

Brazil | cities

A capitalist is a citizen too

Experiences in Brazil and around the world show that business leaders are key to improving city management—and resolving urban challenges

Leo Branco

Caption:

The mayors' mentors: standing, from left to right, Ricardo Villela Marino, of Itaú Bank, Wilson Ferreira Júnior, of CPFL, Carlos Jereissati Filho, of Iguatemi Group; seated, José Ermírio de Moraes Neto, of Votorantim Group, Pedro Paulo Diniz, of Península Fund, Rubens Ometto, of Cosan, and José Roberto Marinho, of Organizações Globo

Over the last two years, the municipal government of Santos, a city on the São Paulo coast, has been going through an efficiency-driven overhaul that took it from the usual moroseness of public service and made it, in some aspects, much more like a corporation. An example: the 12,000 municipal employees now undergo regular performance evaluations, a common practice in the private sector. If they achieve their goals, which include reducing costs and meeting productivity targets, they receive an extra salary. This October, about 7,000 employees will receive a bonus worth a total of R\$5 million. The measure was based on a capitalist rationale: since last year, when the system came into effect, the city of Santos has managed to amass R\$125 million in savings and increased its revenue. Lean management has improved public services. This year, of the 19,000 children enrolled in public schools, close to 7,000 go to school full-time, a 20% increase over 2014. Parents of students are being hired to act as some sort of school ombudsman. "I get paid R\$1,200 a month to answer questions from other parents and make suggestions to management," says Santos resident Ingrid Scanferla, 33 years old, who was a homemaker until May, when she was called to work in the school where her 12-year old son Victor studies.

Santos is not making these strides alone. To determine where the municipality can increase its efficiency, city mayor Paulo Alexandre Barbosa (PSDB) and his secretaries spend time every three months with some important business leaders, such as Rubens Ometto, a partner at Cosan, one of the largest sugar and ethanol producers in Brazil, and José Ermírio de Moraes Neto, board member of the Votorantim Group, active in the cement and pulp sectors. Barbosa is part of Juntos pelo Desenvolvimento Sustentável (Together for Sustainable Development), a project created in 2012 by community organization Comunitas, founded by former First Lady of Brazil Ruth Cardoso. The goal is to bring together entrepreneurs and government authorities to improve city management. The meetings look like corporate board meetings. "I listen to criticism, praise and recommendations," says Barbosa. One of the principles that helps Juntos pelo Desenvolvimento Sustentável to get results is the rigorous selection of the participating cities. The selection begins by submitting the mayor to extensive interviews about his/her political career. "We look for promising leaders from various parties," says Regina Celia Esteves de Siqueira, president of Comunitas. "The most important thing is for the mayor to

be open to working together." In this project, it is common for a business leader to sponsor a mayor—in Santos, Ometto is the sponsor of the mayor. His tasks: together with other entrepreneurs, he sets goals for the city, raises funds to achieve these goals and measures results. "I share my time and experience to help the municipality get organized," says Ometto. "It is my duty as a citizen." By working together to solve urban problems, these initiatives make the cities a more fertile ground for business activities—in this issue, starting on page 38, EXAME presents the 2015 ranking of the best cities to do business in Brazil.

Caption:

SCHOOL IN SANTOS: mayor Barbosa is improving education with support from local business people

CLOSE TIES

Cosan has a relationship with Santos: a terminal in the port. Typically, the project sponsors have some relationship with the 12 participating cities, and as a result are able to see their problems. In Campinas, in the interior of São Paulo State, Wilson Ferreira Junior, the president of the CPFL energy company, which is headquartered here, was intrigued by a fact. "Campinas is the richest economy in our service area, but was not first when it came to new power connections," says Ferreira Júnior. "We found that the inefficiency of city government contributed to this gap." Until April this year, building permits were only issued after an inspection by one of the 40 municipal inspectors. Due to the large volume of requests, the wait could take up to five months. Assisted by Falconi, a management consultancy hired by businessmen, the city of Campinas created a fast track system for permits for properties under 500 square meters. "The applicant files the paperwork and receives the license in three days, without seeing an inspector," confirms mayor Jonas Donizetti (PSB). "The city will only inspect properties if there is a problem with the paperwork." Paraty is a coastal city in Rio de Janeiro state sponsored by José Roberto Marinho, a member of Organizações Globo that runs a local bed and breakfast. The real estate registry of the city was updated in 2013, with assistance from Falconi. In this process, it was discovered that approximately 5,000 units had never paid property taxes. "That is one third of our taxpayers," says mayor Carlos José Gama Miranda (PT). "When we included these properties, revenue increased 50% without raising taxes." The funds have allowed the city to invest in basic sanitation—until last year, the 35,000 residents of Paraty consumed untreated well water. Today, 70% receive treated water, and this has contributed to a 60% reduction in cases of diarrhea at the local hospital.

Affluent sponsors

Read more about the people involved in the project Juntos pelo Desenvolvimento Sustentável—created by community organization Comunitas and present in 12 Brazilian cities—and some of the results that have already been achieved.

WHAT IS THE PROJECT

Created in 2012 by Comunitas, an organization founded by former first lady Ruth Cardoso, the project unites corporate resources and expertise to help the mayors of 12 cities improve management and quality of public services.

BUSINESS LEADERS: Rubens Ometto (Cosan), Wilson Ferreira Júnior (CPFL), Elie Horn (Cyrela), Jorge Gerdau and Beatriz Gerdau (Gerdau), Carlos Jereissati Filho (Iguatemi), Ricardo Villela Marino (Itaú), José Roberto Marinho (Organizações Globo), Pedro Paulo Diniz (Península), Ana Helena Vicintin, Antônio Ermírio de Moraes Neto and José Ermírio de Moraes Neto (Votorantim).

PARTICIPATING CITIES: Brotas (SP), Campinas (SP), Corumbataí (SP), Curitiba (PR), Itirapina (SP), Juiz de Fora (MG), Limeira (SP), Paraty (RJ), Pelotas (RS) Santos (SP), São Carlos (SP), Teresina (PI).

THE RESULTS

CAMPINAS (SP)

SPONSOR: Wilson Ferreira Júnior (CPFL)

WHAT WAS DONE: In 2013, in an effort to balance the books, the municipality's spending was compared to other cities, identifying wasted resources. The measures ensured the first surplus in 20 years. A new process for granting construction permits for properties under 500 square meters reduced the average wait for a permit from 5 months to 3 days.

PARATY (RJ)

SPONSOR: José Roberto Marinho (Organizações Globo)

WHAT WAS DONE: By updating the registry of residential and commercial properties, it was discovered that 5,000 units had never paid property taxes. This effort increased tax collection by 50%, which made it possible to invest in sanitation. Until 2014, the 35,000 residents of the town consumed untreated water. Today, 70% of households are connected to a newly installed water distribution network.

PELOTAS (RS)

SPONSOR: Carlos Jereissati Filho (Iguatemi)

WHAT WAS DONE: Business leaders assisted the city in setting up software to track the implementation of 255 goals from mayor Eduardo Leite's government plan. The system helped to define priorities. Earlier this year, the health clinic in the most populous area of the city was renovated, which resulted in a 50% increase in treatments.

SANTOS (SP)

SPONSOR: Rubens Ometto (Cosan)

WHAT WAS DONE: Implementation of a performance evaluation system for 12,000 municipal employees, including goals for cutting expenses and increasing productivity. Those who achieve their goals receive a bonus. The efforts generated R\$125 million in

savings and allowed the city to expand services. This year, 7,000 students in municipal schools are going to school full time—20% more than in 2014.

The involvement of business people in city management is a trend that is gaining ground as urban centers grow. "Life in a community is becoming increasingly complex," says American Ben Hecht, president of Living Cities, a groundbreaking organization in this type of set-up. Founded in 1991, the organization has completed projects in 40 American cities. "It became too difficult for government to solve all the urban challenges alone."

The private sector is often good at solving a chronic problem that plagues Brazilian municipal administrations: a lack of planning. The case of Niterói, in Rio de Janeiro state, is an example. Three years ago, a group of 20 business people created the movement Niterói Que Queremos (the Niteroi We Want). The goal: to get the city out of a difficult situation. At the time, the accounts of the municipality were in the red. Outstanding debts owed to the Federal Government made it impossible to obtain resources to solve local problems, such as the alarmingly high crime rates. "We were no longer an attractive city for investment," says Niteroi resident Robson Rodrigues Gouvêa, a board member at Leader, a chain of stores headquartered in Rio de Janeiro and a participant in the Niteroi We Want movement. In partnership with the Movimento Brasil Competitivo (Competitive Brazil Movement), founded by entrepreneur Jorge Gerdau, from Rio Grande do Sul, to promote good governance practices, entrepreneurs drafted a letter of intent to Niteroi mayor Rodrigo Neves (PT) with 32 goals to be met by 2016. The goals were developed after consulting with 5,000 residents. "It was a good plan for the government," says Neves. "I created a cabinet just to handle the implementation of the measures." One of them was to balance the municipal books. Twenty of the 61 government institutions were eliminated. The city cut 1,000 out of 3,000 appointed positions. These efforts generated savings worth R\$40 million. The amount has allowed the city to pay off its debts, lifting any credit restrictions. Since then, the city has managed to obtain R\$775 million from the state and federal government, as well as from foreign banks, to achieve other goals. Some have already been fulfilled: in August, Niterói inaugurated a security control center to monitor images from 400 cameras installed in violent areas.

A capitalist hand

Examples of urban problems around the world that were solved in partnership with the private sector

DETROIT (UNITED STATES)

THE CHALLENGE

Between 2003 and 2013, downtown Detroit lost 15% of its 40,000 inhabitants, due to a lack of jobs and limited public transport options in the region

THE SOLUTION:

Corporate consortia donated US\$150 million, which are being invested in loans for housing and businesses, and to build a train line between downtown and the industrial suburbs

THE RESULT

In two years, the downtown area gained 1,000 residents. The occupancy rate of downtown properties is now 97%. Currently under construction, the train will start operating in 2017

ATHENS (GREECE)

THE CHALLENGE

The Greek economic crisis reduced the municipal government's funds to provide services such as the maintenance of parks and public buildings

THE SOLUTION:

With a €1 million contribution from American billionaire Michael Bloomberg, the city created a website to find volunteers and raise funds for urban improvements

THE RESULT

In two years, 770 projects were completed, including community drives to transform abandoned buildings into business incubators and community centers

NITERÓI (BRAZIL)

THE CHALLENGE

In 2013, the municipal government was seriously in the red and behind on its debt payments to the Federal Government, which prevented the city from obtaining new loans to solve local problems, such as public safety

THE SOLUTION:

Local entrepreneurs invested R\$2 million in a consultancy to help the municipal government balance its books and set goals based on suggestions from 5,000 residents

THE RESULT

R\$40 million in savings in expenses enabled the city council to pay off its outstanding debts and obtain a R\$775 million line of credit for public works.

CLEVELAND (US)

THE CHALLENGE

The city went into decline in the 1980's with the closing of local steel plants that had been the engine of the local economy. In 2000, per capita income was half the national average.

THE SOLUTION:

Local business people invested US\$120 million to attract technology companies and train residents to meet the needs of these new employers

THE RESULT

Since 2004, resources have financed the opening of 450 companies and 17,000 jobs. The average salary is 30% higher than the US average

The role of the private sector goes beyond consulting. In many cases, entrepreneurs pay out of their own pocket. In Juntos pelo Desenvolvimento Sustentável, the group of business leaders invested R\$35 million in consulting and scholarships for public servants from the participating cities to study public administration at universities like Columbia, in New York. In Niterói, R\$2 million were spent on the Macroplan consultancy to help the municipal government put its goals into practice. In the long run, these resources can have multiplier effects. That is what happened in Cleveland, in the northeastern United States. One of the cradles of American industrialization, the city went into decline in the 1980s with the closing of local steel plants that used to drive the local economy. Residents suffered massive job losses and a fall in per capita income—in 2000, it was half that of the average American per capita income. In 2004, local entrepreneurs created the Fund for Our Economic Development to attract technology companies. In partnership with local schools, the group pays for job skills training of local workers. In ten years, US\$120 million have been invested, enough to generate 17,000 jobs in 450 new businesses." Over this period, these businesses have paid out another US\$700 million in wages," says Brad Whitehead, an economist who founded the project after working 20 years at McKinsey Consulting.

Having seen both sides, media mogul Michael Bloomberg, former mayor of New York, created an award in 2013 to reward municipal governments with good ideas for partnering with the business community. In two years, ten cities have been selected from 460 competitors. The government in Athens, Greece, received €1 million to set up SynAthina, a website where Athens residents can suggest improvements for abandoned public structures, such as buildings and parks, and find people who are willing to split the costs. Since its launch in 2013, the site has helped in completing 770 projects. "The Greek economic crisis reduced the government's investment capacity," says Amalia Zepou, deputy mayor of Athens and the creator of SynAthina. "Private capital is an ally to get around the problem." Good examples from many different cities—also portrayed on the following pages, in the article about the best business environments—show that this union can be very successful.

"Lack of innovation in city management"

Ben Hecht, from American NGO Living Cities, believes that private aid makes government more effective.

Caption:

Ben Hecht: solving urban problems is an effective way to create business opportunities

It is up to American Ben Hecht to convince billionaires like Bill Gates and the Rockefeller family to contribute resources and ideas to solve urban challenges. Hecht is president of Living Cities, an organization founded in 1991 that has invested US\$ 2 billion in cities with a history of mismanagement, such as Detroit and New Orleans. In partnership with Harvard University, Living Cities has taught private sector practices to leaders of 40 municipalities. From his office in New York, Hecht explains why entrepreneurs increase government efficiency.

Why are these partnerships so important for municipal administration?

We often see mayors and city employees focus on local issues and failing to look for inspiration outside the home. They lack incentives for innovation. This is due to a lack of trained staff or leaders that are averse to taking risks. The result is that changes happen very slowly. In the private sector, it is the opposite: companies are always looking around to copy what is working well. This spirit can help make government faster and more innovative in solving problems.

What do business people gain in helping cities?

A company needs a skilled workforce and a booming consumer market, which depends on a government that is able to deliver quality public services. As cities have a close connection with its citizens, helping to promote urban improvements is an effective way to create business opportunities.

How do you build a successful partnership?

The biggest challenge is to gain mutual respect. There is distrust in the public sector about the private sector's interests in helping. And the private sector is afraid that its resources will be squandered. Commonly defined goals and clear steps can prevent these rumblings

What should be avoided?

Entrepreneurs can never have the final say on the implementation of municipal policies. This would be disrespectful to the citizens who elected a leader to make that kind of decision. The role of the private sector is to help mayors find solutions to the challenges.