

## TC DOCUMENT

### I. Basic Information for TC

▪ 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; María Lourdes Gallardo (OMJ/OMJ); Viviane Azevedo (OMJ/OMJ); Judith Morrison (SCL/GDI); Ana Inés Grigera (MIF/MIF); Luciano Schweizer (CMF/GBR); Raísa Alvares Leão (SCL/GDI); Betina Tirelli Hennig (LEG/SGO); and Lina Uribe (SCL/GDI).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination	Client Support
▪ Date of TC Abstract authorization:	January 22, 2015
▪ Beneficiary :	São Paulo Municipality, through the Secretariat of Racial Equality Promotion ( <i>Secretaria Municipal de Promoção da Igualdade Racial de São Paulo-SMPIR</i> )
▪ Executing Agency and contact name	IDB, Gender and Diversity Division (SCL/GDI). Luana Ozemela
▪ Donors providing funding:	Gender and Diversity Special Program (GDF)
▪ IDB Funding Requested:	US\$500,000
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	30 months for execution 36 months for disbursements
▪ Required start date:	June 1, 2015
▪ Types of consultants:	Individuals and firms
▪ Prepared by Unit:	Gender and Diversity Division, SCL/GDI
▪ Unit of Disbursement Responsibility:	Social Sector, SCL
▪ TC Included in Country Strategy (y/n):	Y (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.
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▪ TC included in CPD (y/n):	N
▪ GCI-9 Sector Priority:	"Reducing poverty and promoting equity"

### II. Objectives and Justification of the TC

- 2.1 Brazil has the largest African descendant population in Latin America. It is estimated that between 80-90% of all individuals in Latin America and the Caribbean who self-identify as African descendant live in Brazil.<sup>1</sup> The contingent of African descendants reached 53% of the Brazilian population, or 100 million people in 2011; this classification

<sup>1</sup> IDB calculations based on household surveys for which there is a question for race/ethnic self-identification.

includes individuals who self-identify as black (“preto”) or brown (“pardo”).<sup>2</sup> In the last decades, the country has seen a tremendous socioeconomic transformation and progress among the contingent of Afro-descendants. For instance, the percentage of Afro-Brazilians in higher education has increased from 10.2% in 2001 to 35.8% in 2011. Also, according to the Brazilian Secretariat of Strategic Issues (*Secretaria de Assuntos Estratégicos* - SAE), Afro-Brazilians today account for 51% of the middle class.<sup>3</sup> However, race disparities are still significant. Among those aged 18 to 24 in higher education 66% are whites, and in highly regarded majors such as medicine and engineering, about 78% of students self-identify as whites.<sup>4</sup>

- 2.2 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>5</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>6</sup> Perhaps underlying and explaining this absence, there is little understanding of the economic potential<sup>7</sup> 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.
- 2.3 On the supply side, there is an underrepresentation of Afro-entrepreneurs among employers<sup>8</sup> and although Afro-Brazilian firms<sup>9</sup> and start-ups face similar growth challenges to those owned by any other racial 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>10</sup> Recognizing the constraints faced by Afro-Brazilian entrepreneurs, the Brazilian Micro and Small Business Support Service – SEBRAE (*Serviço Brasileiro de Apoio às Micro e Pequenas Empresas*),<sup>11</sup> in partnership with the Adolpho Bauer Institute (IAB) and the Collective of Afro-Brazilian

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<sup>2</sup> Brazilian National Sample Survey (PNAD) 2011.

<sup>3</sup> SAE (2012). *Vozes da Classe Média: É ouvindo a população que se constroem políticas públicas adequadas*.

<sup>4</sup> Brazilian National Sample Survey (PNAD) 2011.

<sup>5</sup> Selig Center for Economic Growth (2013). “The Multicultural Economy Report”; Nielsen (2013). “Resilient, Receptive and Relevant: The African-American Consumer Report”.

<sup>6</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>7</sup> The economic potential of Afro-descendants markets is understood as the economic gains in the delivery of good and services to this market. Analyzing the economic potential and developing strategies and directing resources to tap that potential requires further knowledge on the extent this market is currently underserved.

<sup>8</sup> According to SEBRAE (2013), among entrepreneurs who have at least one employee, 29% are Afro-descendants, 70% are white and 1% is Asian or Indigenous.

<sup>9</sup> Afro-Brazilian firms are analogous to Afro-descendant led firms, which are understood as those firms managed or owned (at least 51% shares) by self-identified Afro-descendant men or women.

<sup>10</sup> João Carlos Nogueira (2013). “Desenvolvimento e Empreendedorismo Afro-brasileiro: Desafios históricos e perspectivas para o século 21”. Editora Atilênde, São Paulo.

<sup>11</sup> SEBRAE has been the permanent ally to entrepreneurs seeking free or subsidized courses, providing high quality learning in person and at distance.

Entrepreneurs (CEABRA), launched the Brazil Afroentrepreneur Program - PBAE (*Programa Brasil Afroempreendedor*) 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 entrepreneurship facilitators<sup>12</sup> prepared to support high-potential Afro-Brazilian entrepreneurs. Other aspects which are missing in the design of the current PBAE program include mentoring, pitching and public speaking training, creation/use of networks and accessing international markets.<sup>13</sup>

- 2.4 The objective of this technical cooperation is to support government efforts to promote Afro-Brazilians entrepreneurs by: a) understanding the needs of Afro-Brazilian consumers and producers; b) developing a new Business Accelerator model<sup>14</sup> that serves the need of high-potential Afro-Brazilian entrepreneurs and piloting this model with a group of such entrepreneurs; and c) supporting the development of business networks for Afro-Brazilian entrepreneurs.

### III. Description of Activities/Components and Budget

- 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:
- 3.3 **Consumers (families and individuals).** A survey of a representative sample of the Afro-Brazilians to understand Afro-Brazilians' consumption habits (sectors, different products demanded, preferences and the economic potential of Afro-Brazilian consumers).<sup>15</sup> This activity will finance the costs of designing, implementing and publishing the results of the survey. The main products of this subcomponent include: a) the design of a special survey derived from in-depth interviews with market experts and focus groups with consumers; b) a database containing all data resulting from the Survey implementation; and c) a publication on Afro-Brazilian Consumption Habits.<sup>16</sup>
- 3.4 **Producers (firms and entrepreneurs).** Studies on pathways for Afro-entrepreneurship development. The aim of these studies is to increase visibility of promising business

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<sup>12</sup> Facilitators are responsible for visiting companies and/or communicating regularly with entrepreneurs. They perform business diagnostics and assess the opportunities for innovative solutions. They provide the needed technical support during online and in class learning and development of business plans.

<sup>13</sup> Instituto Adolpho Bauer (July 2014). Brazil Afroempreendedores Program Execution Report.

<sup>14</sup> A Business Accelerator is an organization that enables its client to grow in a sustainable way through the use of proven tools and methods that have been utilized to help many other companies grow.

<sup>15</sup> This includes consumer preferences for differentiated products and services in the health, education, labor market intermediation, and housing markets segmenting consumers by race/ethnicity, levels of income, urban/rural and gender. Specifically to levels of income the survey will identify needs of families and individuals who are known as new Base of the Pyramid (BoP). BoP is defined as the population with daily incomes under US\$10 PPP (2005).

<sup>16</sup> Results of the survey are expected to be disseminated during IDB's Base International Forum. Other potential venues for disseminating the survey results include Instituto Ethos Conference attended by over 2,000 public and private stakeholders and NGOs; and Serasa Experian, a world leader in customer information services that, in Brazil, has recently directed attention to the understanding and development of tools for market segmentation.

models by and for Afro-Brazilians that could be eligible for financing and/or receiving stimulus through public policies. This activity will fund the following studies: a) a compendium of innovative business models by and for Afro-Brazilians; b) the mapping of networks by and for Afro-Brazilians and best practices for strengthening existing networks; and c) an assessment of the profile of firms currently participating in Government Procurement and existing practices, processes and barriers to entry at the federal level. The latter will produce data needed to engage government in dialogue about policies and procedures that could be implemented to create a more diverse community of suppliers serving the Federal Government.

- 3.5 **Component 2. Support for Public Policy Design and Afro-Brazilian Entrepreneurial Networks.** This component will contribute to existing government initiatives such as the *Brazil Afroempreendedor* (PBAE) program and will propose specific solutions for developing the Afro-Brazilian networks. The following activities will be carried out:
- 3.6 **Deliver an Acceleration Model Program for Afro-Brazilian Entrepreneurs,** including assistance in the areas of capital financing, business education, soft-skills, as well as mentoring among other competencies mostly needed by Afro-Brazilian entrepreneurs. The products of this subcomponent will include a) a methodology for selecting and accelerating the businesses of high potential Afro-descendant entrepreneurs including in depth business diagnostics; b) use of this methodology to select and accelerate the businesses of a cohort of 30 entrepreneurs (selected from a subset of graduates of the PBAE Program), offered by an experienced Business Accelerator; c) personal coaching and business mentoring by experienced business men and women; and d) the participation of 3 entrepreneurs in national and international pitching competitions that will be attended by investors (for example, in Brazil, *Anjos do Brasil*, Campus Party, *Feira do Empreendedor* (Sebrae), Startup & Makers, *Liga dos Campeões* (Endeavor); in the United States, the ESSENCE Festival and the National Minority Enterprise Development-MED Week Conference; in Mexico, the Foro Latinoamericano de Inversión de Impacto (FLII)). Endeavor will be hired as a Single Source Selection to carryout activities a), b) and c) in this paragraph.<sup>17</sup>

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<sup>17</sup> Given Endeavor's exceptional qualification and experience for this assignment, the hiring procedure will be Single Source Selection following the IDB's Procurement Policy GN-2350-9 of 19 April 2011, paragraph 3.10. Endeavor is an important entrepreneurial development organization. It operates in mobilizing public and private organizations and sharing practical knowledge and examples of high-impact entrepreneurs to strengthen the entrepreneurial culture around the world. In Brazil in particular, since 2000, it has helped generate almost US\$4 billion in revenue annually and more than 20,000 direct jobs through support to entrepreneurs programs; and train more than 2 million Brazilians with face-to-face and distance educational programs. One of the great values of Endeavor is their network of more than 300 advisors, ambassadors, mentors, partners and entrepreneurs who devote time, knowledge and capital to encourage entrepreneurship. Among their ambassadors, and also a former entrepreneur supported by Endeavor, is Heloísa (Zica) de Assis, the only Afro-Brazilian on the Forbes list of the most powerful business women in Brazil. Assis teamed with her family to create Beleza Natural, a hair salon in Rio de Janeiro, where she developed the solution she was seeking. Today, Beleza Natural employs more than 1,700 people and has its own research center. Endeavor has also supported other high-growth businesses owned by Afro-Brazilians successfully such as *Carteiro Amigo* (mail delivery service in isolated communities) and SEDI (Advisory and Business Consulting in Government Licenses).

- 3.7 **Support to Afro-Brazilian Business Networks** in order to increase visibility, knowledge exchange, access to networks, access to capital, and access to national and international markets. This activity will fund international exchanges for public and private sector stakeholders from Brazil and the preparation of a strategy to guide the creation of a national network of Afro-Brazilian Entrepreneurs. The products of this subcomponent include: a) a new virtual community in ConnectAmericas<sup>18</sup> for Afro-Brazilian Entrepreneurs; b) an international workshop with key stakeholders to discuss options, motivation and sustainability of a new Afro-Brazilian Entrepreneurial Network; and c) the development of a strategy to strengthen Afro-Brazilian Entrepreneurial Networks and/or Business-to-business Matchmaking Fora<sup>19</sup> and their support to the internationalization of Afro-Brazilian Businesses.

**Indicative Results Matrix**

Description	Product	Exp. Comp. Date	Result*	Verification / Data Source
<b>Component 1. Knowledge Generation about the Afro-Brazilian Market</b>				
Activity 1.1. Design, Implementation and Publication of the Results of a Survey to Understand Afro-Brazilians' Habits of Consumption.	Design of a special survey derived from in-depth interviews with market experts and focus groups with consumers.	03/2016	Increased understanding of sectors, different products demanded, habits of consumption and economic potential of Afro-Brazilians.	Transcripts of qualitative interviews.
	Database containing all data resulting from the Survey	07/2016		A final version of the Household Survey Questionnaire.
	Publication on Afro-Brazilian consumption patterns.	12/2016		A Final Report on Afro-Brazilian Habits of Consumption.

<sup>18</sup> [ConnectAmericas](#) is the first social network for businesses in the Americas, dedicated to promoting foreign trade and international investment. It seeks to help SMEs strengthen their businesses, by providing them access to communities of clients, suppliers and investors in the region and all over the world, segmented by industry. It also provides useful and simple information about procedures and regulations for international commerce, and about the financing opportunities available in IDB member countries. ConnectAmericas was created by the Inter-American Development Bank (IDB) with the support of Google, DHL, Visa, and Alibaba.

<sup>19</sup> According to the U.S. Small Business Administration (SBA), business-to-business matchmaking fora (B2B forums) have the potential to drastically decrease the amount of cold calls and the resources required to source a new sale as well as to vet an opportunity. The Minority Business Development Agency (MBDA) has facilitated B2B fora for over five years with the primary goal of bringing qualified minority-owned firms closer to procurement decision-makers.

Description	Product	Exp. Comp. Date	Result*	Verification / Data Source
Activity 1.2. Studies on Pathways for Afro-entrepreneurship Development (business models, networks, government procurement).	Study on Government Procurement	12/2015	Creating visibility and identifying promising business models by Afro-Brazilians that could be eligible for financing and/or receiving stimulus through Government Procurement and networking. Particular emphasis to be given to overcoming the challenges faced by Afro-women entrepreneurs.	A study compiling all the business case studies identified in the survey and during the project, directions for increasing participation in government procurement and strengthening networks.
	Compendium of successful business models	03/2017		
	Event and study on networks	12/2017		
Component 2. Support for Public Policy Design and Afro-Brazilian Entrepreneurial Networks				
Activity 2.1. Deliver an Acceleration Model Program for Afro-Brazilian Entrepreneurs	Delivery of the model acceleration training, personal coaching and business mentoring for a total 30 entrepreneurs (gender balanced selection).	06/2016	Acceleration model program adapted to the needs of Afro-Brazilian entrepreneurs that could be adopted by SEBRAE and Government entities interested in helping Afro-Brazilian businesses grow. Increased ability to pitch to investors.	Implementation plan of selection process and acceleration model program.
	Pitching event for Investors by Afro-Brazilian entrepreneurs.	10/2016		Evaluation report of the new acceleration program
Activity 2.2. Support to Afro-Brazilian Business Networks.	One (1) community created in ConnectAmericas for Afro-Brazilian Entrepreneurs.	12/2017	Increased visibility, knowledge exchange and access to other networks, nationals and international markets and capital.	Google Analytics Report for Monitoring and Evaluation of the Network.
	One (1) international event on Afro-Brazilian Entrepreneurial Network.	03/2018		Afro-Brazilian Entrepreneurial Network Assessment and strategy.

\* Results are expected within 36 months of project execution.

### Indicative Budget (US\$)

Activity/Component	IDB (GDF)	Local Counterpart	Total
<b>Component 1. Knowledge Generation about the Afro-Brazilian Market</b>	<b>220,000</b>	<b>0</b>	<b>220,000</b>
1.1. Design, Implementation and Publication of the Results of a Survey to Understand Afro-Brazilians' Habits of Consumption.	150,000		150,000
1.2. Studies on Pathways for Afro-entrepreneurship Development.			

<i>a) Compendium of business models by and for Afro-Brazilians</i>	70,000		70,000
<i>b) Mapping of networks by and for Afro-Brazilians</i>	10,000		10,000
<i>c) Assessment of the profile of firms currently participating in Government Procurement and existing practices, processes and barriers to entry at the federal level</i>	40,000		40,000
	20,000		20,000
<b>Component 2. Support for Public Policy Design and Afro-Brazilian Entrepreneurial Networks</b>	<b>264,112</b>	<b>0</b>	<b>264,112</b>
2.1. Deliver an Acceleration Model Program for Afro-Brazilian Entrepreneurs	170,000		170,000
<i>a) Acceleration Model Program including mentoring and coaching</i>	140,000		140,000
<i>b) Participation of entrepreneurs in national and international pitching competitions</i>	30,000		30,000
2.2. Support to Afro-Brazilian Business Networks	94,112		94,112
<i>(a) International Event on Afro-Brazilian Entrepreneurial Networks</i>	30,000		30,000
<i>(b) Support with dissemination, organization and ConnectAmericas setup and administration</i>	64,112		64,112
<b>Contingencies</b>	<b>15,888</b>	<b>0</b>	<b>15,888</b>
<b>Total</b>	<b>500,000</b>	<b>0</b>	<b>500,000</b>

3.8 The Unit of Disbursement Responsibility (UDR) will be SCL.

#### IV. Executing Agency and Execution Structure

4.1 This technical cooperation will be executed and supervised by the Gender and Diversity Division (SCL/GDI) in collaboration with the Opportunity for the Majority Sector (OMJ), as per a request from SMPiR.<sup>20</sup> In order to get an independent review and assessment of how to support afro-entrepreneurs, as well as to gain access to international networks and experience supporting micro entrepreneurs, SMPiR has requested the IDB to execute this technical cooperation.

4.2 **Procurement.** The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with current Bank procurement policies and procedures.

#### V. Major Issues

5.1 A potential risk is limited access to information about the Afro-entrepreneurs participants of PBAE. Currently, there are about 900 registered, but the number of those who will complete the program will only be known in November 2015 when the program ends and entrepreneurs will have finished their business plans. Only those who have completed the PBAE successfully will be invited to apply to the acceleration model program. Therefore, IDB requires access to contact information for PBAE participants, information on their businesses and their performance during the program. A formal agreement between IDB and SEBRAE has been established for the release of information (<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39587149>).

<sup>20</sup> Annex I includes the letter by means of which SMPiR requests the IDB to be the executor of this TC. A non-objection letter from ABC (*Agencia Brasileira de Cooperação*) will be obtained before any activities are executed.

- 5.2 There is also a risk of not finding enough entrepreneurs who would fit the minimum selection criteria for the acceleration model program from the pool of those who completed PBAE. In this case, the scope of entrepreneurs invited to apply to the acceleration model program will be broadened to include those beyond PBAE's participants. They may include entrepreneurs associated with Afro-Brazilian Incubator, *Instituto Feira Preta*, *Integrare*, CEABRA, Afrochamber (*Câmara de Comércio Afro-Brasileira*) among other national and subnational Afro-Brazilian entrepreneurial networks to be identified.
- 5.3 There is a risk of lack of cooperation among several important stakeholders who currently work to develop Afro-entrepreneurs in the country (for example, SEPPIR, SEBRAE, IAB and CEABRA). This risk is being mitigated by the constitution of a technical committee/management council for the PBAE, which includes these stakeholders and is being led by Sebrae/IAB. IDB will participate as an observer in PBAE's technical committee meetings.

## **VI. Exceptions to Bank Policy**

- 6.1 No exceptions to Bank policy are foreseen.

## **VII. Environmental and Social Strategy**

- 7.1 Environmental and Social Classification (ESG) of this TC is "C", since there are no environmental or social impacts associated with this TC activities  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39485064>

### **Required Annexes**

Annex I. Request Letter

<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38834210>

Annex II. Terms of Reference

<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39583122>

Annex III. Procurement Plan

<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=39583124>

May 13, 2015



**AFRO-BRAZILIAN CONSUMER MARKET ENTREPRENEURSHIP SUPPORT PROGRAM**

**BR-T1301**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under IDB Gender and Diversity Special Program (GDF) through a communication dated January 22, 2015 and signed by Mariana Mendoza, ORP/GCM. Also, I certify that resources from said fund are available for up to **US\$500,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

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Sonia M. Rivera  
Chief  
Grants and Cofinancing Management Unit  
ORP/GCM

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Date

**APPROVAL**

Approved:

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Andrew Robert Morrison  
Chief  
Gender and Diversity Division  
SCL/GCI

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Date