Serving the Community Through Innovation:

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Creating and Supporting Social Entrepreneurship in Eusébio

USC Price
Sol Price School of Public Policy

Eusébio
Melhor para todos
PREFEITURA MUNICIPAL
ACKNOWLEDGMENTS

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EXECUTIVE SUMMARY

In a context where the efforts of governments, nonprofit, and private sector agents are unable to successfully address critical problems alone, social innovation has arisen as a tool designed to advance progress by identifying solutions that leverage markets to maximize social impact. One tool identified in the field of social innovation is the social enterprise, which generate revenues and achieves social impact as part of a dual mission. The field has grown to include various forms of organizational structure, financing, and evaluation and assessment designs meant to ensure effectiveness and impact.

Social enterprises have come to address a multitude of pressing issues. Three examples we uplift in the report focus on tackling key issues like energy access, sanitation, and wealth-building. Structures vary from traditional strong relationships across sectors to cooperative models that allow employees to gain equity stake in the venture. With such rich content, we asked ourselves key questions we hope would capture the elements of a successful social innovation strategy:

• What are the necessary components of a successful social enterprise?
• How do we evaluate community strengths and weaknesses to identify opportunities for social enterprises to address the needs of our focal population?
• What partnership and financial models could a social enterprise utilize?
• What impact evaluation strategies and metrics should be pursued to ensure effectiveness of social impact?

The tools and resources we provide in the report are done so in an effort to inspire sustained social change through showcasing leading examples of structure, partnership and performance. We apply the learned frameworks into two proposals we believe can be applicable to Eusébio given its strong track record of innovation. We conclude by offering our observations, and what potential opportunities can be seized upon by key stakeholders in the region to develop a social innovation-grounded approach in tackling future economic development goals and problems.
ISSUE DIAGNOSIS

Communities in the developing world face the challenge of addressing some of the most complex social problems, while often lacking sufficient resources and technical expertise to solve them. The reality is that neither government, the private sector or a burgeoning non-profit sector are able to tackle issues of economic inequality or public health alone. These circumstances present opportunities for social innovation locally in communities where challenges best require a multi-sector approach. One such community is the municipality of Eusébio in the Brasilian state of Ceará, one of the poorest states in the country, which will be used as an exemplar of the challenges that communities throughout the developing world face.¹

Eusébio is a municipality of over 50,000 residents located within the metropolitan area of Fortaleza, the fifth largest city in Brasil. Eusébio is a fairly new city, becoming independent in 1989 and politically emancipated since 1988. There are 12,000 households and 23 neighborhoods, or bairros. The municipality has an unemployment rate of 7.5 percent with most employees connected to the service or industrial sectors. M. Dias Branco is the largest employer in the city with over 1,500 employees. The city has grown close to 11 percent between 2010 and 2015.² This expansion in the population has created an overcrowding problem, where 37 percent of households have more than two persons per room. Currently, there are 200 condominiums being built in Eusébio aimed at housing the upper middle class.³ A more detailed profile of Eusébio can be found in Appendix A.

Income Inequality

The Gini Index, which measures income disparity, has increased in Eusébio from 0.59 in 2000 to 0.61 in 2010.⁴ The average monthly income of 50-60 percent of the employed population is R$1,132.75, with the average income of the unemployed being R$600.⁵ Through the federal Bolsa Família program, qualified individuals receive R$77 and an additional R$35 per child in the household. Typically, a Bolsa Família recipient will receive up to R$200 per month. In addition to this support, the municipality of Eusébio has its own social welfare program, Renda Minima, which supplements Bolsa Família, making the total take home assistance no more than R$600. Participating in this program requires that at least 40 percent of family food be purchased in Eusébio, that children attend school and that the family volunteer 100 hours of community service per month. Ten percent of Eusébio’s population is a beneficiary of Bolsa Família.⁶
Qualified Labor Force
Individuals in Eusébio are employed in many different occupations and industry sectors. The most common industry is the services sector, which makes up 45 percent of all jobs. The city has concentrated in bringing new business in five strategic sectors: service, industry, civil construction, retail, and eventually, technology. Currently the largest employer in the city is M. Dias Branco with over 1,500 jobs. By 2016, there will be at least two new major companies that will create new opportunities for residents. The Fiocruz (vaccine manufacturer and health research center) hub and Eletra (Chinese solar panel manufacturing and installation plant) are both expected to bring more than 1,500 new jobs to the city.

In 2010, the unemployment rate in Eusébio was 7.47 percent, higher than the 6.7 percent across Brasil. When taking a closer look, youth are most at-risk for being unemployed. Those ages 15-17 and 18-24 face 22.74 and 15.54 percent unemployment respectively. In Eusébio, students age 5-6 attend school at 96.65 percent, ages 11-13 at 83.55 percent, ages 15-17 at 58.72 percent and ages 18-20 at 31.24 percent.

Public Health
Eusébio offers free public health services to its residents, spending more than 25 percent of the city’s budget on health. There are local health centers in neighborhoods that provide gynecological services, mammograms, birth control, sexual health education as well as support and treatment for those who are struggling with drug abuse. Eusébio also has family health care teams that go out into the community. Nationally, these providers service an average of 1,500 families. In Eusébio, providers work with 700 families. The municipality has an infant mortality rate of 9.8 percent, the lowest in the country. Much of the health concerns that the city faces stem from its poor sanitation infrastructure. Mayor José Arimatéa Lima Barros Junior identified sanitation infrastructure as his number one priority for improvement, asserting that only 23 percent of waste was being properly treated. A 2010 census, done by the Instituto Brasileiro de Geografia e Estatística (IBGE) surveyed 12,711 households with permanent private

### Demographic Comparisons

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<thead>
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<th>Eusébio</th>
<th>Ceará</th>
<th>Brasil</th>
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<tbody>
<tr>
<td><strong>Population</strong></td>
<td>46,033</td>
<td>8,452,381</td>
<td>190,732,694</td>
</tr>
</tbody>
</table>
| **Age**  
| 15 or less | 27.9%  | 26.30%  | 24.08%  |
| 16 - 64 | 66.97% | 66.16% | 68.39% |
| 65 or more | 5.14%  | 7.54%  | 7.53%  |
| **Life Expectancy** | 72.66 yrs. | 72.60 yrs. | 73.62 yrs. |
| **Unemployment** | 7.47% | 7.56% | 6.8% |
| **GINI** | 0.65 | 0.61 | 0.53 |
housing in Eusébio and found 151 of those households to be without a toilet and 989 of those households who have a toilet relying on a rudimentary cesspit to dispose of their sewage waste.\textsuperscript{xiii}

**Political Context**

Brasil's current political climate presents challenges to municipal governments, local economic development efforts, and quality of life improvements for communities. Two weeks after the senate committee decided to suspend President Dilma Rousseff, the legislative process was halted until a final vote on permanent impeachment or restitution was had. Changes in the political circumstances occur daily, which has ignited citizen protests and further entrenched concerns of political stalemate. Transparency International, who produces an annual corruption perception index, gave Brasil a score of 38 out of 100 in 2015, qualifying the country as "highly corrupt." The Organization for Economic Cooperation and Development (OECD) hosted a Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 2011 and subsequently found Brasil’s corruption enforcement to be “little,” and measured control of corruption overall at 60 percent.\textsuperscript{xiv}

The economic recession has also exacerbated displeasure with the complex federation of governance. Several public officials note the unequal manner in which governance responsibilities are assigned to municipal, state, and federal governments, emphasizing the high percentage of costs borne by localities. An example brought up is related to financing Health. Through Brasil’s Unified Health System (SUS), the federal government requires the city to spend 18 percent on health. Eusébio exceeds these obligations in addition to their education expenditure requirements.\textsuperscript{xv} Where challenges arise is when the state is not designated to meet similar standards, making infrastructure improvements difficult to enact without securing significant contributions from the federal government. The burden of a mandated financing structure hampers large scale infrastructure development, which is a key ambition of Eusébio’s administration, particularly in the area of sanitation.

The complex tax structure paired with high interest rates associated with the recession creates a barrier to local economic development and instability within new industry. According to the Tax Planning Brasilian Institute, Brazilians who worked in 2011 saw 102 days' worth of income go toward some form of tax or fee.\textsuperscript{xvi} A 2014 study ranked Brasil last out of thirty countries when examining taxation against quality of service. This has contributed to poor levels of public approval, magnified by the perception of increasing federal expenditures and collection. In Eusébio, 65 percent of tax revenue goes straight to the federal government, making desired investment areas like infrastructure disproportionately dependent upon federal financing.\textsuperscript{xvii} Several key business taxes also influence the entrepreneurial momentum of a municipality, an area
that Eusébio has captured well. The Imposto Sobre Serviços (ISS), the municipal service tax, is set at 2 percent in an effort to attract industry into the area. xviii

Eusébio finds itself well positioned to embark on more creative strategies to tackling the issues highlighted above. Income inequality, questions over a qualified labor force and issues of public health are difficult, but far from impossible issues areas that can be addressed effectively. Understanding the limitations that come with the current political context, Eusébio can succeed by thinking beyond a one-dimensional approach, and investing in cross sector collaborations anchored by socially innovative solutions.

REIMAGINING CHANGE MAKING

Social innovation has emerged as a means to identify solutions to the world’s most intractable problems by harnessing the power of capital markets to achieve social impact. xix These solutions are often more effective, efficient, and sustainable than existing programs. xi For a process or outcome to be considered innovative, it must meet two criteria: 1) Novelty: the innovation must be new to the user, context, or in its application; and 2) Improvement: it must be more efficient, effective, or sustainable than pre-existing alternatives. Social innovation seeks to increase social value, defined as the creation of benefits or reductions of cost for society – through efforts to address social needs and problems – in ways that go beyond the private gains and general benefits of market activity.

Structure and Benefits of a Social Enterprise

Social enterprises represent a hybrid of traditional mission-oriented organizations and for-profit firms by combining key aspects of each. They are built on an earned income strategy in which the revenue generating activity inherently furthers the mission of the enterprise. xxi

Social enterprises fill an important role in society by avoiding the policy constraints of government entities and the financing limitations of nonprofits. In generating their own revenue these enterprises create a sustainable business plan that allows the project to continue achieving social impact after the initial donations have been exhausted. Funders take on a role more similar to venture capitalists, seeding organizations that have the greatest potential for large-scale impact. Relying on markets also creates accountability; only organizations that are meeting a real community need will thrive.

According to Roger L. Martin and Sally Osberg, developing a social enterprise consists of three components:

1. Identifying a stable but unjust equilibrium that negatively impacts a disenfranchised population
2. Developing a social value proposition to create change; and
3. Redefining the equilibrium that improves the quality of life for a targeted group, and is sustained with a stable ecosystem. xxii
Social enterprises can blend social services, which provide public goods, and social activism, which aims to influence existing systems, in their for-profit model. Standards-setting or certification organizations such as fair-trade product certification are such models.

**Social Enterprise Metrics**
Social enterprises are dual-mission organizations which must have metrics to evaluate their social impact as well as their financial success. This is referred to as the “double bottom line.” While each program develops their own monitoring framework, global organizations have developed standard metrics to evaluate and compare outcomes internationally. This consistency is critical for investors and donors to feel confident in their choices as well as the professionalization of the sector more generally. The two most prominent are:

1. **B-Lab:** A non-profit membership organization that evaluates private companies’ social and environmental performance, accountability, and transparency. B-Lab metrics range topic areas from job creation to environmental impact. Different standards are created for different types of social enterprises, e.g., educational services, financial services, and context, e.g., developed or emerging markets. B-Lab also has standards for green buildings and health and safety of employees and community stakeholders. Not all B-Corporations are social enterprises, but it is beneficial to have the certification.

2. **IRIS:** Impact Reporting Investment Standards (IRIS) is managed by the non-profit organization Global Impact Investing Network (GIIN) to measure the social, environmental, and financial performance of impact investments. IRIS reports use common language and standards to let companies and investors easily evaluate the results of their impact investments. Over 5,000 organizations use IRIS to evaluate their social and environmental performance, and 98% of investors accept this report. Examples of metrics include Access to Food, Access to Water, and Employment Generation. A summary of best measurement and evaluation practices and tools can be found in Appendix B.

A more detailed explanation of successful measurement and evaluation practices can be found later in the report.

**Cross-Sector Impact**
Successful social enterprises lean on a multi-faceted approach in solving complex problems. These efforts require coordination and collaboration between local, state, and federal bodies as well as nongovernment agencies in addition to the private sector. Effective enterprises partake in cross-sector collaboration to absorb the financial and expertise requirements needed to broaden impact. When social enterprises leverage relationships and networks across sectors progress is not dependent on one organization and its financial commitment.
FINANCING MODELS FOR SOCIAL ENTERPRISES

The finance model of a social enterprise is a core component of designing a new venture. The following details existing financing models that social enterprises have explored in order to help meet initial startup and longer term financial needs. A table of these financing options accompanied by brief explanations can be found below.

Community Banks
A community bank is a locally owned and operated bank that lends to businesses and families in its neighborhood of operation. They provide a form of microfinance with funds generated by the same community that will be receiving the loans and investments. They specialize in empowering low-income groups by providing access to credit otherwise unavailable. xxix Social impact of these institutions is evaluated based on metrics such as percentage of loans to women, loans to startups, jobs created or returned, and green jobs created.xxx As with any lending institution, there is the risk that households could be encouraged to take on greater debt that they can handle.

Angel Investing
Unlike venture capitalists who manage pooled money in a professional fund, angel or seed investors invest their own money in emerging business startups, often in a business field in which they have interest or experience. xxxi They fill the gap between friends-and-family financing and more formal venture capital investing. With their investment, they can receive ownership equity or convertible debt which they can later exchange to a number of shares of common stock.xxxii Potential problems with angel investing include the high risk that angel investors must bear, which influences the projects that they pick and the potential control they might exert over the organization’s mission.

Crowdfunding
Crowdfunding platforms allow individuals or teams with an idea, cause, or project to publicize it to a wide audience of potential investors. Two crowdfunding platforms most relevant to social entrepreneurs seeking funding are YouCaring.com and Broota, with the latter operating in Brasil. Crowdfunding projects have a certain fundraising goal, and on some platforms, will only receive the investments if this is reached.xxxiii Potential problems with crowdfunding include intellectual property protection risks and donor exhaustion if teams continue to reach out to the same donor community.

Social Impact Bonds
Also known as Pay for Success Bonds, this performance-driven method of financing is one type of public-private partnership. The government contracts with a third-party intermediary to develop financing for an initiative.xxxiv If the project achieves its goals the
government repays the initial investment plus returns based on the savings accrued through the success of the project.\textsuperscript{xxxv} While low-risk for the government, the third-party evaluator must be impartial to ensure that only successful projects are paid out by the government.\textsuperscript{xxxvi}

**Impact Investing**

Impact investing is an umbrella term that refers to a range of investments with the explicit goal of achieving measurable social, cultural, or environmental benefits in addition to a financial return.\textsuperscript{xxxvii} It includes individuals investing in a single organization to private investment firms and funds with diversified portfolios. The practice has propelled the development of indicators for capturing impact of social enterprises, including the aforementioned IRIS, to standardize the measurement of social returns on investment globally.\textsuperscript{xxxviii}

For a complete summary of the mentioned financing options please refer to the table on the next page.
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<th>Cases: International</th>
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<td><strong>Community Bank / Community Development Finance Institutions</strong></td>
<td>Locally owned bank lending to businesses and families in neighborhoods of operation</td>
<td>Loan, usually at below market rates</td>
<td>Focused on local, smaller investments</td>
<td>Community-driven</td>
<td>Requires more startup costs; loans do not have to be for social enterprises, can be for personal benefits</td>
<td>In Fortaleza: Pirambú, Riosol, São Cristóvão, Palmas, DendeSol, Sitio de São João**</td>
<td>Kye (Korean concept), Center for Community Self-Help (Durham, NC, US)</td>
</tr>
<tr>
<td><strong>Crowdfunding</strong></td>
<td>Rewards-based, equity-based, or donation-based public investments for specific projects or causes</td>
<td>Donation or equity</td>
<td>Broad, project-based</td>
<td>Investments can be sourced globally</td>
<td>Most crowdfunding platforms take a percentage of the money raised; Intellectual Property (IP) risks</td>
<td><strong>Broota</strong> (equity crowdfunding platform for small angel investors)</td>
<td>Kickstarter, IndieGoGo, CrowdRise, Kiva (microcredit), US real estate crowdfunding platforms</td>
</tr>
<tr>
<td><strong>Angel/Seed Investing</strong></td>
<td>Investing for startups in need of funding in between friend-and-family financing and venture capital financing. Angel investors can operate individually, in networks, or through equity crowdfunding platforms.</td>
<td>Equity or convertible bonds</td>
<td>Startup companies at stage before seeking formal venture capital</td>
<td>Access to more capital; angel investors often invest in companies in their own fields and can offer expert advice and mentorship</td>
<td>High risk investing so tend to be limited to companies with very high potential returns</td>
<td>Angel investing growing; 40% of angels in 2013 were first-time investors. Anjos do Brasil (angel investor network)</td>
<td>Silicon Valley: Tech Coast Angels, Jeff Bezos (Amazon), Paul Buchheit (Y Combinator, Gmail)</td>
</tr>
<tr>
<td><strong>Social Impact Bonds / Pay-for-Success</strong></td>
<td>Performance-driven contract between public sector and private investor which pays returns on successful evaluation of the program</td>
<td>Long-term Investment</td>
<td>Public sector programs</td>
<td>Accountability in public sector, saves taxpayers dollars, low-risk to the govt, encourages innovation, money returned could be reinvested</td>
<td>Must have an impartial evaluator, requires public sector to be in debt to private sector, investors may be unaccustomed to waiting for results</td>
<td>SITAWI (?), Instiglio is working on it**</td>
<td>Instiglio (Colombia), Third Sector Capital (SF, USA), Nonprofit Finance Fund (NYC, USA), Social Finance (USA &amp; UK)</td>
</tr>
<tr>
<td><strong>Impact Investing</strong></td>
<td>A range of investment types with the explicit goal of achieving measurable social, cultural, or environmental benefits in addition to a financial return</td>
<td>Varies widely, often involves equity stake</td>
<td>Broad</td>
<td>Varies significantly, requires measurement of social impact (IRISxiii), allows nonprofits to grow, leverages knowledge of the investor</td>
<td>Varies significantly, sometimes lower than market-rate returns, could cause nonprofit to compromise mission</td>
<td>Artemisia Social Business, the Avina Foundation, Potencia Ventures (formerly Artemisia International), Vox Capital, SITAWI</td>
<td>Vital Capital Fund (Switzerland), Triodos Investment Management (Netherlands), The Reinvestment Fund (PA, USA), BlueOrchard Finance S.A. (Switzerland)</td>
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SOCIAL ENTERPRISE CASE STUDIES

Case Example: Sanitation
Sanergy, Kenya

Sanergy is an organization in Kenya that places sanitation units in community facilities which are franchised to local entrepreneurs who then charge a small fee to use the toilet. The revenue generated stays in the community and Sanergy collects the waste to be processed and sold as energy and fertilizer. Their work attempts to solve the challenges of clean water, quality healthcare, access to hygiene sanitation, food security, energy and economic development. The organization is set up as collaboration between Sanergy employees, franchise owners known as “Fresh Life Operators”, community members and partners from both the private and public sectors.

Organizational Structure and Strategy
Sanergy sought to design and manufacture toilet facilities at minimal cost. The toilets are 3’ x 5’ and made of prefabricated concrete with a squat plate, one hole for urine and one hole for solid waste which is collected in removable waste cartridges. The facilities, which can be assembled in one day, are sold at cost for approximately US$500, which includes installation and daily waste collection.

Sanergy also created a network of franchises that would operate in individual communities throughout Kenya. During this stage the organization works with local residents that purchase and operate the sanitation facilities as franchise partners. Sanergy provides training, access to financing, operation and marketing support, and a daily waste collection service to these “Fresh Life Operators.” It is the job of every franchise to generate demand for the product and maintain the cleanliness of the facilities, including supplying toilet paper, soap and a hand washing station. The distribution of the sanitation facilities to the communities are done in three different ways: pay-per-use toilets that are operated by local entrepreneurs in commercial areas and cost approximately five cents per use; toilets placed in residential areas that can be
accessed by community members at any time; and sanitation facilities in schools, churches and clinics as a way to provide access to vulnerable populations.\textsuperscript{xlv}

Sanergy is responsible daily for collecting waste at each of the sanitation facilities. The waste is then treated and converted into organic fertilizer, insect-based animal feed and renewable energy, a process that takes approximately four to six months to complete. The final step is to sell the fertilizer, animal feed and energy that is produced. Fertilizer and animal feed are sold to farms in Kenya anywhere from US$300 to US$600 per metric ton. A diagram of this process can be seen below.

\begin{center}
\includegraphics[width=\textwidth]{diagram.png}
\end{center}


\textit{Financing in the Start Up Phase and Beyond}

The initial $200,000 needed in funding was provided after the founders of Sanergy won the MIT Entrepreneurship Competition and the Diamond Award at the MassChallenge Startup Competition and Accelerator in 2011. Between 2011 and 2013, Sanergy received two grants from USAID’s Development Innovation Ventures, the first was $100,000 and the second was $1.5 million. This was in addition to receiving funding from the Swedish International Development Cooperation Agency’s Innovations Against Poverty challenge fund to help in the initial development of the product.\textsuperscript{xlv} Sanergy’s other partners include the Kenyan government, Kiva, Kenya Water Services Trust Fund, Kentainer, the Bill & Melinda Gates Foundation, and Oxfam, just to name a few.\textsuperscript{xlvi}

In February 2016 it was reported that Sanergy had raised $1.7 million in order to expand its operation. This funding came from three sources: a venture catalyst firm called Novastar Venture that works with social entrepreneurs to implement innovative business models in East Africa; Acumen, a nonprofit venture fund that works to fight global poverty; and the Eleos Foundation.\textsuperscript{xlvii} With this new funding, Sanergy’s goal in the next few years is to provide toilets to more than half a million people in Africa, generate 11,000 tons of fertilizer annually and 7.5 million kilowatt hours of electricity.
Currently, Sanergy has 683 active sanitation units in Kenya that provide 29,800 daily uses to community members in informal settlements and has removed and treated 8,935 metric tons of waste. Sanergy created 755 jobs, 326 of which are Fresh Life Operators, who have in turn become micro-entrepreneurs and created 157 jobs for residents in their communities. Expected revenue for each Fresh Life Operator is US$800 to US$1,000 per year. The additional 272 jobs created are team members within Sanergy as waste collectors and project managers.

**Sustainable Integrated Livelihoods (SOIL), Haiti**

Since 2006, the nonprofit Sustainable Organic Integrated Livelihoods (SOIL) has been promoting dignity, health, and sustainable livelihoods through the transformation of wastes into resources in Haiti. This is achieved through the implementation of a business model focused around ecological sanitation (EcoSan). EcoSan is a process in which nutrients from human wastes return to the soil rather than polluting the environment when sewage waste is not disposed of properly. The goal is to approach the issue of inadequate sanitation, declining soil fertility, and extensive erosion. In 2001, SOIL’s household toilet program began in collaboration with Stanford University School of Engineering students who helped with the design of the household facilities, and with partial funding from the Bill and Melinda Gates Foundation’s "Reinvent the Toilet" campaign.

**Organizational Structure and Strategy**

The method used by SOIL, of ecological sanitation, begins with SOIL toilets that are installed into people’s homes for a monthly fee of approximately $5 USD. The household toilet model costs approximately $35 USD to build. SOIL sanitation workers then visit each household weekly to collect the waste, which is then transported to one of SOIL’s waste treatment sites. Waste is then transformed into compost through a carefully monitored process that includes lab testing. Finished compost nourishes the soil to help stabilize the environment and bear nutritious organic food for people to eat.
and then excrete, which begins the cycle again. Two other services provided by SOIL are temporary mobile toilets for special events or construction sites and humanitarian sanitation in the form of free public toilets in some of Haiti’s most vulnerable communities. Providing facilities to communities who lack the proper infrastructure is one of the direct benefits received in Haiti. Another benefit includes job creation for the construction of toilets, for the selling of compost, and for harvesting crops. SOIL hopes to eventually make this process self-sustainable through the combining of compost revenue and user fees to pay for the ongoing maintenance, collection, and treatment costs.

_Financing in the Start Up Phase and Beyond_

For the 2014-2015 year, SOIL’s expenditures totaled $1,228,801 USD, which includes maintenance, education, as well as other costs to run their operation. SOIL’s revenue totaled $1,262,592 USD, including: $740,229 USD from foundation grants, $215,148 USD from individual and corporate contributions, $240,901 USD from religious, civic and partner organizations, and $66,244 USD from earned income. SOIL’s compost purchasers include: small farmers, backyard gardeners, community gardens and reforestation projects, large businesses and organizations, and agricultural enterprises. Some of the biggest sales have been to Heineken, the Food and Agriculture Organization of the United Nations, the St. Luke Foundation, and Meds & Foods for Kids. Other partners include: American Red Cross, UNICEF, and NRG. SOIL is also able to leverage crowdfunding on their website, where every $1 USD donated sees 93 percent of that contribution going directly to the sanitation and environmental programs in Haiti. One steady source of funding comes from SOIL Cultivators, which are individuals who are monthly givers who provide a stable source of funding for SOIL to deal with unanticipated challenges and roadblocks that come with working in Haiti. SOIL Cultivators receive a quarterly impact report on how monthly donor funds were spent and what outcomes were achieved and notices about SOIL events.

From 2014-2015, SOIL provided approximately 2,500 people with access to safe sanitation in their homes. In that year, SOIL also earned nearly $18,000 USD from the sale of their local compost. This price is based off of the availability of materials in Haiti. SOIL is also committed to education and the economy. From 2014-2015, SOIL reached over 4,000 people who participated in SOIL outreach events, partnered with 3 international research institutions and 4 Haitian universities, provided on the job training to 15 agriculture interns and 1 administrative intern, and employed 14 local contractors in toilet construction, 5 of whom were women.
Case Example: Solar

SELCO, India

SELCO is a social enterprise established in 1995 in India to initially provide sustainable energy services to remote locations. The unreliable availability of electricity has stymied economic development in the country. Of the 1.1 billion inhabitants, 404.5 million Indians lacked access to electricity. The organization realized that financing hinders the ability to deliver services.

Organizational Structure and Strategy

SELCO’s key features are: 1) creating products based on end user needs, 2) installation and after-sale service and 3) standardized finance packages. Similar to Brasil, India’s banking system did not have the necessary financial portfolio for solar energy technology. Therefore, SELCO forged partnerships with banks, NGP’s and cooperatives in order to develop tailored financial solutions for focal populations and their financial capacity. Their international investors include S3IDF, international development consultants, the Lemelson Foundation and The Good Energies Foundation. Because SELCO’s financial portfolio addresses its mission to make profit while providing a needed service, it has managed to survive during a dramatic change in the renewable energy market between 2004 and 2009 due to the growing popularity of solar panels. As a result, SELCO has created over 300 skilled jobs, and installed over 2,000,000 solar home lighting systems. SELCO’s operational structure was strategically designed to make double digit profits to avoid a co-dependent relationship with government grants and become a long-term sustainable enterprise. The structure includes employees anchored in rural operations, each one having a service territory in which it markets, sells, installs, and provides services.

Source: http://nexus.som.yale.edu/design-selco/?q=node/97
Financing the Start-Up Phase and Beyond

In 1995 SELCO founders started the company with $40,000 USD dollars. A couple years later, SELCO secured a conditional grant of $150,000 USD from Winrock International along with raising $2.5 million USD in private equity financing from European investors. The company also made equity investments of $850,000 USD in its Indian subsidiary. In 2003, SELCO also secured a $1 million USD loan from the International Finance Corporation (IFC), the private lending arm of the World Bank. By 2005, SELCO had reached more than half a million people by providing electricity to more than 80,000 households, micro-enterprises and community facilities, making it one of the largest solar system providers in the world. In 2001, SELCO broke even for the first time and earned modest profits for a number of years, peaking at a profit of $88,380 USD in fiscal year 2005.

Short Case Note: Ceará, Brasil

Fortaleza is leading the way in rooftop solar installation. There are two local private companies that provide manufacturing and distribution with other companies. The rural electrification market is one of the underserved markets the government is focusing on, and is not dominated by any one organization. The combination of increasing demand for lower cost of electricity, favorable natural conditions, new favorable government policies and tax are opportunities for social enterprises to establish themselves in the solar market. For example, a solar cooperative can initially retain a contract that addresses the cost of material with the city then evolve to independent contracts within new community developments.

Brasil has spent a decade constructing the best dynamics for all sectors to contribute to the country’s goal of 7 GW by 2024. New policies have been created for installation as well as funding for workforce training. The government is providing incentives to install solar panels and encourages environmental education to meet this aggressive solar generation goal to reduce cost for all Brasilians.
Case Example: Textile Care

Evergreen Laundry Cooperative, United States

The creation of the Evergreen Laundry Cooperative was a strategic decision aimed at establishing an enterprise that was profitable, acted as a leader in sustainability, created wealth for local residents and contributed to the success of the local economy. The founders sought out a strategic plan for economic development that addressed five core areas highlighted in the figure below. More importantly, however, Evergreen aimed to play a critical role in driving the rebirth of the Cleveland economy, a city which has more than 30 percent in poverty and whose population has declined to 450,000 from 900,000 since 1950. Based in the Glenville neighborhood, Evergreen operates in an area where the median household income is $18,500 USD a year. Focused on six neighborhoods, Evergreen launched the Laundry Cooperative leaning on the Mondragon model from Spain as a strong reference. Creating profitable enterprises that gives workers ownership stake, allowing for reinvestment and the creation of new enterprises is what drives the Evergreen strategy.

Organizational Structure and Strategy

What makes Evergreen unique is its governance and operating structure. Anchored by the Evergreen Cooperative Corporation (ECC), this 501c3 takes the role of the holding company, assisting with independent fundraising as well as capacity support for the social enterprises within the Evergreen umbrella. To ensure proper financial guidance and support, the ECC maintains 20 percent ownership of each cooperative, safeguarding against systemic risks that

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1 501(c)3 refers to the Tax Identification status of a non for profit organization in the United States. This is equivalent to the Organização da Sociedade Civil de Interesse Público (OSCIP) in Brasil.
may occur. The profits generated from the enterprise are redistributed in a few ways. The first is a certain percentage that goes into an innovation fund that allows the cooperative network to invest in new ventures. The second is in maintaining operations and capacity within the enterprise. And lastly, the remaining profits are distributed to the workers.

Employees of the Evergreen Laundry Cooperative reside in Cleveland neighborhoods. Those newly hired begin as temporary workers, with job placements lasting for six months. During that period of time, they are evaluated by two of their fellow coworkers, and if they can demonstrate competency and the ability to contribute to the cooperative, they are invited to be worker-owners. All employees receive a higher than living wage, health benefits and part ownership after contributing $3,000 USD into the cooperative - which can be done within 3 years. Payments of $,50 USD per hour in payroll deduction allow for these contributions to be done in an equitable manner. The money raised from worker payments are not used in capitalization. Employees cannot borrow or draw money out until their respective capital investments are higher than $65,000 USD. After accumulation of assets reaches $65,000 USD, worker-owners are able to use funds autonomously - for a down payment on a house or college tuition. A timeline detailing the initial step of being a probationary worker to the final step of being a financially autonomous worker-owner is demonstrated below:

**Financing in the Start-Up Phase and Beyond**

The start-up costs for the Evergreen Laundry Cooperative were $5.5 million USD, with $5 million USD being leveraged New Market Tax Credit funds, and the remaining
coming from the Commonwealth Bank and the Development Authority Loan. The high amount was due to the scale of operations sought out to service.

As detailed in the table, financial resources were diversified across public, private and nonprofit sectors.\textsuperscript{lxii} Success, however, is largely dependent on the contracts the ventures bring in. Evergreen Laundry Cooperative did go through difficulty in securing long-term contracts within the first couple years of existence.\textsuperscript{lxiii} The ability for this venture to persevere was dependent on relationships built with industry partners and anchor institutions.

<table>
<thead>
<tr>
<th>Sources of Funding</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Market Tax Credit</strong></td>
<td></td>
</tr>
<tr>
<td>U.S. Bank CDE</td>
<td>$1.3</td>
</tr>
<tr>
<td>Evergreen Cooperative Development Fund Loan</td>
<td>$1.4</td>
</tr>
<tr>
<td>U.S. Department of Housing and Urban Development (HUD) 108 Loan</td>
<td>$1.5</td>
</tr>
<tr>
<td>Shorebank Loan</td>
<td>$0.8</td>
</tr>
<tr>
<td><strong>Non-New Market Tax Credit</strong></td>
<td></td>
</tr>
<tr>
<td>Common Wealth Bank</td>
<td>$0.3</td>
</tr>
<tr>
<td>Economic Development Authority Loan</td>
<td>$0.2</td>
</tr>
</tbody>
</table>

The Evergreen Laundry Cooperative relies on partnerships between the residents of the six east side neighborhoods it targets, the Cleveland Foundation, the Democracy Collaborative at the University of Maryland, the Ohio Employee Ownership Center at Kent State University and the anchor institutions of Cleveland’s Greater University Circle. Anchor institutions are defined as being non-profit institutions or commercial entities that, once established, tend not to relocate elsewhere. Common anchor institutions are universities and hospitals, which are rooted in their communities due to their mission, invested capital, and/or relationships to the people who they service.\textsuperscript{lxiv} The characteristics of anchor institutions make them crucial to urban revitalization strategies because of their value for investment and development, and their ability to fill in gaps where industries have left cities. The anchor institutions in Evergreen’s case spend $3 billion USD annually on goods and services, and the Evergreen Cooperative has been key in keeping as much of that money in the neighborhood as possible.\textsuperscript{lxv} In leveraging contracts with these anchor institutions - specifically in textile care - Evergreen creates market supply for itself, allowing for a consistent stream of business. As a result, profit margins have been substantial for the Laundry Cooperative, grossing $1.1 million USD annually, and employing 25-35 employees with the potential to scale up to 60-70 worker-owners.\textsuperscript{lxvi}
RESEARCH QUESTIONS

Given the context and opportunity that presents itself here in Eusébio, we now seek to better understand some core questions that will enable us to propose social enterprise models and strategies for consideration. For this, the following sections revolve around addressing:

- What are the necessary components of a successful social enterprise?
- How do we evaluate community strengths and weaknesses to identify opportunities for social enterprises to address the needs of our focal population?
- What partnership and financial models could a social enterprise utilize?
- What impact evaluation strategies and metrics should be pursued to ensure effectiveness of social impact?

STRUCTURING A SUCCESSFUL SOCIAL ENTERPRISE

**Appreciative Inquiry Approach in Developing Social Enterprise**

It is suggested that potential social entrepreneurs use the Appreciative Inquiry (AI) methodology that the Alphaville Foundation employs to conduct a community diagnostic and market analysis before starting a social enterprise. Applying AI to the development of a successful social enterprise follows these steps:

<table>
<thead>
<tr>
<th>Application to Social Enterprise Planning</th>
<th>Discovery</th>
<th>Dream</th>
<th>Design</th>
<th>Destiny</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue Diagnosis</td>
<td>Performance Measurement</td>
<td>Organizational Structure and Financial Model</td>
<td>Continuous Evaluation</td>
<td></td>
</tr>
<tr>
<td>Identify Strengths and Opportunities of Community</td>
<td>Envisioning Impact</td>
<td>Co-constructing the Future</td>
<td>Sustaining the Change</td>
<td></td>
</tr>
</tbody>
</table>

The following sections provide further detail in each of the steps and offer resources for use during planning and implementation.
Community Diagnostic/Market Analysis

Conducting a thorough analysis is critical to ensure that the social enterprise is addressing a real need, is not duplicating work that is currently being done, and is operating in a manner that is appropriate to the local context. Using a strengths-based, as opposed to needs-based, approach helps to build on a community’s assets and can draw attention to resources that may have been ignored. It is recommended to avoid focusing on a group’s deficits, which can detract from their sense of agency and lead to dependency on outside groups. It is critical that all stakeholders are considered in the process, especially marginalized groups which may include women, underrepresented or socioeconomically disadvantaged groups, and the disabled.

Recognizing differences between a market analysis that would be conducted by a for-profit and nonprofit sector is important in creating an appropriate and meaningful community analysis. A critical element is recognizing the role of government in the work of nonprofits. Government-nonprofit relationships are complex and ever-changing. Given the regulatory role of government as well as the impact of political mobilization and civic engagement, a comprehensive approach to understanding the structural, cultural, and political constraints facing the nonprofit sector is critical.

A complete community analysis should include statistics collected from relevant government or international organizations complemented by a participative process involving surveys and focus groups. A variety of strength-based analysis tools exist that provide a framework to address the complexities of nonprofit planning and identify potential junctures for social enterprises to intervene. Detailed application of these tools can be found in Appendix C: Community Analysis Resources. These include:

- **SWOT Analysis:** Asks a community to evaluate their internal conditions (Strengths, Weaknesses) as well as the environment in which they find themselves (Opportunities, Threats) in a simple, straightforward quadrant system.
- **Market Facilitation Diagnostic:** Calls on the social enterprise to ask five questions critical to identifying and better understanding the roots of the market failure it is trying to address as well as the best approach to solving it.
- **Community Mapping:** Has community members create a map identifying physical spaces that represent significant resources, areas of danger, or culturally/socially important places.
- Seasonal or Daily Calendars: Asks community members to chart their activities during different periods of time. Helps to identify fluctuations in resources or operations that an evaluator may not otherwise witness.

When conducting a community diagnostic it is important to keep the evaluation areas to the right in mind.

PARTNERSHIP MODELS AND OPPORTUNITIES FOR COLLABORATION

The role of partnerships in launching social enterprise ventures is a core piece to success. As has been discussed in length throughout this report, social enterprises utilize multiple combinations of strategic partnerships that leverage relationships and networks to ensure stable financing in the short and long run, sound organizational structure and accountability, and continued programmatic success, which includes the recycling revenue for new ventures and growth. Below we have highlighted three specific sectors to consider when launching a venture as well as potential immediate collaborators in the greater Fortaleza metropolitan area.

Public Partnerships

A partnership with the public sector can be critical to social enterprises. If projects are successful, it increases the likelihood for expansion. Government entities in particular are looking for new and innovative ways to improve their communities. Social enterprises help them achieve this goal. The traditional approach is to use public sector subsidies as a way of enticing innovative projects in specifics regions. Limitations can exist however. Examples of innovative approaches cited in the previous section include social impact bonds, where the government pays a contracted amount based on documented reductions in crime, increases in public health, etc. Working with the public sector also entails navigating capacity issues as well as resources within bureaucratic structures that can often slow down processes. Regardless, the public sector can be a key ally in achieving legitimacy and broad reach. The following are a few examples of public entities in Ceará that can be partnered with:

- Municipality of Eusébio
- City of Fortaleza
- State of Ceará
- Universidade Federal do Ceará (Federal University of Ceará)
- Universidade de Fortaleza (University of Fortaleza)

Private Partnerships

Partnerships with the private sector have the potential of being mutually beneficial for all parties involved. Both parties go into business together, with the for-profit possibly taking equity stake in a social enterprise whose goals and mission align with its own. This would benefit the former by improving their public image and relationship with the community, and increasing their sales because the social enterprise’s work could expand the market for the for-profit’s products and services, or reduce the risk in their supply chain or operating environment. The social enterprise, in return, can benefit from
marketing and brand equity, financial return, as well as increased social impact. The private sector also has the expertise and know-how that the social enterprise can harness in order to effectively tackle important societal issues. The following are a couple of examples of private entities that can be enlisted as potential partners:

- M Dias Branco
- Petrobas

Non-Profit Partnerships
Developing partnerships with anchor institutions can be essential to the success of a social enterprise. Anchor institutions are nonprofit enterprises with roots in their communities due to their relationships with residents, employees, and vendors as well as the capital that they have invested in the area. These ties prevent anchor institutions from relocating. Moreover, anchor institutions can fill in the vacuums left by companies that have moved elsewhere. In many places, anchor institutions have become their region’s leading employers, and contribute significantly to community wealth building and stabilization. The most common anchor institutions are universities and nonprofit hospitals, although they can also include cultural institutions, libraries, community foundations and faith-based institutions.

Anchor institutions can leverage their assets to promote local private sector development in the local community through a variety of such means as:

- Directing a greater portion of their purchasing power toward local vendors
- Hiring more workers from the local community
- Providing workforce training for more vulnerable segments of the population
- Incubating the development of more social enterprises
- Leveraging real estate development to promote local retail and housing

Partnerships with nonprofits that are not anchor institutions are also worthwhile, as well as partnerships with international aid organizations and programs. Many international organizations have programs established in other communities that can provide a framework for social enterprises in new locations. There are a number of international examples of non-profit foundations, such as the Bill and Melinda Gates foundation that provide important funding for development, and play an important role in the process of defining priorities and coming up with solutions.

Alphaville Foundation
Depending on the project chosen, the partnerships that a foundation such as Alphaville decides to pursue and the role of the foundation will be different. Ideally, there would be integrated partnerships across all three sectors. The complex challenges that society faces are usually interlinked and require a mass of resources, expertise and perspectives. It is crucial for the social enterprise to be able to tap different capacities, exchange ideas and different types of knowledge, and this could only come up with inclusion, dialogue and the active participation of all the different segments of society.
INDICATORS AND PERFORMANCE METRICS

Systematic Overview and Qualitative Approaches
Qualitative Indicators of Social Enterprises and their Impact

Key to success is accurately assessing impact through validated, cost-effective, and integrated performance measurements. The following presents strategies that assist with the development of metrics. More detailed information on tools and resources can be found in Appendix B.

![Diagram of impact measurement process]

Adapted from: Impact Value Chain in The Double Bottom Line Methods Catalog, Clark, Rosenzweig, Long and Olsen and The Rockefeller Foundation, 2003

Social Impact and Impact Measurements
Impact measurement is needed to analyze how the organization is having an impact, how to market to their customers and stakeholders as well as acquire funding and continually develop and enhance their products, services, and any organizational processes. Most importantly, it computes the social impact created by the social enterprise and its related activities.
Organizations can use a planned “organization execution” design with financial and social metrics where impact is regularly measured. Routine assessments and measurements motivate the social enterprise to focus on the goals while alerting of adjustments that need to be made. MaRs utilizes the stages of “innovation-to-adoption” process to grow the social enterprise from an idea to a tangible innovation that is widely available in the market and society. The next chart represents the stages of maturity for social enterprises and its measurements of impact. Each stage has a process of testing, growth, and full adoption of the idea with performance assessments. Being able
to move through this staggered system of growing a social enterprise is its own indicator of success.

**Approaches to Identifying Promising Practices for Social Enterprises**

The most crucial development is stage one, where the social enterprise is established, attracts resources while exhibiting their capability and potential to continue through the cycle of testing, validation and growth. There are three specific approaches to measuring the promising practices and success of a social enterprise. First measurement is to assess the strength and viability of the enterprise. The investors focus on the idea’s feasibility, evaluates the management skills, and how quickly the organization improves, using the traditional spirit of entrepreneurship to measure development. The second approach to impact measurement is embedding metrics into the design of the product and/or service. If social enterprises can integrate value into the delivery of the product and/or service, it can provide instant feedback and improvement, which is compelling for investors. The third approach is mirroring a measurement system of a parent organization or other similar organization in its sector, which can lend to internal innovative practices and then refine an existing framework.

Also, social enterprises can expand on their effectiveness and efficiency and communicate this to funders and investors by demonstrating on logic models.

**Funder and Investor Self-Evaluation**

Funders and investors can evaluate and improve on their own performance in conjunction with the social enterprise, instead of collecting data. They can do this by advocating for public policies that support their program in its financing or its goals. Another way that funders and investors could help their enterprise is graduate the social enterprise out of the beginning stages of pilot project or as a start-up by advancing its systems. Finally, funders and investors should assess and assist social enterprises become financially self-sufficient. Funders and investors could analyze how they as the monetary stream, may be applying non-value-added costs and pressures through their procedures for funding/investment and reports of performance metrics.

**Characteristics of an Effective Impact Measurement System**

The characteristics of an effective impact measurement system include how the social enterprise adds impact and value in the long-term, how the goals of the social enterprise align with those of the funders and investors, and if the social enterprise is economically feasible, how it should be developed based on industry standards. The performance measurements should reflect the mission of the social enterprise and its impact should be the focus. They should be clear, meaningful, while being simple enough to manage and understand.

**APPLIED EXAMPLE: Community Garden-Nursery and Retail Hub in Eusébio**

We now turn to provide potential examples for how two social enterprises may be developed in the community of Eusébio that include municipal, private, and foundation partnership to be successful in addressing community needs. From our assessment, the municipality of Eusébio has an opportunity to implement social enterprise solutions in addressing community needs in a sustainable way. Insights from the diagnostic process reveal concerns related to unemployment rates, growing income inequality, environmental conservation, community development and access to community spaces. A specific priority expressed was the need to bridge the divide between the Alphaville developments and the neighboring communities.

This proposal consists of a Community Garden and Nursery, maintained in collaboration between Alphaville residents and Eusébio community members, and a Social Enterprise Community Hub, an entrepreneurship hub for community members to share their business experience and market products.

**Goals/Objectives/Mission**
The social enterprise solution addresses the needs of the community by providing access to healthy locally-sourced produce, preserving native plant species, creating jobs, leveraging the environment as a resource, and cultivating a sense of community.

**Performance Measurement**
In order to measure the efficacy of the Community Supported Agriculture and Social Enterprise Community Hub, performance measurement tools should be implemented to evaluate progress towards mission-driven goals in the areas of social impact, environmental impact, and financial impact.
<table>
<thead>
<tr>
<th>Assumptions / External Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community Garden &amp; Nursery</strong></td>
</tr>
<tr>
<td><strong>Staff Hours:</strong> 30 hours per week for each staff member taking part in the maintenance of the garden and/or nursery, trainings, workshops or nursery tours</td>
</tr>
<tr>
<td><strong>Planning:</strong> Participants involved in design and setup of project</td>
</tr>
<tr>
<td><strong>Materials:</strong> Land, plants, soil, seeds, garden tools and compost equipment</td>
</tr>
<tr>
<td><strong>Partners:</strong> Local businesses, governmental and community organizations</td>
</tr>
<tr>
<td><strong>Participants:</strong> 25 cooperative members, plus 5 support members from the Alphaville Foundation and/or community leaders</td>
</tr>
<tr>
<td><strong>Who are we reaching:</strong> Community of Eusébio and Alphaville Urbanismo residents</td>
</tr>
<tr>
<td><strong>What are we creating:</strong> Locally-sourced produce, preservation of native plants, compost, and job creation</td>
</tr>
<tr>
<td><strong>What are we delivering:</strong> Nutritional products, native plants, fertilizer, and education regarding nutrition and environmental sustainability</td>
</tr>
<tr>
<td><strong>Short-Term:</strong> Rate of individuals with access to healthy food, revenue, cost</td>
</tr>
<tr>
<td><strong>Intermediate:</strong> Rates of obesity and associated conditions, number of events connecting communities in Eusébio</td>
</tr>
<tr>
<td><strong>Long-Term:</strong> Income level of members of cooperative, biodiversity and natural resources conservation</td>
</tr>
<tr>
<td><strong>Goal:</strong> Produce healthy locally-sourced produce, creating jobs, leveraging the environment as a resource, and cultivating a sense of community.</td>
</tr>
<tr>
<td><strong>Results:</strong> Evaluate outputs and outcomes in relation to measures at outset of project. Utilize quantitative and qualitative data.</td>
</tr>
<tr>
<td><strong>Adjust:</strong> Based on evaluation process, reestablish goals for continuation or market exit</td>
</tr>
</tbody>
</table>

| **Social Enterprise Community Hub** |
| **Staff Hours:** 30 hours per week for staff managing the hub, as well as for the local entrepreneurs |
| **Planning:** Garden and Nursery staff lead the organizing of the various social entrepreneurs and events |
| **Materials:** Land, infrastructure for retail space, and goods. |
| **Partners:** Local businesses, governmental and community organizations |
| **Who are we reaching:** Community of Eusébio, Alphaville Urbanismo residents, and surrounding communities |
| **What are we creating:** A space for local entrepreneurs and consumers to come together |
| **What are we delivering:** Opportunity for local entrepreneurs to sell their goods, forum for collaboration and mentorship |
| **Short-Term:** Employment rate, number of engaged citizens, and number of products marketed |
| **Intermediate:** Number of social enterprises, rates of participation by neighborhood |
| **Long-Term:** Economic growth, market share by category in comparison to retail sector |
| **Goal:** Leverage community as a resource, create forum for job creation and skill building, and build community capacity. |
| **Results:** Evaluate outputs and outcomes in relation to measures at outset of project. Utilize quantitative and qualitative data. |
| **Adjust:** Based on results, determine areas of growth and issues requiring attention. |
| **Adjust:** |
Participants: Community garden & nursery staff, Alphaville Foundation, local entrepreneurs, consumers in and around Eusébio

Based on evaluation process, reestablish goals for continuation or market exit

In an effort to measure if the social goal is being met as well as if revenue is being created from the social enterprise, various metrics will be used to measure the outputs in the short term, intermediate term, and the long term. For Phase 1, the Community Garden and Nursery, the rate of individuals with access to healthy food, and revenue will be measured in the short term. Rates of obesity and associated conditions and number of events connecting communities throughout Eusébio will be measured in the intermediate term. In the long term, the income level of the members of the cooperative and the biodiversity and natural resources that are conserved will be measured. To determine whether the goals of Phase 2, the Social Enterprise Community Hub, are being met employment rate, the number of engaged citizens, and the number of products marketed will be measured in the short term. The number of social enterprises engaged in the hub and rates of participation from the surrounding neighborhoods will be measured in the intermediate term. In the long term economic growth and the share of the market in comparison to the retail sector would be measured.

Organizational Structure

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Financial Structure</th>
<th>Organizational Development</th>
<th>Time Horizon</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Supported Agriculture</td>
<td>Community collective social enterprise Impact investments for start-up costs Revenue generation through on-site and off-site sales streams.</td>
<td>Collaboration with start-up leadership support from public, nonprofit, and private sectors (see Partnerships table)</td>
<td>6-12 months</td>
<td>Garden and Nursery operates at the current nursery location in Alphaville Urbanismo.</td>
</tr>
<tr>
<td>Integrated Community Cooperative Hub</td>
<td>Social enterprise. Community Bank for enterprise start-up costs</td>
<td>Collaboration with start-up leadership support from public, nonprofit, and private sectors (see Partnerships table)</td>
<td>Phase 1: 6-12 months + Community Supported Garden and Nursery Launch Phase 2: 24-36 months + Retail space available, launch Hub</td>
<td>Agriculture land (garden, nursery) within current nursery space or adjacent to Eusébio. Retail outlet within proposed retail space (with options to expand in Eusébio, which most likely depend on a favorable lease for</td>
</tr>
</tbody>
</table>
The structure of this social enterprise will consist of two phases. Phase 1 is the Community Garden and Nursery that would be maintained by a collaboration of Alphaville residents and Eusébio community members. Phase 2 is the Social Enterprise Community Hub, which would be an entrepreneurship hub for community members to share their business experience and market products.

Both phases can potentially be housed and take place on the Alphaville Urbanismo site, since the infrastructure to accommodate a garden and nursery is already established. If this location is no longer feasible, then a site near Alphaville Urbanismo is preferred. Additional options are to repurpose a vacant lot or purchase land outside of Alphaville.

During the first stages of implementation, leadership support from the Alphaville Foundation will be necessary to identify and recruit community leaders, as well as other partners in the public, private and nonprofit sectors. This first phase of the social enterprise would seek to recruit an estimated 25 cooperative members, plus 5 professional support members from the Alphaville Foundation and/or community leaders.

This Community Garden and Nursery would be managed as one large space through the coordinated efforts of all the participants. Therefore, it will be important to develop a well-organized leadership team and potentially organize committees who are assigned to specific tasks (for example: recruitment, partnership development, special events, garden/nursery organization). Leadership will then be in charge of growing, cultivating, and selling the produce from the garden. For the nursery, participants will collect, propagate and replant native plant species for landscaping purposes, in addition to contributing to the selling of the products. They will also implement a composting system, and sell this compost as fertilizer.

Eventually members would also need to learn the skills to not only grow their product, but also to sell it. This will lead to Phase 2 of the project, the Social Enterprise Community Hub. Phase 2 will require the estimated 30 members from Phase 1 with an additional 25 social enterprise participants, depending on the size and scope of the hub. These 25 social enterprise participants can be recruited from the community with the assistance of the 5 professional support members from the Alphaville Foundation and/or community leaders. Members from Phase 1 can receive required trainings through the partnerships made with the assistance of the Alphaville Foundation. As the participants
learn the various skills to lead and manage the garden and nursery, they will be better-equipped to also manage the initiation of the Integrated Community Hub.

Examples of existing community gardens and hubs include:

- **Midtown Global Market, USA**: gives new and emerging entrepreneurs a prime location and support to build a business. Many of these new entrepreneurs are low income or recent immigrants.\textsuperscript{1xxxiii}
- **Dia Dia, Venezuela**: dedicated to the efficient distribution of food to excluded sectors in Venezuela by eliminating intermediate layers in the value chain of food distribution that keep prices high. Development of communities throughout Venezuela is also promoted through recruitment, training, and staff development.\textsuperscript{1xxxiv}
- **Company Shop, UK**: works with Great Britain’s largest retailers, manufacturers and brands to redistribute surplus products. The Company Shop launched the Community Shop in 2013 to distribute food particularly to disadvantaged communities and improve health and economic outcomes for families.\textsuperscript{1xxxv}
- **Urban Ventures, USA**: adopted a holistic system of programs and social enterprises designed to equip people with resources and opportunities in order to combat urban poverty. Their programs include job skills training and nutrition education.\textsuperscript{1xxxvi}
- **Northey Street City Farms, USA**: This community based urban permaculture farm demonstrates, promotes, educates and advocates for environmental and economic sustainability in a healthy, diverse and supportive community.\textsuperscript{1xxxvii}

**Partnerships**

<table>
<thead>
<tr>
<th>Potential Partner</th>
<th>Relevance</th>
<th>Role in the Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipality of Eusébio</td>
<td>Location of the Community Garden and Nursery.</td>
<td>• Allocate a portion of funds that are designated for small businesses from the committee for social action. Land would need to be leased to the enterprise from the municipality.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Donate retail space for the Integrated Community Hub.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Install water outlets as needed</td>
</tr>
<tr>
<td>Universidade Federal do Ceará</td>
<td>Has an Agricultural Center.</td>
<td>• Provide expertise on sustainable farming methods that could also be incorporated in workshops and tours.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Experts and students can get involved with gardening and educating the community about environmental sustainability.</td>
</tr>
<tr>
<td>Organization</td>
<td>Description</td>
<td>Collaboration Highlights</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
<td>-------------------------</td>
</tr>
</tbody>
</table>
| **Universidade de Fortaleza** | Has a Health Sciences Center, including Nutrition. | • Provide expertise on nutrition that could be incorporated in workshops and tours  
• Experts and students can get involved with gardening and educating the community about healthy eating habits |
| **Prohuerta** | A public policy program that promotes agro-ecological production practices for self-sufficiency, food education, and fairs and alternative markets. | • Provide training  
• Disseminate appropriate crop production technologies  
• Provide expertise on repurposing vacant land in the case that the community garden has to locate to another site |
| **Progeto Fome Zero** | A federal government program that fights hunger and extreme poverty. | • Provide support for subsistence farming and access to microcredit  
• Assist in educating the community about healthy eating habits |
| **International Development Research Center** | Research center that funds research in developing countries to create lasting change (previously partnered with Governador Valdares to develop community gardens with municipal support). | • Develop partnership with social enterprise and municipality to develop the community garden and school meal programs |

**Nonprofit Sector**

<table>
<thead>
<tr>
<th>Organization</th>
<th>Description</th>
<th>Collaboration Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizacao Cidades Sem Fome</strong></td>
<td>Organization that started 21 community gardens based on organic farming.</td>
<td>• Teach workers how to manage their own business and become financially independent</td>
</tr>
</tbody>
</table>
| **RUAF Foundation** | Collaborates with municipalities to realize food projects with vulnerable groups and to enhance access to nutritious food. | • Provide information regarding previous Brasil projects  
• Teach foundation staff / cooperative leadership how to run successful program |
| **Ciclo** | Organization that trains and disseminates information in areas of permaculture and related practical skills. | • Funds and finds volunteers and beneficiaries for projects  
• Assists with hands-on-learning, practicing and experimenting with permaculture ideas |
| **Sebrae** | Nonprofit, private entity with the mission of promoting sustainable and competitive development of small businesses. | • Fosters entrepreneurship by providing guidance to help small businesses grow and generate more employment  
• Can consult and transfer knowledge and know-how  
• For established businesses, it offers courses, lectures and training so there’s a better understanding of market challenges and how to expand |

**Private Sector**
<table>
<thead>
<tr>
<th>M. Dias Branco</th>
<th>Owns the land that is being developed at the Alphaville Urbanismo site.</th>
<th>• Can act as a sponsor of the garden/nursery by providing materials, tools, support</th>
</tr>
</thead>
</table>
| Horizonte Fertil | A company that deals with biotechnology, agricultural consultancy and waste management. | • Act as a consultant for the implementation of biodigesters  
• Provide innovative composting techniques |
| BR Petrobas | Has a program called the Petrobras Development and Citizenship Program; in 2013, it invested R$170 million in more than 1600 social, environmental, cultural and sports projects. | • Provide assistance in the analysis of market demand  
• Establish direct linkages with buyers  
• Provide financial support for the social enterprise and its product delivery systems |

**Financial Model**

**Community Garden / Nursery**

For this cooperative model, all start up funds and revenue will be used and shared equally among all participants, with no one member having complete control. Startup funds for the initial materials, including seeds and tools, will be provided through impact investing created through a partnership between the cooperative and another entity: private, public or non-profit. This model provides a community-supported and sustainable funding solution independent of foundation support. Revenue is generated through product sales. Goods harvested can be sold within Alphaville as well as the surrounding community. After the first harvest the garden will become self-sufficient and function through the cycle: plant, harvest, sell, repeat. Profits are allocated equally among members of the collective depending on number of hours worked.

**Social Enterprise Hub**

Start-up funds for the social enterprise hub will be provided by a Community Bank, funded all or in part through the profits of the community garden and nursery. By using the profits from the community garden and nursery to fund a social enterprise hub, the members of the collective are not only expanding their business but becoming owners of their own retail space. Initially the products sold will be goods from the community garden/nursery, but can be expanded to other industries as additional community interest is cultivated. As more retail space is established, revenue and profits will increase, allowing for additional programs to be create and retail spaces to be purchased.

**Continuous Evaluation**

**Community Garden and Nursery**

Producing healthy locally-sourced produce, creating jobs, leveraging the environment as a resource, and cultivating a sense of community are the goals of the project and should continuously be met. In order to measure whether these goals are being met, the
outputs and outcomes should focus on evaluating: the rate of individuals with access to healthy food, revenue generated, rates of obesity and associated conditions, number of events connecting communities throughout Eusébio, the income level of the members of the cooperative, and the biodiversity and natural resources that are conserved.

Social Enterprise Community Hub
Leveraging community as a resource, creating a forum for job creation and skill building, and building community capacity are the primary goals of this phase of the project. Outputs and outcomes should also be evaluated using the following metrics: employment rate, the number of engaged citizens, the number of products, the number of social enterprises engaged in the hub, rates of participation from the surrounding neighborhoods, economic growth and the share of the market in comparison to the retail sector.

In sum, if adjustments need to be made to improve results, then goals may need to be reestablished in order for the project to continue, or plans may need to be made to exit the market if adjustments are not feasible.

APPLIED EXAMPLE: ACCELERATOR/INCUBATOR
Community research has identified an opportunity for job creation projects in Eusébio, particularly for young students who may otherwise have limited options. To meet this need the Eusébio Social Enterprise Incubator would build on the success of current youth development programs, such as Alphaville’s community-supported Jovem Sustentavel, program to serve as the next step for graduates. The participants could develop their community service project into a social enterprise which is financially sustainable in the long-term. The incubator would develop these and other emerging social ventures through access to financial capital investment, mentorship, training, and networking. It would support social innovation by providing a workspace for local entrepreneurs and organizing various seminars, training sessions, interactive workshops, conferences, and field trips to develop their skills and competencies.

Existing socially conscious businesses in the area could provide further examples for the participants to learn from. Ceará is the state in the northeast with the highest number of incubators, according to the Rede de Incubadoras de Empresas do Ceará (Ceará Business Incubators Network) (RIC) indicating that there is expertise in the region that could be leveraged for social enterprises.

Goal/Objectives/Mission
The Eusébio Social Enterprise Incubator is a model-sharing community for innovators, consultants, and freelancers working in social innovation. The primary goals are to foster social entrepreneurship amongst the youth, create jobs in the community, and
promote economic development in areas of underinvestment. It will serve as a regional hub for social innovators to share ideas and best practices.

**LOGIC MODEL for the Eusébio Social Enterprise Incubator**

**Inputs:**
- Underemployed populations, e.g., students in neighborhoods that have dropped out of high school and those working informally; land, facility, staff with social enterprise expertise, funding and investment, expert and financial partners, participants, and office supplies (computers)

**Activities:**
- Attract social enterprise experts and professionals to be staff or potential partners at incubators.
- Attract investment, from angel or impact investors or venture capital, or from government or private foundation grants.
- Provide education and awareness on social innovation and social enterprises, particularly to targeted publically underserved populations.
- Recruit and gather existing or potential social enterprises, particularly from youth.
- Mentorship, training, and networking program to develop social enterprises and deliver social goods to targeted communities.
- Regularly evaluate progress of social enterprises in their social, environmental, and financial sustainability and impact.

**Outputs: The Eusébio Social Enterprise Incubator**
- Social enterprise education
- Social enterprise mentorship and development program
- Events: training, networking, expert discussions
- Cohort of new innovative social enterprises addressing social problems

**Customers:**
Underserved communities. For Alphaville Ceará, the barros of Santo Antônio, Jabuti, and Urucunema.

**Short term Outcomes:**
- Develop human capital through community knowledge of the social enterprise model and opportunities
- Increase jobs through participants
- Create measurable social goods

**Long term Outcomes:**
- Create regional social innovation hub
- Scale up social enterprises for increased social impact reaching more underserved populations

**Goal Alignment:**
- Promote sustainable social, environmental, and economic missions of portfolio of social enterprises
- Expand social innovation education and become an investment and creative hub for social innovation.

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**Potential Metrics**

**Number of social enterprises supported**

**Network strength**
- Number of mentors
- Number of investors
- Amount of investment
- Number of visitors
- Number of events (networking)

**Educational Impact**
- Number of training programs and workshops
- Number of experts brought in

**Success of social enterprises launched**
- Social Impact
- Financial health
- Environmental Impact
**Performance Measurement**
Consistent performance management metrics are critical to the success of the Social Enterprise Incubator. The following logic model has been developed around the indicators and metrics that are most relevant to the incubator to track its impact on the community:

**Organizational Structure**

The first phase of developing an incubator is forming a multidisciplinary management team to provide expertise for a variety of potential social enterprises. The incubator would be established as nonprofit governed by a board of eight individuals with the traditional structure of a president, vice president, secretary, treasurer, and historian. Additionally, it would include a member of the local foundation, the City of Eusébio, and the university partner, as well as topic experts and impact investors to select the participating social enterprises. The incubator would be operated by a partnership between a foundation, the City of Eusébio, and the university partner. The shared workspace would be focused on a single social enterprise field, such as environmental/energy enterprises, to facilitate concentrated idea-sharing. The incubator would be centrally located with ample access to public transportation, other small businesses, and resources that the entrepreneurs might need.

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Financial Structure</th>
<th>Organizational Development</th>
<th>Time Horizon</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Enterprise Incubator</td>
<td>A local foundation provides grants or investments for initial operating costs; Land is donated by City; Facility built by private industry donor/partner; Enterprises are supported by a revolving loan fund</td>
<td>Partner with City of Eusébio, UFC, private impact investors</td>
<td>Requires at least 5 years until there will be financial returns</td>
<td>Alphaville Ceará Town Center on one floor of commercial or mixed-use private development</td>
</tr>
</tbody>
</table>

**Partnerships**

Strong multi-sector partnerships are critical to the success of the Social Innovation Enterprise Incubator. These range from public or government entities to nonprofits and foundations as well as the private sector. Universities are the main catalyst for incubators in Brasil; more than 40 percent of Brasil's 59 federal universities have some kind of incubator.\(^c\) The list of potential partners below suggests the wide variety of resources that partnerships can leverage, from capital investments and financial donations to expertise and mentorship.
<table>
<thead>
<tr>
<th>Name of Potential Partner</th>
<th>Role in Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Sector</strong>&lt;sup&gt;xxx&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>City of Eusébio</td>
<td>Provide land and/or facility; Promote or create friendly policies for social enterprises; Help develop partnerships with private sector</td>
</tr>
<tr>
<td>Universidade Federal do Ceará / Other University Partner</td>
<td>Teach business education and social entrepreneurship; Help advise business model; Bring in students to both train in social innovation and become enterprise mentors or creators</td>
</tr>
<tr>
<td><strong>Nonprofit Sector</strong>&lt;sup&gt;xxi&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>NESst&lt;sup&gt;xxii&lt;/sup&gt;</td>
<td>Share university-foundation partnership model and incubator and competition model</td>
</tr>
<tr>
<td>Sebrae&lt;sup&gt;xxiii&lt;/sup&gt;</td>
<td>Provide consulting services for small business legalization</td>
</tr>
<tr>
<td>Anjos do Brasil&lt;sup&gt;xxiv&lt;/sup&gt;</td>
<td>Provide more funding through access to angel investors</td>
</tr>
<tr>
<td>Other NPOs</td>
<td>Cooperate on projects that could be social enterprises; Share information, experiences and resources</td>
</tr>
<tr>
<td>Avante&lt;sup&gt;xxv&lt;/sup&gt;</td>
<td>Provide financial services and financial education to individuals with lower educational levels</td>
</tr>
<tr>
<td>Sitawi&lt;sup&gt;xxvi&lt;/sup&gt;</td>
<td>Provide access to low-rate loans</td>
</tr>
<tr>
<td>Vox Capital&lt;sup&gt;xxvii&lt;/sup&gt;</td>
<td>Provide more funding through venture capital at a negotiated equity stake</td>
</tr>
<tr>
<td><strong>Private Sector</strong>&lt;sup&gt;xxviii&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Private Companies&lt;sup&gt;xxviii&lt;/sup&gt;</td>
<td>Invest in social enterprises related to industry; Provide volunteering opportunities through mentorship</td>
</tr>
<tr>
<td>Individual Investors</td>
<td>Invest in social enterprises; Offer mentorship</td>
</tr>
</tbody>
</table>

**Financial Model**

For the initial startup phase, the incubator will have to fundraise for land and facility costs, as well as costs for the program and staff. Land could be donated by the City of Eusébio from percentage of land allocated to the city from Alphaville, which the City is already pursuing for business development. The facility may be donated from a public or private partner. It could be developed on one floor of a commercial or mixed-use development built by a private company or firm. There are global examples of private industry partners, like Microsoft, who have invested in business incubators due to the belief that there will be a return on investment from the innovation ecosystem that is developed. The incubator could also pursue grants or loans from governments or private foundations in its startup phase.

During the sustainable phase, after the initial startup period, the incubator may continue to pursue funding from grants and loans but would focus on recruiting impact investors to invest capital in the incubator in an equity partnership. Equity partnerships are how the social enterprises developed by the incubator would be funded. The incubator itself would also take a small equity stake in each social enterprise. Impact investors could be recruited from the residents of Alphaville Ceará itself, or elsewhere in Eusébio or the metropolitan region or state. There is also potential that the incubator would require
ongoing public funding due to private and foundation investments not covering the entire budget. However, the city could still have a positive return due to savings on other social programs, like Renda Minima, which would not have to be as heavily funded by the city budget due to the social benefits and increase in wages generated by thriving social enterprises.

**Continuous Evaluation**

Continuous evaluation and improvement is a core component of the social enterprise incubator’s management system. The success of the project will be measured by financial and social returns of the incubated organizations as well as the larger institution. Metrics will include the financial returns of enterprises to their investors which will involve closely tracking their profit and loss margins as well as sales growth. Qualitative data on customer service ratings and the community perception of the enterprise’s work will be collected through interviews and focus groups. Further data will be collected on the overall impact of the incubator on the community including job creation, network growth, and impact on underserved populations.

**CONCLUDING THOUGHTS AND OPPORTUNITIES**

Problem solving social issues through the framework of social innovation --specifically through the creation of a social enterprise--presents an opportunity to pursue novel and sustainable solutions that address the needs of communities while creating revenue and reinvesting back into the focal region. Due to the fact that social enterprises are dual mission-oriented, it is important to apply the appropriate metrics to ensure that the objectives are being met, such metrics can include: number of jobs created, number of investors, or rate of individuals with access to healthy food. While metrics vary, depending on the social enterprise that is undertaken, resources such as B-Lab and IRIS can assist an organization with evaluating their social impact and financial success. Financial models will also vary depending on the resources available to an organization, these models include: a community bank and/or community bank
development finance institution, crowdfunding, angel/seed investing, social impact bonds, and impact investing.

Several successful enterprise examples exist globally that can serve as a strong reference for Eusebio. This report specifically has highlighted examples that leverage the best practices identified in terms of funding, structure and evaluation, all ventures that have proven impactful in their missions and scope of work. Eusebio finds itself in a unique position to take advantage of such examples and think critically as to how social innovation can play a role in addressing pressing needs within a rapidly changing environment. From our research, we have observed a couple key findings we believe will be useful in Eusebio’s pursuit of innovative problem solving.

**Policy as a Catalyst for Success**

The municipality finds itself in an opportune moment to leverage its strong track record of strategically attracting industry by expanding its scope to the potential found in also promoting small business and social enterprise growth and development. One way to assist in sparking innovation is by seeking a policy that would provide some form of tax incentives for social enterprises. Mission-driven enterprises should be differentiated from other for-profit entities in regards to how they are taxed. Doing so would aid in sustaining enterprises, making them less reliant on foundations and other grant providers. As a reference, the municipality of Governador Valadares, Brasil has put forth several policy measures to support community gardens. They have reduced property taxes by up to 3 percent as well as exempting those gardening on communal lots from paying for water. Incentivizing innovation is one way Eusebio can remain ahead of the curve in its achieving strong and continued economic development.

**Finding Momentum in Institutionalizing Partnership Building**

Throughout our observations one thing has stood out very clearly: Eusebio is a municipality that retains a consistent, open mentality on the need to have strategic and deep partnerships with necessary stakeholders. This routine is embedded in the way the municipal government has experimented with new programs and initiatives, all in an effort to better serve its residents. We believe that Eusebio can achieve even more. One suggestion would be for the municipality to institutionalize intentional partnership building across public, private and nonprofit sectors. Specifically, the creation of a specific staff position or office that is dedicated to social innovation would assist in securing the long term success of projects and initiatives Eusebio has committed to experimenting with that have proven impactful. Creating a staff position would allow there to be a liaison for government entities, non-government agencies and community members who could assist with capacity building, navigation of governmental apparatuses as well as community relations/communication for social enterprises and related initiatives. A staff person with a community pulse can help transform pilot programs into long term strategies for change.
APPENDIX A – EUSÉBIO PROFILE

Eusébio is a municipality within the state of Ceará, located in the Northeast region of Brasil. Eusébio’s population of approximately 50,000 residents has increased by 11% over a 10-year period. Eusébio’s 2012 budget was approximately R$170,843,000. The top 3 areas the city allocated funds towards were Education 29.52%, Education 20.94%, and Administration 11.42%. Table 1 shows that there is relatively a small difference between its larger counterparts, with the exception of the large distinction amid the average per capita income between Eusébio and Ceará.

Socio-Economic Profile

<table>
<thead>
<tr>
<th>Demographic Comparisons</th>
<th>Eusébio</th>
<th>Fortaleza</th>
<th>Ceará</th>
<th>Brasil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>46,033</td>
<td>3,615,767</td>
<td>8,452,381</td>
<td>190,732,694</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 or less</td>
<td>27.9%</td>
<td>23.91%</td>
<td>26.30%</td>
<td>24.08%</td>
</tr>
<tr>
<td>16 - 64</td>
<td>66.97%</td>
<td>69.77%</td>
<td>66.16%</td>
<td>68.39%</td>
</tr>
<tr>
<td>65 or more</td>
<td>5.14%</td>
<td>6.32%</td>
<td>7.54%</td>
<td>7.53%</td>
</tr>
<tr>
<td>Life Expectancy</td>
<td>72.66 years</td>
<td>73.86 years</td>
<td>72.60 years</td>
<td>73.62 years</td>
</tr>
<tr>
<td>Unemployment</td>
<td>7.47%</td>
<td>8.03%</td>
<td>7.56%</td>
<td>6.8%</td>
</tr>
<tr>
<td>GINI</td>
<td>0.65</td>
<td>0.61</td>
<td>0.61</td>
<td>0.53</td>
</tr>
</tbody>
</table>

Housing Statistics: Comparison between Eusébio and Brasil
The large population growth has created overcrowding. Indicators of overcapacity are noted in basic services in the city such as electricity as seen in Table 2.

How it looks like: Urucunema is known as a favela and is filled with informal housing. Infrastructure for sanitation is poor. There are small informal businesses in people’s yards. There is one school and one community space where classes are taught, and humanitarian work is done, distributing soup to those in need.

Deaths from violent crimes have steadily continued to increase in the country as mirrored by the growing prison population. There are no specific statistics on crime for the city of Eusébio, but is located in the region with the second highest levels of crime. Within this region, crime rates increased from 2014 to 2015. The number of thefts jumped to 9%.

Residents of Santo Antônio in general have a lower level of education and most residents depend on Bolsa Familia. The solutions for the growing amount of violence, drug trafficking, and lack of workforce training are priorities for this community. Infrastructure for sanitation and pedestrian foot-traffic must be improved.

**Education in Eusébio**

<table>
<thead>
<tr>
<th>Housing Issue</th>
<th>Eusébio</th>
<th>Brasil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overcrowding (More than 2 people per room)</td>
<td>37%</td>
<td>28%</td>
</tr>
<tr>
<td>Running water</td>
<td>77%</td>
<td>87%</td>
</tr>
<tr>
<td>Indoor plumbing</td>
<td>77%</td>
<td>87%</td>
</tr>
<tr>
<td>Garbage collection</td>
<td>93%</td>
<td>97%</td>
</tr>
<tr>
<td>Electricity</td>
<td>99.4%</td>
<td>98.6%</td>
</tr>
</tbody>
</table>

**Incidents of Crime**

<table>
<thead>
<tr>
<th>Crimes</th>
<th>Number of incidents in Eusébio</th>
<th>Number of incidents in the State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theft ( Petty to Grand)</td>
<td>1,919</td>
<td>4,327</td>
</tr>
<tr>
<td>Armed Robberies</td>
<td>331</td>
<td>6,215</td>
</tr>
<tr>
<td>Violent Crimes</td>
<td>222</td>
<td>4,019</td>
</tr>
</tbody>
</table>

The full-time schools funded by the municipalities have a 100% attendance rate among Eusébio’s education system (See Table 3). Students’ school attendance was averaged at 10.13 years in 2010 (from 8.67 in 2000; 5.73 in 1991). These school programs were developed in conjunction with an effort to reduce crime and violence within the city. In Jabuti residents are primarily low-income and most depend on Bolsa Familia. Many residents are employed Fabrica Fortaleza. Community issues that residents care about is the growing amount of
violence and drug trafficking, leading to a lack of social life in public spaces and squares. Many students drop out of school to work informally for small enterprises due to the perceived improbability of attaining higher education or formal employment.
APPENDIX B - Metrics and Indicators

The following are tools designed for performance evaluation for social impact projects:

**Impact Reporting and Investment Standards (IRIS)** catalogues metrics in a fashion that measures performance of enterprises in different issue or investment areas. The catalogue, which can be found on their website allows you to tailor your searches and refine which metrics would be most useful in your work.

**Sample Social Impact Objectives:**

<table>
<thead>
<tr>
<th>Access to clean water and sanitation</th>
<th>Conflict resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to education</td>
<td>Disease-specific prevention and mitigation</td>
</tr>
<tr>
<td>Access to energy</td>
<td>Employment generation</td>
</tr>
<tr>
<td>Access to financial services</td>
<td>Equality and empowerment</td>
</tr>
<tr>
<td>Access to information</td>
<td>Food security</td>
</tr>
<tr>
<td>Affordable housing</td>
<td>Generate funds for charitable giving</td>
</tr>
<tr>
<td>Agricultural productivity</td>
<td>Health improvement</td>
</tr>
<tr>
<td>Capacity building</td>
<td>Human rights protection or expansion</td>
</tr>
</tbody>
</table>

**Global Impact Investing Rating System (GIIRS)** uses IRIS definitions to assess ventures and enterprises based on their social and environmental performance. This resource generates impact reports that allows for accurate assessment of effectiveness in identified categories.

**PULSE** is a “portfolio management tool, administered by Application Experts (App-X), and is widely available to clients and comes pre-loaded with IRIS metrics.

**Logical Framework Analysis (LFA)** is broadly used for international development projects for the design, monitoring, and evaluation of international development projects and serves as a basic matrix for measuring social impact.

A helpful resource for performance metric development can be referenced using Brian Treistand’s framework published in *innovations*. This framework describes overarching indicator development and associated performance metrics using alternative terminology established by the Stanford Social Innovation Review.
APPENDIX C – Enterprise Resources

Community Analysis Resources

Community Analysis Toolbox
Provides a wealth of resources and step-by-step guides for diagnostic tools including SWOT analysis, qualitative surveys, and focus groups. Also includes sections on impact analysis, communication, leadership development, financial management, and more.

PACA: Using Participatory Analysis for Community Action
A guide to participative community analysis with a variety of tools for implementation and a specific eye on gender sensitivity. Includes numerous field examples and variations on the analysis process.

Organizational Diagnostic for Market Facilitation
Handbook for social enterprises to evaluate their current market approach with respect to different components needed for effective market facilitation

Tools for Strategic Planning

Metrics and Evaluation Resources

Design, Monitoring, & Evaluation Guidebook
Step-by-step guide to developing an outcome oriented logical-framework for international development projects. Also includes work plan and indicator plan to define and measure success.

Impact Reporting and Investment Standards (IRIS)

International Federation of Red Cross Log-frame Template
Standard and straightforward log-frame template used in international development with definition of terms and examples.

Social Entrepreneurship: Social Impact Metrics

Social Enterprise Business Plan Resources

Models of Impact: A Strategic Business-Design Toolkit
Models of Impact
From: http://www.modelsofimpact.co
A website that develops tools and resources that make it feasible to design social enterprise business models.

Scaling Up: Catalyzing the Social Enterprise
A succinct and visually appealing overview of the social enterprise platform, including the ecosystem and players, and implications.

Social Entrepreneurship: List of Resources
Resource list compiled by The Peace and Collaborative Development Network (PCDN). PCDN provides guidance on social change initiatives through an international perspective.

Community Garden Resources

Basic Infrastructure for Successful Community Gardening

Community Garden Startup Guide
An outline for initiating a community garden. Produced by the University of California, it contains a step-by-step tutorial, a troubleshooting guide, and a sample community garden contract.

Innovation Hub Resources

Promoting innovation based on social sciences and technologies: the prospect of a social innovation park
Academic article outlining the philosophy and components for review when considering the implementation of a community social innovation hub.
APPENDIX D: SOCIAL ENTERPRISE INCUBATOR ADDITIONAL INFORMATION

Potential Incubator Partners

Government
The municipal government could potentially provide land to run the incubator. If the government doesn’t have the funding to build the building, they can find one to donate or have a partnership with a private company to finance the facility. For example, the private company could help the government to build a 10 floor building, allowing the social enterprise to use one or two floors, and allowing the company to sell the others. The government can also provide financial support through grants to universities or to the incubator itself. They can also provide expertise and city-wide network connections to mentor and grow social enterprises.

Governments can also run their own incubators. An example of an incubator run by the public sector is the Emerging Enterprise Center, run by the New Castle County Chamber of Commerce in Delaware, USA in their public facility. The Center provides low-cost office space and educational programs to new businesses.

Universities
Universities are the main catalyst for incubators in Brasil; more than 40% of Brasil's 59 federal universities have incubators. These incubators have in total launched companies that have generated a revenue of $4.1 billion and 29,205 jobs. With eight incubators, on top of the five incubators of Instituto Centec, Ceara is the state in the northeast with the highest number of incubators, according to the Rede de Incubadoras de Empresas do Ceará (Ceara Business Incubators Network) (RIC).

In 2014, NESst Brasil was supported by the Blackstone Charitable Foundation and launched a social enterprise university program with the University of São Paulo’s Faculty of Economics, Administration and Accounting (FEA-USP). After the class, the students participated in a business plan competition where the winner received funding to run their social enterprise. This program is still ongoing and provides an excellent incubator model for public-private partnerships.

Universidade Federal do Ceará (UFC), located in Fortaleza, is another potential partner for a social enterprise incubator, as it already has other incubators, including PADETEC (Parque de Desenvolvimento Technologico), which launched 4000 projects between 1990 and 2012, mostly focused on food engineering, chemistry, and pharmacy. Incubadora de Cooperativas da UFC Populares de Autogestão do Ceará is another UFC incubator that mentors and supports emerging or potential cooperatives to generate jobs and income in poor communities. There may be potential to expand this incubator or create a new one focused on social enterprises with or without a
cooperative model. The Ciencias Economicas (economic sciences) undergraduate program at UFC has a class called Projeto Político Pedagógico (Pedagogical Political Project), which conducts applied social science projects in communities, and may be a good fit for allowing students to learn about and help develop social enterprises in underserved communities.\textsuperscript{cxv}

**Nonprofits and Funding Organizations**

A variety of existing nonprofits in Brasil work in the field of social innovation or provide support to social enterprises. There is potential to start partnerships with these organizations or replicate some of their models in the Eusébio Social Enterprise Incubator.

**NESst** is a nonprofit organization that develops sustainable social enterprises. Their mission is to solve critical social problems in emerging market economies. NESst also provides long-term support to the social enterprises.\textsuperscript{cxvi}

**Sebrae** is a nonprofit organization that helps formalize informal businesses by providing services such as legal business registration, entrepreneurship training, and access of workers to formal benefits (pension, maternity leave, etc.). Sebrae has around 700 service centers throughout Brasil and employs many experts with expertise in different industries.\textsuperscript{cxvii}

**Anjos do Brasil** is a nonprofit network that encourages angel investments and supports innovative entrepreneurship.\textsuperscript{cxviii}

**Avante** is a certified B Corp that provides quality and affordable financial services for lower income families at the bottom of the pyramid. Avante also provides financial education to clients who want to run small businesses.\textsuperscript{cxix}

**Sitawi** is a nonprofit that provides below-market-rate loans of $50,000-$250,000, as well as advising and strategic support, to large nonprofits.\textsuperscript{cxx} Typical market loans have interest rates between 35-50\%, which most nonprofits cannot access due to lack of collateral.

**Vox Capital** is a venture capital fund for businesses with social impact that, as of 2012, had raised R$80 million from foreign and domestic investors to invest in social enterprises that impact health, education, housing, and job creation. Vox Capital funds businesses that create opportunity and value people in the C, D, E classes.\textsuperscript{cxxi}
**Private Sector**

It is essential to attract private companies and individuals to invest in social enterprises and the incubator itself. Some large for-profit firms have invested in their own corporate incubators or accelerators to develop innovative products related to their private mission and objectives. They serve as a funnel for corporate venture capital investments. A good example is Microsoft's "BizPark" Program for technology start-up firms, which can later be acquired by Microsoft if identified as valuable.\textsuperscript{cxxxii}

Individual impact investors, in addition to their funding, are also likely to be interested in mentoring or training emerging social enterprises, especially in their fields of expertise.

**Supplemental Program: Entrepreneur Fellowship**

The fellowship will identify and engage eusebiense who want to start innovative social enterprises. Each social enterprise team will be interdisciplinary with eusebiense partnering with local area university students and business owners, potentially Alphaville residents, as mentors. The fellowship will ensure that each team will have the administrative and financial resources to succeed. Universities, professors and other experts will donate their time and expertise teaching new entrepreneurs everything from sales and marketing to social entrepreneurship to law and taxes.

The fellowship will provide a supportive framework: a single point of access and shared learning of expert practitioners for the community in one space. The location can be a large venue to share and receive information. The accelerator would be a supportive and interactive environment where ideas and activities can be shared across a variety of disciplines and experience. This program will expand over a year. The entrepreneurship fellowship will offer a business training program of structured classes and presentations by high level experts in the field. Once the small-business owners culminate this crash course in business social entrepreneurship, they will move forward to start their social enterprises.

The campus and community participants will be provided a comprehensive array of market research services, business assistance and training, student support and educational/networking opportunities; all that will be supported by faculty and administrators, and a program of related activities to deepen their understanding of entrepreneurship and innovation. The classes will help with business basics and branding, accounting/budgeting/financial management, collection of market data and social returns, marketing, networking, and technology training. The fellowship will also provide links to higher education resources and strategic partners as well as access to angel investors, venture capital, and financing such as bank loans, loan funds and guarantee programs. The fellowship will have an advisory board and Entrepreneurs-in-
Residence as mentors. The fellowship will develop strategies for employee engagement, mission and vision, productivity, product positioning, and workplace diversity for the entrepreneurs.

*Incubator & Fellowship Examples from the United States*

**Echoing Green Fellowship**: for nonprofits and for-profits under two years old or not yet in existence. Each social entrepreneur gets a stipend of $80,000 for one year.

**Global Social Benefit Incubator**: based at Santa Clara University. Invites 20 entrepreneurs to five-month program with $25K scholarship.

**Goodcompany**: accepts for-profit companies that provide investors with social and financial returns. GoodCompany Residency is their incubator program, which provides an affordable workspace, meetings with potential investors or partners, and mentorship & training. GoodCompany Ventures is a three-month program that accelerates social enterprise startups.

**Hub Ventures**: based in San Francisco, 12 week accelerator program for startups with a measurable impact, usually technology companies developing solutions to domestic or global social problems. Companies get as much as $20,000 in seed funding in exchange for on average 6% of their equity. From 25-30 finalists, 8-10 startups are chosen.

**Mission Hub**: owns and operates 5 Impact Hub co-working communities and has a global network of 11,000 members.

**Unreasonable Institute**: is a nonprofit that helps launch accelerators around the world, targeting social enterprises that they believe could impact one million people. They are not yet self-sustaining; their earned revenues cover 44% of their annual budget and the other 56% comes from foundations and individual donors.

**Practice Space**: located in Detroit, Michigan, offers affordable space to disruption ideas benefiting local economies. Entrepreneurs are charged $2000 to incubate a project for four months or $6000 to reside in the space for one year. One new project is taken on every quarter and 5 to 6 live-in residents take classes and work with other entrepreneurs.

*Constraints on the Incubator Model in Brasil*
One of the major constraints of the incubator within Latin America is finding professionals within the field that are willing to work for lower wages than in the private sectors. “In a fast-growing region like Latin America, attracting professionals with the right business skillset, values of the social space, and willingness to work for salaries below the private sector is proving difficult. Right now there is no shortage of entrepreneurs who come up with new social innovations, but there is a real bottleneck in the market for middle managers.”\textsuperscript{cxxvi}
ENDNOTES

1 Mayor José Arimatéa Lima Barros Júnior, notes from presentation, May 27, 2016; http://www.economist.com/node/18712379


xii Doctor from the Eusébio public health clinic, personal communication, May 28, 2016

xii Mayor José Arimatéa Lima Barros Júnior, presentation, May 27, 2016

xii Mayor José Arimatéa Lima Barros Júnior, presentation, May 27, 2016

xii Doctor from the Eusébio public health clinic, personal communication, May 28, 2016

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xii Mayor José Arimatéa Lima Barros Júnior, presentation, May 27, 2016


World Health Organization. Multi sectoral Collaboration


ibid


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Analysis: Strengths, Weaknesses, Opportunities, and Threats


Mayor José Arimatéa Lima Barros Júnior, presentation, May 27, 2016


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http://www.padetec.ufc.br/novapagina/links/links.php


http://www.uni-obuda.hu/journal/Lesakova_35.pdf


