

An innovative business response to poverty in Brazil

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Introduction

Brazil, as you know, is a country of continental proportions and of immense contrasts. It is one of the richest countries on the planet – ranking 10th in the global league of economies. At the same time, paradoxically, it is one of the poorest countries in the world. Average GNI per capita sits at around 7000 Reais (€2000), but 32% of the population earn less than \$1 a day and live in sub-humane conditions, lacking basic sanitation, access to housing, education and health care. The richest 10% of the population have access to 46% of the country's wealth. The poorest 10% only have access to less than 1%. This massive inequality has earned Brazil the title of the most unequal country on the planet.

This situation can be put down to many historical, political and economic factors. Brazil suffers from the legacy of a colonial economy, which skewed internal development in certain regions and created dependencies on the West. It has also suffered from its own internal political problems, in particular a legacy of dictatorships. This led to monumental development policies that served the rich and stunted the country's growth. In the meantime, they incurred debts, which subsequent generations have had to deal with. Throughout the 1980s and early 1990s, it was also being afflicted by the macro-stability problems that destabilised much of Latin America: growing fiscal deficits, fluctuating exchange rate, hyper-inflation, massive unemployment and widespread tax evasion. These problems had a massive impact on the poor, in particular.

In the early 1990s, political change brought greater macro-stability, the de-regulation of markets. This greater macro-stability created enormous opportunities for those who could harness them. Levels of entrepreneurship rose dramatically and inward investment and domestic savings began to increase within the country. It seemed that Brazil could finally begin to grow its way out of its problems of poverty. Yet this new-found wealth fell onto a grossly unequal society. Levels of inequality actually began to rise – not fall. Moreover, the maintenance of macro-stability came at a heavy social cost. In order to ensure liquidity on international markets, the government had to cut back on essential spending. This affected the poor most – cutting off a lifeline in terms of basic welfare security. According to scholars, Brazil, together with its other Latin American neighbours in the 1990s, bore the brunt of a new form of “unfettered capitalism” – and was at the vanguard of what we have come to call globalisation.

The characteristics of this new form of globalisation have become all too familiar: growing numbers of wealthy suburbs for those who could afford them near the big cities; but these had to be closed-off from the outside by security cordons for fear of growing levels of violent crime. New sky-scrapers rose up with familiar names of banks, international hotels and restaurants; but along-side them shanty towns (favelas) expanded and were often bulldozed away so as not

to be an eye-sore. Poverty seemed to follow the wealth, generating social conflict. The former Archbishop of Sao Paolo, on seeing the immense contrast between this wealth and poverty likened it to a “crown of thorns”.

A new proposal: the Economy of Communion

It was into this context that Chiara Lubich launched the proposal of the EOC in May 1991 in Sao Paolo. The proposal was one that struck a chord deep in the hearts of those who heard it, including myself. It captured the desire we had to take what we perceived as good within the free market economy – entrepreneurship, creativity, energy, innovation, sacrifice, commitment - and to make it work for everyone, rich and poor.

Chiara was proposing businesses that would be set up as regular companies, but they would be different: they would put communion, in all its various dimensions, at the heart of its operations. First and foremost, they would commit themselves to sharing a proportion of their profits with the poor. In committing to doing this, they would be making a first step towards re-balancing the opportunity gap between those who have, and those who have not. They would not be putting this off for some future date when most probably, I will be dead and buried. Secondly, the businesses themselves would be run according to a new spirit, which would ensure that inequalities and injustices are not repeated through the production process, as talked about this morning by Professor Gui. Both of these elements – direct assistance and reforming business culture – are co-essential elements of the project and work to eradicate poverty in different ways.

Over the past thirteen years, 89 businesses throughout Brazil have come on board with the EOC. The businesses are mainly small and medium sized firms in a large range of sectors from manufacturing to service industries. One important element of the project in Brazil has been the creation of the Spartaco Business Park near Sao Paolo. This business park, managed by ESPRI, S.A., now hosts six EOC businesses working in clothes manufacturing, plastics recycling and remoulding, ecological detergents, financial services, and a subsidiary of my own pharmaceutical distribution company, Prodiet. The ownership of the business park is in the hands of around 3000 shareholders from all over Brazil, many of whom made a small investment in the EOC as a sign of hope for the future. In the course of the past ten years, this business park has developed a reputation for both the quality of its products and the economic vision it is putting into practice. Many visitors come to visit it and a research centre has been established near by so that academic visitors can study the progress of the EOC.

In terms of directing help to the poor, the businesses themselves obviously have no direct role in this. The profits channelled via the Focolare Movement, which has a long tradition of assistance to the poor, and has extensive networks in place to ensure that the money reaches those who are most in need. One of the key elements of this means of re-distribution is that it is based on the full participation of local communities, who establish what their own essential needs – but seek to measure them against the needs of other. Regular updates on what is being achieved through the EOC is received by the businesses through annual accounts and newsletters highlighting some of the main achievements. These reports are extremely satisfying

to the whole business as they give an added incentive to keep working and increase our commitment. They also add an additional dimension to the “communion” lived in the economy. In 2003, within Brazil, US\$586,000 were redistributed in this way to 1085 families in need. The money helped with basic health, schooling, food, housing improvements.

The EOC in Practice

The EOC, however, is not simply about signing that cheque at the end of the year, although that too is an important choice. The place where the EOC has most effect is within the workplace itself in the day to day challenges of living out a new economic culture. I would like to give you a couple of examples of how this works in my own business.

Prodiet distributes medical and pharmaceutical supplies within Brazil. It pre-dated the EOC by a few years. When the EOC was launched, I could count myself amongst one of those people who had benefited from the opening of the markets in Brazil and had created a highly successful company. At the same time, however, I was deeply saddened by what I saw around me. I felt I was living between two opposites. On the one hand were the values I held within me and which spurred me to build a socially responsible company based on love of neighbour. On the other, was the logic of competition and the market, which seemed to lead to the complete opposite. Through the EOC I began to realise that business could also be a real vocation – and be a means of building greater social cohesion, rather than division. That is how we started out on what has become a marvellous adventure.

When we started out, we were persecuted by our competitors as a result of our rapid growth. A number of malicious accusations were made against us to the state tax authority in an attempt to destabilise the company. As part of the EOC, we try to have an attitude of respect for everyone, even our competitors, so we attempted to approach these competitors. On one occasion, we received some important information which could have jeopardised their trade if they were unaware of it. We decided to call them and share it with them to ensure that they had adequate time to act on it. The director was completely taken aback by this unsolicited act of kindness. As a consequence, relations between our two companies changed completely. We are now friends and often exchange information and ideas, recognising that a lot more has to be gained from mutual understanding and cooperation than cut-throat competition.

Corruption is a major problem within the Brazilian economy, as in many other parts of the world. Widespread corruption creates a vicious cycle of social malaise and poverty though impeding economic growth and investment. Where trust has broken down, it is difficult for enterprise to flourish. The EOC businesses make a particular effort to stem this social illness. Within the sector that Prodiet works in, corporate corruption has been particularly prevalent. Over the years we have stuck to our principles and values – of transparency, honesty, trust, fairness - and have seen that this has not affected our capacity to grow and develop. On the contrary, we have grown considerably. We asked ourselves how this could be, given that the general feeling in Brazil is that in order to get on, one has to be compromised? We feel that the answer lies in the fact that the EOC has helped us to become a serious business which is based on sound principles rather than bad habits, which can lead to social disintegration. Whilst the world has

looked on at the scandals in large corporations in which millions of people have invested, the EOC companies have grown in recognition as companies to be trusted to do business with on account of their basic principles. The outcome is that this basic honesty is also a competitive advantage in the long-term.

The availability of meaningful employment is another key element in the eradication of poverty. In a country like Brazil, where unemployment is around 18% of the active population (and underemployment is almost the same proportion again), this remains one of the critical issues. Moreover, many large companies consider cutting jobs as the most efficient and easiest way of reducing costs and increasing profits in difficult times. This choice often creates untold suffering for people who are trying hard to exit from poverty. For Prodiel, the desire to provide stable employment has brought about a change of attitude over the years in relation to how to cope in times of crises. Rather than automatically reducing staff to cut costs, over the years we have made conscious choices to invest in manpower and to increase our staff in line with our turnover. When crises have hit, as they inevitably do, we seek every possible alternative, such as seeking out new markets and increasing productivity, since we see the people in the business and not the profit as the centre. In the end, this approach has also paid off, with a committed staff who share our values and sense of ownership of the company.

Conclusion

In these few words I have tried to explain how the EOC has offered an innovative approach to resolving poverty in Brazil. It is innovative in many ways, not least in its ability to bring together people working in many sectors of economic life, particularly in the small business sector, to work towards a common goal of eradicating poverty. It is a big challenge, and we often come up against difficulties, but the sense of belonging to a bigger project, which is global, gives us the courage to go ahead and overcome the challenges we face each day.