



Business efforts, opportunities, and limits addressing the poor: A Brazilian case study

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Abstract Businesses have many opportunities to foster sustainable peace. To illustrate the possibilities and limits of businesses reducing violence, we describe the case of ABN AMRO in Brazil and its social program in Novo Lino, one of the poorest municipalities in the country characterized by high levels of violence toward children. With ABN AMRO's support, Novo Lino was able to significantly improve the living conditions of abused children assisted by the social project and raise awareness of children's rights protection. However, despite the corporation's efforts, the project ended after ABN AMRO withdrew its financial support. This case study intends to stimulate discussion on the roles and possibilities of corporations in the social context of extreme poverty. We conclude that businesses need to adopt an integrated approach that simultaneously addresses the several factors related to extreme deprivation and reduces the likelihood of violence in situations of extreme poverty. © 2016 Kelley School of Business, Indiana University. Published by Elsevier Inc. All rights reserved.

1. Business addressing the poor

Previous research on business and poverty alleviation has addressed the roles and responsibilities of corporations in society (Bies, Bartunek, Fort, & Zald, 2007; Fort & Schipani, 2004, 2007; Goodhand, 2001). We know less, however, about the possibilities and

limits of business in addressing the needs of the poorest of the poor in situations where it is costly and risky for business to get involved. The World Bank, using calculations of purchasing power parity, first defined the poverty line in 1993 as households living on less than a dollar per day.

We seek to contribute to the literature on business and peace by exploring the following question: What are the roles, possibilities, and limits of large corporations in promoting sustainable peace in very poor communities? According to the United Nations, sustainable peace is marked by the absence not only

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of conflicts but also of violence in all forms. Violence is defined by the [World Health Organization \(2016\)](#) as:

The intentional use of physical force or power, threatened or actual, against oneself, another person, or against a group or community, that either results in or has a high likelihood of resulting in injury, death, psychological harm, maldevelopment, or deprivation.

The definition of violence includes interpersonal violence at the family level (against oneself, children, partners, or the elderly) as well as within communities (acquaintance or stranger) and is divided into four modes: physical, sexual, psychological, and deprivation/negligence.

To discuss how and whether business can contribute to sustainable peace, we describe the case of ABN AMRO Real Bank (ABN AMRO) and its social program in Novo Lino, one of the poorest municipalities in Brazil characterized by high levels of violence toward children. With ABN AMRO's financial and technical support, Novo Lino was able to significantly improve the living conditions of abused children and raise awareness of children's rights protection. However, despite the corporation's efforts, the project ended after ABN AMRO withdrew its financial and technical support. We conclude this article with a suggestion of lessons learned from the case.

2. How business can foster peace in poor communities

2.1. Violence and poverty

Violence and poverty are intrinsically related. Poverty is widely believed to cause violence. The World Bank Development Report contends that "when state institutions do not adequately protect citizens, guard against corruption, or provide access to justice; when markets do not provide job opportunities; or when communities have lost social cohesion, the likelihood of violent conflict increases" ([World Bank, 2011](#), p. xi).

However, it is inaccurate to say that poverty causes violence. Though it is sometimes posited as a causal reason for violence, current research does not support the claim. [Sen \(2008\)](#) argues that claiming poverty to be responsible for violence is an oversimplification and that many other factors, including political, social, and cultural circumstances, explain the highly complex nature of violence.

One of the two reasons given for the link between poverty and violence is that, if the quest for material

resources is desperate, one might resort to violence in order to feed oneself and one's family. A second reason given is that areas with great poverty tend to have few jobs and that those without jobs are more prone to the overtures of those who wish to direct their ample time and unused energy for violent ends. Furthermore, contemporary communications allow even the very poor to see just how much more people elsewhere possess ([Fort, 2007b](#); [Fort & Schipani, 2004](#)). [Oxfam \(2014\)](#) concludes that it is impossible to eradicate poverty without eradicating violence, since violence is both the cause and effect of poverty.

2.2. Business in the context of violence and poverty

Eradicating violence and eradicating poverty are the greatest global challenges. Business can play a significant role in reducing violence and simultaneously reducing poverty. Fort and a colleague argue that ethical business behavior can lead to peace rather than violent conflicts ([Fort, 2007a, 2007b, 2007c](#); [Fort & Schipani, 2004](#)). For example, business can foster sustainable peace by engaging in initiatives that promote economic development, enhance the credibility and legitimacy of the rule of law, and contribute to a sense of community among the stakeholders ([Getz & Oetzel, 2009](#); [Oetzel, Getz, & Ladek, 2007](#)).

Business can help promote economic development and integrate the poor in the formal value chain, as suggested by [Prahalad \(2006\)](#) in his work on the base of the pyramid. Prahalad has challenged the assumption that the poor constitute a non-existent market for most businesses. There is profit potential if businesses can tailor their processes, packaging, and products so that goods and services become affordable to the poor ([Prahalad & Hammond, 2002](#)), although some skeptics have noted, not without validity, that selling products to the poor may simply exploit them ([Manikutty, 2010](#)).

There have been creative efforts to coax the poor into the market. The work of [Yunus and Jolis \(2003\)](#) helped to energize the boom of microfinance that advocated small loans to the poor, especially poor women, so they could enter the market. In addition, the work of [Sen \(1999\)](#) noted the importance of development in terms not only of satisfying material needs but also in removing barriers to human talents so that capabilities otherwise languishing under the violence of poverty could flourish.

Business can foster sustainable peace by enhancing the credibility and legitimacy of the rule of law, which includes international standards and codes of conduct. As [Prahalad \(2010\)](#) affirms, managers are custodians of the most powerful institutions and

therefore should hold themselves to high ethical standards, particularly with respect to the poor. Companies can set a powerful example by adhering to the highest ethical standards and ensuring that all organizations in their value chain comply with such standards. For example, companies should comply with international labor standards even if those standards exceed local regulations and practices.

Finally, business can contribute to a peaceful society by building a sense of community and enhancing trust among all the stakeholders (Oetzel, Westermann-Behaylo, Koerber, Fort, & Rivera, 2009). Businesses thereby can help to reduce the suffering of billions of people around the world while developing significant market opportunities.

Businesses may engage with local communities because of an increasing awareness that firms, especially foreign firms, must have a social license to operate in poor regions. Businesses in impoverished regions have been questioned regarding their morality (Tashman & Marano, 2010). Moreover, the use of information technology, including the Internet, cell phones, and television, has heightened public opinion against corporations that are perceived as bad or immoral (Margolis & Walsh, 2003). Therefore, firms engage in corporate social responsibility (CSR) as a result of institutional pressures or to avoid damage to their reputations.

Another reason for practicing CSR is that poverty affects not only local populations but may also adversely impact businesses' operations since businesses in poor regions will likely include the poor as participants in their value chain. Business value-chain efficiency can be lower than expected because the poor are usually malnourished and lack education as well as basic health services.

With this background in mind, we wish to provide an example of a bank that undertook an effort to address violence against children and adolescents in one of the most impoverished municipalities in Brazil.

3. The case of ABN AMRO in Brazil

This research was based on a single case study of ABN AMRO and its social program in the municipality of Novo Lino, located in the northeastern region of Brazil in the state of Alagoas. ABN AMRO provided an interesting research opportunity because it was one of the few private corporations that had addressed the needs of the poorest of the poor in Brazil. In addition, the bank was recognized as one of the most admirable and ethical companies in the country.

Data was collected based on interviews with the social program coordinator, consultant firm, external program evaluator, and beneficiaries of the program. We conducted an investigation of the company's internal and public documents as well as articles published in the general media. Bias may arise from the fact that one of the authors is a former employee of ABN AMRO who was in charge of the bank's social programs. However, bias may be minimized due to the facts that various stakeholders were interviewed and that the author left the corporation more than five years prior to the presentation of this research.

3.1. Context: Children and adolescents in Brazil

Brazil is one of the largest economies in the world. According to the World Bank, Brazil reported a gross domestic product of US \$2.3 trillion in 2014. In spite of the country's dynamic economy, approximately 50 million Brazilians (or approximately 30% of the total population) live in extreme poverty. Of that number, 22 million (13% of the total population) are children younger than 18.

To address the vulnerable condition of children in Brazil, a national Children and Adolescent Statute was promulgated in 1990 and has been in effect since then. The statute introduced changes in the legal rights of children and adolescents in Brazil to guarantee that, under the law, a child or adolescent possessed individual rights as well as additional rights due to her/his special development condition.

The 1990 statute decentralized national and state policies for children by creating the Children and Adolescent Rights Councils, Child Protection Councils, and Children and Adolescent Funds. These entities were municipal agencies responsible for formulating public policies and implementing social projects that guaranteed children's rights protection in all social sectors. For the first time, the responsibility for protecting children's rights in Brazil was to be shared between the state and the civil society.

Even though the councils represented an advanced instrument of democratic participation, their potential was undermined by the population's lack of information about them and the government's lack of financial support for them. The statute allowed donations to the Children and Adolescent Funds to be deducted from an individual's income tax up to 6% of the due tax. Similarly, firms could deduct such donations but only up to 1% of their due tax. Nonetheless, most citizens and companies remained unaware of this legislation.

3.2. Addressing the challenge: ABN AMRO's social program

ABN AMRO saw an opportunity to work with local government agencies to address the needs of children and adolescents in Brazil. Amigo Real, one of the bank's major social projects, was launched in 2001 as an initiative to encourage its clients and staff to make donations to the councils.

The Amigo Real Program used the fiscal incentive mechanism introduced by the 1990 statute to increase the resources available to the councils. The program redirected donations from the bank's clients and employees to the councils. In addition, the bank supported the councils by providing them with a hotline for consulting services. This was expected to help them develop the skills necessary to better administer the funds and improve the councils' policies. That said, Amigo Real focused on assisting the councils to become effective public-policy agents in the field of children's rights as a means to achieve the bank's goal of improving the lives of children in need.

Amigo Real operated on an annual cycle as described in Table 1. Each year the Amigo Real Program redirected financial resources and provided technical support for the councils that presented the best

grant proposals to benefit children in their regions. Each municipality was supported by Amigo Real for no more than three years. Thus, one of the main challenges was to ensure that the social projects were self-sustaining after the bank's support was withdrawn.

Because the Amigo Real Program targeted the country's poorest municipalities, the lack of resources and managerial skills, as well as ineffective local governance, often presented challenges for the partnership between the bank and local governments. In most of those municipalities, no ABN AMRO branches existed, restricting possibilities for the bank to assist and monitor the social projects.

Since 2002 a total of US \$19 million, including ABN AMRO's donation itself, has been passed on to 275 councils, directly benefiting 44,000 children. These resources have been used mainly to build and improve infrastructure, such as schools and orphanage centers, and to hire staff and consultants.

The Amigo Real Program was conducted by 150 staff members responsible for selecting projects, conducting site visits, raising funds, and evaluating results.¹ These employees received training to prepare them for the tasks at Amigo Real. Thus, one important aspect of the program was to give an opportunity to the bank's employees to exercise their citizenship through active engagement in social projects.

Table 1. Amigo Real program: How it works

1. ABN AMRO invites the Municipal Children and Adolescent Rights Councils to submit a grant proposal to the Amigo Real Program. Only municipalities with extremely low social indicators as well as a constituted council are eligible to receive funds.
2. A committee comprised of the bank's employees selects the best proposals. Approximately forty municipal councils are selected each year to receive resources from the program.
3. The bank's employees lead a three-month fundraising campaign among staff and clients to collect the total amount necessary to subsidize the selected proposals.
4. The donated funds are passed on to the selected councils, which together with local communities are responsible for implementing the projects as described in the selected proposals.
5. The bank provides training workshops, makes consulting services available to the councils, and monitors the projects' results.
6. The councils receive the support of Amigo Real for a maximum of three years. After that period it is expected that the councils will be able to carry out the social projects on their own through the fostering of partnerships with the private sector, local government, and civil society.

3.3. Targeting the Amigo Real program: Core competencies

In 2003 ABN AMRO's Commercial Department suggested that Amigo Real operations be concentrated in those municipalities where the bank's branches were located. The rationale for that recommendation was that it would give the bank an opportunity to develop long-lasting relationships with local governments, businesses, and the community in cities where the branches were situated. The bank's branches were usually located in state capitals and mid-sized and large cities. These tended to be the wealthiest municipalities in the states, and they often had relatively good governance and infrastructure, even though pockets of poverty existed in the most affluent Brazilian cities.

The bank's Commercial Department reported that some municipal governments, often major ABN AMRO clients, would ask branch managers why their municipalities were not allowed to participate in the Amigo Real Program. Poor local governance,

¹ In 2007, the entire staff of ABN AMRO Bank in Brazil numbered 28,000 employees.

lack of community engagement, and dominance by an elite—commonly found in the poorest municipalities—were additional worries. It was alleged that the bank's image could be compromised if ABN AMRO was associated with a misuse of public resources. That was a real concern because many of the poorest municipalities were in remote parts of the country where close monitoring of the social projects supported by Amigo Real was not feasible. Finally, it was argued that if Amigo Real concentrated its efforts on areas where the branches were located, the councils could benefit from closer assistance by ABN AMRO's staff, especially the bank's ability to mediate new partnerships to help implement the social projects.

The Commercial Department's recommendation was not accepted. On one hand, it was plausible that efficiency in the use of Amigo Real resources might not be maximal in the poorest municipalities given its often weak public governance and limited access to additional resources to allow for continuity of the projects after the program withdrew its support. On the other hand, the core of Amigo Real's goals was to reach out to children and adolescents in the most vulnerable conditions, who were frequently concentrated in the smallest and most remote municipalities of the country.

While sticking to the program's objectives showed the bank's determination to assist a population in severe social risk, it left unsolved the biggest concern of program coordination—how to guarantee sustainability of the projects after the maximum three-year period of Amigo Real assistance. The municipality of Novo Lino illustrates this challenge.

3.4. The case of ABN AMRO in Novo Lino

Novo Lino was a typical municipality supported by the Amigo Real Program. The town is located in the state of Alagoas and has a population of about 12,000 people. According to the United Nations Development Program (UNDP), Novo Lino was one of the poorest municipalities in Brazil. In 2000, half of the Novo Lino population was living on less than a dollar per day. Moreover, the infant mortality rate, defined as number of live newborns dying under a year of age per 1,000 live births, was 72.27 while the national average was 16.7. The Brazilian Institute of Geography and Statistics reported that half of Novo Lino's inhabitants lived in rural areas and that only 20% of the households had access to basic sanitation. The main economic activity was agriculture, primarily bananas and sugar cane. Children were often forced to work on the plantations as a way to enhance family income. Local farmers had no source of income between planting and harvesting periods

and were forced to live in the town to look for other forms of employment. During this time women and children were left behind in the town, and children were often found begging or selling things on the street.

Public buildings and local businesses were located near federal highway BR 101, which had intense truck traffic. Truck drivers were one of the main sources of local economic activity since they usually stayed overnight in Novo Lino and used the local gas station and restaurants. A major problem in that region was that local children used to steal food from the truckers as well as beg and offer sexual services to them (ABN AMRO, 2008).

3.5. Addressing violence against children

Given this sad reality, local leaders involved in municipal administration and the Catholic Church realized the importance of structuring a Children and Adolescent Council in the municipality. Novo Lino could only raise external funds if the city structured a formal organization comprised of representatives from various organizations including the nonprofit sector, businesses associations, and the Catholic Church.

In 2003 the city submitted a grant proposal to the Amigo Real Program to implement the Children Integral Protection Project. The project aimed at combating sexual abuse, or any form of violence toward children, and offering extended hours of schooling to 100 Novo Lino children between the ages of six and fifteen facing social risk. The families of the children would receive food and nutritional education and would participate in counseling groups and workshops for professional training.

The project received funding from Amigo Real for three years, as well as technical support from the bank's staff and a consulting firm. The resources were used to build a childcare center accommodating 200 children, hire educators and psychologists, and buy food and clothes for the children.

One of the goals of ABN AMRO's technical support was to train local leaders in conducting assessment and project planning. Even though the number of children assisted by the project was very limited (only 2.5% of the total children in Novo Lino), leaders of the project were aware that their most important role was to help formulate public policies to protect children's rights. A Novo Lino Council representative thus said:

Before [ABN AMRO's support] we thought that we only had to execute. We had to take the children off the streets, had to organize an event to raise funds for someone who was in need, those types

of things. Today we know that our role is to formulate policies, meet with the mayor and the city council representatives to improve the life conditions of children in Novo Lino.

To improve the living conditions of children in Novo Lino, the project adopted two main strategies: (1) to inform and empower parents regarding their rights and responsibilities; and (2) to improve family income through government cash transfers and professional training. The project organized groups of families (up to ten in each group) so that each family could support each other and exchange experiences. The project also created a women's association to work on its members' specific issues as mothers and women.

3.6. Results

Novo Lino received financial and technical support from ABN AMRO for a period of three years plus an additional two years of technical support. Table 2 provides a timeline of the project in Novo Lino.

Table 2. Timeline of Novo Lino Project: 2003–2009

2003: The Novo Lino Council submits a grant proposal to Amigo Real with a new proposal to assist children.
2004: First year of ABN AMRO financial and technical support for 100 children and their families.
2005: Second year of support, expanding the program to 162 children. The Novo Lino Council establishes a partnership with the Syndicate of Rural Workers to provide professional training for parents.
2006: Third and last year of financial support. The federal government assists 50 children and their families through a program of income transfer.
2007: ABN AMRO provides only technical support and helps the council to conduct an assessment plan to diagnose the situation of children and adolescents in the municipality. The new childcare center, constructed with funds provided by the bank, is opened.
2008: Last year of technical support. Based on the assessment, the council concluded that alcoholism among children and parents is a major problem. It struggles to raise funds to maintain the new childcare center and to continue providing services to children and their families.
2009: The project supported by ABN AMRO/Santander ends due to lack of funding. The childcare center is sold to a government institution.

The positive impact of ABN AMRO's initiative on the children supported by the project and on the children of Novo Lino in general was immediate. From 2004 to 2008 the Municipal Council affirmed having accomplished a great deal of improvement in children's health and education and a corresponding reduction of all forms of degrading activities and sexual exploitation among the children. We highlight three major accomplishments of the project.

First, the overall incidence of children's rights violations decreased during implementation of the project as described in Table 3. The awareness campaign about children's rights not only benefited those assisted by the project but also had a significant impact on other children in Novo Lino. Parents were less resentful of children's attending school instead of forcing them to beg or work on the streets in order to help raise money for the family. However, although the community considered child sexual exploitation as unacceptable, child prostitution was still a problem in the region.

Second, there was improvement in school performance among the children assisted by the project. In 2003, 26% of the participating children failed in school. This rate dropped to 16% in 2006. As a result of the project, parents became more involved in the school community and started to attend meetings with teachers, social workers, and other families benefited by the project.

Finally, ABN AMRO was the first large corporation to award Novo Lino a grant. Five years of ABN AMRO support gave visibility and credibility to the city, and in 2006 its Municipal Council received a grant from a federal public bank, Caixa Econômica Federal, to implement a community orchard for the families supported by the Children Integral Protection Project. These families also received additional support from the Child Labor Eradication Program, a federal initiative that provides each youth with limited financial support, conditional on the youth's attending school instead of working.²

Nevertheless, parents were still struggling to find alternative sources of income other than seasonal harvesting. The hardship of the families could not be fully alleviated by the project given Novo Lino's stagnant economy. Any type of professional training would not be sufficient to generate a demand for labor on its own; lack of employment opportunities would be a constant worry to Novo Lino's families. Consequently, the imminent risk of children going back to life on the streets would remain if families could not provide for their children's basic needs.

² The Child Labor Eradication Program's support varies from \$12 to \$20 per month for each youth.

Table 3. Number of violent incidents involving children in Novo Lino

	2001	2002	2003	2004	2005	2006
Child abandonment	64	58	29	29	7	10
Children begging/working on the streets	27	12	10	10	3	3
Domestic violence	29	39	15	25	5	5
Sexual exploitation	20	10	9	20	2	17

Source: [ABN AMRO \(2008\)](#)

The main problem was that projects situated in very small and poor municipalities like Novo Lino faced great difficulties in sustaining themselves in the long term due to factors such as limited access to private and public resources as well as a lack of policies and local commitment to enforce children's rights. Even after having gained visibility and additional federal support, Novo Lino was still not able to cover the project's costs such as those related to food, building maintenance, and remuneration of local professionals involved with Children Integral Project. Also, the Municipal Council was struggling to engage other local leaders in the project. With the end of ABN AMRO's support in 2006, the project did not have any other source of funds. In 2009 the Council had to sell the facility built with resources provided by the bank, and the social project ended. The Amigo Real Coordinator for ABN AMRO made this observation:

The problem is that the Council does not know how to sell the project; they still use the same fundraising approach based on religious solidarity and the urgent unmet needs of the children. The Council was able to change the culture of the entire town. Parents and children are more conscious now that child labor is not acceptable and all children should be going to school. In addition to improvement in overall education, there are no children eating leftovers at the back of the restaurants; this is revolutionary, and they have to be able to demonstrate these results in order to guarantee the continuity of the project.

4. Epilogue

In 2007 ABN AMRO was bought out by Santander Bank, a Spanish institution. Amigo Real continued to be one of the main social programs of Santander and was renamed Amigo de Valor. Since 2007 Santander has expanded the program to include 50 additional municipalities per year. Santander decided to change the program in 2010 because the bank realized that it was unlikely to sustain the projects in the long term.

Municipalities then became eligible to receive a second year of funding from the bank if city councils committed to including the project in their budgets after the bank's support was withdrawn. While Santander ensured that local governments were involved in and committed to the long-term success of children's rights protection, the likely consequence was that the poorest municipalities like Novo Lino would be excluded from the bank's program.

5. Conclusion and lessons learned

This case is an example of a well-intentioned corporation that attempted to reduce children's rights violations in an impoverished region but was not capable of maintaining positive results in the long term. What could have been done, if anything, to ensure the enduring success of projects located in areas with the worst problems? What are the possibilities and limits of corporations in fostering sustainable peace in the poorest regions? The relevant literature provides a framework that illuminates how business can foster sustainable peace, especially in very impoverished areas.

5.1. Lesson learned #1: Fostering economic development

In the absence of stable and reliable sources of income, Novo Lino families resorted to child labor and/or child prostitution to cope with income variability. The case of Novo Lino suggests that, in addition to the enforcement of regulations, it is necessary to create opportunities for households to have access to decent employment and access to credit.

The primary goal of ABN AMRO was not to promote local economic development, and in fact that became a weakness of the project it sponsored. Families complained that the professional training provided by the project was not sufficient to ensure a steady income since the local economy based on seasonal harvesting was so limited.

[Prahalad and Hammond \(2002\)](#) would likely suggest a different approach to Novo Lino. According to

them, businesses need to be able to communicate with the poor and understand what is needed most. In order to understand those needs, it is necessary that organizations become embedded in the community to develop long-term relationships based on trust and mutual benefits. However, ABN AMRO's contribution had a timeframe of three years and was limited to providing for children and adolescents.

A complementary approach involving Novo Lino would be to offer microfinance services, which would be closer to ABN AMRO's business core (Prahalad & Hamel, 1990). However, the microfinance services offered by the bank targeted the low-income population rather than the abysmally poor.

5.2. Lesson learned #2: Setting the standards

Businesses can foster sustainable peace by following ethical standards and enforcing federal and international regulations. The presence of ABN AMRO in Novo Lino gave legitimacy to the issue of children's and adolescents' rights.

Furthermore, the project's leaders felt empowered to advocate for children's rights through campaigns and visits to families. One of the greatest results of the project was that child labor and child prostitution were no longer socially acceptable. However, these practices still existed in Novo Lino, especially among those kids who did not participate in the project.

While compliance with international standards by all members of the community is highly desirable, most families in Novo Lino were left with no choice. Child labor was simply a fact of life rather than a violation of their rights. Families believed that children must assist their families during harvesting season to augment family income. The case shows that one of the major challenges of social programs in the poorest regions is to ensure that parents have a source of stable income so that they can provide for their children and protect their future.

5.3. Lesson learned #3: Contributing to a sense of community

Economic development and legal standards are fundamental to safeguard children's rights. Businesses can also contribute to a sense of community by building a network of people including mothers, workers, teachers, truck drivers, and local commerce representatives who take responsibility for children's rights. To change a city's mentality, it is necessary to engage in one-on-one dialogue so that inhabitants understand that child labor and child prostitution are morally unacceptable.

In conclusion, businesses have many opportunities to contribute to sustainable peace. However, the intrinsic link between violence and poverty is very complex. To reduce the likelihood of violence in situations of extreme poverty, businesses need to adopt an integrated approach that addresses the several factors related to deprivation: lack of decent employment options, violations of basic human rights, and the absence of a peer-support network. The case of ABN AMRO in Novo Lino shows that isolated or unconnected actions focused on only one dimension of violence are unlikely to result in sustainable peace.

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