

DEVELOPING THE LOCAL ECONOMY

Policy Brief VI.8

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policy brief

VI.8.1 Introduction

Among the existing projects in Maré 66% are commercial, 33% services and almost 1% industrial initiatives. 2953 economic initiatives, most of them individual, usually with night-time operation or after the work shift, since it is then that the majority of the local population returns from work. Bars (22%), beauty shops (about 10%), sales services and repair of clothing (7%), sales and markets (5%), snacks (5%), restaurants, computer and games shops, bazaars, construction material and others belong, in large majority, in the informal sector (75%). Most entrepreneurs do not feel the need of formalizing its activity, claiming high costs of taxes and fees, lack of consumer and suppliers demand for it and lack of information. The differential design of the popular trade that includes a socially oriented formalization emerged as a proposal to apply lower rates and taxes to stimulate the local economy.

The express majority of economic enterprises in Maré do not have any formality, it occurs at locations specifically designed for the activity, in the shopping format, half of which rented, half owned. The main customers are the residents themselves in more than 90% of cases and suppliers come from neighbouring districts and from the shantytown itself. Sales are primarily made in cash and residually by credit cards or bank slips.

Most entrepreneurs are male and more than half are under 45 years. Most have incomplete high school level and only 7% have a superior level. Only about 13% have debts in their enterprises, mainly represented by investments in their project. About 70% employ one or two people and these workers are owner relatives in half the cases. Only 0.6% employs children under 14 years.

Savings and sale of some good (35%) and compensations due to earlier layoffs (30%) constitute the sources of the initial capital, being a minority the previous profit on another drive, inheritance or loans. More than 70% did not attend any preparatory course for the development of the activity.

When asked about what improvements needed to develop their trade or service, 22% answered that the absence of bank branches in the favela would be the main issue, security issues in second with 9%, basic sanitation 4.6%, management courses 3.4%, urbanization, post office, credit services, transportation, enterprise legalization, public sanitation, partnerships and support; public health, improvements in the electrical network, revitalization of parks and recreational areas, tax cuts, organization of space; end of the flooding caused by clogging of poor sewage system. They show that for local entrepreneurs lack of bank branches hinders their trade but the most general guidelines of the community also appear in their voices.

Before opening their own business the Maré entrepreneurs were employees of other companies and most have their business as a single work activity. Residents made recommendations aimed at maintaining the range of existing small enterprises, in respect of the employment generated and in attention to their needs of commerce and services.

VI.8.2. Policy Recommendations:

- Lower rates and taxes to stimulate the local economy;
- Presence of bank agencies and consumer credit institutions;
- Security, cleaning of streets, sanitation, urbanization, postal services, transport, partnerships and support to enterprises, public health, revitalization of parks and recreation areas.