ReDes program range from the purchase of equipment and facilities for a flower-production cooperative in Laranjeiras (Sergipe), to the formalization of and technical assistance to a women's cooperative for producing bakery products that is already supplying the concession holders of cafeteria services of large firms in the município Niquelândia (Goiás). The ReDes program is also helping to develop local social capital by setting up local participation mechanisms (such as associations and councils) involving members of civil society and entities with a local presence that can discuss regional development projects. The program's beneficiaries are persons living in poverty in municípios with high concentrations of poverty and low levels of economic growth.

The great strength of the ReDes program is the fact that its intervention methodology takes account of the characteristics of each local area, to inform project selection and strengthen individuals and organizations. Nonetheless, despite the major endeavors of the ReDes program, the cooperative ventures it supports do not reach a sufficient level of maturity to be sustainable and self-managed by the cooperatives and associations after three years of technical support. For that reason, the ReDes program is now looking to partner with the Multilateral Investment Fund (MIF) **to extend the scope and impact of its actions, through improvements to its intervention methodology.** In particular, implementation of this MIF-ReDes project is expected to reduce program cost per beneficiary by 18%, while contributing to the viability and sustainability of 70% of the associations and cooperatives supported.

The economic inclusion methodology developed under this project can then be applied not only by firms in the Votorantim Group, but also by other large enterprises that are interested in investing in regional economic development projects with an economic inclusion focus in their areas of influence. In addition, BNDES is very interested in the methodology and lessons that the process generates, with a view to transferring them to its network of partners for the execution of its social fund.

The project contributes to the MIF's poverty reduction mandate by helping to develop cooperative ventures and social capital, thereby enabling low-income families to overcome their poverty situation. The project is aligned with the MIF's new strategy defined in "*The*

*MIF's Approach to Regional Economic Development: An Agenda for Action*"; and it is one of the first to support regional economic development in regions that accommodate large-scale private investments to develop natural resources (one of the four areas prioritized by the MIF in the aforementioned document).

## **ANNEXES**

Annex I	Logical Framework
Annex II	Summary Budget
Annex III	Quality for Effectiveness in Development Matrix (QED)

## **APPENDICES**

Proposed resolution

**AVAILABLE IN THE DOCUMENTS SECTION OF THE MIF PROJECT INFORMATION SYSTEM**

Annex IV	Itemized budget
Annex V	Preliminary list of milestones
Annex VI	Executing agency diagnostic needs assessment
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Annex X	Audience and communication matrix

## ABBREVIATIONS

BNDES	Banco Nacional de Desenvolvimento Econômico e Social [National Economic and Social Development Bank]
CPG	Community participation group
CRF	Corporate Results Framework
GPSV	Gerenciador de Projetos Sociais Votorantim [Votorantim Social Projects Manager]
IBGE	Instituto Brasileiro de Geografia e Estatística [Brazilian Institute of Geography and Statistics]
NGO	Nongovernmental organization
R\$	Brazilian reais
RED	Regional economic development

**BRAZIL**  
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**EXECUTIVE SUMMARY**

<b>Country and geographic location:</b>	Brazil. In the pilot phase, the municípios of João Pinheiro, Paracatu, and Vazante in Minas Gerais; Nossa Senhora do Socorro, Laranjeiras, and Itabaiana in Sergipe; and Fercal in the Federal District. When scaled up, the project will serve beneficiaries in several municípios of the aforementioned states and also in the states of Mato Grosso, Mato Grosso do Sul, Paraná, Santa Catarina, Goiás, Tocantins, Bahia, Espírito Santo, and Rio de Janeiro.		
<b>Executing agency:</b>	Votorantim Institute		
<b>Area of access:</b>	Access to Markets and Capabilities (AMC)		
<b>Agenda:</b>	Regional economic development models		
<b>Coordination with other donors/Bank operations:</b>	Work is being done in conjunction with the Bank's Energy Division (INE/ENE), which is leading the construction of the Bank's framework of action with the extractive sector; and the present program is considered an example of what the IDB Group can offer for regional economic development in the areas of influence of extractive projects.		
<b>Direct beneficiaries:</b>	In the pilot phase, 630 individuals involved in 10 cooperative ventures and 22 entities, through local assistance networks. The scaling up actions will make it possible to reach 2,500 individuals in 48 cooperative ventures and 250 entities.		
<b>Indirect beneficiaries:</b>	Other residents of the 28 municípios in which the program operates.		
<b>Financing:</b>	MIF contribution (nonreimbursable technical cooperation):	US\$1,320,000	19%
	Counterpart:	US\$5,629,000	81%
	<b>Total budget</b>	<b>US\$6,949,000</b>	<b>100%</b>

<b>Execution and disbursement period:</b>	48 months for execution and 54 months for disbursements.
<b>Special contractual clauses:</b>	The following will be conditions precedent to the first disbursement: (i) the contracting of the project coordinator; and (ii) the presentation of the annual work plan and procurement plan.
<b>Environmental and Social Impact Review:</b>	This operation has been pre-evaluated and classified pursuant to the requirements of the Bank's Environment and Safeguards Compliance Policy (OP-703). As the impacts and risks are small-scale, it is proposed that this be classified as a category "C" operation. The project was reviewed by the Environmental Safeguards Unit (ESG), without comments, in March 2015.
<b>Unit responsible for disbursements:</b>	MIF staff at the Country Office in Brazil (MIF/CBR).

## I. BACKGROUND AND RATIONALE

### A. Diagnostic of the problem to be addressed by the project

- 1.1 **Context.** Over the last few years, Brazil has made headway in implementing large-scale poverty relief policies, which have generated a growing middle-class and substantial reductions in the percentage of the population living below the poverty line. Nonetheless, actions are still needed to enable these persons, who, thanks to such public programs are now above the poverty line, to integrate on a sustainable basis into the productive system in their local areas.
- 1.2 Such individuals face daily difficulties in integrating into the labor market, particularly those with lower levels of schooling, women, and historically excluded groups, such as *Quilombola*<sup>1</sup> groups and rural producers.
- 1.3 The individuals in question also face greater difficulties in productive ventures, owing to their lack of business skills, constraints in accessing technical support services, and lack of knowledge of demand, which contribute to their vulnerability.
- 1.4 **The current version of the ReDes program.** Over the last four years, the Votorantim Institute, supported by the National Economic and Social Development Bank (BNDES), has worked to promote the economic inclusion of these individuals, through its ReDes (Networks) for Social Development Program, better known as the ReDes program, in the zones of influence of firms in the Votorantim Group<sup>2</sup> in Brazil where the social and economic situation is critical.
- 1.5 Set up in 2010, the ReDes program is a joint initiative of the BNDES Social Fund and the Votorantim Institute that promotes regional economic development (RED) for poverty relief in small municípios (mostly with fewer than 50,000 people) with high concentrations of poverty and weak rates of economic activity.
- 1.6 By providing physical investment and technical assistance, the ReDes program supports two complementary lines of action: (i) the development of cooperative ventures with market potential that are relevant for the communities in which they are undertaken; and (ii) the development of social capital, by setting up community participation groups (CPGs) that discuss and develop specific projects to improve regional development potential. The CPGs consist of members of civil

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<sup>1</sup> The Quilombola are the descendants of Afro-Brazilian slaves who escaped from the slave plantations that existed in Brazil until slavery was abolished in 1888.

<sup>2</sup> The Votorantim Group is a Brazilian enterprise with a presence in over 20 countries and operating for over 95 years. It employs over 40,000 people and has firms in the following sectors: cement (where it is one of the world's 10 largest cement producers, Cimento Rio Branco S.A. and Engemix); metals (with businesses in zinc, nickel, and aluminum); iron and steel; energy (mainly hydroelectric plants); cellulose (Fibria is the world's largest producer of eucalyptus pulp); agroindustry (the world's largest producer of orange juice, accounting for 40% of all orange juice produced and exported by Brazil); and finance (Banco Votorantim, among others).

- society and representatives of local government and other institutions present in the municípios (such as universities, trade associations, local NGOs, other firms, and “System S”).
- 1.7 The program’s beneficiaries who participate in the supported ventures are persons whose families are living in poverty in municípios with high concentrations of poverty and weak economic activity. Currently, 40% of ReDes program beneficiaries are registered in the federal government’s Single Listing for Social Programs.<sup>3</sup> In addition, the program also benefits individuals and entities that participate in the CPGs, with resources and technical assistance for the development of thematic forums and training events.
- 1.8 The ReDes program in its current form consists of four phases:
- a. In the first phase, having identified the municípios in which the actions will be undertaken, a socioeconomic diagnostic assessment is made of the município and strategic lines of action are defined, with participation from the managers of the business units of the corresponding Votorantim Group firm and specialized consulting services. The CPGs are also set up at this stage.
  - b. In the second phase, the cooperative ventures to be supported by the program are selected, based on the potential social and economic impact of the plans they put forward; and work begins on strengthening the CPGs that will be involved in identifying and preselecting proposals. Participants in this selection process include local authorities, the Votorantim business units, external experts contracted by the program, the Institute itself, and BNDES.<sup>4</sup>
  - c. Once the cooperative ventures to be supported have been selected, the ReDes program moves to the phase of implementing and monitoring the cooperative venture plans. In this phase, productive infrastructure and equipment is acquired, along with the necessary legal permits, and the technical assistance and management training begins.
  - d. The fourth phase focuses on access to markets and marketing, while local leaders take on a more protagonistic role in managing the businesses and consolidating the cooperatives’ autonomy.
- 1.9 The ReDes program has received equal grants from BNDES and the Votorantim Institute, totaling R\$62 million, of which it has invested R\$43 million since the start of execution. The ReDes program is currently active in 28 municípios, of

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<sup>3</sup> This is a database coordinated by the Ministry of Social Development and the Fight Against Hunger (MDS). It was created with the aim of maintaining profiles of the socioeconomic situation and mapping and identifying low-income families to refer them to the relevant welfare programs.

<sup>4</sup> The cooperatives or associations behind the ventures must have at least two years of existence and the capacity to execute the budget requested in their project. The members of these cooperatives or associations must have a family income within the limits of the single listing, i.e. half of a minimum wage per person, or earn a monthly family income of up to three times the minimum wage.

- which 11 are part of the federal government's Citizenship Regions Program;<sup>5</sup> and 14 were identified on the basis of their social indicators, such as having between 17% and 64% of the population classified as poor; over 27% of the population economically inactive; and a Gini coefficient between 0.40 and 0.61.<sup>6</sup>
- 1.10 Currently, the ReDes program is assisting 48 cooperative ventures to structure their businesses and improve infrastructure and productive processes, as well as facilitating their access to new markets. Of these, only 50% are producing and marketing their products and services.<sup>7</sup>
  - 1.11 **Problem and constraints.** The ReDes program strategy includes a tapering off of the technical and management support as from the fourth year of program execution and as local leaders take a more protagonistic role in the management of the cooperative venture, thereby consolidating its autonomy.
  - 1.12 Nonetheless, despite the major efforts made by the ReDes program, **the cooperative ventures supported have not attained the maturity needed to be sustainable and self-managed by the cooperatives and associations** after three years of technical support from the program (the main problem to be addressed by this project).
  - 1.13 The causes of the key problem are:<sup>8</sup>
    - a. **Weaknesses in local institutions.** In the municípios where the program is present, local representatives face difficulties in supporting regional economic development. Only in a few cases have the local public institutions managed to position themselves to coordinate activities between local entities and public policy. Moreover, although the CPGs promoted by the program play a fundamental role in identifying the cooperative venture plans and their selection, they do not have a clearly defined role during implementation of the projects to support the cooperative ventures. In addition, neither the beneficiaries nor the communities have developed local capacities to assume leadership of the venture itself, or to seek support from the business development services that exist locally, for both financial and nonfinancial issues.

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<sup>5</sup> The federal government's Citizenship Regions Program promotes economic development in poor areas and creates a sustainable regional development strategy, so as to connect the population with the available programs.

<sup>6</sup> Source: 2010 Census, Brazilian Institute of Geography and Statistics (IBGE).

<sup>7</sup> Data from the Project to Qualitatively and Quantitatively Evaluate the ReDes program, performed by the Center for studies in public administration and government of the Getúlio Vargas Foundation (CEAPGFGV/EAESP), the Center for Applied Microeconomics (C-Micro-FGV/EESP), and the Regional Center for Evaluation and Results for Brazil and Portuguese-speaking Africa (CLEAR-FGV/EESP).

<sup>8</sup> These constraints were identified by the evaluations commissioned by the Votorantim Institute and the on-site analysis performed by the project team.

- b. **Insufficient time to incorporate new capacities.** Inadequate consideration was given to the initial capacities of the beneficiaries, for the purpose of determining the timeframes for the provision of technical assistance. In some cases, ventures were supported with sectors that are new or more complex than those with which the beneficiaries have traditionally worked. In other cases, the cooperative organizations with which they work have no real experience as cooperatives, so greater support is needed for generating and strengthening trust between the cooperative members, before they are in a position to assume ownership of their ventures and these become commercially viable and sustainable.
  - c. **Access to markets.** Although market potential is a selection criterion, the phases of investment and obtaining operating licenses and permits delayed the ventures' operational rollout, which in some cases deprived them of even one productive/commercial cycle with technical support from the program. This means fewer possibilities for transferring productive and commercial capacities to the organizations in question.<sup>9</sup> As a result, the cooperative ventures being supported today have not developed the capabilities required to set up commercial channels on their own.
  - d. **The methodology does not respond to the diversity of situations.** Although the ReDes program, with its intervention methodology, takes account of the characteristics of each region to guide the selection of cooperative ventures, the beneficiaries display different situations in terms of their vulnerability and degree of economic exclusion, the level of maturity of the organizations to which they belong, and institutional context (also owing to the presence or absence of technical and financial assistance services). So different forms of technical assistance are required, depending on the situation.
- 1.14 These constraints, compounded by centralized management, mean that the current cost of the program is high for the level of results achieved, even if investments in infrastructure and equipment are excluded. Accordingly, the current ReDes program methodology needs to be revised, to enable the cooperative ventures to become sustainable and make the program more cost-effective.
- 1.15 In the methodological redefinition to be done with this project, care will be taken to avoid losing the values of the current version of the program, such as its adaptation to the characteristics of each local area in guiding the selection of projects and strengthening organizations and individuals, so as to put a bottom-up process in place.
- B. Location and beneficiaries**
- 1.16 This project will focus initially on three local areas that are at different stages of maturity in the execution of the ReDes program, and these will be used to test and

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<sup>9</sup> In some cases, the licensing process was so complex that the business plans and scheduling had to be altered.

- adjust the proposed methodology. These three pilot regions include the municípios of João Pinheiro, Paracatu and Vazante in the state of Minas Gerais; Nossa Senhora do Socorro, Laranjeiras and Itabaiana in the state of Sergipe; and Fercal in the Federal District.
- 1.17 Whereas in Fercal the ReDes program is in its initial stages of implementation, in the municípios of Minas Gerais the projects are farther along, but they still require intensive support; in contrast, in the municípios in Sergipe the supported ventures have made strong progress and are now producing results.
  - 1.18 Although Minas Gerais contains large mineral wealth and is home to mining enterprises that drive the local economy, the region in which the ReDes program is currently located —**João Pinheiro, Paracatu, and Vazante**<sup>10</sup>—has a local economy that is highly agricultural, mainly family farming growing maize, yucca, and beans, in addition to raising livestock. The main demands of the supported projects concern facilitating access to new markets and adding value to family-farming products that hitherto have been sold without value-added. Moreover, distances are a major difficulty in terms of market access for organizations in rural zones.
  - 1.19 In the state of Sergipe, the ReDes program operates in the cities of **Laranjeiras, Itabaiana, and Nossa Senhora do Socorro**.<sup>11</sup> Concentrations of poverty and sluggish economic growth in the region mean that a large percentage of the local

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<sup>10</sup> In **João Pinheiro** the local economy is based on agroindustry, particularly forestry and sugar cane. In addition, the garment sector creates jobs and generates income for the city. Founded: 1911; Area: 10,768 km<sup>2</sup>; Population 2010: 45,260 inhabitants; GDP 2010: R\$707,118,607.00; Distance from the capital: 327.9 km.

**Paracatu** is a city with a historical heritage and major mineral wealth that is still being extracted. The flow of businesses and presence of universities in the region draws travelers and young people to the city. In rural areas, family farming continues to provide an important source of income. Founded: 1798; Area: 8,241 km<sup>2</sup>; Population 2010: 84,718 inhabitants; GDP 2010: R\$1,506,245,723.00; Distance from the capital: 421.6 km.

In the city of **Vazante**, pilgrimages to the parish of Nossa Senhora da Lapa make religious tourism a vibrant activity; nonetheless, the município's main activities are zinc mining, and meat and dairy cattle ranching. Founded: 1953; Area: 1,913 km<sup>2</sup>; Population 2010: 19,723 inhabitants; GDP 2010: R\$440,787,320.00; Distance from the capital: 371 km.

<sup>11</sup> **Laranjeiras** provides the operational base for Votorantim Cimentos in Sergipe. Although the city was once considered the cradle of the state's culture and politics, today it is seeking a viable alternatives for its economy. Founded: 1832; Area: 163.4 km<sup>2</sup>; Population 2010: 26,902 inhabitants; GDP 2010: R\$960,708,563.00; Distance from the capital: 15.8 km.

**Itabaiana** serves as the link between the coast and the inland areas of the state. The strong entrepreneurial characteristics of the community make the city an agricultural product distribution hub. Founded: 1698; Area: 338.4 km<sup>2</sup>; Population 2010: 86,967 inhabitants; GDP 2010: R\$824,457,070.00; Distance from the capital: 46 km.

**Nossa Senhora do Socorro** is located in the metropolitan area of Aracaju. It has a number of projects in the areas of salt, limestone, clay, and sand production. Founded: 1868; Area: 157.2 km<sup>2</sup>; Population 2010: 160,827 inhabitants; GDP 2010: R\$1,804,869,393.00; Distance from the capital: 8.6 km.

population is supported by income-transfer programs. Currently, the main challenges facing the supported projects relate to market access, beneficiaries' low level of education, social mobilization, and the empowerment of the organizations.

- 1.20 In the Federal District, the program is being implemented in the administrative region of **Fercal**,<sup>12</sup> where the economy is based on livestock; crop farming; the food industry; fishing; the extraction, processing, production, and distribution of electricity and gas; transportation and real estate activities; and trade and services. The ReDes program was rolled out here in 2014; and, at this stage, the organizations are facing challenges such as regularizing their activities and mobilizing members of the cooperative and its local partners.
- 1.21 In these pilot regions the improvement of the current ReDes methodology is expected to raise the number of beneficiaries to over 630 individuals associated with 11 cooperative ventures. The project will also have an impact on the other regions in which the ReDes program is present, as the new intervention methodology is applied to them; and this will enable the program to reach over 2,500 beneficiaries linked to 48 cooperative ventures, and 250 entities that are better articulated among themselves and form local networks of assistance on financial and nonfinancial issues for regional economic development. Other residents of the 28 municípios in which the program will be implemented will be indirect beneficiaries of the project.

**C. Contribution to the MIF mandate, Access Framework, and IDB strategy**

- 1.22 **Contribution to the MIF mandate.** The project contributes to the MIF poverty reduction mandate by supporting the development of cooperative and social capital ventures in municípios with large concentrations of poverty and weak economic activity, thereby enabling poor and low-income individuals to participate actively in their local economies and thus improve their living standards.
- 1.23 **Access Framework.** The project is aligned with the new MIF strategy, “The MIF’s Approach to Regional Economic Development: An Agenda for Action”; and it is one of the first to support RED in regions where large-scale private investments exploiting natural resources are located (one of the four areas prioritized by the MIF in that document).
- 1.24 The project provides a good opportunity for the MIF to collaborate with a large corporation; and this will enable it to help meet the demand that exists in the

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<sup>12</sup> **Fercal** became an administrative region of the Federal District in 2012. It is very rich in minerals, such as limestone, which makes a substantial contribution to the region’s socioeconomic growth. At present, it is a major generator of tax revenue for the Federal District, through the firms that produce cement and plants that produce asphalt and derivatives. Fercal consists of 14 communities, six of which are rural zones but with urban sectors, and it also has pockets of poverty. Founded: 1956; Population: 32,000 inhabitants. Sources: IBGE and the Fercal-Federal District regional administration website.

private sector for **new models of relationship between large investments, society, and the public sector, thereby allowing for a medium- and long-term sustainable and inclusive development strategy** that goes beyond the practice of supporting projects that have short-term results and are unsustainable, but that mitigate risks and impacts of the firms. In particular, the project will generate knowledge and lessons learned that will make it possible to reduce the **knowledge gap** that has been identified: how to promote economic inclusion for vulnerable and low-income population groups through regional economic development interventions, taking advantage of the opportunity provided by these large-scale investments.

- 1.25 The MIF intervention in this project contributes to the pillar of **experimenting with public-private approaches**, adapted to the more stringent constraints, in institutional and economic development terms, of the new MIF agenda for RED. In this regard, the project will test how to maximize activities that promote economic opportunities for the economic inclusion of vulnerable population groups in zones where large private firms such as those in the Votorantim Group operate. In particular, the level of economic growth and institutional weaknesses of the target municípios characterizes them as marginalized or emerging regions.<sup>13</sup> In all cases, these regions display significant limitations for integrating the most vulnerable population groups into the local economy, when the presence of these large firms can help transform regional production patterns and foster more inclusive development. The constraints can be summarized as: incomplete information on market opportunities, weak coordination networks, and little supply of collective goods and services.
- 1.26 The project will improve the ReDes program's current intervention model by including actions to resolve the constraints that are common among marginalized and emerging regions. These will include focusing on commercial issues from the outset of any intervention, exploiting existing markets and value chains, and developing local assistance networks that improve the match between the supply of financial and nonfinancial services and the demand for them at the local level.
- 1.27 In addition, the project contributes to the pillar on **scaling up and influence**, by developing an intervention methodology that both the Votorantim Group and BNDES are interested in using and expanding. In particular, the collaboration forged in this project will provide significant information for potential new collaborations with BNDES, in which the MIF can support the development of methodologies based on its previous experiences. The MIF intervention will also help incorporate the regional approach in the BNDES's funds and social

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<sup>13</sup> The thematic analysis commissioned for the purpose of formulating the MIF's regional economic development strategy stresses the advisability of working in accordance with the regional typology. It identifies four regions, based on their institutional level (strong or weak) and economic dynamism (growth or stagnation): marginalized, emerging, prosperous, and declining. The regions to be served in the pilot phase are described in greater depth in paragraphs 1.17 et seq.

- investment programs, giving them a new approach and thus achieving greater impact.
- 1.28 The project will also be used to assist other firms in adopting the methodology with the knowledge management activities—particularly large firms in sectors requiring major capital investment and higher scales of production that are interested in investing in regional economic development projects in their areas of influence.
- 1.29 **Link with the IDB strategy and collaboration with the IDB Group.** This operation is aligned with the Bank’s country strategy with Brazil (2012-2014),<sup>14</sup> since it contributes to the objectives of promoting development through the country’s private sector and stimulating social and productive inclusion through the productive inclusion of the beneficiaries of the Bolsa Família and Plano Brasil sem Miséria programs.
- 1.30 In 2014, the Bank started to develop a Plan of Action to guide the development of its activities in relation to extractive industries over the coming years. Lessons learned from the design and implementation of the present project can be incorporated into this action framework, in terms of the provision of technical knowledge for regional economic development and the short and long-term challenges facing communities, companies, and the local public sector.

## II. OBJECTIVES AND COMPONENTS

### A. Objectives

- 2.1 The project’s objective (**impact**) is to raise living standards among poor and low-income families in the regions served by the ReDes program. In terms of **outcome**, the project will maximize access to sustainable business opportunities for poor and low-income families in the communities served, by designing and implementing a new intervention methodology for the ReDes program.

### B. Description

- 2.2 To achieve these objectives, the project will promote improvements to the current program methodology, addressing the existing challenges, as described in paragraphs 1.12 and 1.13. In particular, the project will work on incorporating the following elements into the current methodology:
- a. **Gradual projects.** The aim is to work with sequential and gradual interventions that enable the beneficiaries to incorporate capacities and gain productive, commercial, and cooperative governance experience, in addition to learning about managing the implementation of the physical investment, procuring equipment, and fulfilling legal requirements. In view of the beneficiary profile, special attention is given to soft learning, the linkage

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<sup>14</sup> Document GN-2662-1 of May 2012.

between technical know-how and local tacit knowledge, and consideration of the language and profile of the person imparting the knowledge. It is also necessary to include mechanisms for exchanging experiences not only with the beneficiaries but also between management teams.

- b. **Commercial/business focus.** Gradual implementation of projects will make it possible to work on incorporating cooperative ventures into markets and value chains from the outset. It will also be necessary to analyze not only the local productive system and potential markets, but also the availability of financial and nonfinancial services for business development, and other assets in the regions where the ventures are located. At present, the cooperative ventures being supported in the agrifood sector exploit the procurement markets generated by public policies that promote market access, such as the National School Food Program (PNAE), and the Food Procurement Program (PAA); but work also needs to be done to expand access to other alternative markets.
  - c. **Generation of leadership and local assistance networks.** Greater attention needs to be paid to expanding professionalization and developing managerial and governance capabilities in the cooperatives, to ensure that no power biases are generated in favor of a handful of leaders. Moreover, in an exit strategy for the program's current financiers, and for improving RED prospects, synergies will be exploited with other public and private programs. In particular, the intention is to open up a channel of dialogue with the public sector from the outset, with the aim of pooling efforts and creating local assistance networks formed by local public authorities, technical assistance services, the knowledge sector and financing services, with the business unit of the Votorantim Group. This will make it possible to gradually build trust and develop joint working practices between institutions, and enhance consistency between programs.
  - d. **"Customized" assistance modules.** Although the program mainly aims to serve highly vulnerable beneficiaries, the beneficiaries' situations vary in terms of their vulnerability and degree of economic exclusion, the maturity of the organizations to which they belong, and their institutional contexts (and also according to the presence or absence of technical and financial assistance services). Accordingly, the methodology needs to be adapted, using different assistance modules to serve the beneficiaries according to their situation and context.
- 2.3 Lastly, to improve the governance of the program, it is recommended that a model be created for systematically monitoring the ventures supported in the municípios, together with a specific legal team to monitor ongoing legal processes.
- 2.4 For that purpose, the project will work on:
- a. Adjusting the intervention methodology to incorporate the foregoing elements, allowing for the sustainability of cooperative ventures after program support has ended.

- b. Testing the methodology in three pilot regions in terms of results and costs, and the transfer of the new methodology to other regions where the ReDes program is active. For this purpose, the project will support the beneficiaries (persons and cooperatives) to gain access to markets, obtain productive and management capacities, and also connect with the local productive and institutional network to obtain technical support and financing in the medium and long terms, and as they grow. At the same time, the project will focus on consolidating and expanding social participation spaces in the regions, guaranteeing the effectiveness of the local institutions in supporting the cooperative ventures.
  - c. The systemization of the experience to ensure expansion to other regions with financing from firms in the Votorantim Group.<sup>15</sup>
- 2.5 This will result in a more cost-effective methodology that can be adopted by BNDES, the Votorantim Group, and other firms acting in sectors requiring large-scale capital investment and large production scale that are interested in investing in regional development projects in their areas of influence.

### C. Components

#### **Component I: Design of the intervention methodology (MIF: US\$183,000; Counterpart: US\$50,000).**

- 2.6 The **objective** of this component is to compile the information needed for benchmarking the ReDes model and propose improvements to the intervention methodology.
- 2.7 The **activities** to be carried out in this component are as follows: (i) evaluate the results of the ReDes program, drawing on previous evaluations and analyses, which will be complemented with new research; (ii) analyze the diversity of situations in the cooperative ventures supported, based on their classification by value chain, their economic and administrative maturity, and the characteristics of the region in which they are located (in terms of potential access to markets, financing, support institutions, business development services, etc.); (iii) define a new intervention model that includes aspects of the strategy, management, and operation of the program and the cooperative venture development projects, using the best practices of other programs supporting cooperatives and development of local assistance networks; (iv) develop standardized instruments for implementing and managing the new intervention methodology that take account of the diversity of the cooperatives being supported (e.g. training materials, manuals, terms of reference for technical specialists, and monitoring tools); and (v) adjust and

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<sup>15</sup> At this point in time, the ReDes program is financed by the Votorantim Institute and BNDES; but in the future, and with the reformulated methodology, the ReDes program methodology will form part of the menu of interventions undertaken by the business units using resources of the Votorantim Group firm to which they belong.

systemize the methodology based on experiences in implementing the new methodology (see Component II).

**Component II: Implementation of the adjusted intervention methodology (MIF: US\$466,000; Counterpart: US\$5,337,000).**

- 2.8 The **objective** of this component is to test the adjusted methodology both in its different phases and in its new management strategy. To that end, work will initially be done with three pilot regions, to observe its results and see whether further adjustments are needed to its methodology or new management format, before extending its use to all regions in which the ReDes program is present. The methodology could be developed in modules, and could immediately begin to be scaled up after using the respective module in the three pilot regions, without needing to wait for the improvement in all phases of the methodology to be completed, before implementing it in the regions served by the ReDes program.
- 2.9 The main **activities** in this component are:
- a. Pilot the methodology's new management strategy, including: (i) select and train the management team; (ii) develop agreements between ReDes and strategic partners (from the public and private sectors) at the national level; and (iii) periodically hold training events and knowledge exchange workshops among the program management team.
  - b. Pilot the phases of the new model in three pilot regions, including the strengthening of social capital and sequential interventions, for which the following actions will be undertaken: (i) select and train the local implementation team; (ii) implement specific technical assistance according to the new model (productive development and market access, among other relevant issues); (iii) undertake infrastructure investments pursuant to the cooperative ventures' business plans, and provide legal support for setting up the businesses; (iv) forge agreements at the local level and develop a local support network with public and private actors providing financial and nonfinancial services; (v) develop participatory governance systems and leadership training modules; and (vi) generate knowledge management and exchange activities.
  - c. Scale up the model in other regions. Once the modules of the new methodology have been tested, they will start to be implemented in the other regions in which the ReDes program is present. For that purpose, knowledge-sharing workshops and knowledge-management seminars will be held, a virtual learning community formed, and implementation guides produced.

**Component III: Knowledge management and strategic communication (MIF: US\$103,500; Counterpart: US\$110,000).**

- 2.10 The **objective** of this component is to systemize, document, and disseminate the experience and knowledge generated by the project, to contribute to the future sustainability of its actions. To that end, the following **activities** complementing

the activities of the previous components will be supported: (i) develop a communication strategy; (ii) participate in knowledge events organized by third parties; and (iii) develop knowledge products for external audiences, as described in paragraph 2.13.

- 2.11 The following **audiences** have been identified for the dissemination and communication of knowledge and experiences generated by the project: firms in the Votorantim Group that, in the future, will direct implementation in their regions of influence; other potential partners of the ReDes program; other large firms interested in expanding their social investment portfolio; and the local and national public sector. The audience and communication matrix is contained in Annex X of this operation's technical files.
- 2.12 The main **channels** used to reach these audiences will be: annual meetings of leaders, workshops organized by the Votorantim Institute, the Institute's website, and the website of the ReDes program, forums run by third parties such as those organized by Avina,<sup>16</sup> Ethos,<sup>17</sup> RedEAmerica,<sup>18</sup> GIFE;<sup>19</sup> and local and national events involving the national and/or local public sector.
- 2.13 To meet the needs of these audiences, and to complement a publication that will systemize the experience to help scale up the methodology (see Component II), the project will develop the following **knowledge products for external audiences**: two infographics (one focused on showing how the methodology generates value for the firms, and another that aims to explain the methodology for setting up partnerships with technical assistance and financial service

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<sup>16</sup> The Avina Foundation promotes practical and relevant changes for a more sustainable form of development in Latin America, based on collaborative processes that improve the quality of links between entrepreneurs, firms, civil society organizations, academia, and government institutions. In particular, Avina supports the Latin American Dialogue Group, a regional platform for exchange and collaboration, developed and integrated by dialogue groups and initiatives on mining from different Latin American countries; and the Permanent Dialogue Roundtable, a permanent mechanism for dialogue and confidence-building between the mining sectors, environmentalists, human rights, and academic sectors to establish a profound dialogue with the State in order to make "mining a public good" that benefits everyone in the same way.

<sup>17</sup> The Ethos Institute of Enterprise and Social Responsibility is a nongovernmental organization whose mission is to mobilize, raise awareness, and help firms manage their businesses in a socially responsible way, making them partners in constructing a sustainable and just society. It is widely recognized as a nucleus for the exchange of knowledge and experience in the field of corporate social responsibility and in developing new tools to help the private sector analyze its practices and administration.

<sup>18</sup> RedEAmerica is a thematic network that aims to upgrade and expand business action to promote sustainable communities in Latin America. It currently has over 70 organizations of business origin which undertake private social investment in 11 countries in Latin America. RedEAmerica organizes actions for the exchange of knowledge and training in private social investment.

<sup>19</sup> GIFE is a nonprofit institution that brings together key social investors in Brazil. It holds courses, conferences, events, and meetings to discuss and reflect on major social issues. It also produces articles and research publications, thus helping to promote sustainable development in Brazil, through political-institutional strengthening, while also supporting the strategic role of private social investors.

providers, and the public sector), the project's fact sheet,<sup>20</sup> videos, and three case studies reflecting the different combinations of beneficiary profiles and regional contexts present in the pilots.

**D. Project governance and execution mechanism**

- 2.14 The project will be implemented under the direction of an Executive Committee, consisting of: representatives from the MIF, BNDES, the Votorantim Institute, and firms of the Votorantim Group that are implementing the program in their areas of influence, or expect to do so. The Executive Committee will be responsible for the strategic guidelines, coordinating ongoing interventions by the institutions involved, monitoring project results, proposing adjustment measures to the project when the results being obtained are not those that were expected, and proposing new partnerships for the project. The Executive Committee will meet periodically, with at least one regular meeting every six months (i.e. at least two meetings per year). Secretariat services will be provided by the project coordinator.

**E. Sustainability**

- 2.15 Project sustainability will be addressed through two different lines of action: firstly, the sustainability of the cooperative ventures being supported; and, secondly, the sustainability of the ReDes program itself, in terms of the continuity of its actions.
- 2.16 The sustainability of the cooperative ventures supported depends both on their profitability and access to markets, and on their potential access to the financial and nonfinancial support services needed for them to keep growing. For this, key elements of the new methodology will include attention to market access, based on the selection of the ventures and building capacities in the organizations themselves, enabling them to handle entering into new commercial contracts and advocate for their interests. Work will also be done on developing a local assistance network that can coordinate the actions of different actors at the local level, so as to provide a more suitable environment for the development of the ventures, and also ensure that their actions foster the growth of the ventures being supported.
- 2.17 The sustainability of the ReDes program depends on the commitment of the firms in the Votorantim Group to provide financing to continue implementing the program with new cooperative ventures in their communities of influence. In addition, the revision of the program's methodology and governance would lower costs; and work will be done throughout implementation to forge agreements at the national level that ensure the program's continuity beyond the period for which the Votorantim Group has confirmed its willingness to finance it.

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<sup>20</sup> The executing agencies will annually update the project fact sheet (in a standard format provided by the MIF), which contains basic information on the project, along with the challenges, intervention strategy, and results achieved.

- 2.18 One year before the end of implementation, a **sustainability workshop** will be held with all parties involved, to identify the measures needed to ensure the continuity of the actions once funding has ended.

**F. Lessons learned from the MIF or other institutions**

- 2.19 The following lessons were drawn from the evaluation of the ReDes program and from MIF projects on value chains and regional economic development with low-income populations in conjunction with large firms.<sup>21</sup>
- 2.20 **Make commitments with entities that are capable of scaling up the initiatives from day one.** To pave the way for expanding effective RED models, it is important to work from the outset with entities that can scale them up, either as implementation partners or as the main audience for knowledge products. It is also crucial to create monitoring mechanisms that can document the results as they occur. In addition, the development of a shared vision of the core principles of the proposed solutions and models is the key to a successful enterprise.
- 2.21 **Short-term equilibrium with long-term results.** Obtaining immediate, tangible benefits in the short term helps to keep the actors engaged and motivated. It also gives them opportunities to work together and attract new supporters. A long-term vision also helps to keep implementation of the actions consistent.
- 2.22 **Knowledge of the local productive system and markets.** Developing a thorough understanding of the local economy is a key requirement for formulating a RED strategy. Accordingly, the development projects of the cooperative ventures need to respond to the local situation, focusing on competitive advantages and exploiting market possibilities.
- 2.23 **Promote coordination among development institutions.** Many RED initiatives have problems stemming from a lack of coordination and overlaps between programs emanating from different organizations, both public and private. It is therefore important to coordinate them to avoid the dispersion of their actions in a given region. Moreover, the creation of strategic partnerships will be key for the practical implementation of a systemic approach in a given region and for increasing the impact.
- 2.24 **Build capacity.** Building local capacity in municipal governments and private sector organizations promotes long-term sustainability. The intervention should therefore include capacity-building activities, starting with a process of learning and debate on the concept of RED and the different functions of the stakeholders. In addition, it is important to strengthen the cooperative organizations so they can position themselves as counterparts for the public sector and advocate for their collective interests in the economic development process. Moreover, in the case of population groups that have been economically excluded, developing a

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<sup>21</sup> The inventory of MIF lessons in regional economic development is compiled in Romis, Monica (2013). *Analytical framework for Regional Economic Development strategies in Latin America: A taxonomy of approaches and best practice principles* (unpublished).

business culture takes time; and the work needs to start slowly, but progressively, on aspects that make it possible to enhance self-esteem and trust between people, enabling them to take joint decisions and do business together.

2.25 **Sustainability of the results.** The programs need to have a clear exit strategy with the principal aim of making the results of the intervention sustainable in the long run.

2.26 **Knowledge management** and interaction between projects. Interaction between the beneficiaries of different undertakings is an effective learning mechanism and serves to generate collective actions. In addition, this interaction between beneficiaries of different ventures serves to generate collective actions. Interaction with other project supported by the MIF that resolved or experienced similar challenges will also be important. In particular, the following projects in Brazil are identified:

- a. The two projects supported by the Odebrecht Foundation (ATN/ME-10007-BR and ATN/ME-14594-BR) aim to build the technical, governance, and market access capacities of cooperative ventures, mainly in the primary sector (agricultural production). The experience of these projects gives rise to lessons learned and practical recommendations on how to involve purchaser firms, strengthen the managers of the ventures in question, and support them with relevant technical assistance.
- b. The experience of Coletivos Coca Cola (ATN/ME-13995-BR) is relevant to this project because the Coca-Cola Institute is developing a methodology for management of cooperatives and NGOs across Brazil, involving over 150 NGOs and 300 cooperatives. These ventures, like those supported by the Votorantim Institute, have low institutional capacity and need support in technical and financial management to achieve sustainability. The interchange between these projects could be an important source of learning and knowledge, making the intervention of the Votorantim Institute more effective.

#### **G. MIF additionality**

2.27 **Nonfinancial additionality.** The MIF's technical experience in regional economic development and with initiatives for productive inclusion through value chains will strengthen the ReDes program and enable it to achieve more and better results. The MIF's previous experience in applying an approach that prioritizes the economic sustainability of cooperative businesses and interagency cooperation will be decisive for the success of the initiative. Moreover, its credibility and its power to bring together public, private, and civil society organizations, will be decisive for the development of local interagency networks for the regions in which the program operates.

2.28 **Financial additionality.** The MIF's financial contribution is important for enhancing this program, especially in terms of developing the new management

methodology that complements the investments made by BNDES and the Votorantim Institute to put the cooperative ventures into action. The MIF resources will be applied particularly in activities which, given their individual characteristics, cannot be easily developed by BNDES or the Votorantim Institute or Group with their resources. In the case of BNDES, its funds have been used in physical infrastructure for the ventures, and the technical assistance has mainly been for managing the equipment acquired. The firms in the Votorantim Group that will be responsible for the future implementation of the program's actions in their zones of influence are interested in supporting only actions at the local level, but not in the joint management of the group of ventures, the program's knowledge management, or the consequent feedback for fine-tuning the methodology.

- 2.29 In this way, the MIF funds will be mainly used on issues that cut across the methodology and not so much in individual support to each venture. This will allow for a new intervention methodology that includes not only new elements on how to support the ventures, but also how to manage the ReDes program and learning that results from it.

#### **H. Project outcome**

- 2.30 The following outcomes are expected by the end of the project: (i) 630 persons will have been trained in new business skills (Corporate Results Framework - CRF 110100); (ii) 10 cooperatives or associations will have adopted new technologies or practices (CRF 230100); (iii) the cost per beneficiary will have been reduced by 18%; (iv) 22 entities will have benefited from the project in three pilot regions; (v) 25% of the business networks will be led by women; and (vi) five firms in the Votorantim Group, 10 technical assistance supplier/financier institutions, two firms behind large-scale investments, and 50 representatives of municipal governments or national government agencies will receive the knowledge products.

#### **I. Project impact**

- 2.31 In terms of impact, by the end of the project it is expected that: (i) 1,750 households will have an annual increase in their income (equivalent to 75% of all beneficiaries, CRF 320101); (ii) 28 associations or cooperatives supported will have annual sales growth of at least 10% (CRF 330101); (iii) 70% of the associations and cooperatives supported will be economically viable and sustainable; and (iv) 70% of the associations and cooperatives supported will achieve the minimum level of management quality in terms of financial arrangements, work environment, participatory governance, and availability of resources. In other words, the impact on income generation will be measured in terms of both the economic activity supported and total family incomes.

## J. Systemic impact

- 2.32 The project will help develop an economic inclusion methodology that could then be applied outside the firms of the Votorantim Group by other large enterprises in sectors requiring major capital investment and large-scale production that are interested in investing in regional economic development projects in their areas of influence. Moreover, BNDES itself is very interested in the methodology and lessons generated by the process, for their transmission to its network of partners for executing its social fund. The project will also be used to help other firms adopt the methodology with the knowledge management activities.
- 2.33 The project is expected to contribute to the following CRF systemic impact indicators: (i) seven key public or private institutions change or apply new practices based on MIF projects or their knowledge; and (ii) one model introduced by the MIF scaled up or replicated.

## III. MONITORING AND EVALUATION STRATEGY

- 3.1 **Baseline.** A baseline will be established for use in monitoring the project indicators and evaluating the effectiveness of the services provided to the beneficiaries. The Votorantim Institute will compile reference data from the beneficiaries and cooperative ventures using its online project management system, known as the Gerenciador de Projetos Sociais Votorantim [Votorantim Social Projects Manager] (GPSV). The data will be broken down by sex and by ethnic, racial, minority, and disadvantaged groups.
- 3.2 To complete the initial project information, a map will be produced of relations between cooperatives and associations, support institutions, public-sector entities, and nongovernmental organizations, applying social network analysis.<sup>22</sup> As the project will progressively engage new actors, cooperatives, and beneficiaries during implementation, new information will be incorporated into the baseline.
- 3.3 **Monitoring.** The indicators will be monitored every month with the tools developed by the Votorantim Institute, using the GPSV social project management system, which includes information on all of its programs both in terms of individuals and their family environment and in terms of cooperatives. This system will be reviewed to check that the adjustments made to its indicators are relevant to the supervision needs of the project's indicators and analysis of the activities specified in the project's planning documents. The indicators included in the monitoring system will cover the following dimensions: family income,

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<sup>22</sup> The analysis of social networks can be very useful for evaluating the creation and strengthening of links between firms, and between them and institutions, as well as their effects on performance, which is the objective of regional economic development projects. Detailed information on the methodology and an example of its application can be found in: Giuliani, E., Stucchi R et al. (2013) *Evaluating the Impact of Cluster Development Programs*. Technical Note (IDB-TN-551) available at <http://www.iadb.org/en/publications/publication-detail.7101.html?id=69976>.

- social capital, cooperation, social mobilization, financial security (income generation and stability), quality of life, satisfaction at work, occupational safety, and the sustainability of the business.
- 3.4 In addition to the usual MIF supervision mechanisms directed by the Country Office in Brazil, and with support from the design team, the project will have an expert adviser to review execution and propose adjustments to the project or to the methodology developed, as the case may be.
- 3.5 **Evaluation.** The project will undergo a final evaluation, the results of which will be used to gauge the effects of the intervention on the beneficiaries, compared to the baseline values. Questions to be addressed in the evaluation include: (i) has the reformulated methodology proven more cost-effective? (ii) what impact have the project's actions had on the beneficiaries' income and market access for the cooperatives that were supported? (iii) what has changed in terms of cross-sector coordination for development in the project's target regions? (iv) what lessons can be drawn from the project for use in other RED interventions in regions where large-scale private investments are situated? and (v) is it possible to transfer the methodology to firms responsible for large-scale investments with materials generated by the project?
- 3.6 Questions will also be included on the project's relevance, efficiency, impact, and sustainability, depending on whether the evaluation in question is midterm or final. In addition to the analysis of quantitative information and network analysis, the evaluations will include in-depth interviews.
- 3.7 **Closing workshop.** At the appropriate time, the executing agency will organize a **closing workshop** with the other entities involved, to jointly evaluate the results achieved, identify additional tasks to ensure the sustainability of the actions started under the project, and identify and disseminate the lessons learned and best practices.

#### IV. COST AND FINANCING

- 4.1 The project has a total cost of US\$6,949,000 of which US\$1,320,000 (19%) will be provided by the MIF, and US\$5,629,000 (81%) as counterpart funding. The execution period will be 48 months and the disbursement period, 54 months.
- 4.2 In particular, the MIF resources will be used mainly for defining the new intervention methodology, improving the ReDes program management strategy, and managing the knowledge generated. The resources of the Votorantim Institute will be used to implement the methodology in the pilot regions, and in other regions where cooperative ventures are being supported.
- 4.3 **Retroactive recognition of counterpart resources.** The retroactive recognition of counterpart resources is authorized for expenses of up to US\$70,000 incurred by the executing agency since 15 January 2015, provided the policies defined in this project have been adhered to.

	<b>MIF</b>	<b>Counterpart</b>	<b>Total</b>
Component I - Design of the intervention methodology	183,000	50,000	233,000
Component II - Implementation of the adjusted ReDes implementation methodology	466,000	5,337,000	5,803,000
Component III - Knowledge management and strategic communication	103,500	110,000	213,500
Executing agency/administration	240,000	132,000	372,000
Baseline	9,000		9,000
Monitoring system	7,500		7,500
Expert adviser	29,000		29,000
Final evaluation	60,000		60,000
Ex post reviews	40,000		40,000
Contingencies	81,000		81,000
<b>Subtotal</b>	<b>1,219,000</b>	<b>5,629,000</b>	<b>6,848,000</b>
<b>% of financing</b>	<b>18%</b>	<b>82%</b>	<b>100%</b>
Institutional strengthening	15,000		15,000
Impact evaluation account	66,000		66,000
Agenda account	20,000		20,000
<b>Grand Total</b>	<b>1,320,000</b>	<b>5,629,000</b>	<b>6,949,000</b>

## V. EXECUTING AGENCY

- 5.1 The Votorantim Institute will serve as this project's executing agency and will sign the agreement with the Bank. Founded in 2002, the Institute forms part of the Votorantim Group (one in of the largest private business conglomerates in Brazil). Its mission is to ensure that the Group's social investment actions contribute to the socioeconomic development of poor and vulnerable communities in the regions of Brazil where the Group has influence through its firms. To that end, the Institute offers technical assistance to various firms of the Votorantim Group, in developing projects and programs in strategic areas that focus on strengthening human, institutional, and social capital, while at the same time stimulating economic activity.
- 5.2 The Group's social action budget averages US\$30 million per year. Its best-known programs are the ReDes program itself; the Votorantim Partnership for Education, which, according to its impact assessment, boosted the growth of the basic education development index in participating municípios; and the Public Governance Support Program,<sup>23</sup> which also receives funding from the BNDES

<sup>23</sup> The Public Governance Support Program aims to support public governance modernization projects (fiscal and administrative issues, and those relating to the provision of education, social welfare, and health services), and to reduce the infrastructure deficit by assisting in the preparation/revision of basic municipal plans and executive projects, to make the municípios eligible for federal funds and financing from other sources. The program is being implemented in municípios with low human development (HDI) indices, and fewer than 50,000 inhabitants.

- Social Fund. This reinforces the role of the Votorantim Institute as one of the BNDES's key strategic partners for that fund.
- 5.3 The projects supported by the ReDes program are aligned with public policies on market access for inclusive businesses: the National School Food Program (PNAE), the Food Procurement Program (PAA), and the National Solid Waste Program. The ReDes program is also aligned with the federal "Brazil Without Misery Plan" (*Plano Brasil Sem Miséria*). These synergies strengthen Votorantim Group's commitment to working as a partnership to promote development in the regions where it operates.
  - 5.4 The organization works according to the United Nations Millennium Development Goals, using these as a benchmark for prioritizing regions for its actions, and for the evaluation of the programs implemented.
  - 5.5 The Votorantim Institute will set up an **executing unit** to oversee the effective and efficient execution of project activities. The unit will consist of a technical coordinator and a project assistant; its responsibilities will include drawing up the annual work plan, implementing and monitoring activities, processing expenditures, and rendering accounts to the Bank.
  - 5.6 The **technical coordinator** will be responsible for maintaining connections between the project, local stakeholders, and the internal structure of the Votorantim Institute. The project assistant will be responsible for supporting the coordinator in the financial and administrative management areas, and in preparing the terms of reference for project procurements.
  - 5.7 The Votorantim Institute will also file status reports on project implementation, the detailed requirements for which can be found in Annex VII of this operation's technical files.

## VI. RISKS

- 6.1 The following risks have been identified and taken into account in the design of the project:
  - a. Internal risks: implementation and monitoring difficulties arising from the capillarity of the ventures undertaken. This risk will be mitigated through training local consultants to ensure adequate monitoring of the cooperative ventures and their beneficiaries.
  - b. External risks: demobilization of the local assistance networks and an inability to form the strategic partnerships needed to support the cooperative ventures developed. This challenge will be addressed through the strengthening and alignment of this type of network, to ensure that the association's visions, objectives, and strategies are developed under a participatory approach to encourage ownership of the space among the various interest groups.

- c. Sector risks: difficulties in terms of the application or discontinuation of public procurement policies that facilitate market access for inclusive businesses: the National School Food Program (PNAE), the Food Procurement Program (PAA), and the National Solid Waste Program. To mitigate the problems that the municípios may face in taking advantage of such policies, the Votorantim Institute has a specific program to support public governance which, according to the diagnostic and prioritization of the município itself, contributes to its modernization, by supporting various issues including local public procurement. During project implementation, work will be done to bring the programs closer together. Moreover, although the discontinuation of the policies mentioned is a very low risk, it will be addressed by expanding to other markets.
- d. Risks associated with the future scaling up of the program: the Group's firms might not have the information needed to implement the ReDes program, so the project will work throughout execution closely with the executives of the Votorantim Group firms involved in the ReDes program, especially the managers and responsible parties from the business units.

## VII. ENVIRONMENTAL AND SOCIAL IMPACTS

- 7.1 The project is expected to generate positive social impacts by improving economic opportunities for the participating poor and low-income families, and through activities to develop social capital. The Environmental and Social Review has classified this as a category "C" operation.

## VIII. ATTAINMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will commit to the standard MIF arrangements on results-based disbursements, procurements, and financial management, as specified in Annex VII.
- 8.2 **Intellectual property.** The Bank is the owner of the intellectual property of all works and outcomes obtained under the project. The Bank may grant a nonexclusive free license for noncommercial purposes to the executing agency, including rights of dissemination, reproduction, and publication in any medium, for any product that is exclusively owned by the Bank.