

INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

Tenda “Mundo Vox”

(BR-L1270)

Environmental and Social Management Report

(ESMR)

October 2010

Project Team: Johnny Jirón (OMJ/OMJ),
Project Team Leader; Susan Olsen (OMJ/OMJ); Ana Luiza Gonçalves Ferreira
(OMJ/OMJ); Valentina Echeverry (OMJ/OMJ); Mark Wenner (ICF/CMF); Ricardo
Torres (VPS/ESG); Kristin Dacey (SCF/SYN); Kentaro Aoyama (SCF/SYN); Sergio
Barrero (SCF/PMU); and Paloma Lima (LEG/NSG). Under the supervision of: Luiz Ros
(OMJ/OMJ).

TABLE OF CONTENTS

1. INTRODUCTION

2. PROJECT DESCRIPTION

3 ENVIRONMENTAL AND SOCIAL SETTING

4 COMPLIANCE STATUS

5 IMPACTS AND RISKS

6 ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY MANAGEMENT

7 INFORMATION DISCLOSURE AND PUBLIC CONSULTATION

8 REQUIREMENTS

ANNEX I IADB ENVIRONMENTAL AND SOCIAL REQUIREMENTS

ABBREVIATIONS

IADB	Inter American Development Bank
IBGE	<i>Instituto Brasileiro de Geografia e Estatística</i> or Brazilian Institute of Geography and Statistics
OMJ	Opportunities for the Majority Office
SEBRAE	<i>Serviço Brasileiro de Apoio às Micro e Pequenas Empresas</i> , or The Brazilian Agency for Support to Micro and Small Enterprises
SENAC	<i>Serviço Nacional de Aprendizagem Comercial</i> , or National Service for Comercial Learning.

1 Introduction

- 1.1 *Grupo Tenda* was established in 2001 as a spin-off of the traditional wholesale company, the “*Atacado Vila Severini Netto*”, which had been operating in the Brazilian market since 1962. It employs over 3,000 people, and besides *Tenda Atacado Ltda.* (or “Tenda”), the flagship company, the group consists of four other companies, which support the operations of Tenda on an exclusive basis: real estate management (*Técnica Comércio e Participações*), logistics (*Select Logística Integrada*), suppliers (*Integral Serv. Representações*), and risk management and credit services (*VoxCred*). *VoxCred* will execute the project *Mundo Vox Tenda*.
- 1.2 Tenda’s Cash & Carry Warehouses are Tenda’s stores specialized in selling products to final consumers and to formal and informal micro-entrepreneurs in the state of Sao Paulo.
- 1.3 Tenda has approached the IADB’s Opportunities for the Majority Initiative (OMJ) for support to launch a new project called *Mundo Vox Tenda*, which specifically targets between 55,000 and 90,000 low-income microentrepreneurs in the food services sector in the state of Sao Paulo. The project’s concept addresses two issues which are among the main causes of failure among microenterprises: lack of access to credit on adequate terms and lack of business literacy and skills. Specifically, *Mundo Vox Tenda* involves: (i) expanding credit services to Tenda’s clients who are microentrepreneurs in the food services sector; and (ii) setting up the business training program that will provide them with basic education and useful skills in such areas as financial literacy, as well as guidance on food safety issues and the process of business formalization
- 1.4 With the implementation of the project *Mundo Vox Tenda*, Tenda plans to reward those microentrepreneurs that successfully complete the business training program. Numerous studies have established a positive correlation between financial literacy and improved loan portfolio quality.
- 1.5 This project is consistent with the objectives of Opportunities for the Majority because: (i) it addresses two of the main market failures faced by the low-income, low-educated microentrepreneurs, which are access to credit and business training; (ii) it aims at improving the living standards of the majority by supporting more stable and improved income flows for low-income entrepreneurs; (iii) it backs the innovation of a major Brazilian wholesaler in implementing a comprehensive and tailor-made training program to develop the entrepreneurial skills of low-income microentrepreneurs in the food services sector; and (iv) it is a scalable and replicable model.

2 Project description

- 2.1 The project's main objective is to increase access to finance and provide business training skills to low income microentrepreneurs (the beneficiaries) in the food services sector in the state of Sao Paulo, Brazil.
- 2.2 The project seeks to achieve this objective by providing funding and technical assistance to *Tenda Atacado Ltda* ("Tenda"), the flagship company of the *Grupo Tenda*, one of Brazil's top five food wholesalers, so it can make available working capital financing, investment loans, and training courses to the beneficiaries in order to promote the growth and economic sustainability of their microenterprises.
- 2.3 In order to set up and run the training program, Tenda decided to hire the services of CARE Brasil, whose methodology is most appropriate for the population of target beneficiaries. CARE Brasil – part of CARE International – is a non-governmental organization with over 60 years of experience promoting community development through entrepreneurship. Training activities are expected to have 2 years duration.
- 2.4 Tenda has requested a R\$18 million loan (approximately US\$10 million) from the IADB, which will be used to (i) finance working capital needs of the Transformadores ; (ii) finance the acquisition of productive assets, such as appliances, equipment, carts, counters, etc, as well as repairs and improvements of their productive assets; and (iii) implement a training program for the Transformadores.

Since the proposed Project is a financial intermediation, it is classified as an under Directive B.13 of the IADB's OP-703 Environment and Safeguards Compliance Policy, and no classification is required.

3 Environmental and Social Setting

- 3.1 Tenda started operations in 2001 with a 4,240 square meters cash & carry store in the southern part of Sao Paulo. By the end of 2008, it had already grown to twelve stores in the whole metropolitan area and nearby municipalities.
- 3.2 Microentrepreneurs are working in the great Sao Paulo, in an urban environment, and are characterized by having low levels of professionalism. IBGE's *Economia Informal Urbana* further reveals that over 68% of the individuals working in informal businesses have not completed high school. As a result, many of the unskilled business owners in the food services sector do little or no business planning; instead focusing on short-term results, which make them highly vulnerable to competition and other adversities.
- 3.3 This project will focus on microentrepreneurs with a family income of up to R\$2,000 per month (US\$1,470 using 2005 Purchasing Power Parity) and a maximum of five employees including family members. According to Tenda's database, 57% of their existing credit card clients are male, 53% are within the

30-50 age range, and 60% are married. The majority of these clients belong to the C and D socioeconomic segments.

- 3.4 According to SEBRAE, close to 60% of small and microenterprises in the state of Sao Paulo fail within their first five years of existence. SEBRAE conducts a biannual study investigating the reasons for microenterprises businesses failures in Brazil. The most recent study showed that the primary reasons for failure include “insufficient public policy support”, and “issues imposed by macroeconomic situations”. Compared with prior year studies, two reasons showing no signs of improvement were “lack of managerial capacity,” and “personal problems affecting enterprises.” The study highlighted a higher level of participation of the entrepreneurs in business training as a specific solution for this problem”.
- 3.5 The before-mentioned difficulties of this sector in Brazil obstruct the business development of the microentrepreneurs and, as a consequence, limit their income growth. The main reasons for this situation are lack of business training and lack of access to credit. In order to tackle both problems, the Project will provide the microentrepreneurs with both credit and business training, with the ultimate objective of increasing their income.
- 3.6 The IBGE study on informal businesses also points out that only 3.62% of the entrepreneurs had received any sort of technical, legal or financial assistance over the last five years. A recent survey by Tenda indicated that 80% of the 944 beneficiaries responding to the survey expressed an interest in receiving business training.

4 Compliance status

Tenda presents satisfactory compliance with permits required for operating its facilities (*taxa de funcionamento* or operating license granted by the municipality of Sao Paulo) as well as with legal with labor and environmental requirements.

In regarding to labor law and related regulations, the company is in compliance with the regulatory standards¹ granted by the Secretary of Health and Safety at Work (*Secretaria de Segurança e Saúde no Trabalho SSST* or) and with environmental regulations (organic waste, sewage disposal, pest controls) granted by the Municipality of Sao Paulo.

The environmental compliance by microentrepreneurs is random, but, in general terms, it shall be improved.

¹ Normas Regulamentadoras: NR1: Disposições Gerais; NR 2 Inspeção previa; NR 6 Equipamentos de Proteção Individual; NR7 Programa de Controle Medico de Saúde Ocupacional; NR 9 Programa de Prevenção de Riscos Ambientais; NR 11 Transporte, Movimentação, Armazenagem e Manuseio de Materiais; NR 23 Proteção contra incêndios; NR 24 Condições Sanitárias e de Conforto nos Locais de Trabalho.

5 Impacts and Risks

- 5.1 The project is expected to generate positive social impacts, allowing microentrepreneurs to access to credits and competitive prices for their inputs and to receive training for their business activities.
- 5.2 The company shows clearly its commitment towards environment preservation, health and safety of its workers, and with social, health and environmental aspects of the community, promoting programs to prevent sexual abuse of minors, the recruitment of people with physical deficiencies, the promotion of health care, as well as projects related to saving energy, recycling and pollution prevention.
- 5.3 Risks associated with the management of food are well managed and they could be considered low. Quality management of food (including the traceability of food that requires maintenance of cold chain), as well as with the maintenance of hygiene conditions in food storage and transportation, are well performed and properly documented by the company.
- 5.4 Legal requirements are properly managed by Tenda and risks associated with no legal compliance can be considered low.
- 5.5 There are some risks of moderate magnitude, associated with unsystematic management of waste, emergency situations, training activities and accidents; the associated documentation prepared by Tenda is dispersed and is not generated and maintained in a systematic way, which hinders its implementation.
- 5.6 There are some environmental and Health and Safety risks of moderate magnitude linked with the behavior of microentrepreneurs, since they are not disposing properly liquid and solid wastes generated by their activities and have not proper awareness of accident and diseases prevention.

6 Environmental, Social, Health and Safety Management

- 6.1 Although Tenda manages issues related to food quality assurance and part of the environmental and Health and Safety issues linked with its activities, it is not carried out on a systematic approach.
- 6.2 Existing procedures cover basic aspects of the quality and Health and Safety issues, such as the quality assurance of food goods received and delivered by Tenda, accident management and inspection and surveillance of the hygiene and safety conditions. Nevertheless there are other aspects not properly covered or documented by the current practices, such as suppliers and contractor's management, identification and compliance with legal requirements, prevention and response to emergency situations, solid waste management, and training activities on environmental and Health and Safety issues.

- 6.3 It should be pointed out that Tenda has implemented program to support specific activities such as waste recycling (*Projeto Aprendendo a Reciclar*), a program aimed at preventing sexual exploitation of minors (*Projeto Na Mao Certa*), a program aimed at facilitating the entry into the labor market of persons with deficiencies (*Projeto Acesso*). In addition, the company disseminates good practices to prevent diseases and improving the health of its employees (control of oral health, high blood pressure control, vision control and promotion of sports).
- 6.4 Currently, Tenda is not implementing any action aimed at improving the management of environmental and Health and Safety on the part of microentrepreneurs. In order to mitigate these impacts and risks, a specific requirement to Tenda has been indicated in Annex I.

7 Information disclosure and public consultation

Owing to the nature of the Project, its disclosure constitutes one of the consequences of its implementation. Considering current credit and training needs of the beneficiaries, it is expected that the project will be approved unanimously, and therefore it will not be necessary to carry out a public consultation.

8 Requirements

- 8.1 The bank requires, as part of the Loan Contract, that Tenda activities and facilities be in compliance, and during all the life of the Contract, with the following points:
- i. Compliance with all current legal requirements in Brazil on environmental, social and Health and Safety matters, as well as with permits, authorizations and licenses applicable to the project.
 - ii. Compliance with the Environment and Safeguards Compliance Policy and its pertinent directives (B.2 Country Laws and Regulations; B.7 Supervision and Compliance and B.11 Pollution Prevention and Abatement) and with the Disaster Risk Management Policy.

- 8.2 Before approving or implementing any substantive change to the Project, or its environmental documentation and/or to the project schedule that could generate social or environmental effects, Tenda shall consult to IADB. Any attempt to make changes shall be communicate by written to the bank within the 10 days after any of the following changes had been raised: (i) Any no compliance with environmental and social requirements of the loan agreement; (ii) Any accident, impact, event or complaint associated with environmental or social aspects of the project; (iii) any actions taken and/or any prevention measures to be implemented by the company in response to any no compliance, accident, impact or event.
- 8.3 Within the term of eight months of the disbursement, Tenda must have met the environmental and social requirements listed in the Annex I.
- 8.4 The bank will carry out monitoring activities in order to check compliance on environmental and social requirements on the part of Tenda, through specific supervision tasks (i.e. site visits, documentation review, etc.).

Annex I: IADB Environmental and Social Requirements

NO	IADB REQUIREMENT	REMARKS	DEADLINE
1	Environmental, Social and Health and Safety Policy	The policy should reflect the values of the company in relation to the care of the environment, the interest in community issues and promotion of health and safety of employees and contractors. This document shall be signed by the president of the company.	2 months after the disbursement
2	Identification, Assessment and Selection of Providers and Contractors	The procedure requested by IADB is aimed at carrying out, beyond current evaluations performed to providers and contractors, assessing of its production plants, in order to verify the way they are processing, storing and packaging their products, mainly foods that require cold chain.	8 months after the disbursement
3	Food quality assurance procedure	Contents of the requested procedure shall include instructions of the current Tenda procedure (Rutina Diaria) but also instructions to ensure the traceability of products, using the WMS SAP system.	4 months after the disbursement
4	Identification of legal and other requirements	Requested procedure shall ensure continuous collection of legal and others requirements and generation of compliance records.	8 months after the disbursement.
5	Emergency Plan	The requested plan shall cover not only fire, but also the occurrence of natural events (as earthquake or hurricane). The Plan has to specify responsibilities, evacuation plans, agreed plans with local authorities, assigned meeting points, plans showing position of extinguishers, first aid equipments, emergency exits, emergency phone numbers, , etc.. A tailored document for each supermarket shall be prepared.	6 months after the disbursement
6	Management of Environmental and Health and Safety incident and accidents	This procedure shall be prepared on the basis of existing related documentation prepared by Tenda. But it shall include the methodology for recording, reporting and investigating accidents.	6 months after the disbursement
7	Assessment, reporting and recording of	This procedure shall be prepared on the basis of existing related documentation prepared by Tenda (especially those aimed at performing inspections), and shall	6 months after the

No	IADB REQUIREMENT	REMARKS	DEADLINE
	environmental aspects and working conditions.	be intended to check "in-situ" that environmental aspects and Health and Safety risks are managed according is established in related procedures.	disbursement
8	Management of solid wastes and liquid and gaseous effluents.	This procedure shall cover the management of solid wastes, based on the current practice developed by Tenda, but it shall foresee the approach for registering the type and amount of wastes and how they are transported, treated or disposed. The procedure shall cover the management of liquid and gaseous effluents as appropriate.	8 months after the disbursement
9	Annual Training Plan	An Annual Training Plan shall on environmental and Health and Safety issues shall be prepared by Tenda. It shall cover courses for the most dangerous activities (i.e. forklift driving, vehicles driving, fire, emergency situations, etc..). The plan shall indicate courses contents and schedule, teachers and forms to verify atTendance and evaluation of training effectiveness.	6 months after the disbursement.
10	Environmental and Health and Safety training to microentrepreneurs	Tenda shall include environmental and Health and Safety issues in the training program prepared to microentrepreneurs. Contents of these courses shall be aimed at diminishing the environmental impacts associated with microentrepreneurs'activities as well as accidents and diseases that could take place in their working environment. Tenda shall implement an evaluation mechanism aimed at verifying the effectiveness of the environmental and Health and Safety training received by the microentrepreneurs.	4 months after the disbursement