Cooperation between police and residents encouraged entrepreneurship in slum communities. (Photo: Tânia Rêgo/ABr)

Making peace in the slums

Kalinka Iaquinto, Rio de Janeiro

THE INTRODUCTION OF PACIFYING POLICE UNITS (UPPs) in Rio’s slums has restored a sense of security in their residents and has encouraged the development and in some cases formalization of local businesses. According the Brazilian Forum on Public Safety and Laboratory for Analysis of Violence (LAV-UERJ), between January 2006 (before UPPs) and June 2011 (after), the number of violent deaths fell by nearly 75% per month per slum community. Although the reach of the UPPs is still limited—only 28 slums out of 1,000 in Rio—the slums benefitting have seen a significant increase in tourism and businesses.

The effort has helped increase the revenue of business services located in slum communities. “Before, crime was a barrier, people had feared to visit slums. Now people feel free to do so,” says Sêrgio Guimarães Ferreira, chief information officer, Municipal Planning Institute Pereira Passos (IPP). “The UPP policy was instrumental in promoting Rio as an integrated city,” he says.

Inclusion

Vinicio Assumpção, Special Secretary for Outreach Economic Development, agrees: “There is a breaking down of barriers, and that is the great victory
of peace. Rio is being reinvigorated economically, and especially culturally, because we are able to understand that the slum is a product of the city, part of being an inhabitant of Rio.” Another positive factor is that the pacification created market opportunities in slum communities that did not exist before it generated incentives for resident latent entrepreneurs to take advantage of what the UPPs were doing.

Former fisherman and musician David Vieira Bispo, a resident in the Chapéu Mangueira slum community in Leme, had taken the name of the community to other regions of the country and even abroad. About two and a half years ago, he decided to open a pub with his name. “We were the first pub in the slum community to compete for prizes of gastronomy,” he says proudly—the appetizers won prizes. “Today, I recognize myself as an entrepreneur. David’s Pub creates jobs. The slum is no longer the ugly duckling of the city. People feel that this is an area society has reclaimed.”

Another Chapéu Mangueira resident, Regina Tchelly, worked as a maid and cook for a year and now invests in her own project, Buffet Organic. With the guidance of the Brazilian Service of Support for Micro and Small Enterprises (Sebrae), she seeks to innovate in food preparation. She currently operates the business from her home, but “My plan is to have my own space for Buffet Organic to be able to produce more and better meet the growing demand. I also want to work with prisons to hire ex-convicts to work for Buffet Organic.”

Resistance
Although there are many cases of successful businesses in slums, not all seek to formalize their activities. According to a census by the State Chief of Staff Ministry in the Rocinha, Complexo do Alemão, and Manguinhos slum communities, between 2008 and 2009, there were 14,057 ventures in these localities, but only 1,083 were formal. Moreover, 45% in Rocinha, and 35% in the Alemão Complex saw no reason to legalize their businesses.

The partnership between municipal government and Sebrae has helped to increase formalization to some extent. “We now have in pacified slum communities 30,000 enterprises. Of these, only 3,500 are formalized. It is a low number, but we understand that formalization will result gradually from a process of cultural change,” said Carla Teixeira, project coordinator of entrepreneurship, Sebrae-RJ, in pacified slum communities.
“The slum is an extremely informal environment. And the formality of a business has to do with the formality of a territory,” said Teixeira, pointing out that, until recently, slums now under UPPs used to obtain utility services illegally by tapping into electricity and water services. “The more we formalize these territories, the more important business legalization will be.”

IPP’s Sérgio Ferreira agrees. He believes the role of the government and its partners is essential to have a formal setting. He also believes trade between businesses in the slum communities and between slums and other cities should encourage formalization: “The entrepreneur who begins to attract more demanding suppliers, requesting invoices, for example, will realize the importance of adhering to formality.”

A year ago, federal and municipal governments instituted the program Rio Solidarity Economy (Rio Ecosol) in Complexo do Alemão, Manguinhos, Cidade de Deus, and Santa Marta. “We seek to know the whole slum community’s social productive network and, from this, support their productive growth,” explains secretary Vinícius Assumpção. The program survey found that in the Cidade de Deus community 58% of enterprises were not on the National Register of Legal Entities (CNPJ); nor were 82% in Complexo do Alemão 90% in Manguinhos, and 73% in Santa Marta. “We realized that in these communities everyone wants to be an entrepreneur. So we partnered with Sebrae to formalize a number of enterprises,” says Assumpção. He adds: “Our goal is to pass basic concepts of community, show a new form of production for sustainable businesses. We know that instilling these concepts is difficult, especially in locations with little information, so we created networks.” The networks are groups of local merchants who, for example, unite to purchase raw materials or sell their products collectively.

**Formality and security**

The importance of broadening the formalization of these slum communities is not only to promote the economy, but also contribute to the advancement of security. “In this sense, the pacification program has been very successful. But
Although there are many cases of successful businesses in slums, not all seek to formalize their activities.

How more peaceful slums affect real estate

Kalinka Iaquinto

Setting up Police Pacification Units (UPP) in 28 slums of Rio de Janeiro has had a positive effect on the city’s real estate market. A study by Benjamin Mandell, economist, Federal Reserve Bank of New York, and Claudio Frischtak, president, Inter.B International Business Consulting, shows that property prices have risen, especially near the police units. “We believe that the UPPs contributed about 15% of the average growth in property prices since 2008. Of course, other things, such as the fall in interest rates, increased credit and incomes, and institutional changes, were also important — but the UPPs proved crucial,” Mandell says.

Installation of the UPPs helped to reduce property price differentials in the city, the study found. And the UPPs have been well-received by the population. “When we look at the effects of UPPs on housing prices over time, we observed a slight upward trend. This may be an indicator that the security policy has gained greater credibility,” Mandell says.

The downside of rising property prices and the growth of local economies could be that residents are crowded out. “There is much alarm that speculation will reach the point that the cost of living becomes unbearable,” says Sonia Fleury, professor, Brazilian School of Public and Business Administration of FGV.

to solve other problems new actions are needed,” says Sebrae’s Carla Teixeira. According to IPPs Sérgio Ferreira, along with ensuring security the government and its partners need to reduce the costs of legalizing informal businesses. He adds that city hall now has the UPP Social program to articulate policies and municipal services in order to consolidate the progress made so far.