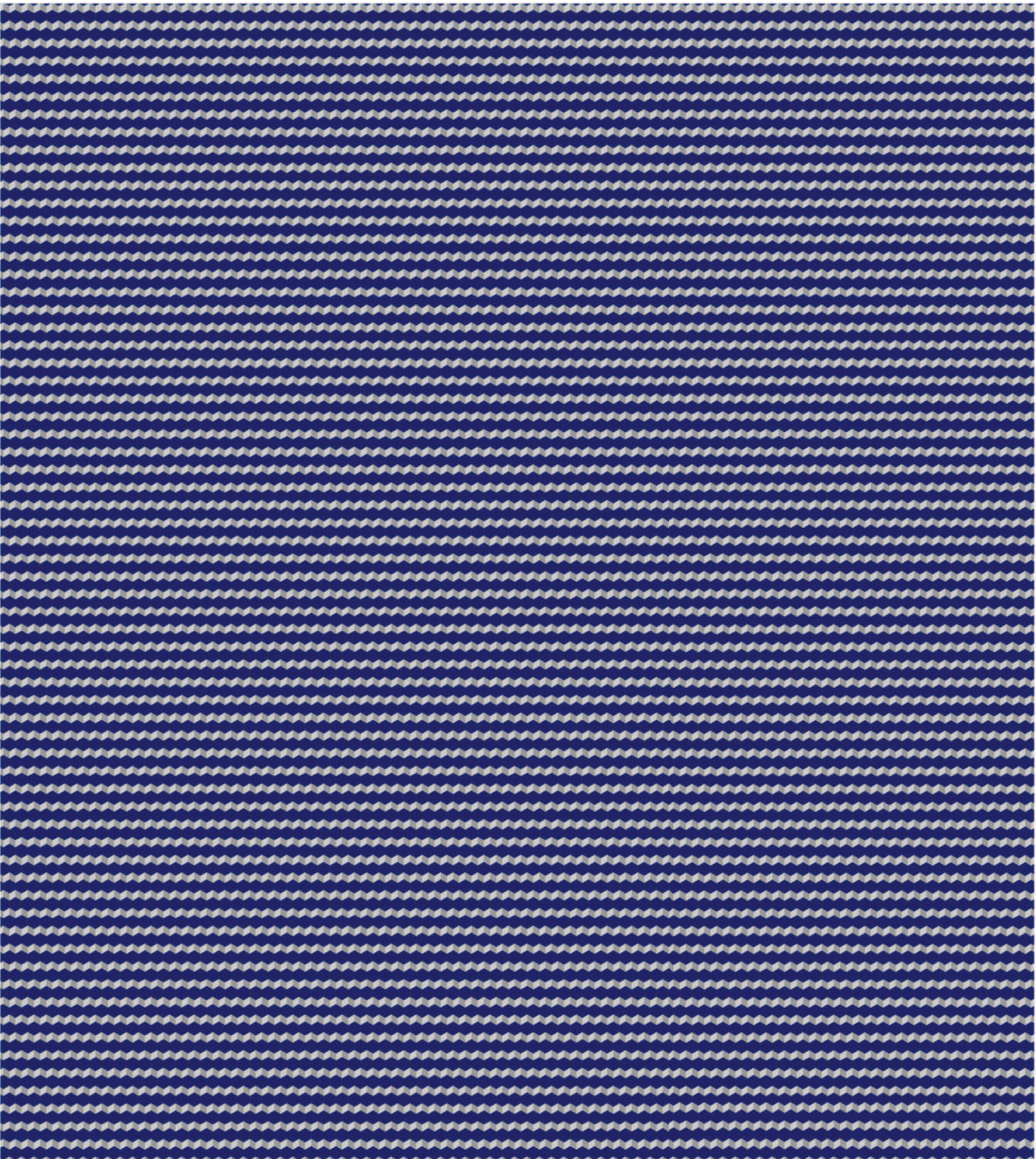




**CEAPE DE PERNAMBUCO**  
**15 SOLIDARY YEARS**  
**1992 - 2007**







CEAPE DE PERNAMBUCO

# 15 SOLIDARY YEARS

1992 – 2007





CEAPE DE PERNAMBUCO  
**15 SOLIDARY YEARS**  
1992 – 2007

CEAPE  
recife  
2008



**Centro de Apoio aos Pequenos Empreendimentos de  
PERNAMBUCO**

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OUR HISTORY  
DESERVES CREDIT



Celebrating 15 years of the Support Center for Small Enterprises of Pernambuco (Ceape-PE), its leaders wanted to share with you - customer, businessman, technician, scholar or just curious about the history of this institution pernambucan - the "biography" of a social work pioneer, whose greatest dream was, and continues to be, to contribute to a fairer and more supportive social development of the State of Pernambuco.

As in the life of any institution, many stories helped to form the proper history of Ceape-PE. Thus, many wires along these fifteen years entwined to create the ties that bind us today its numerous customers to destinations of the Institution. Ties that, in spite of the mishaps common to any trajectory in time, have been generating the essential confidence not only of their own customers but also of employees, technicians, financial institutions, national and international partners as well. Without so many and diverse actors, the Ceape-PE would not be what it is today: an institution consolidated by effort, by credibility, by the zeal of their leaders and architects - says, Prof. Josiah Albuquerque, who has set his eyes on pernambucan daring and vocation to overcome adversity and blaze new pathways.

Telling this story, we pay a debt due to the memory and with so many who have relied on the work of the Institution. Thus, this book has been designed not only to celebrate these 15 years, as also to record and document, Maranatha: Our a witness of a mission carried out with enthusiasm every day, every new customer, every social promotion and human achieved through the use of microcredit. This way, no installment of the dream was forgotten. On the contrary, it is remembered as a social commitment of teamwork, performed with the zeal of those who believe in a better world.



*Signing of the convent with BID, in 1997.*

The first chapter, as you will see, concisely describes the history of microfinance, contextualizing the ideas and facts that underpin the birth, in the 20th century, of a modern concept of micro-credit. It will consider in a well-deserved first place the successful creation of the Grameen Bank in Bangladesh, by economist Muhammad Yunus, who today is known as the "banker of the poor" and won the Nobel Peace Prize for 2006, and secondly the main landmarks of micro-credit in Brazil.

The second chapter relates the emergence of CEAPE-PE, in 1992. The heroic times of being a non-governmental organization are brought back to memory, as are the initial difficulties, the first paths threshed and the foundations of its establishment.

The third chapter discusses the growth and enhancement of the Institution and its transformation into an Oscip, with emphasis on the administration that started to be implemented. With the turn of the century, CEAPE-PE also passes to live a new era under the regency of Jose Ventura Nephew, the executive director who, with a broad



professional experience at the Banco do Brasil, consolidated the Institution as one of the most solid of Brazil in its area. It is also in this chapter that the reader gets to know CEAPE-PE as it is today: its methodology, its structure, its staff, its values, its partners and its mission.

The fourth and fifth chapter touch on two themes that almost inevitably interweave: the client and the future, respectively. Well because, as any entrepreneur knows, without clients there is no future at all. Our client - the direct beneficiary of productive and oriented microcredit - is, in fact, the central character in this whole story. It is he who is present throughout this book. Thus, with the practical impossibility of having to narrate countless cases of success, having e the pleasure of witnessing a transformation of socioeconomic finance, we chose some stories hat symbolize and represent all the good and successful clients. Making CEAPE-PE their safe harbor; they all become more at ease while navigating the seas of their ventures and the waves of their personal dreams. Their stories too, are our history.

To all those who have and still are forming the life of Ceape-PE, our largest credit and our only debt – that of gratitude.







# Micro Credit: Vision of a Solidary History







## From the East; a New History

Although the history of financial institutions is very old, it was necessary to reach the middle of the 20th century to pinch a new and until then unsuspected path: the productive microcredit and oriented. A story in which, in Brazil, the Center of Support for Small Enterprises of Pernambuco (Ceape-PE) has a relevant role and pioneering spirit. However, the history of this pernambucan institution begins, in a certain way, well before, moved by some simple ideas and practices, which, able to change ingrained habits and traditional concepts, arrived to promote a silent and effective social revolution the world over.

This new story is already born with a daring - and, for many, even utopian - objective: to once and for all sweep misery out of the world, relegate to museums the presence of poverty. However, contrary to what often occurs in the creation of new technologies, this story is not born in the offices of more developed countries. He came from a small and young peripheral country, whose ancient culture is frequently confused with the great eastern traditions.

The country is Bangladesh, created in 1971, neighbor of India and Pakistan, to which resembles in many points, especially in social and economic misery of its millions of inhabitants. In addition to being poor and tormented by a climate that punishes with cyclones and monsoons, Bangladesh is, probably, the country with the highest population density in the world, which aggravates strongly its social situation. There are 120 million people pressed together in an area only slightly larger than the Brazilian State of Amapa. There hunger and poverty nowadays mitigated by productive and oriented microcredit – are characters eternally challenging to public and social politics.

## Confidence towards social inclusion

Because it was in Bangladesh, where hunger is a perverse specter that ends human lives that, in 1976, the modern experience of micro-credit emerged. To spread over the world in just two decades, socially including thousands of social indigents, salving extremely poor families from being prisoners of a circle of hunger and degradation.

All began when the young and idealistic Bengali Muhammad Yunus returned from his doctorate in Economics in the United States. Feeling unsatisfied with the social situation of his equally young country, undermined by hunger and poverty, he realized that "The poor are not poor for being illiterate or poorly educated, but because, not having access to capital, they cannot retain the profits of their work". In practice, the misers that had some informal economic activity remained forever in the hands of loan sharks, unable to get out of the vicious cycle.

This gloomy scenario, similar to many scattered across the four corners of the world, had led Yunus to mistrust of financial and operational logic practiced by private and state banks. According to him,

*The experts stated the need to impede access to credit, to attract only those who could pay. I argued the opposite: it was necessary to facilitate things for the people in order to encourage them to pay.*

In real life, Yunus had to face both bureaucratic barriers and obstacles in the way of ideas and values. Even if poor people, as still occurs had the opportunity of any loan, they had no possessions with which guarantee it! They knew beforehand that they would not even be heard! The impersonality of banks and their logic directed only to those already blessed with a good fortune seemed to Yunus a challenge to overcome. The mistrust with regard to the poor and the fear of financial institutions to give them personal loans contributed to the perpetuating misery. In addition, the amounts that would be required - always so small! - were simply ridiculous. However infinite, these amounts could yet make all the difference in the life of the poorest inhabitants of Bangladesh.

The logic and intuition of economist pointed in the other direction, towards confidence. Is not the word *credit* itself synonym for trust? Yunus went further and thought that credit "should be considered as a human right" and that it "could exercise a strategic role in the elimination of hunger from the face of the Earth". Overcoming psychological and cultural problems of the most various natures in the womb of his own people. The today called "banker of the poor" departed for disassembling the entire fate of commonplaces about the miserable. Especially those clichés that claimed these creatures would be "without initiative", "unable to undertake", that they are like "encaged birds who would refuse to fly if by chance someone opened their cage", among many other recurring voices without exception of "experts", "doctors" and even religious leaders.

## A new bank in the Global Village

*The microcredit programs boosted the energy of the market economy in villages and in the most deprived populations on the planet. Boarding the fight against poverty through market optics allowed millions of individuals to leave her with dignity.*

*Jim D. Wolfensohn, 1997, president of the World Bank*

After knocking in vain on several official doors, Yunus, as you know, started to personally put his innovative ideas into practice. Surrounded by his students and volunteers, step by step he was beginning to have success with his experience of granting small loans to residents of deprived villages of the country. Later he created the Village Bank (the Grameen Bank), because it was in the villages of Bangladesh that everything began. In spite of the fear of the poor themselves, in their great majority mistrustful of his "strange" behavior. With the passing of time, success materialized into a new security of those financed. Ensuring their survival and that of their families, they created the conditions necessary to higher flights. Thus, many of those myths about the behavior of the poor fell to the ground.

Once consolidated in the confidence of those funded, several assumptions and principles of the visionary economist began to clear. The Village Bank, unlike traditional banks, should go to the poor, unlike the usual route of customers of a normal bank. In addition, it was also clear that the loans for groups were as important as individual loans or even more so, since the poor, in this way, they felt more secure in contracting them. In addition, the existing bureaucracy took a hard blow: its imaginary superficial logic was broken by the living practice of the poor, in their majority, being excellent payers who, once empowered with working capital, knew very well what to do with the money.

Today, the Village Bank has already attended 12 million financed. Of this total, 96% are women, whose role, both in Bangladesh and in the rest of the world, has been of fundamental importance as an aggregative force and support for family survival. Finally, in recent years, the Village Bank has diversified its lines of micro-credit, and with the same philosophy of their origin, originated companies serving the textile and telecommunications industry, the purchase of equipment, health and savings.

.In the globalised world in which we live, the "village" of Grameen refers, in some way, the *global village*, provided by McLuhan - known as the Prophet of Communication -, for expressing and define the world that arose, based on new Information Technologies, in the middle of the last century. The principles developed by Yunus and his team of collaborators quickly disseminated over the world, adopting the specifications of each region of the globe. Not by chance, in 2006, the "Banker of the Poor" was honored with the Nobel Peace Prize. Why not with the one for Economy? – might be asked. Probably, because the Economy is a subsidiary to a greater good, Peace, that, in this case, is being promoted by social inclusion and the promotion of the human individual who attempts to marginalize poverty - in dreams of Prof. Yunus and many others around the world - something only seen in museums.



Regardless of where you get at with the practice of productive and microcredit, we must clarify, together with its creator, that "micro-credit cannot be a solution, but it is a force for change, not only economic and personnel, but also social and political". It is a new tool to deconstruct the old cycle of misery, not by purely philanthropic or charitable use, but, above all, to be a point of support - such as Archimedes - to move the world in the direction of an era without the shortcomings that hinder the full development of human dignity.

### Microcredit in Brazil: pioneer years

*Brazil and Bangladesh have the same problems. Many people need to change their way of life, but there are no opportunities available. The microcredit brings these opportunities to create independent firms, establishes market activities and develops the local community. Before the large population of Brazil, many people are looking for non-profit jobs. And the autonomous jobs are the best solution. People can create their own life.*

*Muhammad Yunus, interview with Correio Braziliense, 14/10/2006*

Brazil also rose early in creating organizations for access to micro-credit, to the example of Northeastern Union Assistance to Small Organizations (UNO), created in 1973, which was a pioneering first in the country. With technical assistance from Accion International and counting with partnerships of private banks in the states of Pernambuco and Bahia and with funds from an American association called Pact. The UNO was a civil, non-profit organization, which was born in Bahia and Pernambuco and funded and enabled individually the workers of the urban informal sector. Its high technical level, based upon framework of professionals from the areas of Social Sciences, Economics and Administration, accounted for the success of thousands of enterprises in the two states in which they worked. Their methodology was applied again in the 1980's, when the Ceape Network adopted it.

For the sociologist Valdi Dantas, who joined the body of professionals of the UNO, "microcredit, in both their individual modality as in solidary groups, arose and developed in Latin America without any influence of the large and successful experience of Yunus' Grameen Bank. According to him, this is because, in social dynamics, "Similar needs arise in different societies at one time, and the social actors seek answers that contains very similar elements".

The UNO went ahead and, over many years, has provided significant services to the less favored entrepreneur. His experience resulted in the creation of other organizations, like the Center of Support for the Small Enterprise Ana Terra, from Rio Grande do Sul, which dates from 1987, the first of the centers that became known as Ceape Network, into which Ceape-PE integrates.

## The Ceape Network

From the successful experience of Rio Grande do Sul, Unicef and Accion International thought in extending the model to the rest of the Country, in particular to the Northeast. Thus, in 1989, Ceapes initially formed in Rio Grande do Norte and in Maranhão, followed - with the stimulus of the then newly created National Federation to Support Small Enterprises (Fenape), in the 1990s 1990 - by Federal District and other states of the Federation. These centers after soon began to rely on the technical assistance and coordination of Fenape, with the financial support of Unicef and IDB, in addition to partnerships with local institutions, in the same way that had occurred with the Ceape-PE in relation to Fecomercio.

In this way, in 2000 there were already 13 Ceapes in Brazil, all institutionalized as civil organizations and non-profit organizations, with small structures and acting independently in a similar manner. In March of that year, the Fenape would be denominated **Ceape National**. As the unity provides strength, unity also made the network to unite around common goals, backed by a philosophy of similar action throughout the national territory. Among these common goals, we highlight the need to stimulate the creation of new centers and to share technical assistance in the areas of methodology and organizational development, with a focus on professional qualification.

According to the sociologist Caio Marcio Silveira, "The trajectory of Ceapes is clearly evolving, with a progressive growth throughout the 1990s, crossing different macroeconomic situations". As a scholar of the era puts it,

*The case of Pernambuco distinguished itself as one who has the most intense growth and sharp, making it the Ceape-PE, the non-governmental organization with the largest portfolio of microcredit in Country. Their profitability indicators, portfolio quality and productivity (...) being regarded as exemplary for the assembly of NGOs of microcredit in Brazil.*

## Other initiatives

Following the lead of the time, in 1989, with the support of Unicef (United Nations Children's Fund) and the Inter-American Development Bank (IDB), would arise a new non-governmental organization also dedicated to the release of microcredit: the Bank of the Woman, which until today acts not only in several Brazilian states as in several other countries.

In the early 1990s, an initiative in the state of Minas Gerais - the People's Bank - also arose with the purpose to serve small formal or informal entrepreneurs. It was the result of a convergence of several NGOs and other civil society entities. In 1998, the People's Bank transformed into a NGO and expanded its activities. Its branches are scattered throughout the State of Minas Gerais, and clients typically receive training and technical assistance for their ventures.

In 1995, the history of micro-credit has won even more in terms of policy and institutional articulation. It was in this year that the Council of the Solidary Community began to discuss new legal mechanisms for the extension of the funding. The example resulted in the edition of the Law no. 10,194, dated 2001, which authorized the creation of credit companies serving the small entrepreneur, subsequently regulated as standard by the National Monetary Council. However, already in 1999 Law no. 9,790 contemplated the inclusion of non-governmental institutions of microfinance as Public Interest Civil Society Organizations - Oscips.

Also in 1995 the city of Porto Alegre, Rio Grande do Sul, created the Community Institution for Credit - Portosol (Porto Alegre Solidarity), in a partnership with the State Government, Sebrae-RS, the National Bank of Economic and Social Development, the German Society for Technical Cooperation (GTZ) and the Inter-American Foundation. Portosol was a pioneer in count with resources of governmental organs, lifting microcredit thereafter to the status of a public policy development.

Another important milestone was established in 1996, when the National Bank of Economic and Social Development (BNDES) created the *Program of Productive Popular Credit*, aiming to grant long-term financing for microfinance institutions.



That same year, 1996, VivaCred was instituted in the favela Rocinha on the initiative of Viva Rio. Later this was replicated in other slums and regions of the city of Rio de Janeiro. Two years later, it was the turn of the Banco do Nordeste to create the IDB, which would become the largest microcredit program in the Country.

As from 2003, under the Luiz Inácio Lula da Silva administration, private banks were induced to have 2% of demand deposits for micro-credit. In a market dominated by non-governmental organizations - about 140 institutions, with 215,000 customers -, private financial entities, accustomed to thinking in macro terms, were, discovering the new market niche, yet still did not possess, unlike the NGOs, a specific technology for the industry, which is why they had to acquire adequate working *know-how*

### **An immense potential for entrepreneurs**

This brief historical overview of the major milestones of microcredit in Brazil, in spite of a relative recent trajectory, presents and represents initiatives that cover large part of the national territory. Despite this, according to Prof. Mario Monzoni, in a doctoral dissertation on the topic, only 3% of the market is covered by such initiatives, leaving, thus, a huge potential to be explored. The good news, to Monzoni, is that the average income of those financed double at the end of two years of funding.

For Jaime Albuquerque, in his master thesis about Ceape-PE, "history of microcredit in Brazil is interwoven with the institutions of civil society, whose institutionalization assumes the form of NGOs". It is only in the last few years, says Albuquerque, that Public Power has come to play an important role in the development of the sector, where the Federal Government, through the Bank of the Northeast and the IDB program, today stands out as the largest Brazilian financier.

As we will see in the next chapter, Ceape-PE, which appeared in 1992, too was designed as a non-governmental organization. It has its roots in civil society, having been born of an articulation of executives linked to the Trade Federation of Pernambuco (Fecomercio), in which Prof. Josiah Albuquerque, a pioneer of innovative perception that brought to Pernambuco the seeds of a new time for micro-credit in the State, played a prominent role.

Today, after several years, the microcredit in Brazil has already won his letter its citizenship. The ideas were fertile and diversified, taking a wide variety of aspects into account. The general impression is that there was the understanding that both the national civil society - a pioneer in the adoption of new mechanisms - as the Public Power had in fact a great future of partnership.

In a country like Brazil, where social inequality reaches alarming levels, but gathers a business potential of endless possibilities, the productive and guided microcredit has revealed the creativity and the entrepreneurial spirit of the people. It fulfills its role in generating wealth and transforming labor into a source of prosperity and of citizenship for each of its millions of beneficiaries.





# The Challenge to begin







*Knowing to be contributing in some way to the improvement of the quality of life of many people, as has happened with the Ceape, provides great happiness.*

*Josias Albuquerque*

The year was 1992. Despite the political crisis that would culminate with the impeachment of then Brazilian president Fernando Collor de Melo, a group of executives and representatives of various entities of class of Pernambuco disputed ways of promoting the development of small and micro business.

One year before, the Trade Federation of the State of Pernambuco (Fecomercio-PE), together with other bodies interested in the promotion of the development of the State, united with representatives of the United Nations Children's Fund (Unicef). The single goal was to create an institution that assists workers with potential, but without the means to develop it, in particular to families who had children in the street, now that one of the main intentions was changing this situation. It was searched, this way, sustain the families of beneficiaries and reduce unemployment.

The idea began to be discussed in October 1991, when an invitation was sent to various federations - of commerce, industry, etc. - to a meeting at which Unicef uttered the proposal to create an entity for granting microcredits that support small entrepreneurs in the increase of their business. The goal was more comprehensive than just to generate employment and income. It was to promote by this means the economic development of low-income pernambucan population, supporting the small already existing family businesses. With this noble mission, all the entities present at the meeting accepted the challenge.



*Josias Silva de Albuquerque,  
president of CEAPE-PE.*

Thus, the Center to Support Small Enterprises of Pernambuco (Ceape-PE), was born as a Non-governmental Organization. Its deliberative council was formed by members of Fecomercio, the Trade Association of Pernambuco, Leaders and Storeowners from Recife, the Federation of Chambers of Leaders and Storeowners from Pernambuco, Association of Micro and Small Enterprises of Pernambuco, the Federation of Industries of the State of Pernambuco and the Secretary of Labor and Social Action of the State. Hence forward – once formed the Directing Council and Supervisor, responsible for the definition of policies and the general objectives of Ceape -, he captivated the full formal support necessary for the young institution in its first steps.

### **The first steps**

To preside over the team of Ceape-PE, someone quite sensitive to the causes of poor communities was needed to develop work directed to them. It was thus that, even having an idea of the scale of the challenge he would be facing, Josiah de Albuquerque - then director of Senac and consultant of the Fecomercio, initially invited to draw up the statutes of the Entity - agreed to assume the Presidency of the organization that emerged, starting a long work to consolidate the initiative.

The first achievement, after formalizing the status, would then be to register the Institution to have access to the funding of three thousand dollars provided by Unicef. This step complied with, there was one more - and perhaps the most important – challenge: forming a team to implement what was already regulated on paper. From October 1991 to July 1992, the month in which the Ceape began its activities effectively, there has been a ceaseless quest for the support of voluntary entities and persons wishing to contribute to the Organization.

At that time, Ligia Maria Gayao, economist with a vast experience in work with needy communities, mainly related to Education, resumed her activities in Progerar - a program of employment and income generation in the Northeast Region, developed by Sebrae. Her path would cross with the Ceape. On the occasion, by means of Mr Joel Holanda, Ligia knew that a new institution was being implemented whose direction lacked someone with her profile. Her encounter with Josiah de Albuquerque confirmed, then, what the honorable Member has already forecasted: Ligia was the ideal person to direct the Ceape-PE.

Motivated by the idea of doing something innovative, she accepted to lead the first team of Ceape-PE. First, she went to Rio Grande do Norte, where she would receive a training with Valdi Dantas, former member of the UNO. This was a very important moment, a time that Ligia - who would become executive director - had the opportunity to get to know the people of Ceape Network and the work already done in some states, such as the Rio Grande do Sul and Maranhão, where the Network started its activities.

Back to Recife, the mission was quite clear: deploy a unit of Ceape in Pernambuco, despite the initial scarcity of resources. Ceape-PE only with what was donated by Unicef and should be dedicated to financing. Administrative expenditure and implementation should be kept to the minimum possible.

Assuming the Executive Directors of the Entity responsible for implementing the actions set out in the Council, Ligia Gayao rose to command a fairly lean but technically experienced and motivated team - two advisors and one desk. It was a skilled team that would know where to look for the customer, how to use a clear and accessible language to address it and how to handle micro-credit operations.

The commitment of Josiah Albuquerque, however, did not end with the creation of the status of the Institution. Without resources to obtain own headquarters, the president of Ceape-PE sought support of the president of the Fecomercio, Pelopidas Soares, for the new entity to occupy a space in this federation. Thus Ceape-PE obtained its first headquarters and began its activities in a dependency of the building of the Fecomercio, on Rua Visconde Suassuna, in the neighborhood of Boa Vista, in Recife, counting with furniture and machinery also ceded by the Federation. The minimum physical and operational structure was compensated by the motivation of the installed team, and the physical proximity of the Federation turned out to be a great ally.

Partnerships, by the way, were not lacking along the history of Ceape-PE. The Banco do Brasil (BB) that already worked with Senac was one of them. Accepting to open an account for a newly created micro-finance institution and assuming all the risks that this could imply, the then manager of the agency of the BB in the Dantas Barreto Avenue, in the center of Recife, Jose Ventura Nephew - who later would have an even more active part in the history of Ceape -, was sensitive to the cause of the Organization. With the partnership realized, the Ceape began to release claims of R\$50.00 and R\$100.00 by means of checks in typed format and discounted by customers in branches of Banco do Brasil.

### **The first clients**

In addition to the lack of resources, Ceape, in its heroic times, had other barriers to face, one of them being the resistance of the proper target audience. Unable to invest in advertising and relying only on a few brochures to disclose its activities,



*Attending at the Fecomércio premises.*





*The first clients waiting to be attended.*

Ceape had the tough job of sensitization to attract its first customers in the streets, close to the trade unions of hawkers or peddlers. Nevertheless, the resistance of this audience was cultural: he did not have access to a bank credit line, was accustomed to take loans from the loan sharks and unfamiliar with the methodology of Ceape. Therefore, promotion was in cooperation with the trade unions associated with the Fecomercio, educational lectures and discussions on the proposal of the Entity and the methodology of credit solidarity. The season was of electoral campaigns, which made it difficult for the audience to decouple the Institution of a political initiative, distrusting of the politics that, over time, would prove to be a strong ally.

Before the effective release of loans, there was a preliminary phase: the field research that delimits the area to be served. In principle, it has been thought in the Encruzilhada quarter, due to the large concentration of small enterprises. The idea was reconsidered later, and it was decided to expand the range of locations, including also the center of Recife, where there were a large number of vendors - at that time, the Camelódromo had not yet if installed, and these small traders occupied various streets.

Despite the difficulties, the first customers were emerging, and the systematic monitoring of their business has proven to be essential for the success of the venture. Housewives, street vendors and individual workers broadsides of the most diverse sectors began to have a technical assistance that guided them on how to employ the small credit and transform it into productive capital. Curiously, the first customer of Ceape, met in late November 1992, was not from the Encruzilda quarter nor the center of Recife, but Casa Amarela, neighborhood that has a large number of potential customers, such was the entrepreneurship of its inhabitants.

Ceape began to release credit in a targeted way and with a "moral guarantee" - groups were formed in which a client was guarantor of another -, thus ensuring a greater security for the return of their financing. Customers now when applying for a loan, received visits from technicians of the Institution, who in the first years, arrived by bus - own car only by 1993, donated by the German institution Friedrich Naumann - to analyze *in situ* the business and prepare reports to be discussed with the entire team. The job does not end with the release of the credit: Ceape gave managerial support and advisements of credit for those who, many times, had no notion of how to compute the actual expenditure, set fair prices and have a greater profitability by reducing some costs.

All this was possible thanks to participatory nature and the experience of the team, which, according to Ligia Gayao, was more than a team: it was a real unity. Above hierarchical and bureaucratic questions, reigned a common cause. And it was centered on all members mobilizing work.

### Expansion: more credits liberated

Three years after assuming, Ligia Gayao asked for the suspension of her contract with Sebrae and her dismissal from Ceape to go reside abroad. It was the end of a management of coping in early adversities, deployment and consolidation of the Institution. But also an era remembered as harmonic by which participated in it, as a moment in which team spirit prevailed over the daily load of problems to be overcome.

In her place, Grace Borges, who has already worked as adviser in Ceape and had been accompanying the work of the Institution since the beginning, assumed the Executive Board. It was a time of expansion, and it was exactly this that Ceape did, taking advantage of the fact of still being alone in the branch of microcredit - market which, as we will see later, was very attractive to various public and private institutions.

In 1999, the technological innovation added even more velocity and efficiency to the work of the Entity. In that year, the management software was deployed Infocred, developed by German technical Burkhard Puwalla. Employees were trained to use the basic features of the system, which generated synthetic and analytical

*First attendings at the new home in the Visconde de Suassuna Street.*



information, in addition to having a control to identify and segregate financial operations in active portfolio of loans. From there, payment failures can be detected with greater rapidity, already on the first working day after the expiration of the customer's portion. Among countless other administrative and operational gains, Infocred enabled the elaboration of appropriate reports and optimizing the flow of information necessary for managers of Ceape and other users of the system. The territorial extension of the State of Pernambuco was no longer a barrier to communication between the headquarters and the other attendant positions. The computerization had arrived to shorten distances and further contribute to the growth of the organization.

During the eight years on the premises of the Trade Federation, Ceape - which, in the beginning, worked at the first floor, and then added a space on the ground floor - planted the seeds of microcredit with hard work and dedication to only later reap its own fruit. At the beginning of 1999, they finally managed the resources required for the acquisition of the building's own headquarters, located at Avenida Viscount of Suassuna, no. 607, district of Boa Vista, where it until today is functioning. The headquarters of Ceape, besides administrative center, houses the post of Recife, currently managed by Magdalene Pinto, the oldest employee in service. The history of the post of Recife is confused with that of the own Ceape, for having been the only post in the beginning, it can be said that for some time it was the proper Ceape-PE.

Bit by bit the limits of the city of Recife were exceeded, and the extension of the provision of services to other cities in the Metropolitan Region came as a result of a job well done. The demand for micro-credit had been increasing, and even not having won the difficulties of lack of infrastructure, the team of Ceape wanted to answer it. Gradually, entrepreneurs of the Cable, Paulista, Pleasures, Borrisoleigh and Jaboatao dos Guararapes could have access to directed micro-credit. At that time, the Ceape came to be honored with the award of *Best Institution of Microcredit*, granted by the Inter-American Development Bank (IDB) for their work with microfinance for the social improvement of micro entrepreneurs.

After the expansion of services in municipalities of the Metropolitan Region of Recife, appeared a partner that would be decisive in the process of interiorization of microcredit in Pernambuco. The Institute Friedrich Naumann, a German entity with various projects for the defense of human and civil rights and to encourage young entrepreneurs in Brazil – also with projects related to microcredit -, has offered to support the initiative of Ceape inside the State, through the provision of resources necessary in the beginning.

## Caruaru

It was at that time that the responsible by institute in Brazil, Michael Schutz, proposed the executive director to expand services of Ceape to the municipality of Caruaru. The proposal met, initially, with reluctance: resources were limited, and the team would be insufficient to meet the new demand. On the other hand, it was tempting: the foundation offered transportation, a typewriter, a fax machine and a telephone line, as well as resources for the hiring of a person responsible for the unit of Caruaru. The proposal was then forwarded to Josiah Albuquerque, and the challenge was accepted. It started the mobilisation that would found the unit Caruaru. The city, known to aggregate in its surroundings a pole of textile production in expansion - formed by the municipalities of Toritama and Santa Cruz do Capibaribe -, was the ideal stage: the Ceape reached to the interior of the State taking credit and empowerment to a population producing by vocation.

To head the new unit, sociologist Sebastiao de Souza Cavalcanti Filho was invited, who already had 14 years of experience in this sector, among which 10 were in UNO. Quite impressed with the cause, Sebastiao embraced the proposal and has initiated activities of Ceape Caruaru, having only one technician – Sebastian himself - and one person responsible for administrative sector.

Once more, partnerships would play a fundamental role in the history of Ceape. The first headquarters of the Entity was the result of one of them: the president Josiah of Albuquerque obtained support from Paul Case, then president of the Syndicate of Comerciaris (Caruaru), connected with Fecomercio. With only a desk, a locker and a typewriting machine, two employees and a space donated by the Syndicate of Comerciaris, Ceape Caruaru was founded in 1993.

The experience of the leader Sebastian Cavalcanti was fundamental to circumvent the precariousness of the first moments. This allowed the unit to become self-sufficient with only six months of activity. Three years later, Ceape Caruaru already was turning off the premises of the Syndicate for a new headquarters, ushering in a second phase.

The rental of a new larger room, also allowed the increase of staff. At this time, two interns and one more technician were hired. With the new headquarters, the Ceape Caruaru obtained greater visibility, providing a significant increase in the portfolio of customers. The adoption of computerized systems also dates from this period.



The year 2000 also marked a milestone in the history of Ceape Caruaru: shifting to a new space, which, in 2006, would become its own. This site, much larger and more visible, now houses a team of seven people, having been the first tour of Ceape Network to achieve the portfolio of a million Reais.

In addition to the experience of the team, the business profile of the municipality has contributed to these results. There was a larger market, like the pole of garment factories. Which, as already mentioned, involves the municipalities of Toritama and Santa Cruz do Capibaribe, besides Caruaru, and moves large amounts, impelling the unit of Caruaru to extend the limits of granted credits. Also the innovative character of the manager Sebastian Cavalcanti may not be forgotten, as he well observed the peculiarities of that region and opted to take the risk of granting credits with appropriate limits for the market dynamics of local production.

### Petrolina

In the middle of the 1990s, the then mayor of the city Petrolina, Fernando Bezerra Coelho, had the interest of opening a post of Ceape in, which would also meet the expansion plans of the Institution. Done a study and found the demand in that region, a contract was signed in September 1995, during the celebration of 100 years of the municipality of Petrolina, establishing the arrival of Ceape to the city.

The economic growth and the entrepreneurial potential of Petrolina were decisive for the opening of the new unit. Patricia Almeida, business administrator and current manager of the station, reminds us that "the policy of encouraging the past decades the region became a barn of tropical fruits, which are now marketed for the main regions of the Country and also exported to Europe and North America, among other markets".

The Prefecture of Petrolina was a great partner in the first year of the post, which today operates in a well-located office in the center of the town and meets a clientele formed, in general, by small family businesses, in their majority managed by women, for which the presence of an entity to support this type of trade was a welcome novelty.

As has happened in other regions, the Ceape was the first institution to meet the informal trade in the city, believing in the entrepreneurial potential of persons who were not in ample financial institutions. This belief proved true to the extent that under the responsibility of this post, a point of care was opened in Juazeiro – the only location that Ceape-PE maintains outside of the state.





# Growth and Credibility





In 1999, with the proximity of the turn of the century and the millennium, much would change in society - mainly on account of the rapid advance of technology and information -, and with the Ceape this would not be different. The Institution finally exits of their heroic times and prepared to enter a new phase.

In the same year, Law no. 9,790 established the status of Civil Society Organizations in the Public Interest (Oscips), the philanthropic associations and Societies to Micro-Entrepreneur Credit (SCMs). Thus, in the year 2000, the Ceape has reached a new level: the quality and importance of social services that it had been paying in the State of Pernambuco, ceased to be a non-governmental organization and began to be qualified as an Oscip by the Ministry of Justice.

It was already a fact. Ceape grew, it became a "teenager" and, as is characteristic of this age, had gained strength, but, on the growth, had lost a little control, coordination. It was time to go into maturity. For a microcredit organization, reaching maturity means *sustained growth* and *responsibility*. And, for this reason, it was necessary to renew.

### A new Direction

Until 1999, the Executive Board had a policy of acting toward the release of credit, that is, to the end activity. This on the one hand resulted in a large expansion of the portfolio of customers and the volume of operations - and, consequently, into propaganda for the Ceape. On the other hand, it left the management of the process in the background, which generated growth, but without the due monitoring indices decisive for a secure development, with example of the percentage of defaults.



*Tenth anniversary: rewarding  
of clients.*

Although the expansion had been something positive, the Ceape needed now not simply to continue expanding, but doing it without taking unnecessary risks. This is materialized in the arrival of a new executive director: Jose Ventura Nephew. Due to his career - 30 years in the banking system, from which he retired as superintendent of Banco do Brasil -, Ventura had a great experience in the area of credit assessment and, as personal characteristic, a humanitarian vision. More than sufficient reason to be invited, in April 2000, by the president of Ceape, Josiah Albuquerque, to assume the position of executive director.

When Jose Ventura assumed, two major steps in order to enter a new phase of its history had already been taken. One of them, as mentioned earlier, was the acquisition, in 1999, of the headquarters of Ceape, in the neighborhood of Boa Vista. It was one more sign that small micro-credit institution had grown considerably and become a powerful instrument of socio-economic transformation.

The other step was the computerization of credit operations, measurement is also performed prior to the new Executive Directors took possession. This action, however, turned out to be in fact, a process. It was not as simple as buying a property.

As you know, all change, even if it is for the better, has its sorrows, and this would not be different. It so happens that, in 1999, the portfolio of customers had inflated suddenly. To have an idea, each technician counted more than 300 customers in its portfolio, a yield higher than the average in Brazil. In brief, it turned impossible to control the operations manually any longer. It was for this reason that, even before the arrival of Ventura, Infocred was implanted, which, among other things, expedited the release of credit. On account of its deployment and installation of broadband connection in all jobs, it became possible to receive reports of the activities of each unit and have a precise control of the operations carried out day to day.

The system served perfectly to the purposes of Ceape at that time. Once implemented, Infocred received only the new credit operations, that is, the negotiations undertaken after its installation. However, the new Executive Director knew that, to have a management founded on control and sustainability, it would not suffice to computerize only transactions made from the implementation of the software. It was necessary to pass all the data, the entire portfolio of customers, all releases of credit, the entire movement, in short, everything that had been done in previous years in terms of credit into the new system.

The task was not simple. But it was essential to rearrange the house and have a clear picture of the situation. Thus, a hard work of insertion of data in Infocred conciliation and financial-accounting, took about two years. The herculean task of including a sizeable volume of information into the new system was performed satisfactorily.

## **New institutional culture**

In the meantime, however, it became apparent that it was not only a question of computerizing the activities of microcredit financing developed in Ceape. There were structural points solve. The own institutional culture and the own credit policy of Ceape needed to reviewing, they needed to pass a recast. It was necessary to deploy a new working philosophy, especially where it came to the policy on release of credit. The technicians, employees, everyone needed to adapt to a new organizational culture. In this respect, Ventura comments:

:

*The loan is harmful both for lack as for excess. For example, if you gave a loan of a value greater than the capacity of the customer's payment, when he gets there in front he has many things to pay. If you are analyzing: did he not pay because he did not want to pay? No. He did not pay because he was unable to. You made a wrong operation. If the person is needing exactly five thousand reais for a business, and you only gave two. Provably, technically, he needed five. You only loaned him two. You did not help. For what he was doing, to really take a step forward, he needed five. With two, he did not leave the place.*

*Then, what did we do? First of all work on where defaults begin, improving the quality of the exams before releasing credit*

In other words, for Ceape and customers grow together, it is not enough to liberate credit, in the first place, it was necessary to take care that the release does not tend to *credit recovery*, i.e. it is no good to loan and not receive back. In the second place, it was indispensable to fetch the value borrowed when it is necessary, even if it meant insistently approaching the debtor. In a few words, it comes to this: who lends has to recover, mainly to be able to lend again.

The idea, however, was that the first aspect warns the second, that is, if the release would be careful, probably it would decrease the number of cases in which it would be necessary to go retrieve the credit. Even so, there was no way to escape from the collection. To try to recover the amount borrowed, the first asset of Ceape was - and still is - the intimate relationship between technical staff and customers, which was already a consequence of his own methodology. In this way, each agent should have control over the percentage of defaults of its portfolio, seeking to come into contact with those customers who, for one reason or another, could not pay off their parcels. However, not always the agents of credit could solve. For this reason, based on the model implanted in Ceape-RN, the Executive Board decided to implement a system of collectors who visited customers to try to resolve the situation of throughput and also hired legal consultancy to work on cases in which it was necessary to recur to Justice and other matters requiring legal representation of Ceape.

As you can see, this whole fight to recover the credit released only aims at combating the worst enemy of an institution of microfinance and entrepreneurship: the delinquency rate. The equation of the delinquency is very simple: when there is default, that is, when there is no return of credit released, the institution of microcredit is "plastered". It can only lend money when it repossesses what it had borrowed. In short, Ceape - like other microfinance institutions - also depends on working capital. This explains why the Entity has entered the new century with this concern: controlling the delinquency rate, keeping it at acceptable levels.

Studies in the area of microcredit show that, for Latin America, the goal is to keep the default rate below 5 %, but some work with indices even minor. In 2000, it revolved around 26 %, a percentage that represented an extreme risk to Ceape. In 2007, the general index of all posts to answer is 4.42 %, reaching, in some of them, between 2% and 3 %. In the area of microfinance, the control of default is a basic requirement for improving the quality of the credit portfolio and, therefore, guarantee the sustainability itself. Thus, the Institution can continue practicing microcredit as a means of improvement of socioeconomic conditions for thousands of people.

### Internal Investment

Everything possible had been done for the end activity to be well executed. Now it was time to look within Ceape itself. The team manager was already well adjusted: Ventura, with the credentials already mentioned, was the executive director. The manager administrative-financial, Vânia Pereira, business administrator with 14 years of experience in Banorte, was already with Ceape since 1997. In 2001, Esmeraldo San Marino, also business administrator and holder of an experience of 30 years in the Bank of Brazil, had assumed the Technical Management - which was later divided into two: the Metropolitan area/Hinterland, headquartered in Recife, remained with the own Esmeraldo; and the Agreste, with Sebastian Cavalcanti, manager of Caruaru.

For the managers, it was clear that it would be very difficult to pursue without an very well established internal structure and, to achieve this, a well-developed and specific planning was necessary. For this reason, in 2004, Ceape commissioned from TGI Management Consulting, a strategic planning for the future that the Organization wanted for itself. This, in practice, meant implementing at least two fundamental tools at that moment: a Plan of Positions and Careers, to meet the aspirations of its internal public, and a Business Plan, which would serve to guide the actions of the Institution from thence onwards.

The Plan of Positions and Careers aimed, simultaneously, at the development of the Institution and of all employees. Each one had to know exactly what contribution to give for the Organization to continue to grow and for all - customers, employees, and trainees - could grow along with it. With this plan, Ceape wanted, above all, to reward collaborators and, at the same time, maintain the cohesion of the team. As within the area of micro-credit, it takes a very long time to empower and train good professionals, and the competition had already began to appear and demonstrate interest in human capital trained by Ceape. In this manner, the Plan of Positions and



Careers was, in all respects, an effective solution to the human resources of Ceape. Among other things, the plan established several levels for the positions of technician and manager, as well as the assignments of each function and the remuneration of each level, and defined criteria for the promotion of responsible and variable remuneration.

The other tool, the Business Plan, would be the navigation chart to the new directions of Ceape, establishing goals for portfolio and prospectuses for the future, such as the opening of new units and the care given to municipalities still not reached by the transforming action of micro-credit. If the setting of goals is critical for any company, it is a question of life or death for a micro-finance institution. Achieve the objectives envisaged is a condition of survival for the year that follows and, at the same time, requirement for activities to be expanded.

It was thus that the institution got to progress even further. The Ceape was now more agile and more modern and knew how it could fulfill its mission more efficiently. It was no coincidence that, in 2003, the international body of evaluation of microfinance institutions Planet Rating (Transparency for the Development of Microfinance), in its report on the Ceape-PE, indicated that this already occupied a place among the ten largest microfinance institutions in Brazil.

### Growth with Quality

The arrival of Jose Ventura Executive Director, in the year 2000, with a new philosophy of work, and the process of reorganisation then implemented apparently had a negative impact on turnover. Esmeraldo Marinho, technical dropped manager of the metropolitan area, accounts that, when Ventura entered, the releases dropped. "They had to fall. The moment in which we have to be more careful in granting credit, the release decreased ... Then it, grows, but grows with quality," he explains.

Esmeraldo was right. The report of Planet Rating indicates that the productivity dropped from an average of 308 credits per technician, in 2000, to 209 in 2001, and, finally, to 173, in 2002. But it also indicates that this dramatic drop in productivity had, in fact, a positive side, because it happened on the basis of factors also positive. One of them, as has already been mentioned, was the more conservative credit policy from the new Executive Board, which was aimed at a portfolio of better quality. The other was the increase in the number of technicians per account of the expansion of the network of care, thanks to the support received from the SBDC. It was a fall that had to happen to give rise to a sustainable growth.

Also in 2002, Ceape made one more big step toward the future. An arrangement with Sebrae, already a long time partner, and the Cooperative Bank of Brazil (Bancoob) allowed an investment of 300,000 reais. The project aimed at the growth of Ceape operating during the period of four years, through the expansion of operations, with the opening of Points of Service in a structured way and planned way. For this reason, Ceape conducted a survey of the market of the areas to be addressed and resources were available to the credit fund of new units. Posts opened with the institutional support of the Sebrae were Prazeres, Paulista, Carpina, Santa Cruz do Capibaribe, Victory of Santo Antao and Toritama.

### *Santa Cruz do Capibaribe*

Created in October 2002, the post of Santa Cruz do Capibaribe was another result of the process of expansion of Ceape leveraged by arrangement with the Sebrae. By being one of the largest textile poles of Pernambuco and the Northeast, this municipality had a large amount of informal entrepreneurs - existing or potential - who did not have the support of any financial institution. The Ceape, identifying this demand and the prospect of growth of activity in the region, decided to open a new post to respond.

The Ceape from Santa Cruz do Capibaribe established itself in the best possible place - the financial center of the city. Today it boasts a well-equipped physical infrastructure and computerized attending, taking into account, in majority, informal entrepreneurs from the clothing production sector. "These are people who have taken advantage of the opportunity of business generated by Sulanca Fair, which took an enormous size, and is now known as one of the largest centers of garment factories in Brazil", reveals Mary Bethany, an employee of Ceape graduated in Law, who, in 2005, was indicated to assume the management of the post of Santa Cruz. For her, Ceape has been of fundamental importance in the development of activities that require working capital for their livelihoods and growth. The activities of Ceape of Santa Cruz expanded to the neighboring town, Toritama, another vertex of the textile polygon in the pernambucan Agreste.

The support also of Sebrae support too permitted legalization, by means of the acquisition of licenses from the manufacturer for all software used in the Entity. With a credit policy focused on sustainable growth and with the consolidation of the new service posts and of their respective new credit technicians, the Institution has increased its portfolio of credits with quality and productivity gain.

In April 2006, the Ceape and Sebrae national signed a new arrangement of support for the development and strengthening of Ceape Network. This support allowed another magnification of the supply of micro-credit in the Network, as well as the creation and standardization of new products and services.

### The boom of microcredit

In the first years of the 21st century, more precisely in 2003, the Federal Government determined, through the National Monetary Council, that 2% of demand deposits in public and private banks (except those that do not liberate to the retail market) were directed to credit operations targeted to the low-income population and micro entrepreneurs. Created by Provisional Measure no. 122/2003 - afterwards reviewed by Law no. 11,110, dated 25 April 2005, which regulates the *Productive Microcredit Program (PNMPO)* -, the so-called *package of microcredit* was one of the first public policies that really focused on microcredit in Brazil.

CEAPE employees on Entrepreneurs'  
Tuesday, en Toritama.







It was the time and the turn for microcredit, which now spread rapidly not only in Brazil, but in the whole world. The year 2005 was, inclusive, established by the UN as the *International Year of Microcredit*. Unfortunately, in Brazil, the measure did not have much effect, because factors such as the heavy tax burden are still barriers to the development of small enterprises. Even today, most of the customers of Ceape, for example, are informal (only one in every five customers is formalized). It is worth noting that, in Brazil, the credit for consumption purposes is already very developed, especially in terms of *special overdraft* and *credit card*. However, the banking network does not welcome the micro entrepreneur, whose profitability is small.

The administrative-financial manager, Vânia Pereira, in her monograph of post-graduation in Corporate Finance, defines well what happened that year:

*The UN has promulgated 2005 as the International Year of Microcredit. For all agents backers of Brazil, this represented a major step forward, but very little was actually done for the micro-finance organizations, (because) the bureaucratic logic and the over-regulated administrative and legal machinery and inefficient Brazilian State and public policies impose limitations essential to the development of microcredit in Brazil.*

## Facing the Competition

Even though they were not ideal, the public policies of microcredit generated a race of several institutions to enter into this financial area. It was now the Ceape trying to survive in a market that had suddenly become crowded. It had to show different in the midst of the whirlwind of easy credit offers - not just for entrepreneurs, but for any person. Like almost everything in life, the easy credit has positive and negative points. On the one hand, it provides more opportunities to get capital for entrepreneurs start or expand business; on the other hand, favors the indebtedness, which puts many ventures at risk.

The executive director Jose Ventura - connoisseur of potential, but also the limitations of a microfinance institution - reveals that, in a first moment, with that whole supply of credit by institutions large and small, the prospects do not seem good for the Ceape.

Meanwhile, Ceape already had, at the time, a beautiful story and counted with impressive statistics in its trajectory. For this reason, even before this unfavourable instrument, its team has continued with the same dedication and the same enthusiasm in their work. With all the competitors - private and public banks, financial, shops - knocking on the door of the small and micro-enterprises and even individuals to offer credit, it was the hour of Ceape to show its differential. It was the time to show why it had become reference in the microcredit market.

Several aspects have made a difference for Ceape to remain firm in its trajectory of success. The first to be highlighted was the ability and the commitment of a team with the cause. Counting with more than ten years of experience in microfinance, the organization had probably the most articulated and efficient technicians in the area of credit to micro and small entrepreneurs in the State. Many of these professionals trained by Ceape were, inclusive, harassed by competition, which shows the prestige which the institution already enjoyed in the market. Who certifies this commitment on the part of the team is the president himself, Josiah Albuquerque:

*The work is done with great love. There are people within Ceape who received proposals for a much better salary than what receive with Ceape, but they do believe in work that they perform and know that here the work will certainly have continuity; it will not stop, so they prefer staying at Ceape, even earning less.*

In addition to the dedication of staff, Ceape also had a second differential: its credibility in the area of microcredit. It was at the time of difficulties that this credibility showed one of the deepest roots of the Institution, firmly holding the Ceape-PE on the market, even dumbled by the whirlwind that traveled around the country since the implementation of the "package of microfinance". After all, it was no longer a market in which employees had to beat from door to door to explain what it was and how it worked: more than a decade after the beginning of its activities, Ceape already had, then, an enviable resume, with countless cases of stories of transformation of life and successful customers.

A third and final aspect that cooperated for the survival of the Institution, without counting the many others who have contributed on a smaller scale, was the methodology of the Organization itself. This methodology - which will be explained hereinafter and which has changed very little since it began to be used by the Network Ceape - requires, by itself, a relationship with the policyholder humanized credit, which makes the technicians ceapeanos eventually establishing a healthy proximity with its clientele. This is the fruit of the guidance that Ceape offered its customers. The credit agent is instructed to give guidance on how to improve a business, especially in more basic things, such as, for example, the best way to have

products on the shelves or explain the difference between the *ascertained* and profit. This is the practice of a theory quite common, to "teach to fish" instead of "giving the fish". In other words: do not simply "giving money" to the entrepreneur, you must follow him closely and guide him - also because, without doing this, there is the risk of the credit borrowed simply does not bear fruit, which, on a large scale, makes the mission of Ceape unfeasible,

The methodology distinguished Ceape of other initiatives directed to microcredit. Vânia Pereira reveals that many customers have realized this too. Ceape was not like a bank. "They say: 'No, I'm not leaving Ceape to go to a bank, no ... Ceape is different; Ceape supported me from the beginning' ", says Vânia. This really made a difference, because the Entity has passed virtually untouched by changes of government and of public policies, which confirmed the soundness of his career in microcredit market and brought with relative safety until today. Ventura summarizes well what happened in the era:

*We overcame this phase, because the government saw that it is not easy to make microcredit. If you do not have everyone technically prepared that likes to do this, go to the slum, go to any corner, it is hard to succeed. And we have a consolidated framework, we have our employees, who are a backbone of Ceape, we have an experienced group - I would say that it is a group conscious of what they are doing.*

The managing team of Ceape had been successful in its mission to stabilize the Institution and prepare it for the future. Not by coincidence, the Planet Rating, already in 2003, announced, "The new administration of the Executive Directors has enabled a positive trend in the quality of lending processes".

## CEAPE of the present day

There were many difficulties over those 15 years, but Ceape managed to secure. More than that, managed to branch off, and is today present in almost all the important cities of the State through their 14 care units, located in the towns of Recife - the first -, Camaragibe, Paulista, Jaboatao dos Guararapes, Victory of Santo Antao, Carpina, Limoeiro, Caruaru, Necktie, Santa Cruz do Capibaribe, Toritama, Brinsmead, Petrolina (Pernambuco) and Juazeiro (Bahia). But the effect of their actions, is not restricted to these 14 localities. Through them, are met 46 municipalities in regions of the Forest Zone, the Wasteland and the Hinterland

Although acting only in those areas, Ceape is present in several events and fairs of entrepreneurship in the entire State, showing the fruits of their labor and their successful experience with microcredit. In addition, it has participated in excursions to various countries, promoted by institutions such as the Fecomercio, to disclose its activities and show cases of entrepreneurial success of customers of Ceape, demonstrating the entrepreneurial potential of northeastern, especially of Pernambuco. It was thus that its managers represented the Institution and participated in business roundtables in economic tasks to Russia, in 2004, Poland, in 2006, and China in 2007. Ceape, in the person of its executive director, also was present in editions of Inter-American Forum of Microenterprises, organized by the IDB, in Barcelona, Spain (2000); Rio de Janeiro, Brazil (2002); in Cartagena de Indias, Colombia (2004); in Santa Cruz de La Sierra, Bolivia (2005); and in Quito, Ecuador (2006).

### *Self-sustainability*

When receiving the budget from Unicef, the first mission of Ceape was becoming self-sustainable. This goal is fully achieved today. Currently, approximately 68% of the resources are the Institution itself, the others being 32% of the fund of credit from loans from the Inter-American Development Bank (IDB), the Cooperative Bank of Brazil (Bancoob) and the Dutch institution Oikocredit.

The credit fund of Ceape is, currently, approximately 6.6 million reais, and the Institution has already loaned more than 167 million reais, benefiting 140,000 enterprises, of which 58% are managed by women, i.e. more than half, and in some regions of the State of Pernambuco, this index has come to represent almost two-thirds of total credits granted. It is interesting to observe that this fact can also be seen, in a greater or lesser extent, in microfinance institutions of other countries. In Bangladesh, the Grameen Bank, founded by Muhammad Yunus, for example, the percentage of releases of credit for women reaches more than 90 %.

The portfolio of active customers today totals about 3,650 entrepreneurs, who take loans of R\$ 1,619.00 on average. This audience for which Ceape grants credit is, almost all, informal, residing in urban areas and belonging to one of these three sectors of economic activities: trade, production and services. The total releases of microcredit Organization, performed by considering the average between the years 2000 and 2006, approximately 72% were for the branch of commerce, 16% for production and only 12% were destined for customers in the services sector. The credits are intended mainly for working capital (raw materials or goods).

The renewal of claims with Ceape is quite frequent, coming to be, in 2007, almost seven times greater than the number of new loans. A good explanation for this fact is pointed out by the report made in 2003, by Planet Rating on Ceape:



*The main reasons for this good rate of renewal of claims from customers are the tradition of business with the institution and the differential of care offered, including with consultancies informal business carried out by technicians of credit.*

All these loans, however, are carried out with great caution, in a credit policy more concerned with a healthy growth of the Institution, which does not hamper its main mission: the economic and social development of small entrepreneurs informal and formal, in the areas of trade, production and provision of services. The Executive Board only approves the granting of new credits if there is availability of resources of the Institution and depending on the result of the cash flow.

### *Structure adjusted well*

The increase of its portfolio and its volume of operations was accompanied by the growth of its structure. At the time that worked in the small baggage transferred by Fecomercio with only two or three people up to their 15 years, Ceape brought together a framework of staff that already has more than 60 employees and interns, whose experience and knowledge in the methodology of microfinance oriented are forged daily - eye-to-eye with the small and micro entrepreneurs.

Since the beginning of its activities, Ceape always has the credit fund generated on account of their activities, in its human capital and its heritage. Thus, in 2006, Ceape acquired the property before rented to house the post attendance of Caruaru, next to the prefecture of that municipality. With resources of its own budget and with the help of partner institutions, Ceape also has managed to gather a fleet of five vehicles to facilitate the transport of groups of agents and technicians and make the service more responsive.

Aiming to keep this agility internally too, Ceape built a nucleus of informatics at its headquarters, air conditioned and with restricted access providing connection between the units. The server is safe, with systems of automatic data backup, and able to receive data from all units, which interconnect in a constant updating of the database at the headquarters. The financial, credit, accounting, payroll, and fixed assets systems also interconnect, ensuring fast management information. The department is led by a systems administrator, for the maintenance of *software and hardware*, to resolve the problems of Information Technology in a timely manner. Most important is that the structure is prepared to support, with security and agility, the expansion of Ceape - and for a long time.

## Human Capital

Ceape, knowing that the essence of their activity is in human relationship, invest in its human resources and cares for the well-being of its staff, with views to the smooth functioning of the institution itself. The internal communication, for example, is one of the concerns of the administration of Ceape. Quarterly collegiate meetings are held, with the participation of the Group Manager and the managers of service posts. In addition, the Managers and Directors are in constant contact, and the team enjoys a good interpersonal relationship, with an atmosphere of cordiality and collective spirit. The reports and the information of service posts on the wallet and on other sectors of Ceape-PE are accurate and arrive - via phone, e- mail , statement or memorandum - as soon as the Directors and Managers. The flow of information, by any means of communication, is fast and efficient.

Not to lose sight of the quality of services, there are internal control mechanisms that assess the operating results of the Institution. The manager of each post evaluates, personally, by means of indicators and data from the portfolio of customers, the technical performance of their credit in relation to their goals, which also reflects - in the form of variable remuneration as the productivity achieved - the salary of each credit agent. These control mechanisms are discussed every three months at a meeting of the Executive Board with the Managers. Quarterly, participate in these meetings all employees, an event baptized *spontaneous Workshop*. The event is a form of recycling, but, at the same time, aims at the dissemination of information to the whole framework of officials and the mingling of personnel and, with this, he encouraged the maintenance of a good climate in the Institution.



*Managers in a collegiate reunion.*

## Values and principles

The search for maintaining cohesion in the team is fundamental to the mission of Ceape. Teamwork is one of the main avenues of the Entity, because this collaboration at all stages of the process of release of credit is essential to that everything comes out with agility and excellence - two essential values of Ceape. The values, in fact, have been one of the main brands and one of the greatest strengths of the Institution. Ventura explains the importance of these principles:

*The values of Ceape are non-negotiable: we do not do anything that is not ethical. We cannot hide nothing of what we do. It is transparency, everything is clear. Another value is the preservation of the quality of our service, to be transparent with our client and with our employees. We do not involve ourselves with politics. Ceape is apolitical. We do not engage with religion, each one has his own religion; everyone respects the creed of each one. Ceape as an organization has no creed, it has the principles.*

It is worth noting that the employees believe in these values. They are committed to the cause of poverty alleviation and if engaged in day-to-day for the work of Ceape is always recognized by its seriousness and transparency. They are aware of the social dimension of work done. For this reason, despite the growth of competition - the times, predatory -, there is a low turnover in the team.

Ceape, technicians are studying or already completed upper course. When they start their activities in the field, are usually supervised by the manager of the post attendance or by a credit agent more experienced. Interns are students in the areas of Business Administration, Economics and Accounting. In spite of being valued training in areas more directly linked to the activity credit, a basic requirement for candidates to vacancies at Ceape is the ability to deal with the target audience, in a highly interactive relationship, which requires practical experience and specific sensitivity in the treatment of each case, in addition to the technical requirements considered fundamental. The remuneration of the technicians and officials is within the parameters of the local market and even includes benefits such as *ticket* supply, vale-transport and health plan

### Propaganda

To face the competition of equals, Ceape invested in propaganda and dissemination, using advertising agencies whenever possible. But the dissemination strategy has to suit the resources that the Institution has already coming from their own credit fund. Thus, the greater part of the promotion of the work is done through annual newsletters, with all the operational information and financial statements, advertising pieces in popular radios and distribution of pamphlets, folders and posters in the streets. Even so, the greater part of the clientele comes by way of indication, i.e. , is the fruit of good old mouth to mouth propaganda, because the differential of Ceape is the personalized service, on the part of its technicians of credit.

### CEAPE Methodology

To understand at least a part of the success of Ceape, it is indispensable to examine in detail the origins and characteristics of one of its greatest differentials: their methodology.

In its first years of operation, one of the main challenges of Ceape was to win the competition, which is not yet materialized in figures of the banks, but, yes, the loan sharks. On the one hand, it was necessary to grant loans with the same agility of a loan shark. On the other hand, such agility collided with the nature of the targeted productive microcredit. This is because, as mentioned above, the methodology was not limited to grant loans: was fundamental a series of procedures to ensure that the credit would represent a growth to the micro entrepreneurs, and not a debt.



In the beginning Ceape counted with the support of the German Technical Cooperation and Social (Sactes), which offered mini capacity-building program for small-scale entrepreneurs. The idea was to show how to make a business productive and self-generating with a simple and easy theory. Management Training and Business Consultancy courses were offered. The first dealt with themes such as administration of purchases, sales, costs, accounting, time management, business behavior and human relations at work, giving basics of each one. The second, in addition to increase the management capacity, stimulated the deployment of strategies - fundamental instrument that taught how to cope with the day-to-day problems of small businesses and that way find the appropriate solutions.

But there were serious obstacles to this initial proposal: in addition to the shortage of staff to teach these courses, it was often difficult bring customers to classrooms. Customers played - and still play -, in their business, the roles of administrators, sellers, buyers, *office boys*, etc. therefore, strip them of their daily activities could mean, instead of improving, injury to them. The courses passed, then, to be offered at night. After a day of intense work, however, the students have already not slicks so well the classes. The idea was remodeled when Ceape realized that should guide their customers in their own work environment and with a focus on working capital, as it was with this purpose that the credit was liberated.

To execute a release of credit, the technical criteria are as rigorous as needed. The guidance is also a means to prevent delinquency, which could undermine the credibility of Ceape, one of the attributes of that micro-finance institutions need most, especially in the period of consolidation.

In visits to the business of customers, technicians complete a call connector *connector of Basic Information of Economic Activity* (Fibae), in which data are contained in the business of the client, the family structure and a balance sheet of your activity, showing how it behaves the asset and liabilities of the microenterprise. The difficulty in completing this financial document was a barrier to be transposed by the technicians, where the clientele of Ceape in general does not have the habit of annotating these data. Time and experience, however, have been showing that estimates based on questions about the frequency of activities of buying and selling and how much they soak up could, in principle, replace the data periodically recorded in formal business. Those few customers have learned the importance of themselves collect these data for analysis of behavior and control of the business.

In Fibae, some indices of liquidity are calculated based on the balance sheet mounted by the technician, and the opinion from him about the business being visited is discussed with the team of Ceape for which the credit is, finally, released. Thanks to a policy of decentralization of decisions, managers of service posts have autonomy to the credit approval. The manager of the post is about one or more technicians available and meets with the technician who made the visit to decide on the value and viability of credit to be granted. The committee only approves the granting of new loans in accordance with the availability of resources of the Institution and based on the result of cash flow. This procedure facilitates and expedites the process of granting credit and minimizes the risks. In addition the business itself, the customer is also studied, since it is done a survey of its history with all the background of access to credit.

With a technical team keeping attentive to everything that could constitute a barrier to the growth of these microentrepreneurs, Ceape can bet on their own development. For this reason, the credit granted is accompanied by a consultancy work, and all the constraints are carefully observed, seeking that each customer manage their own business.

### Orientation towards results

*The credit of Ceape is accompanied. There is a team of supervisors that accompany how the money is applied, and this has given good results.*

Josias de Albuquerque

To promote the socio-economic development, the Ceape team always had to be aware that the mere granting of loans was not sufficient. It was necessary to give a credit in a broader sense of the word, i.e. to give each microentrepreneur a vote of confidence in its potential. For this reason, since the first years of activity, the proposal was to groom self-generating entrepreneurs, avoiding the paternalism and welfarism resulting from disbelief in managerial capacity of clients.

As the idea of offering mini in classrooms proved impracticable, Ceape invests today in a more focused training in investments and developed during follow-up visits of the technicians. This guidance is proving indispensable, because many of the entrepreneurs, before they enrolled in Ceape, present a series of administrative constraints, which represent an obstacle to the growth of your business. The consultancy is always carried out in a language quite accessible, guiding the entrepreneur as the costs of production - raw materials, transport, labor-intensive - , to management and the establishment of fair prices, which include the costs of production and ensure the sustainability of the enterprise.

With these strategies in support, Ceape viable demand not only economic growth, but also develop your customer the capacity for self-determination and self-confidence - essential ingredients to the profile of an entrepreneur. More than providing credit, Ceape found a way to develop citizens capable of knowing how best to employ it.

### Granting of microcredits: modalities

Ceape offers two forms of credit to its customers: for working capital (individual or group) and the *lightning* credit (exchange of checks). He who arrives at posts and is oriented, as to the principle, on which modality best fits the needs and on how to have access to oriented credit.

In addition, the credit limits, the form and the time limits for repaying and the guarantees are well explained for the customer has clarity of the process that he is submitting to and does not have any more questions. *Quality of Care* is one of the mottos of Ceape.

Given its nature, in microfinance, the best guarantee that you can have is the character. But, in working capital for the group, the customers themselves are organized into pairs or groups and warrant to each other. These groups have, at a minimum, three people and, at most, five. Ventura, executive director, demonstrates that holds in high regard this modality of credit when he says that:

*When two people are in the same operation, a borrow to do an activity, the other takes also, and the two are not mutually exclusive, warrant has embarrassment: "Look, we're in a business". Then, this endorsement solidarity in microcredit is a very good thing. I see microcredit as an absolutely good alternative for people that had no financial support.*

Therein lies one of the major differentials of Ceape: the members of the groups if warrant mutually. The formation of group solidarity should consider the following conditions: the members of the group must be owners or co-owners of different ventures, the value of the amount loaned to each one may not be more than twice the loaned to another component, the members of the groups should reside in the same city, the group may not be formed only by relatives and people of the same family unit may not participate in the same group. The activities should still be of size similar to that one can guarantee the loan of another. This requires the awareness of each State about the responsibility that has, albeit in an indirect way, in the business of your partner. For both, are conducted trainings and orientations, as well as visits to the business of each client with the purpose of verifying whether he has, in fact, conditions to make such a commitment.

The *lightning* credit is another innovation. With him, customers who receive pre-dated check, but must use them immediately, can exchange them by selling them to Ceape and, thus, restoring its working capital. Checks are accepted for exchange with maturity for at least ten days and, at most, 90 days.

### Conditions for financing

The credit may not exceed the value R\$ 10,000.00 (ten thousand reais). If the customer requests simultaneously or in addition a credit for working capital, the value added of the credits may not exceed this limit.

The Institution does not require actual guarantees for loans, which facilitates the process, since the majority of potential customers has no goods. The solidary credit has proven to be a good practice credit in that all members of the group are responsible for their respective payment.

He was thinking of his client, studying your business and your morals that the Institution has innovated: you have anticipated the needs of people with low income excluded from the financial system, creating a traditional own methodology, ideal for the financing of micro business.







Clients: Partners  
forever



*Microcredit is to help each person to reach his or her full potential. It does not deal with monetary capital, and yes to human capital ... is a simple tool that frees the dreams of men (...).*

— Muhammad Yunus

Along the journey of Ceape, many things have changed: jobs were opened, computing systems were deployed, the staff was expanded, credit policies were processed. But one thing never changed: the prominent place of the customer. The dedication and determination of the team to overcome the adversities, the demand by the support of the partners, and lastly, an entire work that aims solely to fulfill its mission, and who has grown the most with this was the micro entrepreneur. These efforts were not in vain. On the contrary, they brought surprising results: have managed to transform a fund of 3 billion dollars in 14 care units, more than 167 million reais in loans and more than 140,000 business benefit in these 15 years. Translating: opportunity of social inclusion and better prospects for more than 140,000 families.

In these years of activity, many businesses signed and, with them, ties of complicity, partnership, companionship. Bonds that, many times, they go beyond the purely professional relationship: visits, meetings and systematic monitoring have created an inevitable closeness, a sincere desire to see closely the results. Thus, it has been rewarding, for those who make Ceape, to see each micro business grow and create its autonomy. It is a stimulus to continue.

These stories and these characters are worthy of record and would, perhaps, a book the part each one. But there are many stories and many characters. For this reason, will be cited, some cases of success in order to which all clients to feel equally represented.

## Jeovandro Claudino Rodrigues

The trajectory of entrepreneurial Jeovandro began in 1992, along with Ceape. In that year, he obtained a loan of a value equivalent to R\$ 300.00 and invested in the purchase of two sewing machines serviceable used parts that have been performing basic functions.

Along with his brother, Jeovane, he developed a work of making military uniforms. Always with the support of Ceape, the brothers were able to few, enhance your business, responding also by part of embroidery, also intended for a military audience.

Today, the brothers come with the technological machines of embroiderers, modern computerized sewing machines and computers, in addition to already possess four shops in the State - pioneers in this segment -, distributed in military institutions, such as the Center of Social Assistance of the Military Police, the Fire Department and two teaching centers of these institutions.

The recognition not slow to arrive: in the year 2004, Citibank has created an award for the best entrepreneurs. Indicated by Ceape, the venture competed at the national level and got the deserved first place, fruit of more than ten years of dedication and partnership. Today the business generates more than 30 jobs, among which 13 belong to the family of members.

*Client Jeovandro with his brother Jeovane –  
Post Recife.*





## George Batista da Silva

Client since April 2004, George, withdrew 56 credits now 29 years ago (10 being of working capital and 46 *credits*). He succeeded in making his venture grow with the support of Ceape from Santa Cruz do Capibaribe, grabbing credits to increase production. With this growth, it was also necessary to increase the number of officials, that went from one to five. George has invested in the production of male slip cover in Tactel shorts style fashion. In the beginning, selling its products in the Caruaru fair, he had to dislocate every week. Today, he already has his own box at Santa Cruz Fashion Center. His first credit was of R\$ 1,800. Currently, he already moves credits in the order of R\$ 10,000.00 and also has a limit of R\$ 5,000.00 for the exchange of checks.



*Client George Batista –  
Post Santa Cruz do Capibaribe.*



### José Abílio da Silva

Jose Abilio is customer of Ceape Caruaru since 1996 and produces fine pastry for Civil Construction. He has already withdrawn 32 credits with Ceape. His first credit, when he was starting the activities, was R\$ 1,000.0000; today it takes R\$ 15,000.00. With this support, Jose Abilio can develop its activity, which is legalized and has 15 employees, four machines for the production of the earth, a mechanical shovel, three trucks, two smaller cars. The terrain of the production is own and is in the industrial district on Top of Moura in Caruaru.

*Client José Abílio – Post Caruaru.*



## Francisco ALVES de Souza

Francisco is customer of Ceape Petrolina since eleven years. He started his venture when it still was a small rented shack, where he daily served his parish with “caldinhos” and drinks. With the first credits released by Ceape, he bought the drink cash, and can offer a more affordable price to their customers. Ten years ago, he had the opportunity to buy the shack. Without the necessary money, he sold his motorcycle, the house table, the sound device and took the rest borrowed from Ceape. Later, he reformed the shack with masonry, and the establishment was standardized by the Prefecture. Francisco has invested approximately R\$ 25,000.00 of their own capital to have a structure that today is recognized as one of the best “caldinhos” in the area, receiving around 250 customers per night. With the support of Ceape, he can increase his turnover, employing currently, and four employees. His partnership with Ceape continues with the taking of loans for working capital, since the entire drink supply is bought cash.



*Client Francisco Alves – Post Petrolina.*

### Maria Madalena da Silva

Dona Maria Maddalena da Silva had a banking of clothing on a busy street in the center of Recife. She bought the goods for resale in Santa Cruz do Capibaribe and possessed an impressive insight in the area of clothing and fashion. She knows how to select novelties and identify trends. To her pieces, she adds accessories and add-ons.

The partnership with Ceape developed a fundamental role: helped on the growth of her business, as also made her to question not only values and gain her independence - which, in this case, is not restricted to the financial aspect. Whenever she needed a loan, she felt obliged to ask permission from her husband.

With the guidance of Ceape, she has much more than the progress of the project: a partnership taught her to recognize her potential and her value and, with this, conquer her emancipation - as entrepreneurial woman. In 2008, she already owned a children's clothing store that employs 10 people.

*Client Maria Madalena – Post Recife.*









# The Conquest of the Future

CEAPE DE PER NAMBUCO: 15 Solidary Years



*A small loan can change a family. Several can strengthen the community. Thousands can transform the entire economy.*

– Slogan of the UN International Year of Microcredit

In these 15 years of challenges, partnerships and results, Ceape won much more than thought on the first steps. There were years of dedication, commitment and constant struggle for the improvement of the quality of life of those who, often, needed only for encouragement, a north, a small orientation to achieve self-sustainability.

There were years, also, of intense learning, reciprocity, exchange of experiences. The Ceape team, in addition to guiding and monitoring, also learned much, accumulating knowledge and experience. Between errors and successes, achievements and obstacles, today the Entity has national recognition and the satisfaction of seeing many successful ventures with its support. For the greater part of their clients, a small business is a big business, especially because they open windows and doors for the future.

With great grip and dedication of its staff, Ceape knew to change the story of thousands of families in Pernambuco. For this reason, it has become a benchmark of confidence, a paradigm for other institutions and a safe harbor for those who choose to self-sustainability as an option of life.

The next steps, then, are already beginning to be set in a scenario of confidence. Although if experiencing a another time, when the micro-finance institutions are beginning to multiply throughout the Country, Ceape remains confident in the continuity of his mission. The favor of your future, account the invaluable capital of fifteen years of experience, pioneering, transparency and a personalized relationship with clients.

Among the actions of future inclusionary, you can highlight a new Information Technology system, planned to begin work this year. Through him, it will be possible to control not only the credit operations, but also the administrative and accounting, universalizing the information and improving, as a result, the actual management. In addition, the system will be fully *online*, with database updates in real time. In brief, the technicians will the field armed with *palm tops*, in which shall contain the connector of *Basic Information of Economic Activity* (Fibae), that will be instantly sent to the server of the informatics center at headquarters of Ceape, thereby providing more agility to care and the solutions offered to the customer.

For its first executive director, Ligia Gayao, lies ahead a very promising future due to the large number of microbusinesses and the opportunities that emerged with the growth of the Country's economy. In addition, Ligia believes it is necessary to have

*[...] a specific legislation for this type of project. It may not be a single legislation for micro and small business. We must have something directed. The Executive Power and the Legislative Power have to address in order to support these ventures, because this generates employment, this generates income. We don't have a number so expressive of jobs to absorb this labor-potential. We have to stimulate entrepreneurship.*

Continue on, with much optimism, along with partners and customers, is more than a desire; it is the commitment of an institution aware that her role is much more than just providing a financial service.

Win the future, with the same enthusiasm that until today marked its history, is a title of honor to be redeemed each day. The anticipating role of Ceape, allied to the credibility that it enjoys with the less privileged population, remain contributing, in its own way, to the strengthening of citizenship, to the generation of income and to the reduction of poverty and social inequalities. On this walk, Ceape will continue to bring hope to those who rely on their work.







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