

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	Brazil/CSC
▪ TC Name:	Afro-Brazilian Consumer Market and Entrepreneurship Support Program
▪ TC Number:	BR-T1301
▪ Team Leader/Members:	Luana Ozemela (SCL/GDI), Team Leader; Maria Lourdes Gallardo (OMJ/OMJ); Viviane Azevedo (OMJ/OMJ); Judith Morrison (SCL/GDI); Luciano Schweizer (CMF/CBR); and Lina Uribe (SCL/GDI).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support
▪ Reference to Request: (IDB docs #)	IDBDOCS 38834210
▪ Date of TC Abstract:	June 2, 2014
▪ Beneficiary:	Federative Republic of Brazil, through its Secretariat of Institutional Relations of the Presidency (SRI)
▪ Executing Agency and contact name	IDB, SCL/GDI. Luana Ozemela
▪ IDB Funding Requested:	US\$740,000
▪ Local counterpart funding, if any:	-
▪ Disbursement period (which includes execution period):	30 months for execution 36 months for disbursements
▪ Required start date:	August 1, 2014
▪ Types of consultants (firm or individual consultants):	Individuals and firms
▪ Prepared by Unit:	SCL/GDI
▪ Unit of Disbursement Responsibility:	SCL/GDI
▪ Included in Country Strategy (y/n); ▪ TC included in CPD (y/n):	N (Country Strategy 2012-2014): (i) stimulate social and productive inclusion; the strategy's inclusive nature and strict respect for diversity in its operations and activities in Brazil, takes into account specific needs related to gender and race among its priorities. N (GN-2662-3): 2013
▪ GCI-9 Sector Priority:	"Reducing poverty and promoting equity"

### II. Objective and Justification

- 2.1 Afro-Brazilians account for 53% of the Brazilian population, or 100 million people; this classification includes individuals who self-identify as black ("preto") or brown ("pardo")<sup>1</sup>. Brazil has the largest African descendant population in Latin America. Over 90% of all individuals in Latin America and the Caribbean who self-identify as African descendant live in Brazil. According to the Secretaria de Assuntos Estratégicos, Afro-Brazilians account for 51% of the middle class in the country.<sup>2</sup>

<sup>1</sup> Brazilian National Sample Survey (PNAD) 2011

<sup>2</sup> Secretaria de Assuntos Estratégicos (2012). Vozes da Classe Média: É ouvindo a população que se constroem políticas públicas adequadas.

- 2.2 Brazil in the last decade has seen the rise of a new Base of the Pyramid (BoP) with individuals who may have different aspirations, interests and lifestyles, as well as a shared interest in the preservation of a group identity.<sup>3</sup> This has resulted in greater interest in understanding potential taste differences among the BoP for, among other things, durable goods, savings vehicles, investments, and public services such as health services, education, and labor market intermediation.
- 2.3 Research on the buying power of ethnic groups is an internationally emerging trend and an important advance towards better understanding the diverse consumer world.<sup>4</sup> In Brazil, despite the growing purchasing power and unique cultural identity of the Afro-Brazilian population, there is still a lack of knowledge on Afro-Brazilian consumers and producers, as well as products and services for this population.<sup>5</sup> Perhaps underlying and explaining this absence, there is little understanding of the economic potential and consumption habits of Afro-Brazilian consumers, or whether there is in fact a need for product and service differentiation by race in the country.
- 2.4 On the supply side, although Afro-Brazilian firms and start-ups face similar challenges to those owned by any other race group (such as human capital, networks and financial constraints), in general Afro-Brazilian entrepreneurs' returns to capital are lower than those of white entrepreneurs requiring additional steps toward promoting sustainable inter-generational economic self-sufficiency.<sup>6</sup> Recognizing the constraints faced by Afro-Brazilian entrepreneurs, SRI and *Serviço Brasileiro de Apoio às Micro e Pequenas Empresas* (SEBRAE),<sup>7</sup> in partnership with the Institute Adolpho Bauer (IAB) and the Collective of Afro-Brazilian Entrepreneurs (CEABRA), launched the "Brazil Afroempreendedor" project in August 2013. The program aims to create and empower small business owners in 12 states. One of the main challenges is that the program lacks facilitators prepared to assist Afro-Brazilian entrepreneurs and does not have a tailor-made technical assistance methodology that meets all of the needs of Afro-Brazilian businesses.
- 2.5 The objective of this technical cooperation is to support Government efforts to promote Afro-Brazilians entrepreneurs. Firstly, by understanding the needs of underserved Afro-Brazilian consumers and, secondly, by supporting new business models by Afro-Brazilians to meet this emerging market. Component 1 will produce knowledge on consumers, producers and products and services including knowledge about: (i) Afro-Brazilian consumer preferences for differentiated products and services in the health, education, labor, and housing markets; (ii) consumption habits of underserved Afro-

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<sup>3</sup> Development Research Strategies (2013). "The New Base of The Pyramid in Latin America: More Opportunities than Ever".

<sup>4</sup> Selig Center for Economic Growth (2013). "The Multicultural Economy Report"; Nielsen (2013). "Resilient, Receptive and Relevant: The African-American Consumer Report".

<sup>5</sup> For example, the Feira Preta Institute is one of the few existing networking platforms in the Country aimed at connecting and giving visibility to cultural and commercial products by and for Afro-Brazilians. In December of 2013, the Feira Preta Market in the City of São Paulo attracted over 16,000 clients. Participating entrepreneurs included mainly micro artisans and some larger companies commercializing products adapted to the Afro-Brazilian aesthetic.

<sup>6</sup> João Carlos Nogueira (2013). "Desenvolvimento e Empreendedorismo Afro-brasileiro: Desafios históricos e perspectivas para o século 21". Editora Atilênde, São Paulo.

<sup>7</sup> SEBRAE has been the permanent ally to entrepreneurs seeking free or subsidized courses, providing high quality learning in person and at distance.

Brazilian consumers in three state capitals (Salvador, São Paulo and Recife); and (iii) existing business models by and for Afro-Brazilians. Component 2 will support public policy interventions by (i) developing a training/incubation program emphasizing soft-skills for Afro-Brazilian entrepreneurs who use SEBRAE's services, (ii) designing an instructor training program to increase the impact of the "Brazil Afroempreendedor" program, (iii) supporting existing Afro-Brazilian networks with recommendations on strategies to benefit their members, (iv) proposing financing mechanisms by the public sector to support Afro-Brazilian entrepreneurs and (v) study on barriers to access to finance by Afro-Brazilian entrepreneurs.

### **III. Description of Activities and Outputs**

3.1 This TC has two components:

3.2 **Component 1. Knowledge generation about the Afro-Brazilian market.** This component aims to provide greater clarity about Afro-Brazilian consumers and producers. The following activities will be carried out:

**a. Consumers (families and individuals)**

- i. BoP Consumer Survey with a representative sample of the Afro-Brazilian national population. This activity will finance the costs of applying the BoP Consumer Survey to a representative sample of Afro-Brazilians.
- ii. Complementary module for the BoP Consumer Survey to understand in more depth the Afro-Brazilians' habits of consumption. This module should be applied in a representative sample of Afro-Brazilians in underserved communities in Salvador, São Paulo and Recife.

**b. Producers (firms and entrepreneurs)**

- i. Compendium of innovative business models by and for Afro-Brazilians. This activity will fund the mapping of sectors, companies, products and services by and for Afro-Brazilians.

3.3 **Component 2. Support to public policy intervention and Afro-Brazilian entrepreneurial networks.** This component will contribute to existing government initiatives such as the "Brazil Afroempreendedor" program and will propose specific solutions for developing the Afro-Brazilian market. The following activities will be carried out:

- a. Design of a special training/incubation program for Afro-Brazilians by SEBRAE, including assistance in the areas of capital financing, business education and soft-skills, as well as mentoring among other competencies mostly needed by Afro-Brazilian entrepreneurs.
- b. Design of a training curriculum for instructors in the Afroempreendedor Program in order to establish a method for providing technical and non-technical (i.e. soft-skills training) for Afro-Brazilian entrepreneurs and, thus, increase impact of the program.
- c. Support to existing Afro-Brazilian networks of entrepreneurs. This activity will fund the preparation of a strategy (or strategies) to enable this (or these) network (s) to more effectively support their members.

- d. Proposal for the development of financing mechanisms to support Afro-Brazilian entrepreneurs. This includes recommendations of public, private and/or mixed structures for investment and credit to Afro-Brazilian entrepreneurs.
- e. Econometric study on barriers to access to finance by Afro-Brazilian entrepreneurs, particularly Afro-Brazilian women. The study will rely on existing enterprise surveys, administrative data from SEBRAE and information from financial institutions.

#### IV. Budget

Indicative Budget (US\$)			
Activity/component	IDB	Local Counterpart	Total
<b>Component 1. Knowledge generation on the Afro-Brazilian market</b>	<b>200,000</b>		<b>200,000</b>
1. BoP consumer survey applied to a representative sample of Afro-Brazilians	40,000		40,000
2. Complementary survey on Afro-Brazilians' habits of consumption in underserved communities in BA, PE and SP	100,000		100,000
3. Compendium of innovative business models by and for Afro-Brazilians	60,000		60,000
<b>Component 2. Support to public policy intervention and Afro-Brazilian entrepreneurial networks</b>	<b>450,000</b>		<b>450,000</b>
1. Design of a special training/incubation program for Afro-Brazilians by SEBRAE	200,000		200,000
2. Design of an instructor's training for the <i>Afroempreendedor</i> Program	60,000		60,000
3. Support to Afro-Brazilian business networks	80,000		80,000
4. Proposal of financing mechanisms to support Afro-Brazilian entrepreneurs	50,000		50,000
5. Study on barriers to access to finance by Afro-Brazilian entrepreneurs	60,000		60,000
<b>Coordination support</b>	<b>80,000</b>		<b>80,000</b>
<b>Monitoring and evaluation</b>	<b>10,000</b>		<b>10,000</b>
<b>Total</b>	<b>740,000</b>		<b>740,000</b>

#### V. Executing Agency and Execution Structure

- 5.1 As per the request of the Secretariat of Institutional Relations of the Presidency (SRI), the executing agency will be the IDB through the Gender and Diversity Division (SCL/GDI) in collaboration with the Opportunity for the Majority Sector (OMJ). The SRI, therefore, will not receive funds from this TC to execute activities related to the Program. The procurement of individual consulting services will be carried out in accordance with AM-650 and the procurement of consulting firm services will be carried out in accordance with GN-2350-9.

#### VI. Project Risks and Issues

- 6.1 A potential risk is limited access to information and a lack of cooperation among the various actors involved. However, this risk is low, as it is in the interest of the different actors to collaborate in order to improve the quality of their programming and activities. In addition, given that the work envisaged under this TC requires a highly technical team, there is a risk of not obtaining quality results if the work of the consultants is not monitored properly. This technical cooperation is expected to benefit Afro-Brazilian

consumers and producers by increasing access to products and services appropriate to their needs and support to existing public policies and networks.

## **VII. Environmental and Social Classification**

- 7.1 It is not anticipated that this project will have any negative social or environmental impacts; therefore this TC has been classified as a C category.

June 3, 2014