

ABSTRACT

Title of Thesis: How Social Enterprises Coordinate Cross-Sectoral Solutions for Informal Settlements: A Case Study of Terra Nova in Brazil

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As the world continues to urbanize, informal settlements, also referred to as slums, arise to help meet an insufficient supply of affordable housing. Informal settlements represent a cross-sectoral issue that leaves residents vulnerable due to lack of formal property ownership and access to public services. Brazil serves as an example where government policies exist that seek to regularize informal settlements through legal titling and physical upgrading, yet bureaucratic inefficiencies negate the effectiveness of these policies.

I argue that social enterprises serve as a potential solution through their incentives to form partnerships based on a theory of collaborative interdependence. Terra Nova, a for profit legal service in Brazil that coordinates large-scale regularization agreements, serves as a case study showing how social enterprises are poised to build and manage a partnership ecosystem in a way that aggregates benefits for all partners in slum regularization systems. Using a Partnership Ecosystem Framework coupled with the theory of collaborative interdependence, I argue that Terra Nova's ability to coordinate a diverse set of partnerships, specifically including governments, residents, and impact investors, shows how social enterprises can contribute this form of partnership management to regularization systems in a broader context.

How Social Enterprises Coordinate Cross-Sectoral Solutions for Informal Settlements:
A Case Study of Terra Nova in Brazil
By
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Dedication:

I would like to dedicate this thesis to my parents. Thank you for supporting me now and always, and for instilling my drive to learn and pursue social impact.

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Chapter I: Introduction to Informal Settlements and Social Enterprises

1.1 Introduction

As the world continues to urbanize, informal settlements arise to help meet an insufficient supply of affordable housing. Informal settlements, also widely referred to as slums, represent a cross-sectoral issue that leaves residents vulnerable due to lack of public services, lack of formal ownership, and social exclusion. The cross-sectoral nature of the issue, which extends from housing, to areas of the environment, urban planning, health, and judicial systems, can lead to bureaucracy-laden solutions from governments. Brazil serves as an example where several government agencies have arisen that address informal settlements, but a lack of collaboration leads to an inefficient process that excludes residents of these settlements, often causing long-standing conflicts and violent evictions.

I argue that social enterprises serve as a potential solution to the bureaucratic inefficiencies and lack of resident involvement in the slum upgrading and titling process through their incentives to form partnerships based on collaborative interdependence, a theory that involves establishing relationships based on mutual value creation. Terra Nova, a for profit legal service in Brazil, serves as a case study showing how social enterprises are poised to build and manage a partnership ecosystem in a way that can benefit slum regularization processes. Specifically, Terra Nova's ability to connect with government agencies, residents of informal settlements, and "impact investors" demonstrates social enterprises' potential in these cases of large-scale slum regularization.

This chapter further details the issue of informal settlements, describes the legal context of Brazil, and introduces Terra Nova as a case study. This chapter also outlines the argument of this research and begins to introduce broader implications that extend beyond the Terra Nova case study.

1.2 Informal Settlements Overview

In technical terms, informal settlements are illegal land occupations that fall outside of government control or regulation. In a broader sense, they represent the precarious nature of urban expansion and the struggle of low-income populations to establish housing security. As of 2018, 24% of the world’s urban population lived in slums, amounting to an absolute number of over 1 billion people.¹ This number continues to grow, particularly within areas experiencing rapid urbanization. These settlements can take the form of self-constructed shelters or squatters settling in abandoned homes. Or, in many cases, these informal communities have been established for decades, but they still lack the legal title to their land.

The United Nations through their Housing Department defines a “slum household” as “one in which the inhabitants suffer one or more of the following ‘household deprivations’: Lack of access to: improved water source, improved sanitation facilities, sufficient living area, housing durability, and security of tenure.”² Furthermore, the threat of eviction and subsequent violence from the state imposes a psychological burden on occupants, and because these settlements often locate themselves on the outskirts of the urban center, residents often become socially outcast from the larger society. This exclusion may also result in greater instances of crime and other informal

¹ Statistics Division, United Nations. 2021. “SDG Indicators.” UN Stats. United Nations. 2021. <https://unstats.un.org/sdgs/report/2019/goal-11/>.

² Statistics Division, United Nations. 2020. “Unstats | Millennium Indicators.” Unstats | Millennium Indicators. United Nations. 2020. <https://millenniumindicators.un.org/unsd/mdg/Metadata.aspx?IndicatorId=32>. United Nations

and/or illegal activities.³ Additionally, without infrastructural services and maintenance, informally occupied properties pose greater risks of environmental degradation, especially if they were built in an already environmentally precarious area.⁴

In discussing the economic potential of slums, Hernando De Soto famously estimated in 2015 there are US\$ 9.3 trillion “dead assets” concentrated in the poor population of the world, and that these assets can only be activated by incorporating them into the formal economy.⁵ De Soto’s definition of “dead assets” refers to informally held property that remains legally unrecognized and cannot be exchanged for financial capital. The lack of formal ownership decreases the value of the property and restricts one’s ability to lend or borrow against it, leading to lost forms of value in the form of “dead capital.” De Soto’s estimate indicates the potential wealth increase that could arise for residents who gain formal property rights to their home, and also potential value added to local economies and real estate markets in developing nations.

The issue of informal settlements is especially relevant in countries experiencing rapid urbanization, where the population growth in urban centers often does not align with the available housing supply. Brazil serves as an example, where 87 percent of its population lives in cities, and 41.4 percent of this urban population lives in informal settlements known as “favelas.”⁶ This figure amounts to roughly 11.5 million people within 3.25 million households.⁷ The favelas serve as an effective case study to examine informal settlements that result from urban expansion because they reflect global population trends. Additionally, Brazil has created government policies in support of slum upgrading and legal titling, a process I will refer to as “regularization.” By studying an

³ Ibid.

⁴ Ibid.

⁵ Soto, Hernando de. 2007. *The Mystery of Capital*. Basic Books. 13

⁶ Habitat, UN. 2020. “Brazil | UN-Habitat.” UN-Habitat. 2020. <https://unhabitat.org/brazil>.

⁷ Ibid.

area where regularization proves legally accessible, one can examine the conditions that help or hinder this process.

1.3 Brazilian Context

In 2003, the Brazilian government created the Ministry of Cities, which began to pursue an overarching “curative policy” that recognized informal land and urban settlements and sought to address them with changes in legislation and the creation of programs and investments for land regularization.⁸ These new efforts included creating the National Housing System (SNH) (Federal Law no 10.683 / 2003) the Council and National Social Interest Housing Fund (PLANHAB), as well as State and Municipal Councils and Funds. Other efforts involved establishing a requirement for fundraising by States and Municipalities, along with expanding their Housing Plans of Social Interest.⁹ These reforms also included a greater investment from Brazil’s “General Budget of the Union” (OGU), and a clear shift in public power and concern towards the issue of informal settlements.¹⁰

However, some argue that these reforms appeared decades too late, where these current policies were addressing settlements that had existed since the 1970s and 80s;¹¹ therefore, Brazil serves as a prime example of an urbanizing country where the housing demand has long outlasted the housing supply, and also an example of a government making strides to address these settlements.

⁸ Albuquerque, André Luis Cavalcanti de. 2014. “Regularizador Social: Alternativa Privada de Regularização de Ocupações Informais [Social Regularizer: Private Alternative for Regularizing Informal Occupations].” 2. Lincoln Institute of Land Policy. Lincoln Institute of Land Policy. July 2014.

<https://www.lincolninst.edu/publications/working-papers/regularizador-social>.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

Another development in Brazilian housing policy opened the door for regularizations, namely a change in Brazil's Civil Code in 2002. Originally, Brazilian Law 6766 specified that landowners could not divide and sell their land into plots without having municipal and state authorities' approval.¹² Approval from these authorities required that the landowner pay to develop a proposal of an "urban project," which involves mapping and detailing the area and identifying individual plots, areas for public use, and those set aside for environmental reasons. The landowner could not divide or sell their land without approval, and these projects typically took around four years to complete.¹³ This long and expensive process hindered market activity around these properties.¹⁴ Furthermore, at this point, only public agencies could initiate evictions, generating a dissonance between the desire of private landowners to develop their areas occupied by informal settlements, and public servants working on new curative policies to achieve slum upgrading versus eradication.

The change that occurred in 2002 in the Civil Code established that private areas occupied in "good faith" and "for more than five years" by a "considerable number of people" could be expropriated, meaning to have the ownership removed from the landowner by court decision.¹⁵ The law still required that landowners receive "adequate compensation," but it no longer required a public agency to initiate the expropriation. The law allowed for private firms to initiate largescale expropriations, and potentially transfer the ownership from the landowner to the occupants through a judicial agreement between both parties. In other words, the law allowed for the expropriation to serve as a part of the regularization process for informal settlements, instead of a traditional real

¹² Presidencia da Republica, "Law No. 6.766," 1979

¹³ Battilana, Julie "Terra Nova: A Social Business Trying to Unlock Land Rights for the Urban Poor." Harvard Business Review (January 2020). 3.

¹⁴ Ibid.

¹⁵ Brazilian Civil Code, "Art. 1228," 2002

estate deal. This change allowed landowners and private firms to avoid aspects of Law 6766 and receive payment from residents before the approval of the “urban project” proposal.

Unwittingly, through these policies the Brazilian government paved the way for a legal titling market, with the potential to bypass the government bureaucracy involved in achieving land title for residents of informal settlements by utilizing the expertise and efficiency of the private sector to facilitate court agreements. Around nearly the same time of these policy developments arose a social enterprise called Terra Nova, poised to take advantage of the opportunity.

1.4 Case Study of Terra Nova

Terra Nova remains the only social enterprise undertaking community-based regularizations of Brazil’s favelas.¹⁶ The company works with a variety of stakeholders and partners to negotiate large-scale agreements, particularly in areas of resident-landowner conflict, that help informal settlement communities in Brazil legally obtain and finance the land ownership to their property.¹⁷ More specifically, Terra Nova bases its methodology in paragraphs 4 and 5 of Article 1,228 of the Brazilian Civil Code which allows for judicial dispossession, or the transfer of ownership through court agreement.¹⁸ The article also stipulates that the landowner must be compensated, so Terra Nova also helps to facilitate and collect payments from residents as a part of their service.

The idea for Terra Nova arose from the work of André Albuquerque, a lawyer with experience in urban and environmental management, as well as fundraising. In 2000, the government of Pinhais, Brazil, sought a solution for six communities of informal settlements,

¹⁶ Terra Nova, “About Us,” Terranova - Regularizações Fundiárias, 2021, <https://grupoterranova.com.br/en/>

¹⁷ Ibid.

¹⁸ Ibid.

involving 3,700 residents, against whom the landowners had filed eviction lawsuits. André was employed to help with the negotiations between the landowner, residents, and the state authorities in their efforts to receive approval for an “urban project.”¹⁹

After working with the communities of Pinhais, André inquired about residents’ willingness to pay affordable installments to achieve their land ownership. While community leaders and landowners both envisioned the benefits, a new mayoral election in Pinhais created political opposition that prevented André from carrying out the plan through a government position.²⁰

By 2001, André decided to open Terra Nova as a for-profit social enterprise, and they continue to be the “only social company in Brazil that specializes in mediation of human conflicts for Land Regularization of Social Interest in urban areas illegally occupied, ensuring that the property meets its social function.”²¹ Now, roughly 20 years later, Terra Nova has administered land ownership to 50,000 people in over thirty communities in four states: São Paulo, Paraná, Mato Grosso, and Rondônia, while breaking even in terms of revenue as of 2019.²²

Terra Nova has achieved worldwide recognition, receiving awards including the Social Entrepreneurship Award from the Schwab Foundation, a sister organization to the World Economic Forum, among nearly a dozen others.²³ Terra Nova earned this recognition due to the large waves of impact achieved by their services that goes beyond the scope of a legal title.

Benefits of land ownership, specifically in Brazil, are extensive, including access to services, social integration, banking and employment opportunities, as well as broader areas of health and

¹⁹ Battilana et. al, “Harvard Business Review,” 3

²⁰ Ibid.

²¹ Terra Nova “About Us”

²² Battilana et. al, “Harvard Business Review,” 3

²³ Terra Nova “Acknowledgements”

wealth.²⁴ Without land ownership, residents cannot receive public services like transportation infrastructure, sanitation, or electricity because the property remains unregistered and the city cannot demand taxes to support these public services. Terra Nova also plays a part in these areas, where the company works directly with municipal governments to ensure the provision of services such as infrastructure, i.e. roads, electricity, repairs etc.²⁵

Furthermore, according to the company's principal investor, MOV Investimentos, between 2001 and 2018, Terra Nova "directly impacted approximately 88 thousand families in São Paulo and Paraná, a number that represents around 10% of the total irregular occupations in these states, and 7% growth since [...] 2016. Among these families, 73 thousand are in conflict mediation and ratification processes, and 15 thousand are already in land titling processes."²⁶ The latter figure indicates that once the mediation and ratification processes complete, an additional 73 thousand families will enter the titling process which includes payment for their land after the ratification of the judicial agreement. The company specifically articulated a goal of advancing 35,363 of these families to land titling processes by 2022.²⁷

Along with the number of families involved in land titling processes, Terra Nova has made a significant impact on asset value and service provision. By 2018, Terra Nova helped revitalize around \$51.5 million in property assets.²⁸ Furthermore, the company has helped coordinate the implementation of four schools, eight day care centers, five health units, five social assistance units, fifteen community centers, and eighteen leisure areas.²⁹ The company has also led to

²⁴ UN-Habitat "Brazil,"

²⁵ Albuquerque, "Social Regularizer," 6

²⁶ MOV Investimentos, 2019 Investment Report, Dec. 31, 2019, p. 24, from MOV Investimentos website, https://movinvestimentos.com.br/arquivos/MOV_ImpactReport2019.pdf, accessed January 20th, 2021

²⁷ Ibid., 23

²⁸ Ibid., 24

²⁹ Ibid.

significant advances in service provision, including the installation of 21 kilometers of water supply, 20.6 kilometers of energy distribution lines, 12 kilometers of sewerage, 16 kilometers of drainage system, and 19 kilometers of pavement.³⁰ These are the units by which MOV measures these forms of service provision, but looking at a specific case study may help to better contextualize these results.

To better illustrate Terra Nova's impact, I will discuss their project in a community called Vila Governador. Vila Governador developed in Pinhais, Paraná, during the 1990s when approximately 200 families occupied what was then an agricultural plantation. The owner had plans to allot the space into parcels or to rent it as a parking lot for buses; however, they could not pursue the project due to the volume of families occupying the area. The community Resident Association made an inquiry at the Pinhais city hall, where public agents recommended Terra Nova's services in regularizing the community.

The total land area within the occupation amounts to 58.220,55 m², including 139 lots, and 556 residents, which indicates the magnitude of impacts Terra Nova's services create for the community. Furthermore, Terra Nova has facilitated the installation of a water distribution network, electric energy network, sewage collection network, drainage network, paved streets, streets with zip code, curbs, a bus line for public transport, an elementary school, a social assistance unit, and a community center. Below are pictures showing some of these improvements:

³⁰ Ibid.



Figure 1.1: Vila Governador 1990³¹



Figure 1.2: Vila Governador 1990 Cont.³²



Figure 1.3: Vila Governador 2008³³



Figure 1.4: Vila Governador 2008 Cont.³⁴

³¹Terra Nova Website “Projects: Vila Governador, Pinhais, PR”

³² Ibid.

³³ Ibid.

³⁴ Ibid.



Figure 1.5: Vila Governador Community Street 2010³⁵



Figure 1.6: Vila Governador Community Street 2010 Cont.³⁶



Figure 1.7: Vila Governador Bus Line 2010³⁷



Figure 1.8: Vila Governador Community Street 2017³⁸

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid.

³⁸ Ibid.



Figure 1.9: Vila Governador Community Street 2017 Cont.³⁹



Figure 1.10: School Built Adjacent to Vila Governador⁴⁰

This example shows how an ideal regularization process progresses over time, and the pictures demonstrate the benefits in the form of physical upgrading, as well as access to resources like education and transportation. Other benefits of land ownership are psychological, with residents experiencing increased security, safety, higher self-esteem, and overall less stress, as the threat of eviction can lead to prolonged anxiety and uncertainty.⁴¹ Furthermore, due to the threat of eviction, some residents are unable to leave their home for fear that their belongings will be removed. This prevents occupants from finding employment.⁴²

The benefits Terra Nova generates reach a global subset of the population known as the Base of the Pyramid, or those who live with an income less than \$3,000 per year.⁴³ This population proves particularly vulnerable due to their low income, and in this case, precarious living situation;

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ UN-Habitat “Brazil”

⁴² De Castro “FACTS Report”

⁴³ London “Base of the Pyramid Promise,” 25

yet it also represents a group of resilient individuals who can be uplifted by the strategic efforts of a social enterprise, like Terra Nova.

1.5 Barriers to Formalization in Favelas

Terra Nova serves occupants within three social classes in Brazil, namely C, D, and E, which are classified by multipliers of the minimum wage, which currently stands at R\$1,039, or \$183.00 per month.⁴⁴ Typically, Terra Nova serves a range of those who earn no more than \$10,000 and less than \$3,300 per year. Here, we see that Terra Nova includes residents other than those in the absolute Base of the Pyramid; however, the issue of informal settlements impacts those of the Base of the Pyramid around the world. Additionally, many barriers to access to the formal property market are the same for those even of slightly higher socioeconomic classes.

One of Terra Nova's founding members Daniel Albuquerque outlines the barriers residents face to achieving title, and cites that it is nearly impossible: "You need to receive mail, like bills, letters from the court, and often residents can't have a mail system because they are irregular, they have no official address."⁴⁵ Furthermore, Terra Nova specializes in situations of large-scale regularizations that involve entire communities, and specifically in areas of ownership conflict. These defining characteristics point to the barriers faced by residents. For a large-scale regularization to take place, meaning that the ownership is transferred to the community as a whole as opposed to through contracts with individual households, the community must be represented by their Resident Association. These Resident Associations must also be formalized with bylaws, so that the group may be recognized by the court. Similar logistical barriers hamper this process,

⁴⁴ The Brazilian Institute for Geography and Statistics (IGBE), "Social Classes in Brazil"

⁴⁵ Albuquerque, Daniel. (Terra Nova co-founder). "Interview with Daniel Albuquerque." March 15th, 2021.

where limited ability to receive mail and correspond with the court system may leave Resident Associations without legal standing, along with the properties.

Furthermore, large-scale regularizations face additional barriers when compounded with conflict between residents and the landowner due to an inability to negotiate a deal, and with tensions on both sides that could likely lead to a violent or forced removal of residents.⁴⁶ In some cases, the conflict has been long standing, where residents may have purchased property from a former resident not knowing that the property was informally occupied, thereby creating an informal sale under the original landowner, with the new occupant largely unaware of the property title procedures and history, thereby inadvertently entering into a conflict.⁴⁷

Along with seeking title to their property, favela residents more immediately require public infrastructure provision and services, but to access these services residents face bureaucracy from the state and municipal governments due to a “box model” of government that divides public agencies into different ministries, i.e., secretary of housing, health, education, etc.⁴⁸ While public authorities offer different resources and agencies to help, regularization requires a series of actions from these agencies that must be done in a collaborative manner, yet the public power struggles to coordinate all of these activities.⁴⁹

Terra Nova steps in to help organize all groups in the system, including residents, landowners, public authorities, and registry offices, to overcome these bureaucratic challenges. The group works to negotiate between parties, thereby overcoming longstanding conflict between

⁴⁶Albuquerque, Daniel. (Terra Nova co-founder). “Interview with Daniel Albuquerque.” March 15th, 2021.

⁴⁷ Ibid.

⁴⁸ Barki, Edgard et. al. “Reflexões sobre o papel dos governos no campo dos negócios de impacto [Reflections on the role of governments in the field of impact business]” in *Negócios de impacto socioambiental no Brasil* [Socioenvironmental Impact Businesses in Brazil]. Edited by Sandro Gomes dos Santos and Marco Antonio Corrêa. 1st edition. Rio de Janeiro, Brasil: FGV Editora, 2019.

http://ice.org.br/wp-content/uploads/2019/11/Neg%C3%B3cios-de-impacto-socioambiental-no-Brasil_ebook.pdf

⁴⁹ Albuquerque, Daniel. (Terra Nova co-founder). “Interview with Daniel Albuquerque.” March 15th, 2021.

residents and landowners, while also bypassing government bureaucracy through their efficiency as a private social enterprise to form and coordinate an ecosystem of diverse partners.

I posit that Terra Nova’s identity as a BoP-impact oriented social enterprise serves to incentivize the company to help create these negotiations, agreements, and partnerships that did not exist before, and that their ability to manage these partnerships shows a missing piece in regularization systems that could be addressed by including a social enterprise in other geographic and legal contexts.

1.6 Social Impact Enterprise Theory:

The term “social enterprise” refers to an organization that applies commercial strategies to achieve social benefit, where the enterprise funds their social impacts wholly or partly by reinvesting profits made by the organization to create social capital.⁵⁰ These enterprises can take many forms, but many seek to serve the Base of the Pyramid, the most socially and economically vulnerable segment of the global population. Operating in a BoP market requires social enterprises to make strategic decisions that differ from those made in a traditional market setting due to the differences in market conditions.

Some manifestations of working in a developing context may include a lack of formal market infrastructures and existing consumer demand. The biggest difference between a developing market and a developed market lies in the mindset of “fortune finding,” versus “fortune creating.”⁵¹ More specifically, fortune finding applies to markets in developed contexts, where there are formal markets already established and strengthened with long-standing infrastructure

⁵⁰ Social Enterprise Alliance. “What is a Social Enterprise?” Social Enterprise Alliance. Accessed March 20th, 2021. <https://socialenterprise.us/about/social-enterprise/>

⁵¹ London, “Base of the Pyramid Promise,” 31

and consumer activity. The goal for a traditional business in this context would be to find segments of the existing market that the company can appeal to. Conversely, in developing BoP contexts, “fortune creating” proves more important, where business leaders must take steps to create a new market, facilitate demand, and become involved in helping establish formalized structures.⁵²

In operating within a BoP market context, social enterprises must undertake partnership building strategies that Dr. Ted London writes to inform in his book *Base of the Pyramid Promise: Building Businesses with Impact and Scale*. A specific part of London’s strategic guides that I will focus on includes a section on building what he calls a “Partnership Ecosystem,” using the “Partnership Ecosystem Framework” and the theory of “collaborative interdependence.” The premise of this framework and theory lies in the enterprise’s need for a wide range of partners to help facilitate their activities in the non-traditional developing market setting. Relating back to the point about “fortune creating,” social enterprises operating in developing market contexts are incentivized to create partnerships to help establish a market, which requires activities such as gathering market intelligence of the cultural context. Gathering cultural context and creating a market from the ground up requires a closer form of partnership with members of the BoP population than that of a traditional for-profit company, or even from governments and nonprofit NGOs.

Furthermore, London uses the theory of collaborative interdependence to explain how the enterprises’ partnerships should be managed, where he points to the importance of approaching the partnership ecosystem with a goal of mutual value creation for all partners. He explains how an enterprises’ partnership goals can overlap and reinforce one another, and that using a mindset

⁵² Ibid., 32

of collaborative interdependence helps create an aggregation of value that could not exist with the partners operating separately.

All of these theories tie back to Terra Nova, and I will use the Partnership Ecosystem Framework to show how Terra Nova is incentivized as a social enterprise to form partnerships within the regularization system that did not exist before. I will relate these findings to a larger claim about how the theory of collaborative interdependence can serve as an effective approach for large-scale regularizations.

1.7 Argument

In accordance with the theory of collaborative interdependence, social impact enterprises must create partnerships with a variety of organizations and stakeholders to ensure their success in generating economic and social impact, as well as in expanding and scaling their enterprises to reach more members of the BoP. I argue that Terra Nova embodies this theory in its methodology and serves as a case study that shows how social enterprises should be incorporated into large-scale regularization processes.

Furthermore, I seek to tie this idea to a broader claim about how informal settlements require a view of collaborative interdependence because of the sector-spanning nature of the issues they face, from property rights, to banking, social services, infrastructure provision, health, and the environment etc. Social enterprises should be engaged in the system because they are incentivized by their economic and social impact goals to form and manage interdependent cross-sectoral partnerships and can help governments overcome an inefficient “box model.”

I also argue that Terra Nova shows how social enterprises are incentivized to form partnerships and pursue relationships specifically with members of the population who inhabit

informal settlements in ways that are not satisfied by policymakers alone. In pursuing these interactions and partnerships, social enterprises serve as a solution to barriers that prevent residents of informal settlements from peacefully entering the formal property system.

Lastly, I claim that Terra Nova's identity as a social enterprise leads to relationships with "impact investors," or those who share both the company's economic and social goals. I argue that these relationships are inherently based in collaborative interdependence, particularly when compared with traditional for-profit investors and non-profit donors. Social enterprises are incentivized to build these relationships with impact investors, which eventually helps concentrate resources to a social issue, while helping to stimulate economic returns. The housing sector involves high upfront costs and long-term returns, so I argue that impact investors prove particularly important to involve in large-scale regularization processes.

The subsequent chapters will support my claims, beginning with Chapter 2 that includes an overview of my methodology and describes my primary sources of evidence. This chapter also outlines the interview protocol used in a discussion with Terra Nova founder Mr. Daniel Albuquerque. Furthermore, this chapter introduces and explains London's Partnership Ecosystem Framework, and discusses how my approach to this framework differs from London's.

Chapter 3 introduces the theory of collaborative interdependence and details how this theory aids relationships with governments, residents, and impact investors. Specifically, this chapter discusses Brazil's box model of governance to illustrate the bureaucracy that plagues the slum regularization system. Chapter 3 also discusses how Terra Nova's interactions with residents help them overcome barriers to participation in the formal property system. Lastly, this chapter discusses how social enterprises like Terra Nova concentrate resources to social issues through

their partnerships with impact investors to support a larger claim about the benefits of social enterprises' approach of collaborative interdependence.

Chapter 4 uses London's Partnership Ecosystem Framework to show how social enterprise-specific market activities incentivize partnership building by categorizing Terra Nova's partnerships in the framework. This chapter also illustrates Terra Nova's methodology to show where these partnerships arise while specifically identifying and discussing these partners. This chapter also includes synthesis of the interdependence of these partners across quadrants of the framework.

Chapter 5 discusses potential limitations and implications of my approach extending beyond Terra Nova in Brazil to other enterprises and geographical contexts. More specifically, I will identify factors for consideration that may help or hinder the transferability of my argument to other enterprises.

1.8 Conclusion

In this opening chapter I discussed the issue of informal settlements and narrowed the research focus to Brazil due to its status as an urbanizing country that faces a housing deficit. Then, I introduced the legal context in Brazil regarding how informal settlements have historically been recognized, while identifying some of the policies meant to address informal settlements. After establishing that the "favelas" in Brazil serve as a case study for understanding urban slum development and issues surrounding ownership, I then introduced the solution: social enterprise Terra Nova.

Terra Nova serves as a social enterprise, and one oriented to serve the BoP, a term used by researchers to categorize the four billion people who make up the lowest segment of the global

income pyramid with an annual income of less than \$3,000. I argue that taking a BoP-oriented approach of collaborative interdependence should be used when looking at issues surrounding informal settlements because these environments require cross-sectoral partnerships which can be best managed by a Social Impact Enterprise.

Chapter II: Methods & Frameworks

2.1 Introduction

In this chapter I will introduce the forms of evidence used to support the argument that Terra Nova demonstrates how social enterprises are incentivized to manage partnerships in a way that can help coordinate cross-sectoral solutions for large-scale informal settlements. I will also further explain my choice to work with the theory of collaborative interdependence and the Partnership Ecosystem Framework (PEF).

I will introduce each element of the PEF and explain how I will tailor the framework to Terra Nova's case. My approach to the framework differs from London's original approach. This chapter will clarify the points of difference between the two uses of the framework and explain how my approach will suit my argument.

2.2 Methods Overview

I chose to use the Partnership Ecosystem Framework and the theory of collaborative interdependence because these ideas are the most comprehensive set of tools and strategies that seek to guide enterprises in creating and managing an ecosystem of partnerships.⁵³ The framework helps organize the company's partners based on the different enterprise-specific activities that are required for the success of the company. The theory of collaborative interdependence then provides specific strategies for managing these partnerships and creating a relationship based on mutual benefit.⁵⁴

⁵³ London, "Base of the Pyramid Promise," 135.

⁵⁴ Ibid. 170

This research also draws from is a translated text book titled *Negócios de impacto socioambiental no Brasil*,⁵⁵ or “Socioenvironmental Impact Businesses in Brazil” from the Instituto de Cidadania Empresarial (ICE), or Corporate Citizens Institute, a non-profit civil society organization, along with the Fundação Getúlio Vargas (FGV), or Getulio Vargas Foundation which serves as a secondary education organization and think tank. This textbook includes theory for social enterprises that I plan to use to supplement London’s perspective. Furthermore, ICE has a connection with the Schwab-Ashoka Changemakers Foundation, which partners with Terra Nova. This source thereby provides information about the partnership offerings for the Schwab-Ashoka Changemakers Foundation, as well as information about Terra Nova itself, as they are featured as a case in the book. Lastly, the book provides a specific Brazilian context for discussing social enterprises.

Another source that provides models and frameworks for social enterprises include Virtue Ventures’ “Four Lenses Strategic Framework” created by founder Kim Alter.⁵⁶ This framework identifies four common performance criteria that lead to increased sustainability: depth of impact, blended value, efficiency, and adaptability. I chose to use Professor London’s framework instead of Alter’s Four Lenses because his framework provides more specific information for evaluating the partnerships formed by the company and provides more concrete strategies to manage cross-sectoral partnerships, in contrast to the more general, theoretical approach taken by Alter.

I also utilize interviews conducted with Daniel Albuquerque, a founding member of the company. These interviews will help provide insight about how the company manages its

⁵⁵ Barki, Edgard et. al. *Negócios de impacto socioambiental no Brasil* [Socioenvironmental Impact Businesses in Brazil]. 2019.

⁵⁶ Alter, Kim. “The Four Lenses Strategic Framework,” Virtue Ventures. 2020. January 8th, 2021. <http://www.4lenses.org/framework>

partnerships and provide anecdotal evidence that does not appear in existing reports. The questions used in the interview include:

1. What do you see as some obvious barriers for residents of informal settlements to achieve property title on their own?
2. Before your work or in situations where you are not operating, what is the level of involvement from the government to enact policies aimed at regularization? What is the level of interaction with favela residents by other parties, i.e. public agencies and landowners?
3. How does your identity as a social enterprise locate you within your larger system of partners?
4. How would you describe the company's purpose between generating revenue and generating social impacts?
5. What are the metrics you use to measure your level of success?
 - Do you use the same metrics as your investors, or do they require additional or different metrics for understanding success?
6. How do you interact with the residents and are there boundaries for interactions?
 - Do you conduct interviews with residents and if so, what is the structure of those interviews? How do you choose which residents to interview or follow up with?
7. Can you walk me through your organizational structure?
8. What is taken care of by your internal team, and what activities require the most outreach/reliance on partnerships?
9. How do you manage your Cooperation Agreements and Technical Chambers?
10. How do you address potential barriers to collaboration:
 - Perceptions about subsidized support
 - Dealing with internal resistance
 - Responding to cross-organizational tensions

The first question aims to understand how the regularization process operates with and without Terra Nova, and Mr. Daniel Albuquerque provided local context and insight about these processes. Question one helped contribute to the discussion in the opening chapter surrounding the logistical barriers that favela residents face, an insight which would have been difficult to obtain without direct interaction with residents. Question two also helped provide insight into the government bureaucracy, which can prove difficult to estimate without having experienced the system firsthand. While this research includes other peer-reviewed and historical sources that discuss Brazil's policies, the interview with Daniel helps to provide a field-based perspective.

Question three aims to gauge how Terra Nova's identity as a social enterprise affects its relationships with its partners. Daniel also provided commentary about how the company is received as a social enterprise in Brazil in terms of the media, award recognition, and investor interest. Question four seeks to understand whether Terra Nova has profit-driven goals separate from their social goals, or if their economic returns are primarily expected to sustain the social objectives. These questions about Terra Nova's identity help speak to broader characteristics of social enterprises as a whole.

Question five attempts to understand how the company measures its success, and how it manages metrics imposed by other partners. This question has implications for how well collaborative interdependence may work in the context of social enterprises given that their partners may measure their success differently. Furthermore, this question leads to a discussion about the importance of finding appropriate investors who understand Terra Nova's social and financial goals. The answer to this question contributes to the argument about how these enterprises help concentrate resources to social issues by forming partnerships with impact investors.

Question six asks about Terra Nova's relationship with residents because Terra Nova's community outreach serves as an example of a BoP Impact Enterprise oriented activity. Given that outreach to BoP communities has been a problem for public agencies, it proves valuable to understand how social enterprises are uniquely incentivized to foster relationships with residents. Furthermore, this question seeks to identify the protocol for interacting with residents during the project. Daniel provided information about how the socioeconomic surveys and stakeholder testimonials are gathered.

Question seven asks about the organizational structure of the company to understand how the partnerships are managed. Understanding the company's organizational structure helps speak to the logistics behind the theory of collaborative interdependence, specifically regarding the roles on the team responsible for partnership coordination activities.

Question eight mainly seeks to generate information to apply to different market-based activities outlined in the Partnership Ecosystem Framework and to fill in gaps from public information. Since partnerships remain an integral part of Terra Nova's business model, it can prove difficult to distinguish between the work done by different entities, particularly between Terra Nova and public agencies.

Question nine seeks to explore two of Terra Nova's major instruments for cooperation, including legal agreements, and an ad hoc technical chamber. The Cooperation Agreements represent a novel part of Terra Nova's services, where the company constructs a document and negotiates with residents and landowners who previously could not be within the same room with one another due to deep-seated conflict. By then bringing these agreements to the court, Terra Nova also solves long standing issues for the judiciary, who previously often had to make difficult rulings in cases that left one side (typically residents) worse off.

Lastly, question ten specifically references barriers that London identifies in managing a partnership ecosystem. He posits addressing these barriers using collaborative interdependence, so question ten tries to understand Terra Nova's approach to these barriers to see how this aligns with London's theory.

My ability to generate evidence from this interview was limited in that the conversation required live interpretation between English and Portuguese. Since I do not speak Portuguese, I was limited in asking follow-up questions. It proved difficult to follow the conversations live, and

many of the original questions I hoped to answer could not be addressed due to the extended time required for live interpretation. Furthermore, the interview was recorded, transcribed in Portuguese using an online transcription service, and then translated to English.⁵⁷ While the transcriptions were reviewed after the interview, room for error arises in regard to the precisely translated wording for quoting purposes.

I also utilize publications from the company founder, André Albuquerque, including an article published through the Lincoln Institute of Land Policy called: “Social Regularizer: Private alternative for regularizing informal occupations.”⁵⁸ This publication proves particularly important because it comes directly from the founder and describes the company’s methodologies, as well as case study examples to draw from in generating specific pieces of evidence to speak to different market activities outlined the Partnership Ecosystem Framework, and the theory of collaborative interdependence.

Another report I reference is titled “An experience of Regularization Private Urban in Brazil: The Case of Terra Nova Urban Land Regularization Ltda.,” written by a team of researchers and contributed to by founder André Albuquerque. The report provides insightful historical background analyzing the legal and institutional frameworks for urban regularization in Brazil and the problems it faces, which contributes to the discussion about barriers to access for residents. Furthermore, the report outlines Terra Nova’s methodology, and provides a case study of Villa Marinho in Paranaguá. Lastly, the report evaluates the costs and benefits of the process particularly in regard to the indirect benefits of regularization on land prices. This evidence helps to assess the idea of mutual value creation in regard to the theory of collaborative interdependence.

⁵⁷ IRB00000246

⁵⁸ De Albuquerque, André “Regularizador Social: Alternativa privada de regularização de ocupações informais [Social Regularizer: Private alternative for regularizing informal occupations]” Lincoln Institute of Land Policy. (July, 2014) <https://www.lincolnst.edu/publications/working-papers/regularizador-social>.

Other evidence that will be utilized in this research includes a business analysis report from the Harvard Business Review (HBR) titled, “Terra Nova: A Social Business Trying to Unlock Land Rights for the Urban Poor in Brazil.”⁵⁹ This review provides financial information about the company, including the company’s revenues through 2019, as well as a thorough history of the country’s growth since 2001. Furthermore, the report helps describe the organizational and team structure of the enterprise, and even lists the number of team members and their role.

The report proves particularly useful in its interviews of the company founders, as well as representatives from the company’s investor, MOV Investimentos. These interviews help speak to their specific experiences that I draw from as examples to illustrate my findings. The report also provides a breakdown of all the land settlements Terra Nova has helped regularize, including information regarding the specific favela communities such as the total population, those who have “bought in” to Terra Nova’s program, the total area of their lots, the price of the property per square meter, the average monthly installment made by residents, the year negotiations started, and lastly the year of the judicial agreement.

These factors will provide useful background information about the history of the company and their results. The report also presents an advantage in its publishing date, January 2020, meaning the information is relatively up to date and can speak to the company’s most recent activities.

Another source of information includes a Facts Report titled “How a Brazilian Firm is Sustainably Solving the Problems of Urban Slums, One Community at a Time.”⁶⁰ This report overviews Terra Nova’s methods in pursuing regularization, detailing the process from the

⁵⁹ Battilana et. al, “Terra Nova” 2020

⁶⁰ De Castro, Diana “How a Brazilian Firm is Sustainably Solving the Problems of Urban Slums, One Community at a Time.” The Journal of Field Actions Science Reports Special Edition 3 (2011)
<https://journals.openedition.org/factsreports/1649>

beginning stage, a viability study, to the project approval and management stage. The report goes into detail regarding Terra Nova's interaction with the communities it seeks to serve, and I will correlate the information about interactions with the BoP to different incentives outlined in Partnership Ecosystem Framework.

The only apparent disadvantage of the report arises from the date of publication, 2011. The company has changed significantly from this point in regard to the investors involved and in achieving financial viability, so the report will need to be supplemented with more recent information from the Harvard Business Report, the interview with Daniel Albuquerque, and André Albuquerque's more recent publications.

I also use investment reports from MOV Investimentos, a principal investor in the company who joined in 2011. There are two reports, one from 2016⁶¹ and the other from 2019⁶² that outline the level of investment and the outcomes generated by Terra Nova. These two reports will help speak to the benefits that MOV offers Terra Nova as a partner, and their measurements of growth are used to establish Terra Nova's success in achieving economic and social impact. Publications from MOV present a disadvantage in that they primarily highlight Terra Nova's success and fail to discuss any pitfalls or barriers that the company has faced. Therefore, I will need to approach this source with a critical lens and supplement this information with more objective sources, including the FACTS report and the HBR case study.

Furthermore, I draw from publications by some of Terra Nova's other partners, including The Global Land Alliance⁶³ as well as the Schwab Foundation and the Ashoka Changemakers

⁶¹ MOV Investimentos, Impact Report 2016, from MOV Investimentos website, https://movinvestimentos.com.br/arquivos/RelatorioImpacto_Mov-Ingles.pdf, accessed January 20th, 2021

⁶² MOV Investimentos "Impact Report 2019"

⁶³ Corcoran, Christen. 2020. "Terra Nova: A Sustainable Solution to Tenure Security and Recognition for Favelas in Brazil, Global Land Alliance." Global Land Alliance. Global Land Alliance. February 24, 2020.

Network,⁶⁴ which will contribute to discussions surrounding these partnerships. These publications, along with MOV's reports, include information that can be applied to the PEF by discussing how the partnerships were formed and the incentives for partnership formation, along with the benefits provided by these partners to Terra Nova, as well as the benefits Terra Nova can provide these partners.

Other evidence includes information from the company's website.⁶⁵ This website includes videos explaining the company's methodology, as well as testimonials from residents who benefited from Terra Nova's services, and I will use this evidence to speak to the company's use of collaborative interdependence, as well as their relationship with members of the BoP. The website also includes pictures that show the changes in land before and after attaining title and receiving service provision from the government. These pictures help illustrate the impacts of the company that extend beyond securing a legal title. The website also lists the company's mission, vision, and values, which speaks to the company's identity as a social enterprise.

The disadvantage of using Terra Nova partners' publications and their company website is that the company and its partners favor publishing positive reports and feedback over potentially negative reviews or impacts. This information such as the stakeholder testimonials should be viewed critically and supplemented by other sources of information.

This research includes other general information and statistics about informal settlements and Brazil's housing policies from the United Nations, specifically the UN-Habitat program,⁶⁶ the

<https://www.globallandalliance.org/articles/brazilian-firm-terra-nova-scaling-proven-mediation-model-for-property-rights>.

⁶⁴ Ashoka. n.d. "Sustainable Land Regularization - Social, Economic and Environmental Transformation | Changemakers." Changemakers. Ashoka Changemakers Network. Accessed April 17, 2021.

<https://www.changemakers.com/property-rights/entries/sustainable-land-regularization-social-economic-and>.

⁶⁵ Terra Nova "<https://grupoterranova.com.br/en/>"

⁶⁶ UN-Habitat, "Brazil"

World Bank,⁶⁷ and the Brazilian Institute of Geography and Statistics (IBGE)⁶⁸ that help speak to the demographics of those living in favelas and also point to some of the general barriers and conditions faced by residents of informal settlements.

Discussion of Translations:

Three major sources of evidence required translation from Portuguese to English. Firstly, the interview with Daniel Albuquerque required live interpretation that was provided by Professor Johnathan DeVore from University of Louisiana at Lafayette. The conversation was recorded via the video conferencing software Zoom and then transcribed by the author using an online transcription/translation service called Happy Scribe.⁶⁹ The second major source that required translation from Portuguese to English includes the textbook *Negócios de impacto socioambiental no Brasil*. I used Google Translate's "upload document" function to translate large portions of the text. Lastly, I translated one of Andre Albuquerque's publications, "Regularizador Social: Alternativa Privada de Regularização de Ocupações Informais." I similarly used Google Translate for this source, but I took steps to verify some aspects of the terminology during the discussion with Daniel Albuquerque in the interview, such as for the Multi-Stakeholder Councils and Technical Chambers. Overall, since I undertook these translations using online services, I am liable for any misinterpretations of the material I present.

⁶⁷World Bank. 2011. "Brazil Land Assessment - Legalizing Brazil: Brazil's New Push for Land Regularization, Land Governance and Land Management - What It Means for Affordable Housing, Urban Development and the Last Frontier of the Amazon." World Bank. June 2011. <http://documents1.worldbank.org/curated/fr/608151468017074350/pdf/697080ESW0P1020ent0June020110Final3.pdf>

⁶⁸ Brazilian Institute of Geography and Statistics. n.d. "Institutional IBGE." IBGE, Portal Do IBGE. IBGE. Accessed April 17, 2021. <https://www.ibge.gov.br/en/institutional/the-ibge.html>.

⁶⁹ Happy Scribe. 2021. "Happy Scribe: Transcription & Subtitles | Speech to Text." Happy Scribe. 2021. <https://www.happyscribe.com/>.

Now that I have laid out my sources of evidence, I will move on to introduce the partnership ecosystem framework through which this evidence will be applied.

2.3 Partnership Ecosystem Framework

	Enterprise Development	Market Creation
Action Enabling	<p>Facilitate Enterprise Activities</p> <p><i>Market Intelligence</i></p> <ul style="list-style-type: none"> ○ Cultural context, competitive landscape ○ Consumer demand, supplier preferences <p><i>Market Access</i></p> <ul style="list-style-type: none"> ○ Connection to distributors, other platforms ○ Implementation support <p><i>Value Creation</i></p> <ul style="list-style-type: none"> ○ Assess poverty impacts 	<p>Facilitate Market Transactions</p> <p><i>Demand Creation</i></p> <ul style="list-style-type: none"> ○ Awareness raising, behavior change ○ Micro-credit, other sources of financing ○ Vouchers/subsidies <p><i>Supply Enhancement</i></p> <ul style="list-style-type: none"> ○ Advisory services for producers ○ Improved inputs ○ Aggregation of outputs
Capacity Building	<p>Enhance Enterprise Resources</p> <p><i>Financial Capital</i></p> <ul style="list-style-type: none"> ○ Grants, equity, debt, loan guarantee <p><i>Human Capital</i></p> <ul style="list-style-type: none"> ○ Talent development, technical assistance <p><i>Knowledge Capital</i></p> <ul style="list-style-type: none"> ○ Processes, tools, and frameworks <p><i>Social Capital</i></p> <ul style="list-style-type: none"> ○ Legitimacy, access to networks 	<p>Enhance Market Environment</p> <p><i>Value Chain Infrastructure</i></p> <ul style="list-style-type: none"> ○ Physical infrastructure development ○ Quality assurance and certification ○ Market transparency <p><i>Legal Infrastructure</i></p> <ul style="list-style-type: none"> ○ Policy changes and regulation enforcement <p><i>Institutional Infrastructure</i></p> <ul style="list-style-type: none"> ○ Banking, legal, property sector enhancement

Figure 2: Partnership Ecosystem Framework Diagram⁷⁰

To operate successfully in BoP markets, London identifies a need for a diverse set of partners. According to London, “the Partnerships Ecosystem Framework provides a strategic perspective that allows enterprise leaders to organize and categorize their current partnership ecosystem and compare that to their partnership needs.”⁷¹ My use of the framework proves similar to London’s by identifying partners that provide support through different enterprise activities such as “financial capital,” or “market intelligence,” but my discussion surrounding the framework will

⁷⁰ London, “Base of the Pyramid Promise,” 149

⁷¹ Ibid. 148

differ. My discussion will focus on how these enterprise activities incentivize the formation of partnerships, whereas London focuses on identifying areas in the framework where partnerships could be strengthened. Instead of taking a strategic perspective that seeks to generate recommendations for the enterprise in managing their partnership ecosystem, I am making a claim about how Terra Nova is already successful in managing their partners, and how the PEF illustrates collaborative interdependence within Brazil's regularization system.

The framework divides the partners between those who facilitate enterprise development, and those who enhance market creation. Within these sections, the partners are further divided into those who are action enabling, and those who are capacity building. The concepts "action enabling" and "capacity building" refer to different kinds of support that London refers to as "stock and flow." Flow refers to the total number and/or value of transactions, and London correlates flow with "actional enabling" support made by partners who help "facilitate enterprise activities" and "facilitate market transactions." Stock refers to the value of assets, as London correlates this to "capacity building" support by partners who "enhance enterprise resources" and "enhance market environment."

More specifically, for "action enabling" partners focused on "enterprise development," the framework specifies activities to help facilitate transactions, or flow, including enhancing "market intelligence," "market access," and "value creation."⁷² Beginning with "market intelligence," London specifies that this could involve a partner that helps gather information about local customs, consumer preferences and constraints, as well as supplier gaps and challenges.⁷³ He also notes that market intelligence involves understanding existing competition, but this concept will

⁷² Ibid. 150

⁷³ London, "Base of the Pyramid Promise," 150

prove less relevant in Terra Nova's case because they are the only company in Brazil undertaking this niche service.

“Market access” refers to a partner who can “act as a catalyst in building relationships between the enterprise and a wider distribution network.” Market access proves particularly relevant for Terra Nova because they specialize in large-scale community regularizations, meaning that they prefer the agreements to involve the community as a whole as opposed to individual deals with residents. This means that to enact their services Terra Nova needs a partner who can provide access to an entire community and ensure their adherence to the process.

Lastly, under this section, the framework requires a partner devoted to value creation by assessing poverty impacts. Assessing poverty impacts proves important for facilitating the flow of enterprise activities because these metrics prove more relevant to measuring the enterprises' success than solely financial measures. By involving a partner that assesses poverty impacts, an enterprise can better strategize to meet their social and economic goals.

Keeping with the concept of “flow,” I will move onto the “market creation” portion of the framework, which refers to partners who can facilitate market transactions through “demand creation,” and “supply enhancement.”⁷⁴ For demand creation, there should be a partner who assists in awareness raising, and behavior change, as well as in providing microcredit or other sources of financing to BoP consumers. Awareness raising may refer to a partner that helps with advertising or other means of connecting with the target population, for demand for an enterprise's product or service cannot truly exist if the consumer or beneficiary does not know of the enterprise itself, particularly in a developing or informal market context. Behavior change can involve a partner who educates consumers on the value propositions offered by the enterprise. This concept proves

⁷⁴ Ibid. 152

particularly important for Terra Nova in regard to convincing residents to join in on a large-scale community transformation. Lastly, a partner who can help the enterprise provide micro-crediting or subsidy options can help lower the price and increase accessibility of the enterprises' services for BoP consumers, thereby facilitating more transactions within this group.

Moving onto the bottom of the framework that focuses on “stock,” I will begin with “capacity building” support by partners that “enhance enterprise resources.” The framework identifies four areas for partnerships, including those who improve financial capital, human capital, knowledge capital, and social capital.⁷⁵ Regarding financial capital, the partner should be able to supply grants, equity, debt, or loan guarantees. Depending on the specific needs and functions of the three enterprises this research will analyze, a financial partner in this case could likely include an impact investor who is understanding that BoP oriented enterprises typically do not generate rapid returns on their investment, but with patience and development can scale and become profitable over time.⁷⁶ For human capital, this partner should be focused on talent development and technical assistance within the enterprise team.⁷⁷ Specific actions by these partners may involve training the enterprise team in business or technical skills, or providing direct access to talented team members who can complement the venture's existing team.⁷⁸

Moving onto knowledge capital, there should be a partner who can provide structured processes, tools, and frameworks to guide the development of the enterprise.⁷⁹ Specifically, this knowledge may come from a partner in the social enterprise field who has expertise in developing the business model, but overall this partner helps guide the internal development of the enterprise.

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ Ibid. 151

⁷⁹ Ibid.

Lastly, for social capital, the partner should be able to enhance legitimacy and provide access to local networks.⁸⁰ In Terra Nova's case, international entrepreneurship networks can serve to increase legitimacy by publishing and sharing Terra Nova's methodology with others and connecting them to other likeminded entrepreneurs, thereby increasing the "stock" or value of Terra Nova's access.

Onto the last section, for "capacity building" partners under "market creation," there should be partners that enhance the market environment by improving the value chain infrastructure.⁸¹ Here London references partners who can help the enterprise enhance its competitiveness and performance within its industry. This section could involve physical infrastructure development, quality assurance and certification, and market transparency. Interestingly, Terra Nova takes on this role as its principal service, where it creates a legal titling market, helps ensure physical infrastructure development through the municipal government, and ensures market transparency by managing its system of partners. Considering that market creation is such a large part of Terra Nova's value proposition, it proves less relevant to look at in terms of needing partnership support, but this section still offers an interesting conversation from the perspective of the grounds for partnership formation.

For "legal infrastructure," having a partner that specializes in policy changes and regulation enforcement can increase a company's "stock" by allowing the business to have more favorable operating conditions. Ensuring a conducive legal structure proves crucial for Terra Nova considering a large part of their service involves judicial agreements that depend on a specific clause within the country's Civil Code.

⁸⁰ Ibid. 152

⁸¹ Ibid.

Lastly, there should be partnerships to support the “institutional infrastructure,” which includes banking, legal knowledge, and the property sector.⁸² Especially considering the nature of the developing market environment which displays elements of informality, having a partner that encourages the establishment and legitimacy of the market helps to activate these informal assets. This section also proves particularly relevant for Terra Nova since they work directly in transitioning informal property markets to formal ones.

2.4 Conclusion

In this chapter I provided an overview of my methodology by describing the sources of evidence I chose to use, and I also outlined the interview protocol I used in generating evidence directly from Terra Nova. Furthermore, I explained how these sources will be used to support a discussion of the theory of collaborative interdependence, as well as the Partnership Ecosystem Framework.

In the next chapter, I will explain the theory of collaborative interdependence, and discuss how this theory broadly applies to relationships with governments, impact investors, and the BoP. I will also focus the discussion on the case of Terra Nova and set the stage for the Partnership Ecosystem Framework discussion in chapter 4.

⁸² Ibid. 153

Chapter III: Collaborative Interdependence in Engaging Governments, Residents, and Investors

3.1 Introduction

This chapter will explain the logic of collaborative interdependence, a theory that focuses on the opportunity for mutual value creation between partners, and I will elucidate the need for this approach in the context of the informal settlement regularization system. More specifically, I will discuss how collaborative interdependence applies to relationships with governments, residents of informal settlements, and impact investors. For governments, I will explain how collaborative interdependence helps overcome a “box model” of increasingly divided agencies and ministries that lead to greater bureaucracy and inefficiency. For residents of informal settlements, collaborative interdependence leads to long-standing, interactive relationships that fit the long-term, multifaceted nature of the issues they face. For “impact investors” social enterprises enter into financial relationships structured upon collaborative interdependence, and I will compare the structure of these relationships to those of donor-dependent nonprofits and traditional for-profit companies. These three dimensions help show how collaborative interdependence works within individual partnership before applying this theory to Terra Nova’s management of their partnership ecosystem more broadly.

3.2 Theory of Collaborative Interdependence

According to London: “Collaborative interdependence is a partnership in which each party has to recognize on a fundamental level that the organizations’ economic and social performance goals are not mutually exclusive and, in fact, can overlap with and reinforce each other; that working together can create new strategies and capabilities that generate value that neither party could create alone; and that achieving this mutual value creation will require sharing and

integrating skills, knowledge, values, and perspectives.”⁸³ I will continue to expand on this explanation and show how Terra Nova embodies these concepts in managing its partnership ecosystem.

Stepping through the elements of collaborative interdependence as described by London, I will begin with the idea that “organizations’ economic and social performance goals are not mutually exclusive and can overlap to reinforce one another.”⁸⁴ The organizations in question include both the social enterprise, and its ecosystem of partners. The social enterprise, in this case, Terra Nova, has social and economic goals of their own in regard to generating impact and being able to scale and expand this impact. Other partners in the ecosystem have similar goals when it comes to impact, such as community organizations who want to see their community achieve land ownership, receive service provision, and rise out of poverty. Public agencies have this goal as well, and there are policies aimed to alleviate these issues embedded into national legislation and municipal urban plans.

Furthermore, private landowners may be motivated by economic concerns regarding their inability to sell or use their property without removing the current occupants. They may not prioritize the well-being of the residents or have an ultimate goal of achieving poverty alleviation for these residents; however, their economic goals and motivations can nevertheless reinforce the poverty alleviation and other social impact goals of the other players involved. The economic goals of private landowners can reinforce the social impact goals of other partners because it incentivizes this group to cooperate and work towards the ultimate goal that all parties share: to settle the land

⁸³ London “Base of the Pyramid Promise,” 170

⁸⁴ Ibid.

dispute. The issue lies in that these public, private, and community entities operate independently, there is no mechanism to align their goals and methods for achieving them.

This lack of collaboration corresponds with Dr. London's thoughts where he notes how in situations outside of social enterprises, say in roles of corporate social responsibility or government programs, partners place a greater emphasis on independence and receiving short-term, project-based returns.⁸⁵ We see the same dynamics play out with Brazil's "box model" of governance, which will be detailed in the following section, where landowners file a complaint with the municipal authorities, who must then separately initiate the eviction process through the judicial system, and the landowner additionally has to contract an advisory company to help generate an "urban project" to show how the land will be used after the eviction process. Meanwhile the occupants themselves are often excluded from the proceedings due to socioeconomic and physical barriers to participation.

This process involves several independent transactions between the private and public sector, with the community often left out entirely, despite the fact that all parties involved have the same ultimate goal: to settle the land dispute. In this process one actor can succeed, but that success might be quite costly. The example above represents one such version, where landowners may succeed in recovering their land, while residents face a violent and disruptive eviction process. Collaborative interdependence recognizes the interrelationship between these actors and works to achieve mutually beneficial outcomes that entail lower costs for all involved by agreeing on metrics and indicators of success. In this case, these aligning metrics involves settling on a land price and payment schedule that satisfies residents, landowners, public authorities, and Terra Nova.

⁸⁵ London, "Base of the Pyramid Promise," 171

I will now move on to another subsection of the theory which states: “working together can create new strategies and capabilities that generate value that neither party could create alone.” “Value” in this sense depends on the view of the stakeholder, and can encompass economic, social, or environmental gains. Terra Nova functions to help aggregate value, and its collaborations lead to a complete social transformation for informal communities.

For example, in partnering with the Paraná State Housing Company COHAPAR, Terra Nova helped save the city R\$30 million in costs that would have been spent through large scale eviction or other forms of expropriation.⁸⁶ Furthermore, the company estimates that for the first 20,000 families served by Terra Nova, their property regularization transformed \$252 million of dead assets into capital.⁸⁷ This figure represents the value of the regularized land, but through payments for the land enabled by Terra Nova, both residents and landowners receive some of this economic capital. Once the land is under the name of the resident, they experience an increase in wealth based on the property value. Furthermore, landowners are compensated for the value of the land through installment payments, and the residents eventually make tax payments on the property, which benefits public agencies.

Without practicing elements of collaborative interdependence, the state government pays millions of dollars for costs to remove and relocate residents, the landowner finds themselves forced to pay for the formulation of an “urban project,” residents are forced from their land, and value is more typically lost in the form of social and economic capital. Terra Nova helps aggregate value in all steps of the process by creating an environment for these different groups to collaborate and operate as a sequential, organized unit.

⁸⁶ Battilana et. al., “Terra Nova,” 4

⁸⁷ Ashoka, “Sustainable Land Regularization,” Accessed April 17th, 2021

The final component of this theory states: “achieving this mutual value creation will require sharing and integrating skills, knowledge, values, and perspectives,” which Terra Nova does through its Cooperation Agreements and Technical Chambers. Beginning with the Technical Chamber, Terra Nova forms a group composed of representatives from their own team, residents, officials from City Hall, and other partners depending on the location and needs of the community. For example, in the case of Vila Marinho in Paraná, the team also included representatives from the State Housing Company COHAPAR.⁸⁸

The Technical Chamber is an ad hoc body that is not implemented in every case, but rather ones that face specialized issues. Specialized issues in this case refer to the need to relocate some residents where physical upgrading proves impossible or poses too great of an environmental risk. Referring back to the case in Vila Marinho, the Technical Chamber became a major reference in the community, as everyone involved had daily contact with the residents so they could ask questions and stay informed about the stage of the process.⁸⁹ In this case, the Technical Chamber served as a strong component of project transparency in the community. This group also held public meetings to help inform residents, and by bringing groups together for meetings and discussions over important decisions involved in finalizing the regularization agreements, Terra Nova helps facilitate a dialogue between groups of completely different backgrounds and perspectives.

Another crucial instrument of collaborative interdependence that Terra Nova utilizes involves a Cooperation Agreement. The process of creating this agreement involves Terra Nova in a position to facilitate negotiations that result in a proposal to submit to the court for ratification.

⁸⁸ A. Albuquerque, “Social Regularizer,” 18

⁸⁹ Ibid.

All parties can contribute to establishing the value of the land, the payment schedule, and the specific needs of the community in regard to public service provision. Terra Nova originally attempted to bring landowners and residents together physically to create these agreements, but found that in many cases, landlords and residents cannot meet due to long standing tensions.⁹⁰ The strong tensions create a significant barrier to the residents participation in the regularization process, and also demonstrate the need for an entity promoting collaborative interdependence. The Terra Nova negotiation dynamics provide contrast with the disjointed process detailed previously, which often led to violent or otherwise traumatic removals of the residents, and an outcome where not all stakeholders benefited.

Another concrete example of the significance of the Cooperation Agreements is that they provide an opportunity for groups to decide how to allocate money raised for the community fund. The community fund pools a percentage of residents' installment payments. A core element of collaborative interdependence entails developing a deep understanding of what type of value is created, how much of each type is created, and how that value is allocated.⁹¹ Here, we see how Terra Nova's methodology aligns with the theory of collaborative interdependence with the allocation of value. In this case, the value is the money in the community fund, which can also be then translated into social value based on how the team chooses to use the money. In this case, the team mainly involves community members, who first propose a community project to Terra Nova. One example includes the proposal for a community center, or daycare, where the residents decide what they need most, and Terra Nova helps facilitate the implementation with other partners upon approval of the community's proposal.

⁹⁰ D. Albuquerque, "Interview with Daniel Albuquerque." March 15th, 2021.

⁹¹ London, T., and R. Anupindi. 2011. "Using the Base-of-the-Pyramid Perspective to Catalyze Interdependence-Based Collaborations." *Proceedings of the National Academy of Sciences*, no. 31 (April): 12338–43. <https://doi.org/10.1073/pnas.1013626108>.

Building upon this discussion, I will discuss how collaborative interdependence can apply to relationships with governments, specifically in Brazil, to help overcome the bureaucracy generated by a “box model” of government.

3.3 Box Model of Government

The process of urbanization is accompanied by demographic changes, increase in industrialization and technology use, as well as an increase in fragmentation of interests from a growing population, leading to an overall more complex society. Brazilian governments have increasingly managed this complexity using a “box model,” which refers to the division of Ministries and Secretaries, as well as State and Municipal bodies, into different units for “education,” “health,” “social assistance,” “housing,” etc.⁹² In many ways, this fragmentation has been helpful in creating government bodies with specialized services, which leads to a clearer form of budget allocation and implementation. Furthermore, while many social issues transcend multiple sectors of society, creating an agency for different facets of the issue allows for a specialized approach to a problem. However, this fragmentation also leads to increased independence and bureaucracy in managing each of these issues.⁹³ By dividing cross-sectoral issues into various agencies, there arises a greater burden upon these agencies to communicate and coordinate with each other, which conflicts with their compartmentalized nature.

Terra Nova founder Daniel Albuquerque experienced these divisions first-hand, as he describes the process for regularization prior to Terra Nova’s intervention:

“Say you go knocking on the door of the public authority and ask, ‘I want the sanitation of my street.’ When they received this demand from the communities, before Terra Nova, they tried to solve all these problems in their own way with their own resources, but never

⁹² Barki et. al “Socioenvironmental Impact Businesses in Brazil,” 58

⁹³ Ibid.

managed to. There's the public authorities, Urban Planning Secretariat, that takes care of urban issues, Environmental Secretariat that takes care of environmental issues, Social Secretariat that takes care of socio-economic evaluation of these records, so it is a procedure that goes through the government that then is no longer a Municipal body but rather a state body. Also, internally this project goes through state licensing in order to then reach the registry to open their registration. And where are the residents? This is a years-long process."⁹⁴

This long-winded explanation illustrates the layers of bureaucracy that plague the regularization process due to a "box model" of governance, and it also identifies the exclusion of residents from the system.

Social enterprises, according to Fernando Burgos, offer a solution to inefficiencies generated in the "box model," primarily in that they can take a more "population based approach."⁹⁵ Burgos notes that public administration in Brazil could better serve specific subsets of the population, which in this case includes those living in favelas, through a "transversal, intersectoral, and intersectional" approach that involves dialogue with companies and NGOs. Burgos goes on to suggest that social enterprises can represent a solution for Brazilian governments in attempting to take these cross-sectoral approaches. While Burgos does not reference the "collaborative interdependence" theory specifically, he begins to speak to areas of the theory in mentioning the importance of focusing on intersectoral and intersectional actions and policies.

In building upon the idea that social enterprises can help solve public policy issues in Brazil, Marcelo Z. Coelho discusses the importance of forging relationships with different stakeholders. More specifically, Coelho discusses how entrepreneurship can encourage relationship building that can reduce bureaucracy and create a more efficient solution to a social

⁹⁴ D. Albuquerque, "Interview with Daniel Albuquerque," 2021

⁹⁵ Barki et. al "Socioenvironmental Impact Businesses in Brazil," 58

problem, while continuously prioritizing that population primarily meant to receive these impacts.⁹⁶ This statement speaks to the theory of collaborative interdependence in “working collectively to share a new way of thinking.” As previously mentioned, the theory of collaborative interdependence requires “sharing and integrating skills, knowledge, values, and perspectives” to achieve mutual value creation and aggregate value in an efficient way, which Terra Nova implements through the Cooperation Agreements and the ad hoc Technical Chamber. These statements reflect similar ideas, showing how the theory coincides with the Brazilian context of social entrepreneurship and the government’s “box model.”

Coelho also contrasts social enterprises’ approach with that of traditional for-profit companies, particularly in regard to these companies’ incentives based on competitive advantage. Specifically, Coelho states: “It’s not about thinking about relationships just as a way of guaranteeing competitive advantages... If we fall into this enticing trap, the impact business will follow the logic of competition fostered by the traditional national capitalism market.” Here, Coelho speaks to the importance of approaching relationships with a mindset not rooted in the notion of “what can you do for me,” but rather, “what can we continue to do for one another?” The first question lends itself to a one-way interaction, where one party offers a service to another. The second question lends itself to an interdependent relationship where both parties give and receive benefits that simulate their individual success by overlapping their interests and efforts, and this question serves as the core of collaborative interdependence.

I will continue this discussion in the following section where I discuss social enterprises’ relationships with impact investors, and how these relationships are modeled in the form of

⁹⁶ Ibid.

collaborative interdependence in ways not satisfied by traditional investors, or donor-dependent nonprofits.

3.4 Impact Investor Relationships

Social enterprises like Terra Nova are incentivized to build relationships with “impact investors” because these investors similarly hold goals of both social and economic returns. I argue that relationships with these investors are modeled upon collaborative interdependence and can help concentrate resources to address the issue of informal settlements in a way that cannot be satisfied by donor-dependent nonprofits or traditional for-profit companies. Terra Nova founder André Albuquerque summarizes my claim well in explaining his choice to establish Terra Nova as a for-profit company: “I created Terra Nova as a business because when social change is a business – and a profitable one – a lot more external resources can be gathered than in philanthropy. People realize that by investing resources they can both act for good and get fair returns on their investment.”⁹⁷

Exploring this point about philanthropy, we can contrast the support provided by investors with nonprofit donations. Nonprofits represent entities that are organized and operated for a collective, public or social benefit, in contrast with an entity that operates as a business aiming to generate a profit for its owners.⁹⁸ Since the primary goals of the nonprofit lie in the social realm and typically avoid a market-based approach, or at least one that results in taxation from the federal government, they often become reliant upon donor support. I argue that this reliance on

⁹⁷ Kayser, Olivier, and Valeria Budinich. *Scaling up Business Solutions to Social Problems: A Practical Guide for Social and Corporate Entrepreneurs*. Palgrave Macmillan. 2015. Skillsoft.

<https://umich.skillport.com/skillportfe/main.action?assetid=89423>. (Accessed April 17, 2021)

⁹⁸ National Center for Charitable Statistics. n.d. “Quick Facts About Nonprofits | NCCS.” Wayback Machine. National Center for Charitable Statistics. Accessed April 17, 2021.

<https://web.archive.org/web/20171218131455/http://nccs.urban.org/data-statistics/quick-facts-about-nonprofits>.

philanthropy creates a relationship based on dependence as opposed to interdependence. While donors and nonprofits may share similar goals, the success of the donor does not depend on the success of the nonprofit in the same way that an investor does, partly because of the flow of resources.

Typically, a non-profit donor provides financial capital and expects a social benefit, while for an investor, she provides financial capital and expects financial capital in return. In addition, the social benefits generated by a nonprofit do not physically affect the donor in terms of a tangible benefit other than psychological improvements brought on by the altruistic act of donating, or perhaps increased social standing. This distinction may seem oversimplified, as nonprofits can take a vast variety of different forms, and donors can take on a variety of roles and offer multiple motivations and expectations for their donations. However, my goal is to compare the flow of a transient philanthropic donation to that of a for-profit investor who expects financial returns. We can view this simplified stream of investment in Figure 3.1 below, which shows a one-way distribution of resources from the donor that theoretically leads to the BoP.

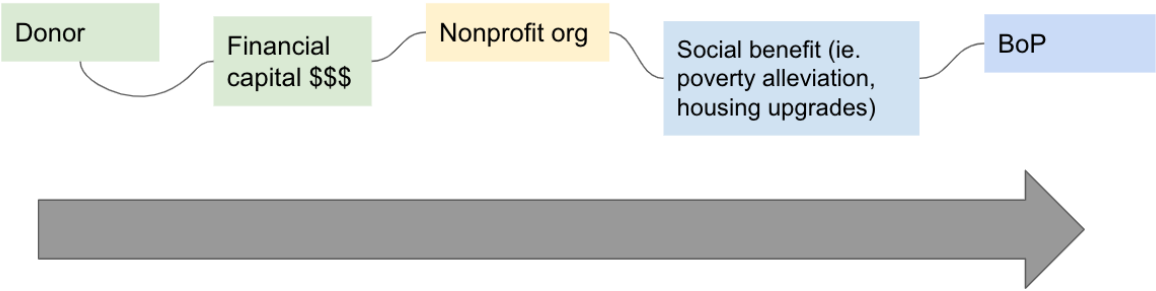


Figure 3.1: Flow of donor-dependent resources and returns

The figure includes different colors to show the different entities involved and the conversion of financial capital into social benefit. The one-way arrow indicates that the returns end with the BoP, so the donor’s involvement theoretically begins and ends with their contribution.

Another way to view these donations involves the “floor,” or the likely minimum impact generated, and the “ceiling,” or potential maximum of their impacts. The ceiling for donor-led initiatives involves factors including dedicated funds for investment, a commitment to certain social goals or activities, and a focus on transferring resources.⁹⁹ Synthesizing these factors, the potential impact of donor-led initiatives lies in the resources they provide up-front, and their commitment to a specific agreement regarding the allocation of these resources. However, the “floor” or limits imposed by donor-led initiatives involves a capped level of investment, the inclination towards short-term projects with a planned exit, and measuring success based on the delivery of services. In synthesizing these limits, the major takeaway lies in the donor’s short-term relationship with the project.

Researchers contrast these short-term contributions with the need for long-term innovation, and indicate that when nonprofit organizations increasingly rely on donations from external private sources of funding, long-term innovation declines.¹⁰⁰ Social efforts targeting the Base of the Pyramid population require long-term innovation because the social returns an entity or donor hopes to generate, such as poverty alleviation, improvements in health, or in this case, large-scale slum upgrading, accrue in the long-term by nature. Therefore, nonprofits looking to address social issues faced by the Base of the Pyramid must consider long-term innovation necessary, while facing constraints due to transient donor relationships.

Conversely, traditional for-profit companies operate with a primary goal to generate financial returns for their owners and investors. These expectations create an interdependent

⁹⁹ London and Anupindi, “Using the Base-of-the-Pyramid Perspective to Catalyze Interdependence-Based Collaborations,” 12,341

¹⁰⁰ Ranucci, Rebecca, and Hyunjung Lee. 2019. “Donor Influence on Long-Term Innovation Within Nonprofit Organizations.” *Nonprofit and Voluntary Sector Quarterly*, no. 5 (April): 1045–65. <https://doi.org/10.1177/0899764019843346>.

relationship between partners, where the success of the company relies on financial stimulation from an investor, meanwhile the investor benefits from subsequent financial returns, as illustrated by Figure 3.2.

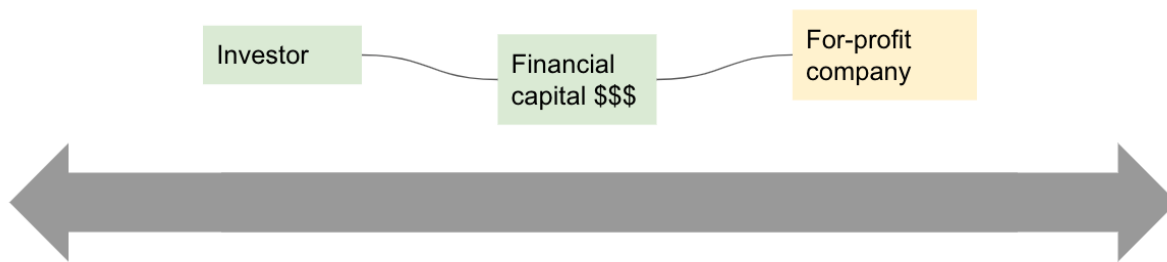


Figure 3.2: Flow of For-profit company resources and returns

The lines in the figure connecting each entity to the financial capital, coupled with the two-way arrow, shows that the flow of financial capital goes back and forth between investor and company. Furthermore, the figure represents features of collaborative interdependence, where the investor and company's goals overlap, as shown by the common metric, while the two-way arrow indicates a reinforcement of these goals between the two entities.

However, the focus on financial gain lends itself to transient interactions similar to those of nonprofits and donors, where investors often prefer short-term gains because it minimizes risks and serves as a clear-cut measure of success that justifies their investment.¹⁰¹ This prioritization of short-term financial gains does not align with the needs of the BoP because of the long-term nature of the issues they face, and it also does not leave room for a prioritization of social impacts. The figure demonstrates this point by failing to involve the BoP anywhere in the flow.

¹⁰¹ Corporate Finance Institute. 2021. "Short-Term Investors vs Long-Term Investors - Overview," Corporate Finance Institute. <https://www.facebook.com/corporatefinanceinstitute.cfi/>. 2021. <https://corporatefinanceinstitute.com/resources/knowledge/trading-investing/short-term-vs-long-term-investors/>.

Social enterprises serve as a happy medium between nonprofit and traditional for-profit companies, where the company synthesizes both social and economic returns, while seeking investors that also maintain the same priorities. The term “impact investors” characterizes these investors who seek both financial and social gain, and figure 3.3 demonstrates the flow of resources in these relationships.

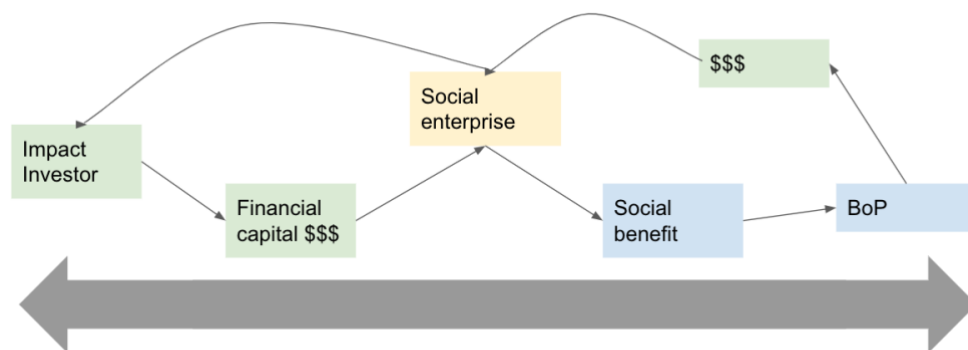


Figure 3.3: Flow of Social enterprise resources and returns

Figure 3.3 includes a two way arrow to show an overall back and forth flow of resources, while the individual arrows further detail the components of this flow, which notably include the impact investor, the social enterprise, and the BoP, similar to the nonprofit flow in Figure 3.1, while including financial returns that make their way from the investor, through the social enterprise, to the BoP, and then reversed back from the BoP to the company and subsequently the investor. Clearly, this flow appears more complex, and we see the financial returns depend on the social benefit generated for the BoP. While not all social enterprises exhibit this form, where the company profits from the BoP, I am using this model because Terra Nova’s takes this approach to generating financial returns by facilitating micro crediting payment plans with the BoP that include fees for Terra Nova’s services.

This flow illustrates the long-term nature of these investments, as they depend on social returns that correspond to the long-term social issues at hand. The model also illustrates how social enterprises concentrate financial resources to the issue of informal settlements by involving impact investors that share mutual, interdependent goals of social and financial returns. Furthermore, we see aspects of collaborative interdependence similar to those in the for-profit flow, where the two-way arrow indicates mutual value creation through financial capital. Contrasting the for-profit flow, the more complex web of interactions in Figure 3.3 helps demonstrate the aggregation of value that takes place in bringing these groups together, where social and economic benefits are shared by all parties.

Terra Nova exemplifies a similar flow through its relationship with its principal investor, MOV Investimentos, an impact investment firm based in São Paulo, Brazil. MOV Investimentos has invested an upwards of R\$11 million in Terra Nova since 2013 and holds a portfolio of investments that seek to address socioenvironmental issues, primarily in Brazil. Now, one of MOV's principal investors sits on Terra Nova's executive board, demonstrating how the company invests human capital as well as financial capital into the flow of resources. Furthermore, the company contributes knowledge capital in the form of business best-practices, for example, in helping Terra Nova establish a minimum payment price and refinancing plan, as well as an "impact thesis" to direct their social impact goals.¹⁰²

While investors in traditional for-profit companies may similarly contribute human and knowledge capital, the fact remains that these companies do not prioritize social impacts as do social enterprises, so these resources, instead of being concentrated in the company solely for the purpose of generating profit, are applied to a social issue that both the investor and company seek

¹⁰² See Chapter 4 for elaboration on MOV's contributions.

to solve. Again, we see a compounding of goals and an aggregation of value as described in the theory of collaborative interdependence, further detailed by Figure 3.4.

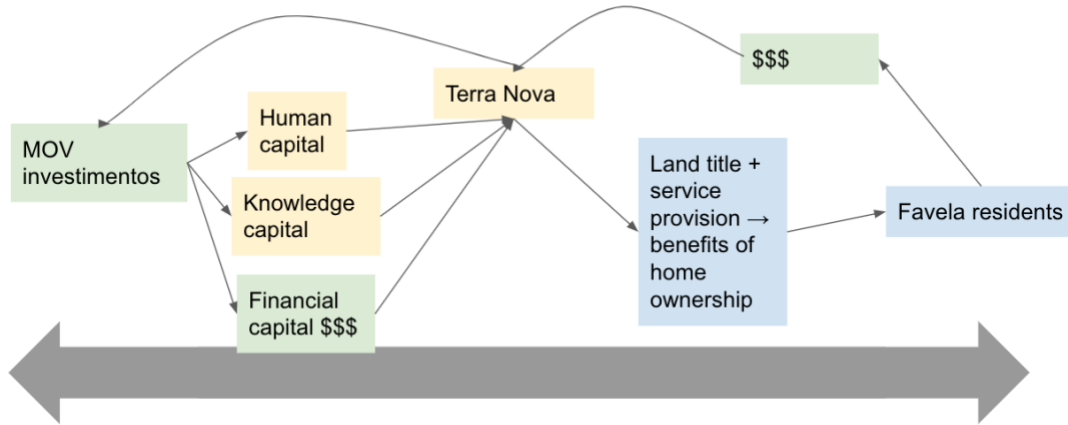


Figure 3.4: Flow of social enterprise resources and returns

The figure shows how human and knowledge capital do not necessarily flow like financial capital, but rather they are concentrated within the social enterprise that can apply these resources to their services and offer them to the BoP. Here, we see concepts arise that apply to the PEF framework in the following chapter, where I examine how Terra Nova’s incentives as a social enterprise to build financial, knowledge, and human capital lead to the formation of their partnership with MOV.

So far, I have discussed how social enterprises like Terra Nova can offer an approach of collaborative interdependence to partnerships with governments and impact investors, and now I will discuss the most important relationship in the process: the company’s relationship with the communities they seek to serve.

3.4 Relationships Building with Residents

I will begin the discussion about Terra Nova's interactions with residents by referring back to Coelho's point, which states: "Promoting impact from the perspective of entrepreneurship means working [...] with the most vulnerable populations and putting this whole system together at their service." Coelho goes on to say, "Building community relationships, therefore, is one of the starting points" of any strategy for a social impact-oriented business. With this starting point in mind, I will discuss how Terra Nova exemplifies this resident-oriented treatment through an approach of collaborative interdependence, and how their relationships with residents helps overcome barriers to participation in the regularization system.

Slum dwellers face a paradox, where their immediate needs involve public services, such as access to water, sanitation, electricity, infrastructure etc., yet these needs cannot be met by public authorities in Brazil without legal title to the land. This paradox represents the first barrier to residents, especially when compounded by their limited income, for when prioritizing how to spend their money, residents may choose to fund superficial improvements to their living environment or informal rent payments before pursuing legal action to obtain the property title. Some researchers argue that residents choose not to invest in their land without ownership because they will not be directly benefiting from an increase in land value. However, case study research from favelas in Recife, Brazil concludes that residents prove willing to invest in their housing conditions irrespective of their legal status due to the complex perceptions residents hold regarding land tenure.¹⁰³

¹⁰³ Souza, Flávio A.M. de. 2001. "The Future of Informal Settlements: Lessons in the Legalization of Disputed Urban Land in Recife, Brazil." *Geoforum*, no. 4 (November): 483–92. [https://doi.org/10.1016/s0016-7185\(01\)00014-8](https://doi.org/10.1016/s0016-7185(01)00014-8).

This paradox reflects general trends for those living in the BoP, where many of the issues that this population group faces require long-term solutions, yet their short-term needs and low income constrain their decision making. For example, a resident may be more willing to pay for infrastructure repairs from a fellow resident or another member of the informal economy instead of saving up money to purchase the land title with the hopes of receiving public services from the state.

Furthermore, living in an informal environment can lead to a lack of instruments for participation in the formal economy. In many cases, residents of informal settlements purchase their land from an informal occupant. This leads to a lower price, nearly half the value of a property with title,¹⁰⁴ making it more affordable for residents of the BoP to occupy. However, this informal transaction also leads to exclusion from the formal system due to a lack of legal documentation proving the residents' ownership, as well as the absence of a registered address. The lack of these formal instruments presents barriers to participation in the judicial system, for as mentioned in the introduction, without a formal address, residents cannot receive notices from the court, nor correspondence from the bank or other public authorities.

These barriers can be multiplied across informal settlement communities, and looked at through a lens of "Tragedy of the Common Good."¹⁰⁵ Even if one household were able to overcome barriers to achieve land title of their lot, public authorities will not come to the community and provide services like a sewer system, electricity grid, and pave new roads for a single household. These services are typically supplied on a larger scale, where the whole

¹⁰⁴ D. Albuquerque, "Interview with Daniel Albuquerque," 2021

¹⁰⁵ Kayser and Budinich. "Scaling up Business Solutions to Social Problems," 2015

community benefits. So, without participation from the entire community, the whole process proves virtually impossible for individual residents' participation.

Terra Nova takes steps to address all of these barriers through their relationship building with residents. Beginning with efforts to introduce formality into the community, Terra Nova builds relationships with community leaders to help identify or establish Resident Associations and secure their legal bylaws so they can represent their community in the judicial agreement. In an interview with Harvard researchers, André Albuquerque notes that the company has “spent a lot of time advising local leaders to organize meetings and voting sessions, update documents and accounts” in efforts to “create strong connections with communities and to rally them around a transformation goal.”¹⁰⁶ Terra Nova even encourages a greater dialogue between these communities and public authorities by helping them organize protests and contact the press in order to encourage public authorities to take action in the regularization process.¹⁰⁷

Here, Terra Nova not only helps introduce formality through Resident Association bylaws, but they also address the large-scale nature of the issue by involving the community as a whole and taking time to help organize the community. Terra Nova does not charge an upfront fee for the advising services they provide to community members, yet these services and efforts to build community relationships require investment from the company in the form of time and energy, or what Daniel Albuquerque refers to as, “patience and resilience.”¹⁰⁸

Terra Nova's community-wide approach does not come without difficulty. For example, in 2006 Terra Nova worked with a community called Vila Marinho in Paranaguá, Paraná, and faced resistance from 15 families who protested the agreements because it involved significant

¹⁰⁶ Battilana et. al, “Terra Nova,” 5

¹⁰⁷ Ibid.

¹⁰⁸ D. Albuquerque, “Interview with Daniel Albuquerque,” 2021

alterations to their properties by public service providers.¹⁰⁹ These families physically occupied the streets to prevent the installation of light networks, water and sewage. At this point in the process, public authorities had been involved to help construct the urban project, and the families had to be legally notified and summoned by the bailiff to demolish their homes.

Terra Nova sought to resolve this conflict, and employed the Technical Chamber, one of its major instruments of collaborative interdependence, to undertake this task. By involving community leaders, concerned residents, and public agencies involved in the service implementation within this Chamber, Terra Nova helped facilitate a dialogue which led to a peaceful resolution, in which the group found a way for residents to adapt their properties to the urban project without requiring demolition.¹¹⁰

This example illustrates one of the barriers to the regularization process, where the services involve the entire community and require full participation. Without full participation, individual residents cannot benefit, and Terra Nova's intervention helps overcome this "tragedy of the common good" by ensuring all residents participate using an instrument of collaborative interdependence.

Furthermore, as a part of Terra Nova's methodology, André Albuquerque writes about how socioenvironmental work permeates the entire process, and can include activities such as "home visits, seminars and workshops." These workshops and seminars are geared towards educating the community about the benefits of land ownership and service provision, and also helps teach skills such as construction and property maintenance. These activities help ensure residents' cooperation and also increase their sense of agency and ownership over the transformation process.

¹⁰⁹ A. Albuquerque, "Social Regularizer," 22

¹¹⁰ Ibid.

Furthermore, these activities can address the previous discussion about residents' perceptions of land tenure and predisposition to the informal economy by explaining the value of entering into a long-standing judicial agreement and payment process to achieve land ownership.

Another instrument for resident interaction and collaborative interdependence lie in Terra Nova's Community Agents: a subset of Terra Nova's team who works with a specific community in identifying their needs, helping with social and environmental work, and collecting the installment payments from the owner.¹¹¹ These agents help identify the services the community wants to prioritize when generating an agreement with public service providers. Furthermore, by collecting payments, these agents help overcome barriers like a lack of mail or direct access to banking and payment systems.

In coordinating the needs of residents with different public service providers, community agents serve to aggregate value in the spirit of collaborative interdependence by facilitating an efficient agreement where the city saves time and money by focusing on the services that would most benefit the community instead of wasting time implementing services that they assume the community may want. Also, by collecting payments, the company serves as a bridge between residents and the landowner, helping residents achieve their goals of land ownership, while helping landowners receive compensation for their property.

Furthermore, Terra Nova helps overcome issues of low income with their flexibility in receiving payments from residents. Daniel Albuquerque comments on the company's distinction as a social enterprise from that of a strictly for-profit company by saying: "at the time that the resident has a payment difficulty, if we weren't very social, say if we looked like a real estate developer that sells lots, we would have already started a process of removing residents to sell for

¹¹¹ D. Albuquerque, "Interview with Daniel Albuquerque," 2021

the next one. Because there are families, we get involved with each one of them to find a solution, so we have a treatment at the end that is totally focused on looking at the side of the residents.”

The scenario Daniel presents allows us to picture an alternative, where traditional real estate companies enter into these communities attempting an expropriation of ownership on behalf of the landowner. Due to the hypothetical company’s prioritization of profit, a greater potential arises for eviction of the current residents if they choose not to participate in the agreement or cannot comply with the stricter financial expectations of a traditional for-profit company. The flexibility that Terra Nova demonstrates in working with these communities helps distinguish their identity as a social enterprise from a traditional for-profit company, and helps residents overcome their income-based constraints.

Daniel offers further insights about Terra Nova’s approach, stating: “if it was only for money, we would choose something easier to do so, because the residents have many difficulties. We go beyond what a [traditional for-profit] company has to do by having the patience to invest up front and arrive at a solution reached over several years of payments.” This quote helps illustrate that Terra Nova’s interactions with residents require heavy upfront investments, as well as flexibility in receiving returns, and I argue that their identity as a social enterprise incentivizes these investments and flexibility in ways that create a unique partnership with residents. This partnership, supported by an approach of collaborative interdependence, helps residents overcome barriers to participation in the formal property system.

3.5 Conclusion

This chapter discusses the theory of collaborative interdependence and how this theory can be applied to relationships with governments, impact investors, and residents. Furthermore, this

chapter applied the theory of collaborative interdependence to the issue of land regularization to show how this approach proves necessary in coordinating a cross-sectoral approach leading to a complete social transformation for these communities.

The chapter specifically describes issues presented by the “box model” of governance in Brazil and explains how an approach of collaborative interdependence by social enterprises like Terra Nova helps overcome issues caused by the fragmentation and poor coordination of public agencies. This chapter also provides a discussion regarding the flow of resources between an enterprise and an impact investor in contrast with that of a for-profit company and a donor-dependent non-profit. Lastly, I discussed how collaborative interdependence contributes to long-standing, interactive relationships with residents that help them overcome barriers to participation in the formal property system.

Chapter IV: Partnership Ecosystem Framework

4.1 Introduction

In this chapter I will use Dr. London's Partnerships Ecosystem Framework (PEF) to identify and categorize Terra Nova's partners and create a discussion around their relationship with these partners. Specifically, I will outline Terra Nova's methodology and chronological processes to explain the need for these different partners and the ways in which Terra Nova interacts with them. Then, I will systematically go through the PEF to talk about how different partners help satisfy the different areas of the framework.

First, I will discuss how Terra Nova categorizes its partners and introduce figures that help to visualize the partnerships. Then I will describe the different phases Terra Nova undertakes in conducting a large-scale regularization project. In this section I will begin to synthesize the partnership relationships that we see arise within Terra Nova's methodological processes to help introduce these ideas before they are applied using the PEF. When using the PEF, I will reference different phases of Terra Nova's methodology that I previously described and build on the discussion I started in that section by describing Terra Nova's methods in the context of the framework.

4.2 Background Information

In a publication about Terra Nova's methodology, founder André Albuquerque categorizes Terra Nova's partners as follows: "a) Private Sector: Land Owners and NGOs b) Community: residents, Association of Residents, Women's groups, etc. c) Public Power: Executive - State,

Municipal and Federal, Judiciary, Public Ministry, Legislative d) Registry Offices. e) Financial and International Cooperation Institutions.”¹¹²

I have created Table 1 to provide more specificity regarding the entities included in these broad categories, though “specificity” looks different for each one. Beginning with the Private Sector, I have renamed this sector “Private/NGO sector” to include organizations that do not neatly fall under the other categories. Here I have broadly identified “landowners,” while specifically identifying two partners, SENAI and GLA, who I will reference during the discussion of the PEF.

For the Community category, these partners are labeled broadly because they involve many location-specific entities. These location-specific entities can then be condensed into common groups present across these different locations, like residents, and Resident Associations. Instead of naming individual Resident Associations within the thirty communities Terra Nova has worked with, I will use this umbrella term throughout the discussion. Women’s groups serve as an ad hoc example of a community organization that may or may not be present in different locations, and I included it in the table primarily because Albuquerque mentioned these groups specifically in his categorization of their partnerships.

The Public Power includes a wide range of government agencies that Terra Nova may or may not encounter, depending on their location and the needs of the specific community. The sheer number of agencies involved helps illustrate the “box model” mentioned in Chapter 3, where we see agencies involved in housing, finance, environmental regulation, court systems, and legislative bodies. Furthermore, many of these organizations vary state by state, and some concentrate in the municipal level as well, such as State and Municipal Secretaries of Housing. In the following

¹¹²A. Albuquerque, “Social Regularizer,” 17

Table 1: Organization and Specification Terra Nova's Partners

Private/NGO Sector	Community	Public Power	Registry Offices	Financial and International Cooperation Institutions
Landowners	Residents	Ministry of Cities	Association of Notaries and Registrars (ANOREG)	MOV Investimentos
SENAI	Resident Associations	National Council of Justice (CNJ)	National Rural Properties Cadastre (CNIR)	Schwab Foundation
Global Land Alliance	Women's Groups	State Justice Courts	Brazilian Institute of Property Registration (IRIB)	Ashoka Changemakers Network
Socioeconomic Survey Companies		City halls	Patrimony Administration Integrated System (SIAPA)	Omidyar Network (PlaceFund)
Getúlio Vargas Foundation (FGV)		National Institute for Settlement and Land Reform (INCRA)	National System of Rural Cadastre (SNCR)	World Economic Forum
		State Land Institutes (ITERRAS)	Management System for Real Estates of Special Use (SPIUNET)	Folha Social Entrepreneurship Network
		State Environmental Agencies (OEMA)	Union's Patrimony Secretariat (SPU)	
		Special Secretariat for the Environment (SEMA)	Municipal Cadastres	
		Environmental Licensing in Rural Properties System (SLAPR)	State Cadastres	
		Municipal Secretariat of Housing (SMHAB)	Brazilian Institute for Geography and Statistics (IGBE)	
		Inland Revenue Service (SRF)		

discussion I will refer to this sector broadly as public power, governments, or public agencies, depending on the context of the discussion.

The Registry Offices category also helps illustrate a complex box model due to the number of different agencies involved. These Registry Offices can be considered a “public power;” however, they play very different roles in the process, and separating these groups can help create a more nuanced discussion. Registry Offices help provide housing data in the beginning of Terra Nova’s intervention, and also require that Terra Nova registers these properties with the appropriate agencies after receiving legal title. The number of agencies involved creates issues in determining a condensed source of property information, and I will use this sector to discuss the Institutional Infrastructure portion of the PEF.

In the “Financial and International Cooperation Institutions” category, there are a few core partners that can be readily identified and researched to fully understand their specific contributions to Terra Nova and the PEF, namely the Ashoka Changemakers Network, and the Schwab Foundation. I will primarily focus on these partners when discussing the “Enhance Enterprise Resources” quadrant of the framework.

Now that I have identified the major partners Terra Nova interacts with, I will refer to these groups more broadly in discussing Terra Nova’s methodology. I will also introduce specific examples of partners in these broad categories when discussing the PEF.

Figure 4.1 gives a broad overview of Terra Nova’s methodology. Here we see the process is initiated by either the community (“population”), public power, or landowner as shown on the left of the figure by the different colored boxes leading to Terra Nova. The arrow to the blue box then reflects that Terra Nova conducts a feasibility study. The downward lining running through the study and the green box indicates that Terra Nova, along with public agencies, begins socio

environmental work. The line runs parallel to the processes on the right, indicating that this social environmental work permeates the whole process. This socio environmental work broadly means that the company takes steps to prioritize the social and environmental wellbeing of the settlement through research and collaborative planning with residents.¹¹³

After the feasibility study comes the diagnostic phase, which involves the beginning stages of setting up a payment plan for residents based on the findings in the feasibility study. Then the next step involves the development of an urban project, as illustrated by the arrows flowing left to

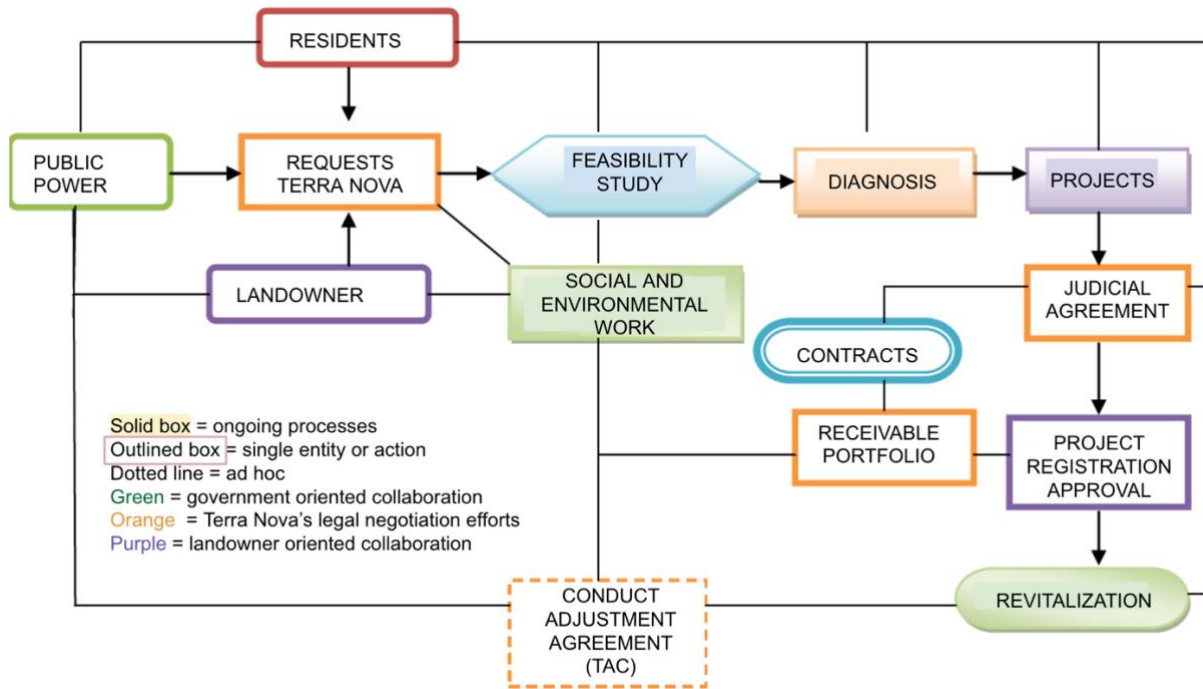


Figure 4.1 Terra Nova's Procedural Flow¹¹⁴

right. At this point Terra Nova works to finalize a judicial agreement between the residents, landowners, and public partners in the local court system. The confirmation of the judicial contract

¹¹³ Ibid. 10

¹¹⁴A. Albuquerque, "Social Regularizer," 17: Author added key and English translation

ratifies the payment plan so residents can begin financing their ownership. This process is represented in the figure where the “judicial agreement” leads to the payment “contracts,” which then reaches the company’s receivable portfolio. Meanwhile the “approval” of the urban project leads to public service provision, labeled in the figure as “revitalization.” The project is sometimes maintained through the Conduct Adjustment Agreement (TAC), a legal mechanism that enforces the implementation of public services from the government in particularly environmentally sensitive areas.¹¹⁵ The dashed line around the box indicates its ad hoc implementation, while the line connecting it to the social and environmental work shows how this mechanism is used to enforce this work by the government. Moving forward I will further detail each step in the process that I have identified using this figure.

4.3 Terra Nova Methodology

Beginning with the first step with the company being contracted by either the public power, the landowner, or the community to pursue the regularization process, one can see partnership dynamics begin to form, where one stakeholder activates the process through which Terra Nova must involve the other stakeholders. For example, if the landowner contacts Terra Nova, then Terra Nova must pursue action to involve the residents and a public agency as a part of their services. This initial step transforms stakeholders into partners who must work together to achieve the desired goal of regularization.

Feasibility Study

¹¹⁵ de Oliveira, Carina Costa, Liziane Paixão Silva Oliveira, and Priscila Pereira de Andrade. “Environmental Damage Caused by Oil Exploitation in Brazil. The ‘Conduct Adjustment Agreement’ (TAC) as a Means to Circumvent Civil Liability Ineffectiveness.” Chapter. In *The Effectiveness of Environmental Law*, edited by Sandrine Maljean-Dubois, 3:295–312. Intersentia, 2017. doi:10.1017/9781780687384.015.

Next, Terra Nova undertakes a feasibility study, which involves an evaluation of an area's characteristics in a multitude of sectors, including the legal parameters, environmental conditions, and other location-specific circumstances.¹¹⁶ Specifically, the feasibility study works to develop negotiation parameters with the landowner, and includes activities such as verification of ownership, liens, and fiscal obligations of the property. Furthermore, the study involves the community by identifying community organizations and their leadership. Here, we see another indication of a partnership forming, where Terra Nova begins to build a direct relationship with community groups. Lastly, the study involves an environmental inquiry into the land to determine any potential risks or sensitive areas that could pose a threat to permanent settlement. This stage also involves the confirmation for the Regularization Contract between Terra Nova and landowners, constituting an official agreement and grounds for partnership.¹¹⁷

Other partnerships begin to emerge during this process, including those with public powers who may have special requests for the feasibility study, as well as other technical bodies responsible for undertaking environmental assessments. These relationships extend beyond the study and even beyond the regularization itself to provide access to public services and infrastructure.

Diagnostic Phase

In the next part of the process, Terra Nova undergoes a “Diagnostic” stage, which involves a more in-depth assessment of each household to study aspects of the land, understand elements of their socio-economic status, such as their income, education, size of the family, etc. This stage

¹¹⁶ Ibid. 7

¹¹⁷ De Casto, “FACTS Report,” 2011

builds upon the general findings and negotiations with landowners in the feasibility study to work with community members to determine an appropriate payment schedule. Another element to this field work involves Terra Nova training community leaders to partake in the regularization process. Furthermore, Terra Nova offers educational opportunities referred to as “community sensibilization” to educate community members about their services while identifying the benefits of formal property rights. These education efforts help motivate and engage the community, while helping to secure the enrollment necessary for undertaking the project.¹¹⁸

Overall, this phase helps generate an evaluation based on the social, urban, and legal environment and the community’s specific needs to negotiate with community leaders, landowners, and public power such as the municipal government. During the diagnostic phase Terra Nova completes the official agreement between landowners, residents, and municipalities that sets the value for the land, as well as the government’s commitment to provide community-specific public services such as infrastructure improvements, roads, water provision and sanitation, etc.¹¹⁹

Lastly, the diagnostic stage establishes what I will refer to as a “Multi-Stakeholder Council,” including municipal and state government officials, landowners, and community leadership, with a goal of facilitating negotiations and representation of all partners. I am introducing this as an umbrella term because these councils have taken different forms over time. Daniel recalls in their first few years of operation, Terra Nova attempted to bring groups together physically for discussions, but the tensions between the landowners and occupants were at times too intense for a civil negotiation.¹²⁰ Now, Terra Nova negotiates with these groups separately and

¹¹⁸ Ibid.

¹¹⁹ Ibid.

¹²⁰ D. Albuquerque, “Interview with Daniel Albuquerque,” 2021

does not hold traditional “council meetings,” but they can still be considered a part of a “council” that helps make decisions in the regularization process. These decisions include the setting priorities for “urban projects,” which is the technical proposal for transferring ownership and physically upgrading the land.

A subgroup within this larger stakeholder council involves residents, typically those considered community leaders, determining how to allocate money from the Community Fund, an account set up for the community by Terra Nova using a percentage of the housing payments made by residents. Terra Nova then approves and helps to implement the project by coordinating partners in the public agencies. Another form of multi-stakeholder council is referred to as the “Technical Chamber,” which most notably involves technical government bodies involved in the environment and urban planning divisions. This committee arises to address location-specific issues that involve assisting or relocating families, or those that require expertise in operating in environmentally sensitive areas.¹²¹

Though it has taken on different forms and varies based on the community and its needs, the Multi-Stakeholder Council, involves the private sector (landowners,) community organizations, and government bodies. The Council exemplifies my argument, where Terra Nova, in pursuing activities incentivized by their role as a social enterprise in gathering Market Intelligence, Market Access, Improving Infrastructure, etc., brings together and manages an ecosystem of partners. A multi-stakeholder council is a major instrument of Terra Nova’s methodology, and it shows how an entity like Terra Nova can function to manage councils like these, which did not exist prior to the company’s intervention.

¹²¹ De Casto, “FACTS Report,” 2011

Judicial Agreement

Terra Nova then pursues an official judicial agreement which finalizes the conditions for each individual resident in regard to the price, term, and conditions of payment, in accordance with the Indemnity Instrument called the Contract of Adherence to Land Regularization. While the judiciary may not seem like a conventional partner in the sense of a forged agreement between the two, Terra Nova founder André Albuquerque was originally required to explain that his methodology was in accordance with Article 1,228, §§ 4 and 5 of the Brazilian Civil Code:

“The owner has the power to use, enjoy and dispose of the land, and the right to recover it from the power of whoever unfairly owns or holds it.

§ 4. The owner can also be deprived of the land if the claimed property consists of a large area, in uninterrupted possession and in good faith, for more than five years, of a considerable number of people, and these have carried out, together or separately, works on it and services considered by the judge of relevant social and economic interest.

§ 5. In the case of the preceding paragraph, the judge will determine the fair compensation due to the owner; Once the price is paid, the sentence will be valid as a title for the registration of the property in the name of the owners.”¹²²

André’s interpretation of these statutes proved unique, where he took these paragraphs to mean that a private firm can initiate a judicial repossession of ownership, as long as the owner receives payment for the land. By approaching the courts with an agreement already formulated, including a payment plan, Terra Nova effectively introduces solved cases to the court, instead of requiring additional mediation from a public judge. Terra Nova continues to be the only social enterprise facilitating agreements of this nature, and by approving the methodology through the

¹²² Brazilian Civil Code, “Art. 1228,” 2002

courts the company has established legitimacy and a mutually beneficial relationship between the two entities. We can contrast this with past practices where courts often found these cases “unsolvable,” when they were brought on by a public agency,¹²³ but by accepting Terra Nova’s legal interpretation and working to ratify these multi-party agreements, the judiciary becomes a partner as opposed to solely a government body.

Urban Plan



Figure 4.2: Example of an Urban Project Jd. Israelense e Arco-Íris, Araucária, PR¹²⁴

¹²³ A. Albuquerque, “Social Regularizer,” 9

¹²⁴ Terra Nova, “Projects,” Accessed April 17, 2021

Around the time of the initiation for the judicial agreement, as these methodological steps can overlap chronologically, Terra Nova helps pursue an Urban Plan. This phase largely has to do with the physical layout of the occupation. It includes a topographic survey of the area, registration of existing buildings, a geological and geotechnical survey, as basically an elaboration of the “urban project” generated prior.¹²⁵ Figure 4.2 shows an example of an “urban project.” The yellow area shows the lot divisions for each individual property, the green indicates areas for environmental preservation, and the pink areas show lots that are in different phases of lot delineation. Furthermore, the red line indicates the perimeter of the settlement, while the blue line indicates water flow.

Before Terra Nova’s intervention, the landowner had to pursue the formation of an “urban project.” Assigning the responsibility of the “urban project” on the landowner often prevented the completion of the process due to the high costs of contracting environmental agencies. These projects also took typically four years to receive approval, indicating the inefficiency in the market process.

Terra Nova’s coordination of this process serves as another example of their ability to manage an ecosystem of partners by taking over this process and managing the public agencies and landowners involved. This process proves particularly important for involving partners because it requires approval from the Municipality and appropriate environmental agencies, as well as from the appropriate Real Estate Registry offices. Terra Nova must coordinate between several different organs, particularly in their efforts to ensure that the homes are not only regularized but receive the benefits of regularization that include public service provision, legal title, and the financial value that home ownership promises. Project Implementation

¹²⁵ A. Albuquerque, “Social Regularizer,” 9

The implementation stage requires further environmental assessments, particularly for areas identified as sensitive in the previous stages, to finalize a plan for revitalization. Depending on the public services agreed upon in the judicial agreement projects, public agencies may require special approval processes, say, for the installation of roads, sanitation services such as water and sewage, etc. Once all partners involved, namely those who make up the Multi-Stakeholder Council, agree upon the Urban Project, the revitalization, or the implementation of public services can begin.¹²⁶

Furthermore, the implementation stage involves Terra Nova opening up a community service post to formalize agreements with each household, manage contracts, and receive payment. In order to make the payments affordable, Terra Nova sets up a payment plan of small monthly installments over a period of 5-10 years. The payments account for Terra Nova's service fee, the landowner's compensation, while also setting aside a percentage to a Community Fund to benefit residents and undertake projects that occur outside the government's scope.

This micro-crediting program Terra Nova provides involves a new sphere of partners: impact investors. Terra Nova's payment model requires intensive upfront investment, in building relationships with communities, conducting technical assessments of the property, etc., but in the long run, when residents' payments accrue, the company profits from the percentage of service fee included in the payments.¹²⁷ As of 2020, nearly 20 years after the company's founding, Terra Nova began to break-even and generate returns on its investments.¹²⁸ Terra Nova managed to sustain itself and finance these transactions with the help from a handful of investors as well as grants, awards, and bank loans.

¹²⁶ De Casto "FACTS Report" 2011

¹²⁷ Battilana et. al, "Terra Nova," 8

¹²⁸ Ibid. 11

Terra Nova’s ability to generate this investment to help finance this policy shows how social enterprises are poised to take on an active role in facilitating the regularization process, while concentrating resources to the issue of informal settlements through its involvement with an impact investor. Moving forward, I will examine Terra Nova using the Partnership Ecosystem Framework, and I will categorize the partners that I mentioned going through Terra Nova’s methodology, while providing specific examples of these partners. Many of the partners appear in more than one section of the framework, which helps illustrate the complex relationships Terra Nova manages with its partners.

Figure 4.3 organizes Terra Nova’s partners by assigning them to different activities outlined by the PEF. I will evaluate the framework by quadrant, beginning in the upper left with partners that “Facilitate Enterprise Activities,” shown in Figure 4.4.

	Enterprise Development	Market Creation
Action Enabling	<p>Facilitate Enterprise Activities</p> <p><i>Market Intelligence</i></p> <ul style="list-style-type: none"> o Cultural context, competitive landscape: <ul style="list-style-type: none"> o residents, community groups, independent socio economic survey organizations, Getúlio Vargas Foundation (FGV) o Consumer demand, supplier preferences: <ul style="list-style-type: none"> o residents, resident associations, landowners <p><i>Market Access</i></p> <ul style="list-style-type: none"> o Connection to community: <ul style="list-style-type: none"> o residents, resident associations, women’s groups o Implementation support: <ul style="list-style-type: none"> o resident associations, public power i.e. service providers, city halls, municipal and state land institutes, etc. <p><i>Value Creation</i></p> <ul style="list-style-type: none"> o Assess poverty impacts: <ul style="list-style-type: none"> o MOV, NGOs - independent researchers, Getúlio Vargas Foundation (FGV) 	<p>Facilitate Market Transactions</p> <p><i>Demand Creation</i></p> <ul style="list-style-type: none"> o Awareness raising, behavior change: <ul style="list-style-type: none"> o residents, resident associations,, SENAI o Micro-credit, other sources of financing <ul style="list-style-type: none"> o MOV <p><i>Supply Enhancement</i></p> <ul style="list-style-type: none"> o Advisory services: <ul style="list-style-type: none"> o MOV, Schwab, Ashoka, NGOs o Improved inputs <ul style="list-style-type: none"> o landowners, public service providers o Aggregation of outputs <ul style="list-style-type: none"> o Terra Nova
Capacity Building	<p>Enhance Enterprise Resources</p> <p><i>Financial Capital</i></p> <ul style="list-style-type: none"> o Grants, equity, debt, loan guarantee: <ul style="list-style-type: none"> o MOV, Global Land Alliance, various awards <p><i>Human Capital</i></p> <ul style="list-style-type: none"> o Talent development, technical assistance: <ul style="list-style-type: none"> o MOV, Global Land Alliance <p><i>Knowledge Capital</i></p> <ul style="list-style-type: none"> o Processes , tools, and frameworks: <ul style="list-style-type: none"> o Schwab, Ashoka, MOV <p><i>Social Capital</i></p> <ul style="list-style-type: none"> o Legitimacy, access to networks: <ul style="list-style-type: none"> o Schwab, Ashoka, MOV 	<p>Enhance Market Environment</p> <p><i>Value Chain Infrastructure</i></p> <ul style="list-style-type: none"> o Physical infrastructure development: <ul style="list-style-type: none"> o public service providers o Quality assurance and certification <ul style="list-style-type: none"> o governments, registry offices, judiciary o Market transparency <ul style="list-style-type: none"> o Multi-stakeholder Council/ Technical chamber <p><i>Legal Infrastructure</i></p> <ul style="list-style-type: none"> o Policy changes and regulation enforcement: <ul style="list-style-type: none"> o municipal, state, federal government, legislature, judiciary, registry office <p><i>Institutional Infrastructure</i></p> <ul style="list-style-type: none"> o Banking, legal, property sector enhancement: <ul style="list-style-type: none"> o registry offices and Global Land Alliance/PlaceFund

Figure 4.3: Terra Nova Partnership Ecosystem Framework

4.41 Facilitate Enterprise Activities Quadrant

Market Intelligence:



Figure 4.4 Facilitate Enterprise Activities Quadrant

The “Facilitate Enterprise Activities” quadrant indicates that social enterprises, in their efforts to facilitate their core services, must undertake strategies and seek partners to help generate market intelligence. More specifically, market intelligence involves understanding the target population’s cultural context, competitive landscape, consumer demand, and supplier preferences. Terra Nova’s “Diagnostic Phase” demonstrates these types of activities, and, as previously described, this phase involves partnering with residents and Resident Associations to understand consumer demand and cultural context.

4.4 Partnership Ecosystem Framework

Furthermore, Daniel Albuquerque describes contracting private companies and researchers to help undertake socioeconomic surveys of the community to provide insight for Terra Nova in beginning the project. He mentions difficulties attempting to conduct the surveys internally, and

that by hiring these companies they can serve as a “control group to ensure scientific validity.”¹²⁹ Here, we see Terra Nova draw from different sources of market information within the same community. By partnering with Resident Associations, Terra Nova can assess residents’ interest in the project, and through an independent source, they can objectively determine the socioeconomic status of the community to help formulate payment schedules and other financial aspects of the agreement to make them manageable for residents.

Terra Nova must also forge partnerships with landowners, as they can be considered the supplier in this model. This partnership highlights Terra Nova’s role as an intermediary, where they must negotiate between the community and the landowner, gaining market intelligence through both sources in regard to the residents' ability to pay, and the landowner’s preference for the land price.

Market Access:

Market access specifies strategies for partnerships that allow for connection to the community the enterprise seeks to serve, as well as general implementation support. According to London, “Support for market access occurs when the [partner] acts as a catalyst in building relationships between the enterprise and a wider distribution network to which that enterprise may not have access.”¹³⁰ In Terra Nova’s case, the distribution network can indicate the relationships with the communities they seek to serve, which would indicate a partner such as a Resident Association.

¹²⁹ D. Albuquerque, “Interview with Daniel Albuquerque,” 2021

¹³⁰ London, “Base of the Pyramid Promise,” 150

In a report detailing the company's methodology and case study information from community, Terra Nova founder André Albuquerque noted that, "The population's adhesion to the process is directly linked to the degree of organization and strengthening of Resident Associations."¹³¹ He then explains how Terra Nova incorporated training of community leaders into the process to instill self-management mechanisms past the regularization project.¹³² More specifically, he refers to projects teaching residents about the construction process to help invest the community more in the physical improvement that the legal process leads to.

Furthermore, a Resident Association needs official bylaws to legally represent the community. Daniel Albuquerque describes the importance for Terra Nova in helping to establish these bylaws because they ensure that the Resident Association can play an active role in the process. The company can negotiate an agreement on behalf of the whole community, as opposed to signing contracts with individual residents.

These activities relate to market access by building relationships with communities that contribute to implementation support, so when these large-scale agreements are enacted, the community is on board and does not display any resistance. In the past, community members have attempted to block efforts to gain community consent for the agreement due to misinterpretation of Terra Nova's presence. For example, referring back to the case of Vila Marinho in Paranaguá, Paraná, 15 families tried to block market access by preventing public service providers from carrying out their upgrading. By negotiating with the families, Terra Nova helped address their concerns. This example shows how by building close relationships with the community, Terra

¹³¹ A. Albuquerque, "Social Regularizer," 25

¹³² Ibid.

Nova can thereby access the entire community as a market, but more importantly, as a unit for social transformation.

My emphasis on the market relates back to the framework and Terra Nova's incentives to create these partnerships with Resident Associations. Daniel describes how embedded in both their profit-driven and social impact goals lies the need to facilitate large-scale agreements, so market access proves crucial not only for Terra Nova as a social enterprise, but one that operates in the informal housing market in pursuing a complete community transformation.

Value Creation:

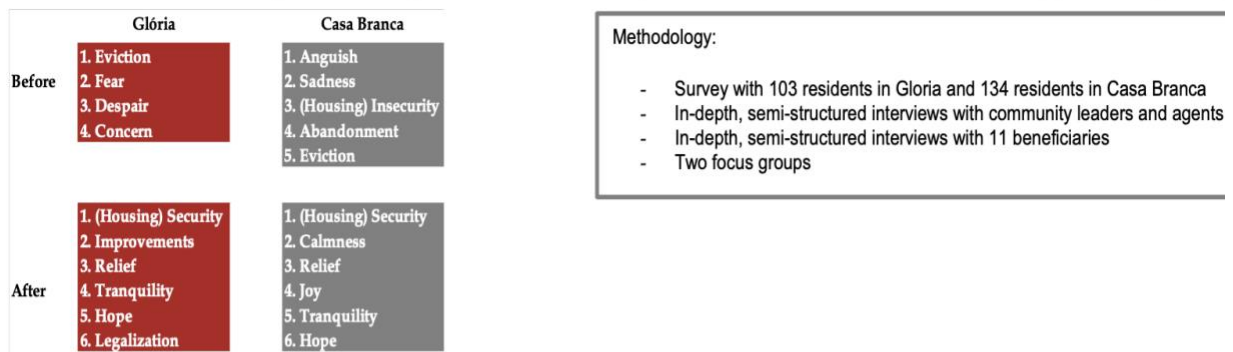
For Value Creation, the main goal is to assess poverty impacts, which can constitute a wide range from income, wealth, health, well-being, etc. This process relates to Terra Nova's efforts to conduct socio economic surveys before and as a follow-up with residents after the finalization of the agreement. The partners involved in helping Terra Nova assess its value creation include MOV Investimentos, socioeconomic survey companies, as well as other University researchers.

MOV helped Terra Nova establish its "impact thesis," or, the core mission of the company. The thesis states that by "dissolving land conflicts, strengthening community associations, and giving access to land titles to socially and environmentally vulnerable communities," it would "enhance individual and family security, unlock infrastructure investments, enable better living conditions, and boost dwellers' self-esteem."¹³³ This thesis helps direct Terra Nova's value creation efforts, and MOV further assists Terra Nova by helping to contract researchers to undertake surveys of community members.

¹³³ Battilana et. al., "Terra Nova," 11

Figure 4.5 below shows an example of an unpublished survey conducted by researcher Edgard Barki through the Fundação Getulio Vargas, a higher education institution and think tank whose mission states: "To stimulate Brazil's socio-economic development." The following figure helps summarize qualitative research undertaken by a partner organization that facilitates Terra Nova's activities geared towards enterprise development, where the company can pursue and measure its financial and social goals based on relevant, objectively gathered data.

What are the words and feelings that describe your life in the community before and after Terra Nova's intervention? (open-ended question)



Perception about the direct impact of Terra Nova's intervention (closed-ended question)

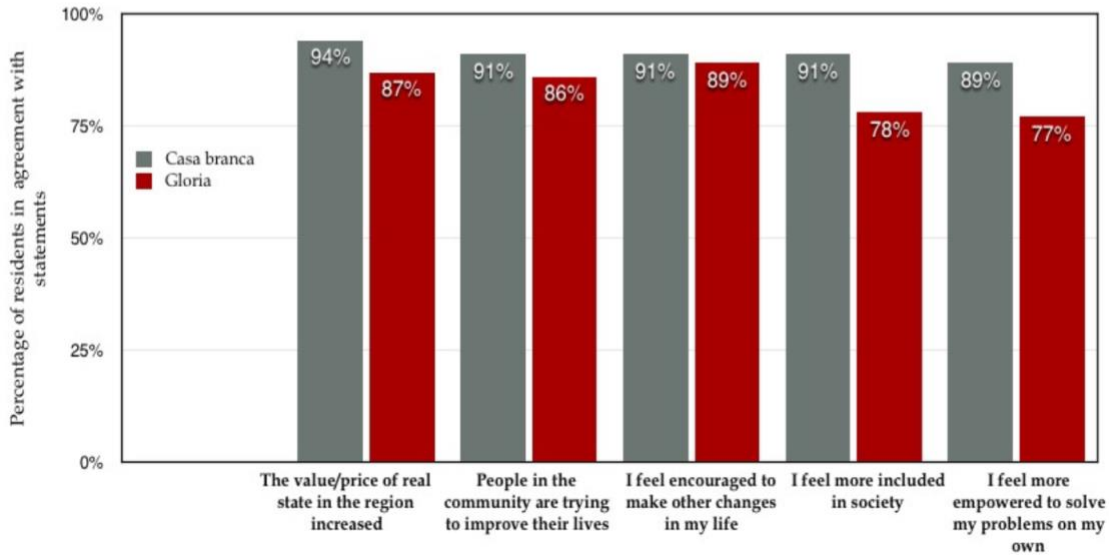


Figure 4.5. Socioeconomic Survey Example¹³⁴

¹³⁴ Edgard Barki, "unpublished study from the Fundação Getúlio Vargas," 2017

This partnership also helps illustrate how Terra Nova as a social enterprise undertakes both market-based activities, to increase intelligence and access, as well as social goals related to different forms of value creation. Terra Nova measures value using metrics such as the number of agreements reached, the land value before and after the agreement, etc.;¹³⁵ however, their use of partners to gain a more complete and objective view of their impacts shows how social enterprises are incentivized to involve a diverse set of partners that can aid the slum regularization process.

Figure 4.5 shows the results of interviews and surveys conducted with residents involving two different settlements with whom Terra Nova has helped regularize. The figure includes the results from yes or no questions, as well as a collection of terms that speak to the residents' perception of Terra Nova in their community. Seeing words like "fear" and "concern" transform to "hope" and "security" helps speak to the psychological impacts generated by the company. Furthermore, the level of agreement with the statements provided serves as a similar indicator. My intention in including this figure is not to prove that Terra Nova generates psychological impacts, but rather illustrate the information Terra Nova receives from the partners they work with in measuring their impacts. Involving these partners helps provide Terra Nova form a well-rounded perspective of the issue they seek to address, and their involvement also distinguishes Terra Nova as a social enterprise from a traditional for-profit company.

"Facilitate Enterprise Activities" Quadrant Synthesis with Collaborative Interdependence:

After discussing the individual components of the PEF section titled "facilitate enterprise activities," I will draw connections between the findings of these components and the overall

¹³⁵ D. Albuquerque, "Interview with Daniel Albuquerque," 2021

purpose of this section as outlined in London's work, specifically in how it relates to collaborative interdependence. At its core, "facilitating enterprise activities" relies on connections within the community. The community represents the physical location where these activities take place, and also make up the population that stands to benefit directly from these activities. This quadrant involves enhancing the "flow" of transactions, meaning the total number and/or value of transactions, and London correlates flow with "actional enabling" partners. The key players involved in this section include Resident Associations, landowners, and independent impact measurement groups, and collaborative interdependence between these players allows for success in "facilitating enterprise activities."

Market intelligence, market access, and measurements of value creation all depend on one another, and the success in one of these activities relates to the success of the others. Meanwhile, in coordinating all partners within this section, the social enterprise uses collaborative interdependence to aggregate value, and I will explain how this works in the context of Terra Nova.

Firstly, accessing a market proves more difficult without first gathering intelligence of the market. In Terra Nova's case, aimlessly approaching residents and inquiring about their interests in a large-scale regularization can generate several difficulties. For example, Terra Nova first needs to know who serves as a leader in the community, and whether there is already a Resident Association established that Terra Nova can coordinate with. André told Harvard researchers: "Once I went door-to-door convincing people to engage in the project, but one of the residents also went door-to-door, persuading people not to cooperate. In this area, the community association's president didn't have people's trust, so our project failed. We had to renegotiate with new leaders

and relaunch.”¹³⁶ Here, a lack of market intelligence led to a lack of market access, showing the interdependence of these partnerships between Terra Nova, residents, and President Associations.

Furthermore, ideological factors prove important to consider in approaching the community. For example, in 2007, Terra Nova scheduled a meeting with a 6,000-member community in São Paulo known as Pinheirinho to explain the services they can provide. However, no residents showed up to the meeting because a local leader convinced them otherwise due to his belief that the state should be the ones handling regularizations, not a private company.¹³⁷ The community then did not participate in an agreement with Terra Nova, and were eventually evicted four years later. This example shows that without proper market intelligence of local political ideologies, market access becomes more difficult.

More broadly, these examples help illustrate the interdependence between market intelligence and market access, where market intelligence facilitates market access, but market access also further stimulates market intelligence as Terra Nova builds relationships with community leaders that lead to greater levels of intelligence.

Value creation also comes into play and can take place before and after achieving access to the market. For example, Terra Nova can use publicly available information to calculate the size of the settlement and the land values, so they can enter the community with an idea of the scale of impact that can be achieved. After obtaining this information, as well as access to the market, Terra Nova can begin formulating agreements that maximize value creation for all stakeholders. Once these agreements have been enacted and lead to service provision, socioeconomic measurements then become important for evaluating the value created for residents.

¹³⁶A. Albuquerque, “Social Regularizer,” 5

¹³⁷ Battilana et. al., “Terra Nova,” 8

Overall, facilitating enterprise activities refers to the field-based implementation of the project, and in Terra Nova’s case this requires a coordination between residents, Resident Associations, landowners, public service providers, impact investors, and independent researchers. The framework shows how Terra Nova is incentivized to pursue these partnerships to satisfy their field-based implementation needs, while collaborative interdependence illustrates how all of these enterprise activities and incentives overlap and reinforce one another. Next I will move onto the “facilitate market transactions” quadrant of the framework, which involves activities including demand creation and supply enhancement.

4.42 Facilitate Market Transactions Quadrant

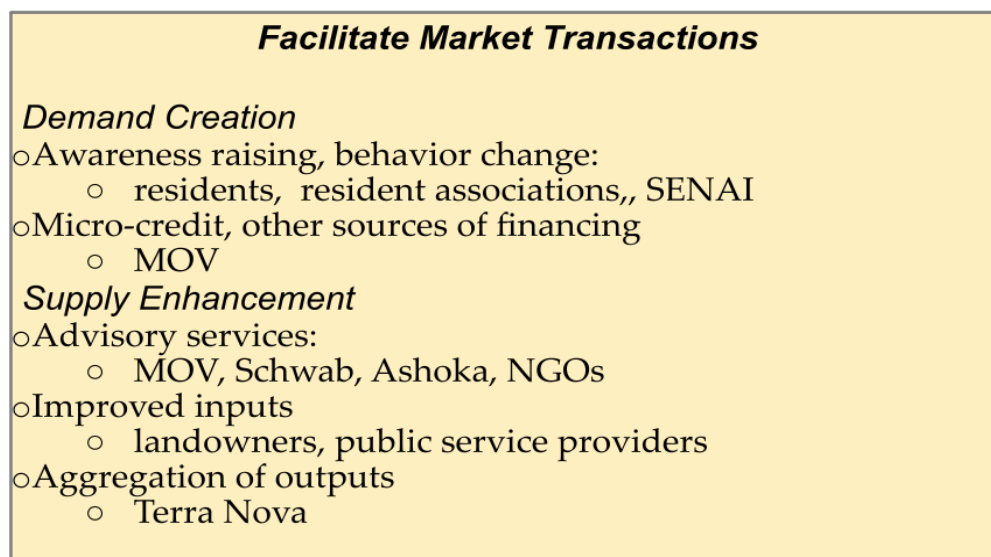


Figure 4.6: Facilitate Market Transactions Quadrant

Demand Creation:

Demand creation involves elements including awareness raising and behavior change, and Terra Nova exhibits this behavior through partnering with community organizations. André Albuquerque discusses how incorporating training of community leaders in the regularization

process proved crucial to instilling self-management mechanisms that encourage resident's participation past the point of intervention by Terra Nova.¹³⁸

For example, in Vila Marinho Terra Nova held a workshop including two training courses on Labor for Civil Construction in partnership with the National Service for Industrial Learning (SENAI), through which two 40m² houses were built.¹³⁹ Here, we see two forms of partnerships coming together. One between the community leaders and Terra Nova, and then additionally the involvement of SENAI shows another example of an entity that can be involved in the process of demand creation.



Figure 4.7: Vila Marinho - SENAI Workshop

SENAI is a network of not-for-profit secondary level professional schools established and maintained by the Brazilian Confederation of Industry, which also involves the Social Service of Industry (SESI) and the Euvaldo Lodi Institute (IEL). Together this network offers industrial

¹³⁸ A. Albuquerque, "Social Regularizer," 25

¹³⁹ Ibid.

training in 28 different areas of industry.¹⁴⁰ In its workshop with Terra Nova, the company helped teach two courses in bricklaying and plumbing, visualized by figure 4.7 below:

By teaching residents skills like bricklaying and plumbing, residents become physically invested in the process as they aid in the construction of new buildings. Furthermore, these skills can help maintain the infrastructure after it has been established and can also lead to potential employment opportunities for residents. These activities help create demand for Terra Nova's services, for as residents become invested in the process, they become more willing to complete their payment plans. Therefore, this partnership with SENAI shows how social enterprises like Terra Nova can coordinate partnerships between residents and NGOs to facilitate demand creation.

Another example of demand creation involves micro-credit financing to enable the BoP to participate in the venture.¹⁴¹ As a part of Terra Nova's services, the company helps implement a payment plan for residents with monthly installments extended over 5-10 years. However, as mentioned previously, the nature of Terra Nova's services requires high upfront costs, meaning that it requires subsidization until achieving returns in the long run.

In order to provide for micro-credit financing and enhance demand creation, Terra Nova partners with impact investors like MOV Investimentos. MOV represents a form of what London calls "patient capital," or one who understands the long-term, social impact driven nature of the work and focuses less on immediate financial returns. These expectations allow for the provision of phased payment plans, where the company expects a return on its investment in the long run, thereby serving as an effective partner for facilitating demand creation.

¹⁴⁰ SENAI. "SENAI - Portal Da Indústria." Portal Da Indústria. National Service of Industrial Training. Accessed April 17, 2021. <http://www.portaldaindustria.com.br/senai/en/about/senai/>.

¹⁴¹ London, "Base of the Pyramid Promise," 152

Supply Enhancement:

According to Dr. London, partners can support “supply enhancement” by “identifying and communicating market needs and providing advisory services that help increase the volume, quality, and consistency of producer yields.”¹⁴² In tailoring this description to the services Terra Nova offers, we can view the “supply” or “production” in terms of the land titles, as well as the infrastructural services, which require partnerships with Resident Associations, socioeconomic survey organizations, and public agencies.

In regard to identifying and communicating market needs, Terra Nova helps connect Resident Associations with public service providers to articulate which types of services the community could benefit from the most. By identifying specific services that the community needs, the residents become more invested and involved in the project, which can lead to greater yields in terms of agreements signed, and payments completed.

Furthermore, socioeconomic surveyors help provide advisory services to Terra Nova by helping to assess what the community can afford and provide other social contexts for the company to take into consideration. These services similarly help Terra Nova come up with a manageable payment schedule and they increase market transparency by providing an unbiased source of data for Terra Nova to work with in negotiating these large-scale agreements.

Overall, Terra Nova must pursue these partnerships to ensure that they receive consistent returns, especially considering the large upfront costs associated with their work. In order to ensure the supply of land titles and infrastructural services, and enhance the quality and consistency within the agreements, Terra Nova must pursue these relationships both with residents, contracted

¹⁴² Ibid.

companies, and public agencies, serving as another example for how the company is motivated as a social enterprise to bring together partners within the regularization system.

“Facilitate Market Transactions” Quadrant Synthesis with Collaborative Interdependence:

Supply and demand serve as the core of market transactions, and the PEF shows that partnerships can strengthen both sides of the operation. The social enterprise remains responsible for coordinating their supply and demand oriented partners, which for Terra Nova most notably include community organizations, impact investors, independent advisory organizations, and public service providers. The supply and demand depend on one another, so I will discuss how collaborative interdependence comes into play for Terra Nova in managing these partnerships.

A primary example of this interdependence arises in the provision of public services. Terra Nova encourages resident involvement in the physical upgrading process by offering educational opportunities about construction and property maintenance. These activities facilitate demand creation by helping residents take ownership over the process and understand the benefits. Once they receive these benefits in the form of public services, they can then use the skills they learned to continue enhancing their service supply, such as through maintaining or repairing infrastructure. Here we see how the success of demand creation efforts leads to success for supply enhancement later on.

Furthermore, public agencies cannot provide enhanced services without sufficient demand from residents, and this relates to micro crediting options that allow for phased, affordable payments. In other words, residents demand public services, but this demand cannot be filled without paying for title ownership. By facilitating micro-crediting programs, residents both pay for their land title and also allow for public service providers to contribute infrastructural

improvements. Exploring this point further, upon completing the payment plan and securing legal title to the property, public agencies can then collect taxes from residents, which further enhances the government's ability to provide public services.

The interplay between actors on the supply and demand sides shows the importance of collaboration between parties, as well as the aggregation of value. Value becomes aggregated as residents pay for ownership and subsequent taxes, and the government can then offer services that the residents demand. Terra Nova's identity as a social enterprise leads to this supply and demand lens, which I argue requires a unique form of collaborative interdependence not facilitated by governments alone.

We can also begin to draw connections to the Facilitate Enterprise Activities Quadrant. Most notably, demand creation and market access go hand in hand, where increasing demand for Terra Nova's services thereby increases their access to the market through resident participation. Even before this market access can take place, market intelligence is required for directing demand creation activities. For example, in gathering market information in identifying prominent community leaders, Terra Nova can then implement demand creation activities, like educational workshops, through coordination with these leaders.

Furthermore, supply enhancement relates to the implementation aspect of market access, where Terra Nova effectively provides access to the community for government service providers, while these providers thereby enhance the supply of public services and help implement them in the local market context. Here we see interdependence where the government relies on Terra Nova to broker deals that provide access to taxable communities, and then the communities benefit from the services they now qualify for and for which Terra Nova has helped establish a demand.

Value creation also largely depends on demand creation and supply enhancement because while there are theoretical benefits to achieving land title, the community must take part in the process and demand a large-scale transformation for Terra Nova to implement its services. Also, value creation cannot be achieved without supply enhancement, because supply enhancement involves implementing the value proposition. Terra Nova then oversees overall aggregation of value involved in the legal regularization process through managing the supply and demand sides through peaceful court agreements.

As I introduce new quadrants in the framework, I will continue to identify these cross-quadrant relationships and interdependencies to speak to how the enterprise coordinates their entire partnership ecosystem using collaborative interdependence. Next I will move onto the “enhance enterprise resources” quadrant of the framework that involves partners that correspond to forms of financial, human, social, and knowledge capital.

4.43 Enhance Enterprise Resources Quadrant

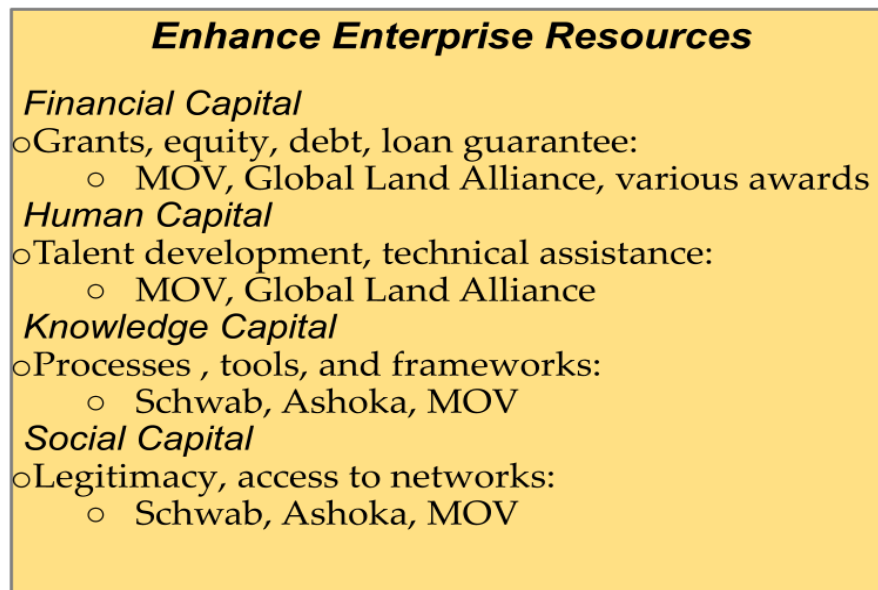


Figure 4.8: Enhance Enterprise Resources Quadrant

Financial Capital:

Providing a brief investor history is relevant to understanding the current partnership with MOV, as well as other partners who operate in the development community sector. In 2001, Albuquerque launched the company with three partners, including a real estate agent named Cleuza Homenuck, a friend who specialized in finance named Orlando da Silva, and his brother Daniel who held a business degree and gained experience advising a Brazilian congresswoman.¹⁴³ André held a 70% stake while the other three partners each held 10%.¹⁴⁴

As the company continued to grow in the next few years and take on more projects, they faced greater financial constraints and struggled to find an appropriate price for their services. In order to finance their daily operations, Terra Nova turned to short- and medium-term bank loans.¹⁴⁵ By 2010, André, by working with corporate finance expert Leonardo Jianoti, realized that Terra Nova was in a dire financial situation and needed a nontraditional investor to survive.¹⁴⁶

By 2011, Paulo Bellotti, a managing partner of an impact investing firm called MOV Investimentos in São Paulo, discovered Terra Nova, and he approached André with an investment proposition. Jianoti encouraged the investment not only for the financial capital, but also for the expertise and networks that the impact investor could offer.¹⁴⁷ MOV provided an initial investment of R\$6.4 million in 2013, and another R\$4.5 million for human resources in 2016. At this point,

¹⁴³ Battilana et. al., “Terra Nova,” 3

¹⁴⁴ Ibid.

¹⁴⁵ Ibid. 4

¹⁴⁶ Ibid. 8

¹⁴⁷ Ibid.

both MOV and Hoffman each held 45% ownership in the firm, while André and Daniel's convertible equity fell to 10%, with the option to increase their shares in the future.¹⁴⁸

MOV also helped Terra Nova establish a minimum payment required by residents during the regularization process.¹⁴⁹ The minimum payment needed to be increased from R\$240 to R\$350 to generate enough terms for Terra Nova to maintain and eventually expand its operations due to the high upfront costs required by its model. This price increase, along with decreasing default rates and increasing diligence regarding collection and late installments, helped the company become more financially stable.¹⁵⁰

Yet as previously mentioned, Terra Nova still requires additional financial support to expand their operations and offer micro-crediting options for residents while covering the large upfront costs associated with large-scale regularization. Some of these major costs involve the socioeconomic surveys of the community, property and environmental assessments, and the formulation of an urban project. If I were to use London's intended approach for this framework by strategically identifying areas that could use additional partnership support, financial capital would definitely be one to consider. However, my approach focuses on the grounds for partnership formation, so including this discussion about Terra Nova's financial history and partnership with MOV speaks to the argument about how social enterprises are incentivized to form effective partnerships.

Due to the high upfront costs of their model, Terra Nova needed to find an investor like MOV to provide "patient capital." "Patient capital" in this case involves an understanding and

¹⁴⁸ Porto Social. 2019. "5 Negócios Lucrativos de Impacto Social Positivo | Porto Social." Porto Social. Porto Social. October 14, 2019. <http://www.portosocial.com.br/2019/10/14/5-negocios-lucrativos-de-impacto-social-positivo/>.

¹⁴⁹ Battilana, et. al, "Terra Nova," 10

¹⁵⁰ Ibid.

appreciation of Terra Nova’s community transformation goals that generate economic returns over the long run, as opposed to expecting financial returns from short-term projects. Since working with MOV, the company has become financially stable and continues to generate widespread impact. The company’s ability to reach financial stability through its partnership with MOV shows how social enterprises attract “patient capital” that not only helps them survive in BoP markets, but in this case specifically helps overcome the high costs of operating within the housing sector.

Human Capital:

MOV also plays a large role in contributing to the company’s human capital by requiring involvement from their team, expanding on training for current employees, and changing how the group sought out new workers to expand on their intangible assets. Broadly, MOV instituted practices that require TN to expand on experiences and training for their employees, thereby improving their human capital.

For example, one of MOV’s executives, Dennis Nakahara, joined Terra Nova’s board of directors.¹⁵¹ Here, MOV directly contributes human capital in the form of a new team member, who brings ideas and perspectives largely from the impact investment and development organization arena. Also, as previously discussed, MOV helped Terra Nova establish a new financial structure and payment system as well, and also helped formulate their “impact thesis” and set requirements for measuring social impacts. These factors represent different forms of training for the team by providing additional business management skills, which in turn increase the human capital of the internal team. The company also publishes reports of its investment

¹⁵¹ Ibid.

portfolio that help share best practices, as well as successes and failures from the field, through which the Terra Nova team can learn and improve.

MOV also instituted a new hiring process that required a more traditional resume-interview based process as opposed to the word-of-mouth hiring that the company previously relied upon.¹⁵² This formalization of the process led to an increase in human capital by encouraging the hiring of workers based on their qualifications and expertise instead of considering their proximate relationship to another coworker. This process then leads to a larger and more skilled pool of applicants to choose from in forming an effective enterprise team. In this way, MOV helps contribute human capital in the form of new hires with a higher skill level that can increase the effectiveness and efficiency of the team.

Human capital proves particularly important for a social enterprise because operating in developing markets requires flexibility and a collaborative mindset, so constructing a team with these qualities plays a large role in achieving long-term, large-scale success for a social enterprise. Terra Nova's identity as a social enterprise incentivizes this connection with MOV and Nakahara, who then help Terra Nova create a better team and business model that benefits the residents Terra Nova seeks to serve by providing higher quality, consistent services.

Knowledge Capital:

Partners can provide knowledge capital through access to “processes, tools, and frameworks.”¹⁵³ While MOV could be considered under this category as well, I will focus on the company's partnerships within a group they call, “International Cooperation Institutions.” The

¹⁵² Ibid.

¹⁵³ London, “Base of the Pyramid Promise,” 150

institutions I will focus on in this discussion include the Schwab Foundation, Ashoka, and the Global Land Alliance.

Ashoka identifies themselves as a “citizen-sector” organization who works with social entrepreneurs towards their overall mission to make large-scale changes to society.¹⁵⁴ The group identifies and recruits social entrepreneurs to become a part of the Ashoka Network, and those who pass the selection process become Ashoka Fellows. Ashoka Fellows benefit from a financial stipend, which allows them to pay for personal expenses for up to three years to devote more time to the social innovation project. To fund the stipends, Ashoka raises funds from donors and uses the funds as venture capital to support their fellows.

Along with the stipend, a partnership with Ashoka involves many other benefits, some of which come in the form of Knowledge Capital. Ashoka promotes a framework to guide enterprises in what Ashoka refers to as a “Collaborate Entrepreneurship Jujitsu” (CEJ) process. The framework process details critical skills and lenses for a “changemaker” to take, including the overarching elements: cognitive empathy, sophisticated teamwork, new leadership, and changemaking. Overall, this framework seeks to advise enterprises in structuring their teams to effectively keep up with an evolving and interconnected entrepreneurial environment, while identifying skills that these team members should possess.

To teach and implement this framework, Ashoka holds various meetings throughout the year, bringing together different groups of fellows for workshops and seminars. More specifically, these workshops involve large group discussions between fellows, talks lead by featured fellows and outside speakers. Ashoka also provides digital learning materials including videos and accompanying exercises, say in “social finance,” to advise enterprises in generating and managing

¹⁵⁴Ashoka “The Ashoka Fellowship” Ashoka: Everyone a Changemaker. Ashoka. Accessed April 17, 2021. <https://www.ashoka.org/en-us/program/ashoka-fellowship>.

their financial capital. Ashoka states that they create their models based on patterns in the work of their fellows, whose impact Ashoka helps to monitor and aggregate for five-year Impact Assessment Reports. Ashoka also mentions that they take “how-to” models from the fellows themselves, showing how Ashoka works to compile and aggregate knowledge for the benefit of partners like Terra Nova.

One housing-specific example of aggregating knowledge from Ashoka Fellows for can be illustrated by Table 2. Here, this table identifies main principles and takeaways from Ashoka Fellows operating in the housing field, as well as barriers identified by these groups. The figure summarizes the identifies the specific enterprises to point to the sources of evidence for these takeaways. Terra Nova can use information like this in identifying fellows to learn from, and for identifying factors that can influence their success in the housing market.

Similarly, the Schwab Foundation also provides opportunities to gain knowledge and resources. The Schwab Foundation is the sister organization of the World Economic Forum, both founded by Klaus Schwab. The WEF classifies itself as the “International Organization for Public-Private Cooperation.” In 2008, Terra Nova founder André Albuquerque received an award from the Schwab Foundation for Social Entrepreneurship for Terra Nova’s innovative work in favela communities, and Terra Nova continues to participate in the Schwab Foundation’s network of social entrepreneurs.

By being a part of a network with such a close association with the World Economic Forum (WEF), Terra Nova and other partners can access reports from the World Economic Forum that are “designed for any social entrepreneur or social sector leader looking for strategies and tools to

Table 2: Ashoka Fellows Housing Principles and Barriers¹⁵⁵

MAIN PRINCIPLES EMERGING FROM INNOVATIVE SOLUTIONS	MAIN BARRIERS			
	Unavailability of complementary goods (e.g., land, infrastructure)	Low individual purchasing power	Limited access to housing finance	Inadequate current product offerings
Enable long-term investment	<ul style="list-style-type: none"> Assign property rights to decrease investment risk - <i>Bairro Legal, Brazil</i> Invest in services and infrastructure to unlock latent housing demand - <i>Orangi Pilot Project, Pakistan</i> 	<ul style="list-style-type: none"> Mobilize low-income families' purchasing power through experience-based learning and demonstration projects - <i>Slum Dwellers International, Global*</i> 	<ul style="list-style-type: none"> Market program by speaking to the poor's aspirations - housing as patrimony - to catalyze savings - <i>Cemex/ Patrimonio Hoy, Mexico</i> 	<ul style="list-style-type: none"> Enable asset-building and create design that meets low-income communities' preferences - <i>Housing Stock Exchange, Sri Lanka*</i>
Leverage resources abundant at the local level	<ul style="list-style-type: none"> Build critical mass and empowerment for communities to negotiate with government - <i>Homeless People Federation, S. Africa</i> Target already-organized communities - <i>Baan Mankong, Thailand*</i> 	<ul style="list-style-type: none"> Use "sweat equity" to reduce labor costs and create new skills - <i>Mutirões, Brazil</i> 	<ul style="list-style-type: none"> Invest in customers' income-generating potential - <i>YKPR, Indonesia*</i> Build systems to capture savings for all types and sizes of incomes - <i>VSSU, India*</i> 	<ul style="list-style-type: none"> Facilitate community-led design - <i>SPARC, India</i> Utilize local materials and building techniques - <i>ADAPT, Egypt*</i>
Radically lower the cost of the whole housing delivery process	<ul style="list-style-type: none"> Harness the effectiveness of existing informal systems - <i>Saiban, Pakistan</i> Design new electricity distribution channels for slums through cooperatives - <i>Ashok Bharti, India*</i> 	<ul style="list-style-type: none"> Aggregate demand to reduce transaction cost - <i>ICICI Bank, India</i> 	<ul style="list-style-type: none"> Reduce the risk of housing finance by building credit history and income generation opportunities - <i>Grameen Bank Housing Program, Bangladesh</i> 	<ul style="list-style-type: none"> Leverage community-led market research - <i>Slum Dwellers International, Global*</i> Offer comprehensive solutions - <i>Cemex/ Patrimonio Hoy, Mexico</i>

* Organization created by Ashoka Fellows.

¹⁵⁵ Stephanie Schmidt and Valeria Budinich. 2009. "Housing the Poor by Engaging the Private and Citizen Sectors." Global Urban Development. Global Urban Development Magazine. 2009. <https://www.globalurban.org/GUDMag08Vol4Iss2/SchmidtBudinich.htm>.

influence the broader system in which they operate.”¹⁵⁶ Furthermore, being an awardee of the Schwab Foundation brings the opportunity to partake in WEF meetings, which are normally closed off to WEF members. These exclusive opportunities allow for the interchange of ideas and accumulation of knowledge that can help Terra Nova strategize as a social enterprise.

Terra Nova’s recent partnership with Global Land Alliance (GLA) also serves to contribute knowledge capital in several forms. According to a representative from GLA, the partnership involves implementing organizational upgrades for Terra Nova including enhanced financial management tools and IT expertise, use of geospatial technology, a revamped marketing strategy, and more granular data analysis to help track impact on land value, incomes, and well-being.¹⁵⁷ This partnership began in 2019, and remains in the development stage as Terra Nova plans to scale to other states in Brazil. The partnership formed in the context of Terra Nova’s incentives to expand their organization and achieve greater impacts, as well as financial returns. The formation of this partnership illustrates how the pursuit of knowledge capital in scaling the enterprise can lead to mutually beneficial relationships between social enterprises and NGOs.

Social Capital:

Social capital refers to the access an enterprise has to networks and legitimacy within the markets they seek to serve. This statement is purposefully broad, as companies like Terra Nova may require many different types of social capital, including access to networks of organizations in the social impact and entrepreneurship field, as well as legitimacy in operating with local communities and alongside governments. In the next quadrant of the framework will discuss how

¹⁵⁶WEF. 2017. “Beyond Organizational Scale: How Social Entrepreneurs Create Systems Change.” World Economic Forum. World Economic Forum. May 2, 2017. <https://www.weforum.org/reports/beyond-organizational-scale-how-social-entrepreneurs-create-systems-change>.

¹⁵⁷ Corcoran, “Terra Nova,” 2020

Terra Nova gained legitimacy in operating with local communities and governments in the form of Legal Infrastructure. In this section I will focus on their networks and legitimacy in the field of social impact entrepreneurship.

We see organizations like MOV Investimentos, Ashoka, and the Schwab Foundation come up as important partners for Terra Nova in this sector, because each organization includes thousands of other fellows and partners that create a network for Terra Nova to exchange ideas. Within this exchange of ideas, Terra Nova can then gain recognition and feedback on their methodology from entrepreneurs and influential organizations in the social development field. This recognition and feedback lead to legitimacy regarding their identity as a social enterprise, where other experts in the field acknowledge the success and functionality of Terra Nova's work.

Legitimacy proves particularly important for a social enterprise because many people hold a critical view of private intervention into social issues due to the dual motivation between impact and profit.¹⁵⁸ People are understandably critical of this dual motivation for fear of exploitation of the population the company claims to serve. In Brazil, Daniel recalls how few people used or understood the term "social enterprise" in Terra Nova's early days of operation. Now, he said the company is known as the "gold of social business in Brazil, and one of the first companies that declared themselves social enterprises."¹⁵⁹ He also mentioned how winning awards from the Schwab Foundation and a well-known newspaper called Folha de São Paulo helped raise their work and the idea of social enterprises to greater importance in the country.

¹⁵⁸ Doane, Deborah. 2014. "Social Enterprise: Can It Succeed Where Traditional Development Has Failed? | Private Sector | The Guardian." The Guardian. The Guardian. February 25, 2014. <https://www.theguardian.com/global-development/poverty-matters/2014/feb/25/social-enterprise-succeed-traditional-development-failed#:~:text=Critics%20of%20social%20enterprises%20are,their%20costs%20of%20delivery%20higher>.

¹⁵⁹ D. Albuquerque, "Interview with Daniel Albuquerque," 2021

In receiving support for their work as a social enterprise, Terra Nova can then attract partners, impact investors, and take part in entrepreneurship networks like the Ashoka Changemakers Network. Ashoka has 3,600 fellows, as well as other entrepreneur partners. This network allows for the interchange of ideas and a wide network that Terra Nova can tap into for resources or advice, which will help facilitate the company's success. Ashoka facilitates this interchange of ideas by holding regional meetings and seminars to bring Ashoka Fellows together. By being invited to these seminars and conferences and meeting a larger network of social entrepreneurs, Terra Nova continues to build its legitimacy through relationships in the social development sector.

The same occurs within the Schwab Foundation's network, which, as previously mentioned, includes access to the WEF. By participating in the WEF network Terra Nova effectively builds its social capital by networking with other influential groups in the development sphere of public-private partnerships. Connections with the WEF also led to recognition by the World Bank, and they went as far as to include Terra Nova in their report on land regularizations in Brazil.¹⁶⁰ Being connected to and featured by these international organizations helps establish legitimacy for the company in their identity as a social enterprise, and subsequently stimulates demand creation as more people become aware of the services and benefits Terra Nova has to offer.

“Enhance Enterprise Resources” Quadrant Synthesis with Collaborative Interdependence:

Collaborative interdependence comes into play in managing these partners that provide different types of capital. This section of the framework refers to partners who can enhance the

¹⁶⁰World Bank, “Brazil Land Assessment - Legalizing Brazil,” 28

“stock” of the enterprise, or the value of its assets. Managing this variety of assets thereby helps build the enterprise’s “capacity” for executing social change. The major partners identified in this section include MOV, the Schwab Foundation, Ashoka, and Global Land Alliance. Collaborative interdependence comes into play here where the enterprise benefits from the resources provided by these partners, and the partners benefit from Terra Nova’s involvement in the networks and the results they generate. Furthermore, while these different investors and partners do not need to work together in the same way that residents, landowners, and governments must work together, Terra Nova can use resources provided by one partner to benefit another.

For example, MOV serves as a source of financial capital, and financial capital helps facilitate many of Terra Nova’s core services, such as its micro crediting payment options for residents. Ashoka can then provide knowledge capital to help Terra Nova manage this financial capital, say through their online videos and exercises regarding “social finance.” Then, Terra Nova can share the results of its micro crediting programs with Ashoka and its network of fellows to enhance their knowledge capital. Here we see interdependence come into play, where Terra Nova gains knowledge capital from Ashoka Fellows, uses it to manage their financial capital, and then Ashoka Fellows similarly benefit from learning about Terra Nova’s results.

Knowledge capital can also influence human capital, where Ashoka’s frameworks for building effective teams can be applied to the management of team members, such as those provided by MOV. Furthermore, social capital and knowledge capital in this case are provided by many of the same partners, showing how access to social networks leads to the accumulation of knowledge capital through interactions with other enterprises and experts.

Social enterprises like Terra Nova must coordinate their enterprise resources in a manner that generates benefit for themselves, and also returns that benefit to their investors and the

networks they are a part of, illustrating the need for an approach of collaborative interdependence. Building on this idea, I will explore how these enterprise resources interact with the other quadrants in the framework that I have introduced thus far.

Activities to generate market intelligence, market access, value creation, and demand creation all require significant upfront investment that can be aided by partners in the Enhance Enterprise Resource Quadrant, namely including impact investors like MOV. For example, financial capital allows Terra Nova to contract private socioeconomic survey companies to generate market intelligence. Furthermore, the knowledge capital Terra Nova receives can inform both market intelligence finding efforts, as well as efforts to measure value creation. For example, Terra Nova takes steps to measure their value creation through activities like socioeconomic surveys, and knowledge capital can contribute frameworks and business best-practices for interpreting these results.

Meanwhile, all of Terra Nova's individual efforts regarding Facilitating Enterprise Activities and Market Transactions reflect back on the social and knowledge capital provided to them through entrepreneurship networks. More specifically, Terra Nova can offer information they learned in generating market intelligence to Ashoka or Schwab Fellows, which can help direct these fellow's market creation activities. Another example could involve Terra Nova sharing its value creation impacts with these networks.

My major takeaway from this cross-quadrant analysis involves enterprise resources, like financial, social, human, and knowledge capital, all serving to support Terra Nova in carrying out activities in the upper two quadrants, like gathering market intelligence, access, creating demand etc. Then, Terra Nova can offer their success and other findings generated by these activities back to their partners and networks in which they participate in similar forms of knowledge and social

capital. The reciprocity identified within the quadrant thereby extends outside of the quadrant to help build the “capacity” to support “action-enabling” partners. Specifically, we see partners like Ashoka and Schwab becoming a part of the interdependent land regularization system, even though these partners do not directly participate in Terra Nova’s business model as directly as residents, landowners, governments, and even impact investors like MOV.

Moving forward, I will discuss the final section of the framework, “Enhance Market Environment,” which involves partners that help bolster the company’s value chain infrastructure, legal infrastructure, and institutional infrastructure.

4.44 Enhance Market Environment Quadrant



Figure 4.9: Enhance Market Environment Quadrant

Value Chain Infrastructure:

According to London, support for the Value Chain Infrastructure should enhance one’s “competitiveness and performance at the industry level [...] for example in building a more robust

physical infrastructure encouraging certification or improving transparency across the players in the value chain.” Interestingly, a large part of the support identified for the value chain infrastructure relates to Terra Nova’s services. Terra Nova works to improve transparency between landowners, residents, public agencies, the judiciary, registry offices, as well as outside consultants and investors. The mediations and formation of agreements that Terra Nova undertakes aim to increase transparency between partners. Furthermore, Terra Nova’s services largely involve helping to ensure “certification” in the form of achieving bylaws for Resident Associations and legal titling for the community, as well as “physical infrastructure” through public service provision.

Through its core services Terra Nova is establishing the value chain infrastructure for the legal titling market. They remain the only company to provide this service in Brazil, and their methodology proves unique on a global scale. Therefore, London’s note about competition proves less relevant at the moment, where instead of improving infrastructure and certification to compete with another company, Terra Nova incorporates these activities into its value proposition.

To support Terra Nova in creating the value chain infrastructure for the legal titling market, important partnerships arise including those with Resident Associations and within governments. Government support proves necessary to maintain the value chain because of their involvement in urban planning policy and service provision. Therefore, to enhance their ability to establish and perform within the legal titling market, Terra Nova becomes incentivized to form long standing partnerships within government bodies.

Legal Infrastructure:

Partnerships that enhance legal infrastructure focus on impacting policies that regulate and control the market. London provides examples such as “encouraging the development of policies and regulations that create a more business-friendly market environment or advocating for greater public investment in certain sectors or geographic locations.”¹⁶¹ In Terra Nova’s case, legal infrastructure proves particularly important because their services involve judicial agreements, and their activities also intersect with public sector policies to address informal settlements. In many ways, Terra Nova works closely with local courts and public sector agencies to help achieve their mutual policy goals, showing how Terra Nova’s efforts to enhance their market environment brings value to itself, its stakeholders, and partners.

As previously detailed, Terra Nova operates based on a specific provision of the Brazilian Civil Code, Article 1228. However, before the implementation of this code, Terra Nova faced difficulties communicating its mission to public officials and faced negative press. In one of Terra Nova’s first cases as an incorporated company in 2001, the Pinhais’ town hall refused to relocate families involved in the project from the riverbanks, which stalled project approval and worked in the opposing interest of enhancing the market environment for Terra Nova.¹⁶² Terra Nova’ lack of legitimacy at the time serves as a major reason the Pinhais’ town hall refused to cooperate with Terra Nova.¹⁶³

However, as discussed under the Judicial Agreement section, a new provision in the Civil Code in 2002, namely Article 1228, created an opportunity for a privatized regularization process. André started to persuade local judges that this article allowed for “judicial expropriations” by a

¹⁶¹ London, “Base of the Pyramid Promise,” 153

¹⁶² Battilana et. al., “Terra Nova,” 4

¹⁶³ Ibid.

private firm to fall under a “regularization process” as opposed to a commercial real estate deal. This interpretation provided legal legitimacy in the face of public criticism regarding the private nature of Terra Nova’s intervention. Furthermore, André’s interpretation allowed the firm to collect payment before urban project approvals, thereby enabling the start of their phased payment plan earlier on in the process. By directly approaching local judiciaries to propose this interpretation, Terra Nova effectively built a partnership with the court system that in turn enhanced its market environment through legal legitimacy and by enabling their phased payment system.

Another important partnership arose in the state-controlled firm COHAPAR that worked to implement housing policies for the state government of Paraná.¹⁶⁴ The partnership arose from Terra Nova’s difficulty in relocating families that lived on precarious riverbanks in Pinhais, so once the company learned that COHAPAR had made land titling a priority, they approached the state firm for help in managing these families. COHAPAR agreed to both relocate the families and provide water, energy, and sewage to the area of relocation. This partnership benefited Terra Nova through assistance in providing public services, but also through legitimacy. According to Daniel, “After bringing COHAPAR into our projects, we ceased to be seen as a company that was making demands and taking problems to city officials; we became solution providers. The mayor changed his position and opened the town hall doors to us.”

Part of the reason the government began viewing Terra Nova as a solution provider relates to the results the company generated for COHAPAR. The partnership ended up saving the government R\$30 million, as paying for expropriations remains the most expensive part of the

¹⁶⁴ Ibid.

regularization process, and Terra Nova's pre-solved agreements greatly helped lower these costs.

André noted:

“The partnership that Terra Nova formed with COHAPAR [...] highlights the efficacy of Terra Nova's regularization model compared to the efforts of the government. From 2004-2007, COHAPAR and Terra Nova formed a partnership to regularize areas in the metropolitan region of Curitiba. According to a COHAPAR executive, the partnership regularized 7,000 families, while the housing agency managed to regularize only 1,500 households in areas where it acted alone during the same time period.”¹⁶⁵

Here, we see how effective the partnership is for Terra Nova in regard to enhancing their ability to operate in the local market, while also benefiting the state agency as well by increasing efficiency and lowering costs by millions of dollars.¹⁶⁶

This partnership also led to the development of a statute called the Paraná Social Regularizer PL, State Law Project. The first two articles of the law state:

“Art. 1 The Paraná Housing Company - COHAPAR is authorized to establish a partnership with the Social Regularizer and the Municipalities, in order to promote urbanization and land regularization of urban areas, with a view to inserting consolidated informal settlements in the city formal.

Art. 2 For the purposes of this Law, the Social Regulator is defined as a legal entity of private law duly constituted for the purpose of land tenure regularization and registered with the Commercial Registry.”

We see how Terra Nova's partnership with COHAPAR led to favorable policies to facilitate the company's activities in the local market, which also benefited COHAPAR by increasing efficiency and lowering costs. This law represents an example of how social enterprises like Terra Nova can be incorporated into government regularization policies, and how social

¹⁶⁵ Ibid.

¹⁶⁶ Ibid.

enterprises are incentivized to create these mutually beneficial partnerships. While Terra Nova no longer partners with COHAPAR, the partnership played an integral role to the company's efforts in gaining legitimacy, which allowed Terra Nova to expand by allowing other states and localities to reference Terra Nova's work in Paraná.

Institutional Infrastructure:

Regarding the institutional infrastructure portion of the framework, London notes that “in order to ensure the persistence of the market and its legitimacy, investments can also be made in structures that support it, such as the banking, legal, and property institutions.”¹⁶⁷ In terms of infrastructure for the housing sector, one of the most important elements includes record-keeping through databases that include socioeconomic information as well as maps of individual properties and their form of ownership. These databases in Brazil are referred to as “cadastres,” and can include National, state, and municipal organizations that manage the mapping and record keeping of property information.

Figure 4.1 includes a list of different registry systems in Brazil, totaling to over nine different groups, not including those of specific states and municipalities. However, despite the plethora of agencies charged with the task of record keeping, Brazil notoriously faces a lack of consolidation and completeness of these systems. The World Bank notes:

“What exist rather are technically deficient cadastres developed by each municipality for their multiple purposes, typically built up from subdivision maps. Adding to this complexity, to be formally possessed, property rights must be recorded in the notaries' land registries, a system of privately administered public registries (cartorios) which many times is incomplete and not linked to updated geographic information about the parcels. Moreover, federal government, states and municipalities also have their own land registries and they administrate their land assets with a certain degree of autonomy.”

¹⁶⁷ London, “Base of the Pyramid Promise,” 153

Here, Terra Nova faces an obstacle in ensuring its competitiveness and efficiency, where dozens of agencies must be coordinated to obtain housing information that remains crucial to nearly every aspect of the regularization process, from the diagnostic phase, to the development of the urban plan, to the implementation of services thereafter.

In order to address a lack of consistent mapping software and property data, Terra Nova recently entered into a partnership with the Global Land Alliance, funded by a grant from PlaceFund, a branch of the Omidyar Network. Global Land Alliance's approach to partnerships states: "We work in flexible alliances with key partners who have established, long-term relationships with Land Alliance core team members." Here, the terms long-term and flexible indicates elements of collaborative interdependence, which will be discussed further in the following section. PlaceFund is an NGO that focuses on property rights and developing geospatial technology for mapping communities and providing public and easily accessible data. This partnership serves as an investment in the institutional infrastructure that Terra Nova operates within by improving the property data available in Brazil. The partnership launched in 2019, so the project remains in the development stages, but the founders have indicated the importance of incorporating geospatial technology as the future of their company's expansion.

Overall, this partnership shows how social enterprises like Terra Nova are incentivized to create mutually beneficial relationships that enhance their market environment. Terra Nova offers access to informal settlement communities in their relationships with residents, while GLA and PlaceFund provide financial capital and mapping software that aid Terra Nova's methodology. Simultaneously both parties achieve a goal of greater data availability that also benefits other key players like governments agencies.

“Enhance Market Environment” Synthesis with Collaborative Interdependence:

Enhance Market Environment falls under capacity building and market creation which involves enhancing the “stock” or the value of assets in the market environment in which the enterprise operates.¹⁶⁸ For Terra Nova, enhancing these assets requires coordination among various partners, most notably government agencies, the judicial system, and NGOs including Global Land Alliance (GLA) and PlaceFund. Elements of collaborative interdependence appear in examining how these relationships intersect.

Beginning with the company’s partnership with GLA to enhance the institutional infrastructure, Terra Nova can use this partnership to offer value to its partners that work in legal infrastructure. Terra Nova’s partners in the legal sector, including public agencies, notoriously lack a condensed land “cadastre,” or a set of maps and data that contribute to public information about both formal and informal properties in the country. By integrating GLA’s geospatial technology and mapping into its model, Terra Nova can then provide this data to governments, and this data can serve to shape the legal infrastructure by providing a more informed system influencing policies regarding informal settlements.

Furthermore, partnerships with those in the legal sector offer benefits to GLA that Terra Nova helps present in coordinating these relationships. For example, Terra Nova’s partnership with Paraná’s state housing company COHAPAR led to a state law for the “social regularizer.” By embedding Terra Nova’s services into a state law, Terra Nova effectively enhances their environment to operate by securing legislative support, which benefits GLA by providing market access and a vessel for applying their geospatial technology.

¹⁶⁸ London, “Base of the Pyramid Promise,” 152

Moving onto the value chain infrastructure, I previously discussed how the activities involved enhancing the value chain infrastructure reflect many of Terra Nova's services. Namely, their services involve in coordinating physical infrastructure development, quality assurance, and certification through legal titling, and market transparency. While this section of the framework involves partners like government agencies, it more accurately reflects Terra Nova's application of collaborative interdependence by coordinating all members of the value chain. For example, beginning with coordinating certification for properties through Cooperation Agreements, to enhancing market transparency through council meetings, to facilitating the provision of physical infrastructure upon achieving title.

Terra Nova's work in this section of the framework intersects with that of legal infrastructure by offering value to governments in exchange for preferential legal policies. Returning to the COHAPAR example, once the state of Paraná realized that by working with Terra Nova, they could save millions of dollars in costs to remove and relocate residents, they created a law to embed Terra Nova's services into their state legislation. Here we see collaborative interdependence at play, where not only does Terra Nova align the interests of a wide variety of partners to enhance their value chain, but they present the results of this value aggregation to their partners in the legal sector through pre-formed judicial agreements.

Furthermore, partnerships regarding the institutional infrastructure, i.e. with GLA, intersects with Terra Nova's work in enhancing their value chain. Part of the value chain enhancement involves achieving market transparency, so involving a partner like GLA to invest in mapping technology contributes to transparency by providing sources of data. This data can also be used for directing partnerships to enhance physical infrastructure, say by providing mapping services to generate an urban project in an area that lacked public data.

These different forms of market infrastructure detailed in this quadrant of the framework inherently intersect, especially in regard to the cross-sectoral issue of land regularization. Terra Nova's management of different partners in their pursuit to enhance their market environment therefore leads to collaboration within these different forms of infrastructure. This collaboration did not previously exist in the fragmented government system in Brazil, so coordinating these partnerships proves necessary not only for Terra Nova's operations as a social enterprise, but also for one that specifically works with a large-scale cross sectoral issue like housing.

This quadrant also maintains strong interdependent connections with the other quadrants of the framework. For example, social capital and legal infrastructure specifically connect in the Terra Nova case study because they provide interdependent forms of legitimacy for the enterprise. Social capital helps solidify Terra Nova recognition as a social enterprise which helps overcome potential criticism about private intervention into a public issue like slum upgrading. Meanwhile, legal legitimacy through building relationships with local courts and the implementation of preferential policies allows Terra Nova to operate locally. Legal legitimacy and social legitimacy reinforce one another to allow Terra Nova local success in implementing their services, as well as international success that helps enhance enterprise resources and build the company's capacity to implement these services. In other words, these forms of legitimacy contribute to market access, an element of the Facilitate Enterprise Activities Quadrant. Here we see how enhancing both the "market environment" and the "enterprise resources" can be coordinated in a way to "facilitate enterprise activities."

Another example arises in regard to institutional infrastructure, where efforts to enhance the enterprise resources through financial, knowledge, and human capital combine with efforts to enhance the property sector through a partnership with Global Land Alliance. The financial capital

provided by the corresponding PlaceFund grant, coupled with the increased human and knowledge capital, in the form of technical expertise, are concentrated in this partnership. Terra Nova then works with GLA to enhance the institutional infrastructure of the property cadastre system, benefiting themselves, GLA, and local governments through increased data transparency and efficiency.

Enhancing the institutional infrastructure in this way also applies to supply enhancement. For example, supply enhancement involves advisory services, largely carried out in the viability study and diagnostic stage that generate a topographic environmental assessment of the community land. With greater mapping technology provided by GLA, the company can better enhance its supply and ability to coordinate public service provision. Here we see how “enhancing enterprise resources” and the “market environment” thereby “facilitate market transactions.”

Lastly, Terra Nova’s role in enhancing the value chain infrastructure intersects with all quadrants of the framework, namely in their coordination of multi-stakeholder councils. Multi-stakeholder councils are involved in all elements of the value-chain infrastructure, including physical infrastructure represented by public service providers, quality assurance and certification through the collective formation of judicial agreements, and market transparency in providing a forum for dialogue and negotiation.

Establishing this council requires both market intelligence and access, where local leaders are recruited to represent their community. Furthermore, this council effectively coordinates market transactions by establishing the residents’ willingness to pay, the landowner’s preference for land price, and the implementation and enhancement of the public service supply. Enterprise resources come in to support all of these activities through human and knowledge capital, which

provides for a flexible and effective team with a well-informed business strategy to form and coordinate these partnerships within the council.

A major takeaway from this synthesis shows how enhancing the enterprise resources can lead to partnerships that enhance the market environment, as demonstrated by the GLA partnership. Then, specifically for Terra Nova, the company's efforts to enhance their value chain infrastructure leads to a multi-stakeholder council which facilitates enterprise activities and market transactions. Terra Nova's role in coordinating their value chain through a multi-stakeholder council and through cooperation agreements helps encapsulate my argument about social enterprises' contribution to regularization systems. The cross-sectoral nature of this system requires coordination to enhance the value chain infrastructure that extends from landowners in the real estate market, to residents of informal settlements, to courts in providing land title, to governments in providing public services, to impact investors and international entrepreneurship networks with resources to offer this system. Terra Nova's ability to coordinate these different partnerships to carry out their business model, which effectively revolves around enhancing the value chain of the legal titling market, shows how social enterprises can benefit large-scale slum regularization projects.

4.5 Conclusion

This chapter outlined Terra Nova's methodology to help illustrate the different partnerships required in the regularization process, and then categorized these partnerships using the Partnership Ecosystem Framework. I used the Partnership Ecosystem Framework to illustrate how different activities required by a social enterprise incentivize the formation of partnerships within the regularization system that did not previously exist. These partnerships are necessary for an

efficient and peaceful legal titling process, so understanding the grounds for their formation helps illustrate the need for social enterprises within the legal titling process for informal settlements. Lastly, by synthesizing the findings from each section of the framework, this chapter provided a discussion on how collaborative interdependence comes into play in managing these different partnerships within and between framework quadrants. The following chapter will recap these findings across the major partners within the framework and present implications and limitations of my findings.

Chapter V: Discussion and Conclusions

5.1 Introduction

In this chapter I will review the evidence that informal settlement regularization could benefit from collaborative interdependence provided by a social enterprise like Terra Nova. I will discuss the limitations of my argument as well as its implications: I intend my findings to inform the establishment of new enterprises in other geographic locations.

5.2 Summary of Findings

Chapter 3 introduced the concept of collaborative interdependence as an approach that social enterprises can take in managing their partnership ecosystem, specifically within relationships with governments, impact investors, and members of the BoP. Specifically, collaborative interdependence by a social enterprise serves as a solution to the “box model” of governance in Brazil. Furthermore, Terra Nova shows how social enterprises can build relationships with the population they seek to serve, i.e. the BoP, in this case, residents of informal settlements in Brazil. Lastly, Chapter 3 demonstrated that social enterprises like Terra Nova are incentivized to work with impact investors, and these relationships based in collaborative interdependence help concentrate resources to informal settlements that help enterprises overcome the high up-front costs of operating in the housing sector.

Chapter 4 built on these claims by mapping Terra Nova’s partners using the Partnership Ecosystem Framework. This framework identifies different activities that must be undertaken by a social enterprise to achieve success in a developing market context. “Success” in this case refers to the enterprise’s ability to generate social impact, economic returns, and eventually expand and operate on a greater scale to multiply these impacts. Identifying these specific activities and how

they relate to Terra Nova's methodology shows whom they are incentivized to build relationships with. Furthermore, exploring the partnership ecosystem in this way contributes to a discussion about how managing this ecosystem with an approach of collaborative interdependence makes these relationships effective.

My analytic strategy for this case study involved using the theory of collaborative interdependence in combination with the Partnership Ecosystem Framework, as London directs in his research. The major takeaway from my synthesis is that partners activities can be coordinated in a way that achieves the goals of the parties, in this case, settling land disputes. Through this process, Terra Nova creates value for all partners and stakeholders involved, supporting my argument that social enterprises can contribute cross-sectoral solutions to the issue of informal settlement regularization.

Regarding value created for residents, activities dictated in the PEF, such as generating market intelligence, market access, value creation, demand creation, build the kind of collaborative relationships that help residents overcome barriers to participation in the formal property system. Upon receiving title ownership and service provision, residents experience gains in broader areas of health, wealth, and agency.

For landowners, Terra Nova carries out activities to gather market intelligence as well as pursuing supply enhancement and improvements in the value chain infrastructure. The relationships they build with landowners create value by assessing their needs for repayment on their properties, and by facilitating their negotiations with residents and service providers. As a result of this process, which is carried out with a great degree of transparency, landowners receive economic returns on their land while avoiding the task of formulating an urban project and

initiating court procedures. In a word, Terra Nova provides a way for landowners to achieve economic returns on their property with more efficiency.

Public service providers become involved through PEF-dictated activities such market access, supply enhancement, and most notably, through Terra Nova's pursuit to enhance their market environment through the value chain, legal, and institutional infrastructures. By building collaborative relationships with these public service agencies and, most importantly governments, Terra Nova performs a coordinating role, increasing efficiency and decreasing conflict. Furthermore, once properties become regularized, public agencies can then collect taxes to further support infrastructure and services improvements.

Terra Nova's efforts to enhance their legal infrastructure have involved local judiciaries. As a result of Terra Nova's approach to dispute resolution, they are effectively bringing already resolved agreements to the court. These agreements benefit the judiciary by helping to overcome cases that the courts previously found "unsolvable." The success of this partnership determines the success of the rest of Terra Nova's activities: the cooperation agreements mean little without cooperation and ratification by the judiciary. Therefore, collaborative interdependence helps align the goals of all parties with the judiciary who similarly benefits from increased efficiency.

The need for capital, whether financial, human, or social, brings in impact investors. Impact investors like MOV help finance and facilitate a wide range of activities that aid the company's success by enhancing the enterprise's resources, and, therefore, their capacity to carry out their core services. When a social enterprise is successful, impact investors benefit from the economic return on their investment as well as the social benefits that generate this economic return, which in this case involves housing security.

Entrepreneurship networks that are less directly involved like the Schwab Foundation and the Ashoka Changemakers Network help provide knowledge and social capital that Terra Nova can use to enhance its legitimacy and capacity to implement its services. Terra Nova benefits from its participation in the network through social and knowledge capital, while its successes reflect back on this same network and furthers the core social and entrepreneurship goals of these organizations.

Furthermore, partnerships like the ones that have been established with Global Land Alliance and PlaceFund contribute financial capital and help enhance the housing sector's institutional infrastructure by contributing technology and expertise in mapping software that can be used to increase market transparency and efficiency. These partners then benefit from Terra Nova because the company serves as a vehicle for spreading their technology and impact. While Terra Nova and its implementation processes benefit from increased technology and data availability, the partner that provides this technology benefits by achieving market access.

The PEF and collaborative interdependence involve many components that help illustrate both the incentives of a social enterprise, as well as the complexity of social issues like informal settlement regularization. The complexity in the partnership ecosystem reflects the complexity of the issue at hand, which points to social enterprises' contribution in managing these relationships and the interdependent benefits that the enterprise can generate for all partners.

My use of this theory and framework comes with limitations. Moving forward I will discuss the implications and limitations of both CI and the PEF, as well as my argument as a whole.

5.3 Implications and Limitations of Collaborative Interdependence Theory

This section will reflect a structure similar to Chapter 3, where I discuss how collaborative interdependence can be applied to relationships with governments, impact investors, and residents of information settlements, this time focusing on its application to contexts outside of Terra Nova.

Relationships with Governments:

Collaborative interdependence in itself does not require government involvement. The theory's core involves building relationships based on mutual benefit, and these relationships can take place with a wide range of partners. However, in the context of my argument, collaborative interdependence proves particularly useful in managing government bureaucracy. I believe social enterprises can contribute the most value in these cases due to the cross-sectoral nature of slum regularization that typically involves several different public agencies.

This claim carries a conundrum. I argue that social enterprises can best contribute an approach of collaborative interdependence in situations of high levels of bureaucracy, yet these high levels of bureaucracy indicate higher levels of development and formal systems. The conundrum arises in that the BoP context is intrinsically underdeveloped and largely informal. In seeking out areas with higher levels of bureaucracy, one begins to exclude the most underdeveloped regions that could benefit the most from social enterprises' involvement.

From this paradox, the question arises: what if governments lack the bureaucratic capacity or desire to upgrade informal settlements? How can a social enterprise still offer value in addressing large-scale slum upgrading and regularization by using collaborative interdependence in areas that do not face the "box model" of governance, and instead face inverse issues such as limited government capacity, or a lack of slum upgrading policies?

As discussed in the introductory chapter, Brazil began adopting policies focused on slum upgrading over eradication in the late 20th century. Though the implementation of these policies faced high levels of bureaucracy from specialized government agencies, the policies themselves illustrated the government's willingness to find solutions for informal settlements that opened the door for partnerships with enterprises such as Terra Nova.

Terra Nova founder André Albuquerque similarly identifies that public policies meant to address informal settlements serve as a key element required for the applicability of their methodology in other geographic contexts. Specifically, Albuquerque notes that countries such as Colombia have laws that encourage the reconciliation of land conflicts, and make it possible for financial institutions to create credit lines for land regularization in areas of social interest.¹⁶⁹ Terra Nova believes that, with some adaptations in the regulatory frameworks of this sector, this model could be expanded to Colombia and other countries in Latin America.

Furthermore, André cites that the international recognitions the company has received indicate its transferability to other countries. For example, in 2005, Terra Nova received the Rene Frank Habitat Award in Cannes, France, as recognized by the International Real Estate Federation (FIABCI), due to their partnership with COHAPAR.¹⁷⁰ This recognition from an international real estate network indicates a widespread interest in slum upgrading policies. The presence of these policies will facilitate the transferability of my argument in that if governments maintain a similar goal of social enterprises in regard to slum regularization and upgrading, there exists a greater foundation for relationships rooted in collaborative interdependence.

¹⁶⁹ A. Albuquerque, "Social Regularizer," 26

¹⁷⁰ Ibid. 27

However, many countries still maintain a policy of slum eradication and do not allocate public resources to improving existing informal settlements. The reason these governments pursue eradication often involves selling the land to generate private investment. Goals regarding private investment stem from an economic incentive that excludes social priorities, such as poverty alleviation for slum residents.

Theoretically, an approach of collaborative interdependence from a social enterprise could help align a government's economic goals with the social needs of residents; however, in practice, through legislation and policy implementation, governments exercise primary control over residents and businesses seeking to operate in the country. Taking these power dynamics into consideration, collaborative interdependence proves more difficult to establish when the government has not demonstrated an interest in slum upgrading.

In contextualizing this idea, I turn to Ethiopia, an urbanizing country that exhibits inconsistent policies to address informal settlements that range from a laissez-faire approach that offers ownership and upgrades to some informal settlements, to a forcible slum-clearing approach for others.¹⁷¹ For example, the government has been clearing slums from publicly owned but informally-built land settlements, specifically near the capital, Addis Ababa, to allow for the development of modern condominium apartments.¹⁷² In situations like this, the upfront investment provided by private developers likely outcompetes any revenues that could be generated by a commercial solution led by a social enterprise, such as Terra Nova, who relies on phased payments from residents that generate returns in the long-term.

¹⁷¹Parby, Jonas, Nancy Lozano Gracia, David Mason, Somik V. Lall, Basab Dasgupta, and Cheryl Young. 2015. "Stocktaking of the Housing Sector in Sub-Saharan Africa: Challenges and Opportunities (Vol. 2): Main Report." 31. World Bank. World Bank. January 1, 2015.

¹⁷²Ibid.

The Ethiopia example shows how government opposition to slum upgrading can relate to competition from the private sector, where the government prioritizes economic returns over social revitalization of these areas. As illustrated by the findings from the PEF, financial capital constrains the expansion of social enterprises in the housing sector due to the high upfront costs. In areas where slum upgrading is not a government priority, social enterprises may face further barriers to expansion with an inability to compete with private developers.

However, taking an inverse view of these findings, I argue governments that promote slum upgrading policies are likely to be receptive to social enterprises seeking to enter this arena, even if these governments lack bureaucratic capacity. As previously discussed, Colombia serves as an example of a government with policies geared towards slum upgrading, so this represents an environment where a social enterprise could likely benefit slum regularization systems by helping coordinate the implementation of these policies and the partners responsible for enacting these policies.

Another example includes Angola, who in 2008 initiated its “one million houses program,” where 68 percent of the houses were slated to be built under self-help initiatives. According to this plan, the government was to provide families with serviced and legalized land.¹⁷³ The World Bank cites this program’s output as “sluggish” because the government is having difficulties in providing secure land to the many residents that do not even qualify for a subsidized mortgage.¹⁷⁴ Here, a social enterprise could offer benefits in partnering with governments to improve the “sluggish” nature of the project, say, by providing micro crediting programs for residents with the help of an impact investor to help overcome the payment issues faced by governments. I use this hypothetical example to illustrate how a social enterprise could contribute a collaborative relationship between

¹⁷³ Ibid.

¹⁷⁴ Ibid.

the government, residents, and impact investors to overcome some of the issues faced by the Angolan government, while taking advantage of the government's willingness to pursue slum upgrading policies.

These brief examples illustrate the transferability of my argument to other geographical contexts. They also demonstrate that government support for slum upgrading policies as an important factor for social enterprise's potential involvement in these regularization systems. Next I will discuss the transferability of my argument to the social enterprises' ability to build collaborative, long-standing relationships with residents of informal settlements, which I refer to as the BoP.

Relationship Building with Residents

I originally argued that Terra Nova's identity as a social enterprise incentivizes relationships with the BoP that help them to overcome barriers in navigating the legal property system. In gauging the applicability of this argument to social enterprises more broadly, it becomes important to consider how Terra Nova's specialty as a legal service provider comes into play. More specifically, the technical legal experience provided by Terra Nova helps explain the specialization in negotiation and mediation between partners and the assistance the company can provide for residents in navigating the bureaucratic system. The question arises: can social enterprises participate in ways other than a legal negotiator and coordinator to help manage partnerships, particularly with residents, in the land regularization process?

We can further explore this question through the lens of another social enterprise: Ansaar Management Company (AMC). AMC is a social enterprise located in Pakistan that operates as a developer to identify large tracts of land in the peri-urban areas of major cities of Pakistan to

develop affordable housing for members of the BoP.¹⁷⁵ In Pakistan, 41 percent of the urban population lives within informal settlements, and urban populations continue to grow, nearly doubling from 43 million to 75 million between 1998 and 2017.¹⁷⁶ The country also holds over one third of South Asia’s urban population, and Pakistan’s urban centers have faced similar issues to Brazil with the accumulation of peripheral informal settlements. The development of AMC shows an example of how social enterprises can operate in different geographic contexts, as well as within specialties other than legal mediation and negotiation.

As a developer, AMC speaks to risks mentioned by Daniel Albuquerque in Chapter 3, where the potential arises for a private company to develop and sell land to those of lower income, then evict them if they cannot make the payments. While this risk may still apply for a traditional for-profit company, as a social enterprise, AMC takes a different approach. AMC generates profit by selling 70 percent of its units at or near cost for low income residents, while selling the remaining 30 percent at a market rate.¹⁷⁷ AMC coordinates the development of new housing units that come with legal tenure for residents and include services like running water, sanitation, electricity, sewage, etc.¹⁷⁸ AMC also ensures that all civil works contractors hire laborers from within the local community whenever possible.¹⁷⁹ Here, AMC offers a different form of coordination from Terra Nova. Instead of serving as a legal negotiator, the company brings expertise in infrastructure development. Their methods also differ in building new housing for the BoP instead of upgrading existing housing.

¹⁷⁵ Ansaar Management Company. n.d. “AMC | Affordable Housing for All.” AMC | Affordable Housing for All. Ansaar Management Company. Accessed April 20, 2021. <https://amcpakistan.org/>.

¹⁷⁶ UN Habitat. 2021. “Pakistan | UN-Habitat.” UN-Habitat - A Better Urban Future | UN-Habitat. United Nations. 2021. <https://unhabitat.org/pakistan>.

¹⁷⁷ Ansaar Management Company, “AMC | Affordable Housing for All.” Accessed April 20, 2021. <https://amcpakistan.org/>.

¹⁷⁸ Ibid.

¹⁷⁹ Ibid.

However, AMC displays similar characteristics to Terra Nova in their ability to build relationships with residents. For example, by ensuring that civil contractors hire laborers from within the community, such as masons, electricians, plumbers, builders, etc. AMC works to involve the community in the process and provide additional economic opportunities for these residents. Due to their focus on both social impacts and economic returns, AMC is concerned with involving residents in the process in ways that typically would not occur for a traditional for-profit enterprise focused solely on profit. We can compare this to Terra Nova's efforts to facilitate demand creation by holding community workshops to teach residents about construction and property management.

The AMC example shows how social enterprises operate in similar ways to Terra Nova, in helping to provide land ownership and services to low income residents, without operating as a legal service provider. Lastly, AMC demonstrates collaborative interdependence by forging relationships with lending institutions to ensure affordable prices for residents and designing all homes in cooperation with community members to ensure their needs are met.

I considered the AMC case because the company illustrates how even a developer can serve as a social enterprise in building relationships with residents that cannot be satisfied by traditional companies or governments. Furthermore, AMC works to secure land titles for residents, thereby showing how social enterprises can help residents overcome barriers to the formal property system. However, while collaborative interdependence can still be employed by AMC in managing their partnerships with residents, designers, service contractors, and NGOs, the theory is less applicable in an environment without the kinds of conflicts faced in cases of regularizing existing slums. This lack of conflict speaks to a potential qualifier for my argument. I posit that social enterprises can present more value to regularization systems where either conflict remains over the property

ownership, and/or specifically in cases of slum upgrading over developing new housing. These upgrading projects involve a greater volume of interdependent interests that can be managed by a social enterprise.

Relationships with Impact Investors

The AMC example also helps illustrate my argument about social enterprises' relationships with impact investors through their partnership with the Acumen Fund. Acumen Fund is an organization that focuses on supporting companies that tackle issues related to poverty, and lack of basic goods and services. Acumen's vision states: "Rather than giving philanthropy away, we invest it in companies and change makers."¹⁸⁰ Acumen serves as another example of an "impact investor," like MOV, that provides "patient capital," or financial support that does not depend on short-term returns, but rather contributes to long-term projects that help change lives for the BoP.

In applying this discussion of impact investors more broadly, I will briefly highlight the growth of impact investors and their levels of activity in the housing sector. According to the Global Sustainable Investment Alliance, between 2014 and 2016 sustainable investing has grown to hold a significant share of the market in Europe and Australia, accounting for approximately 50 percent of their managed assets.¹⁸¹ The U.S. and Canada experienced similar rates of growth, where its share of the market ranges from 22 to 38 percent.¹⁸² Furthermore, the Global Impact

¹⁸⁰ Acumen. 2021 "Acumen | Changing the Way the World Tackles Poverty." Acumen. Acumen Fund. Accessed April 20, 2021. <https://acumen.org/>.

¹⁸¹ Global Sustainable Investment Alliance. 2016. "Global Sustainable Investment Review 2016." *Global Sustainable Investment Review*. http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf.

¹⁸² Ibid.

Investment Network predicts that the global impact investing sector has doubled in the past two years.¹⁸³

The rapid growth of this sector indicates its future potential. Particularly with the rise of Millennial and Gen Z investors, researchers expect an increase in impact investing, or more so making Environmental Social and Governance (ESG) considerations commonplace in investment transactions. Furthermore, by 2025, millennials are expected to make up about 75% of the American workforce,¹⁸⁴ and by 2030, they will hold five times as much wealth as they have today and are expected to inherit over \$68 trillion from Baby Boomers over the next 30 years in what's been called "The Great Wealth Transfer."¹⁸⁵ Those numbers indicate the potential for exponential growth in the impact investing sector over the next decade.

However, since this growth has occurred so recently, there is limited data to provide a global perspective of impact investing. Most reports cite data from firms located in the U.S., Canada, and Europe. With the limited data available, it appears as though investing firms primarily locate themselves in these Western countries. This concentration of investment firms in Western countries carries two major implications, one being their likelihood to apply investments within their same region, and the second being physical barriers involved with investing in ventures in other global regions.

These factors should be considered in this discussion of the broader applicability of my argument, particularly because Terra Nova's relationship with MOV involves a company and

¹⁸³ Global Impact Investing Network. 2019. "Sizing the Impact Investing Market." https://thegiin.org/assets/Sizing%20the%20Impact%20Investing%20Market_webfile.pdf.

¹⁸⁴ Hall, Mark. 2017. "What the Ideal Workplace of The Future Looks Like, According to Millennials." Forbes. November 8, 2017. <https://www.forbes.com/sites/markhall/2017/11/08/what-the-ideal-workplace-of-the-future-looks-like-according-to-millennials/#:~:text=By%202025%2C%20roughly%2075%25%20of,be%20more%20important%20than%20ever.>

¹⁸⁵ Cerulli Associates. n.d. "The Great Wealth Transfer." About Cerulli Associates. Cerulli. Accessed April 20, 2021. <https://info.cerulli.com/HNW-Transfer-of-Wealth-Cerulli.html>.

investor both located in Brazil. Based on the data available, arrangements like these prove less common, so it becomes important to consider how these cross-regional locations could affect the investor-enterprise relationships. Specifically considering informal settlements, these communities largely arise in developing countries including Latin America, Africa, and Southeast Asia.¹⁸⁶ Therefore, impact investors looking to invest in housing initiatives related to informal settlements will more likely do with some degree of physical and cultural separation if they are located in a Western country.

MOV's partnership with Terra Nova is particularly strong because of their contributions of financial, human, and knowledge capital. An investor can arguably provide these forms of capital more easily within a closer physical proximity and with knowledge of the local context. For example, being located in Brazil likely made the contribution of a team member to the Terra Nova board more feasible. Furthermore, MOV executives had the opportunity to make several visits to Terra Nova's projects to truly understand their value proposition.¹⁸⁷

While the primary discussion of impact investors in my argument discussed financial capital, impact investors most importantly should provide "patient capital," or a long-term investment. Approaching the issue of informal settlements from a Western perspective means addressing a problem coming from a country where the issue largely does not exist. This lack of exposure to the issue could affect their ability to provide "patient capital" by contributing to a different understanding of the social goals and a difficulty in aligning the methods and mechanisms to achieve these goals. These are core tenets of collaborative interdependence, so in other words I

¹⁸⁶ UN States, "SDG Indicators: 11," 2021

¹⁸⁷ Battilana et. al., "Terra Nova," 9

am postulating that collaborative interdependence may be more difficult to apply between social enterprises and impact investors in the housing sector due to physical and cultural distance.

Furthermore, this physical and cultural distance has begun to lead these investors to concentrate in the areas in which they operate. The Global Impact Investing Network's (GIIN) recent report on housing investment shows an increasing involvement of impact investors in this field. The report used a sample of 10 impact investing groups collectively managing \$4 billion in investment assets. 96% of those who received the investments were located in the United States, with the remaining 4% based in each of Canada, the UK, Kenya, and Mexico.¹⁸⁸ Here we see a major authority on impact investing provide a sample overview of their activity in the housing sector, and the results indicate a lack of investment in areas where informal settlements are most prominent, and an overall lack of focus on the issue.

However, the report also finds that together, nine of the investors in the study helped facilitate access to affordable housing for an estimated 37,000 individuals through 116 investments. Additionally, the report notes that “the median investment provided affordable, safe, and quality housing for 197 individuals over a one-year period, or approximately 15 individuals per USD 100,000 invested. This represents 0.1% of the total number of cost-burdened individuals in the state or province of investment.”¹⁸⁹ While these results do not represent gains for those in informal settlements, they show the potential and interest of impact investors in becoming involved in the housing sector.

There are firms not included in GIIN's sample that address informal settlements, like Acumen Fund and the Omidyar Network, and overall more investment firms are continuing to

¹⁸⁸ Global Impact Investing Network. “Evaluating Impact Performance: Housing Investments.” Global Impact Investing Network, October. p.16
2019.https://thegiin.org/assets/Evaluating%20Impact%20Performance%20Housing_webfile.pdf.

¹⁸⁹ Ibid. 21

expand their portfolios to include BoP housing initiatives. Ideally, informal settlements will see a rise of interested impact investors, as well as social enterprises through which these investors can channel their capital. However, it remains important to consider the predominantly Western perspective of these investors in considering their strategy for making social impacts in housing, and in forming collaborative partnerships with BoP-oriented social enterprises.

5. 4 Implications and Limitations of the Partnership Ecosystem Framework (PEF)

The Partnership Ecosystem Framework is intended for use by enterprises to evaluate their partnership ecosystem and make strategic decisions as to where the company could use more partnership support. I took a different approach, where I used the framework to show how the enterprise is incentivized to create partnerships by different enterprise specific activities, i.e. facilitating market transactions, accessing financial capital, etc. In this section I plan to explore the limitations to my application of the framework, particularly in relation to London's original use, while tying together findings from both approaches to apply to a broader context outside of the Terra Nova case study.

London's approach seeks to categorize an enterprise's partnerships to help evaluate the volume and strength of these partnerships. My approach did not prioritize volume and strength necessarily, and rather focused on the grounds of formation for the partnership. My approach is limited in that the existence of a partnership does not necessarily indicate the functionality of the partnership or whether there could be more strategically relevant choices for the enterprise. However, I continued with the approach because my argument stresses the importance of forming partnerships in the regularization system that did not exist before, leading to a more binary approach looking at whether a partnership has or has not been formed. Again, this differs from

London's more strategic approach that seeks to generate recommendations for the enterprise in enhancing their partnership ecosystem.

In taking a more critical look at the quality of Terra Nova's partnerships, some considerations arise that speak to potential considerations or pitfalls for other enterprises in entering informal settlement regularization processes. I plan to frame this discussion by identifying specific activities outlined in the framework that I believe warrant further discussion, particularly in applying London's original approach.

Market Access

My discussion on Market Access emphasized how the formation of partnerships with governments is encouraged by the company's need for implementation support. While the formation of partnerships with governments is incentivized by this need, this incentive does not automatically translate into a well-functioning partnership. While Terra Nova offers a great value to governments in helping settle disputes and avoiding millions of dollars in costs to remove residents, there exist obstacles that weaken Terra Nova's relationship with governments that could similarly affect other enterprises. These obstacles mainly involve relationships with local politicians and political administrations as a whole. Terra Nova shows how managing political relationships will prove particularly important for enterprises pursuing market access in the housing sector.

Beginning with administrations headed by a political party, these term lengths often span a shorter time than the time required by Terra Nova's services. In other words, one politician or political party may agree and cooperate with Terra Nova, yet if a new politician or party becomes elected during the process, there stands a risk of discontinuity by public agencies. A difference in

ideology can lead to the discontinuity of the project, say, between a more neoliberal administration that seeks greater involvement with and reliance on the private sector and a more socialized model where the administration seeks to expand the capacity of the government to provide public services instead of relying on private entities.

Terra Nova faced this exact issue in its first attempt at a large-scale agreement for a community in Pinhais, Paraná in 2001. In this case, landowners and resident associations agreed on prices and were ready to sign the regularization agreement; however, the election of a new mayor led to the discontinuation of the project. André Albuquerque commented to Harvard researchers stating: “It did not matter if the project was good or bad. It had been set up by a different political group, so the new administration decided to discontinue it.”¹⁹⁰

The company also faced similar issues with local political leaders. For example, in 2007 the company was requested to mediate negotiations in a 6,000-member community in São Paulo known as Pinheirinho. Terra Nova pursued “market access” activities by setting up a meeting with the community to present its methodology. However, André states that their “work was undermined by a local leader linked to a political party, who claimed the state should guarantee people’s right to housing.”¹⁹¹ As a result, the agreement never came to fruition, and four years later, all residents were evicted in a violent police operation.

These examples help illustrate that even though Terra Nova follows its incentives as a social enterprise to build relationships with local leaders and government officials to achieve market access, political conflicts may arise in these partnerships that threaten their strength and functionality. These findings also tie back to the previous discussion regarding collaborative

¹⁹⁰ Battilana, et. al., “Terra Nova,” 3

¹⁹¹ Ibid. 8

interdependence and the importance of working with governments that similarly prioritize slum upgrading. This discussion contributes an important caveat to that point, where if there are policies meant for slum upgrading, political leaders may be less inclined to work with a social enterprise if their administration believes that slum upgrading should be handled solely by the government. From this finding we can conclude that addressing different political ideologies regarding private intervention in land regularization will prove particularly important for enterprises pursuing market access in the housing sector.

Institutional Infrastructure

Another major takeaway we can generate from the framework by combining my approach with London's approach involves institutional infrastructure, and particularly the availability of property mapping and data. From my approach, one can view Terra Nova's partnership with GLA as a benefit to the land regularization process by involving a partner that can address the issue. From London's approach, we can glean the importance of finding a strong partner in this area, otherwise the enterprise may face limitations in expanding. In applying these conclusions more broadly, one can assume that areas lacking in mapping software could benefit from the involvement of a social enterprise who may incentivize the adoption of this technology. Conversely, areas lacking mapping software pose significant barriers for a social enterprise that will likely require a partnership to address.

There exist few global examples of countries that maintain a complete, condensed, and accurate source of housing information, maps, and other data, particularly regarding informal settlements. Informal settlements by nature lack registration with formal property systems; however, states still maintain the responsibility of mapping and gathering data for these areas to

help account for the population residing there. With these two considerations in mind, we can conclude that investing in this institutional infrastructure to support housing data will be necessary for a social enterprise looking to operate in the housing sector. I propose taking this idea one step further to argue that partnerships with providers of geospatial mapping technology, like PlaceFund, can offer value to governments who have failed to provide such services themselves. Offering value in this way leads to a foundation of collaborative interdependence that can potentially help overcome government opposition slum upgrading, or to social enterprise intervention in informal settlement regularization.

Financial Capital

A final observation I will make from London's approach involves an issue that still affects Terra Nova, being the need for greater financial support. According to an entry made by André Albuquerque to the Schwab Foundation Changemakers Network website, Terra Nova currently seeks "partnerships with financial institutions to 1) create "housing microcredit" programs or 2) securitize [their] receivables portfolio to attract investors seeking financial and social returns."¹⁹² Here, we see a connection to the PEF where financial support exists, with impact investors like MOV, but still could be stronger to support the company's expansion and ability to create positive social and economic impacts.

Originally, I used the PEF to argue that as a social enterprise, Terra Nova is incentivized to create partnerships that generate financial capital from impact investors. I tied this to a claim from Chapter 3 regarding how partnerships with impact investors are rooted in collaborative interdependence and thereby apply "patient capital" to the issue of informal settlements. However,

¹⁹² Ashoka Changemaker's Network, "Sustainable Land Regularization," 2021.

London's approach adds to the story by indicating that the unmet need for financial support will continue to constrain Terra Nova's expansion and could likely carry the same result in other contexts outside of the Terra Nova case study.

These financial constraints mainly arise from the high upfront costs to participating in the housing sector. Property in itself is a physically large and expensive asset, and it corresponds to large costs. Terra Nova's upfront costs mainly arise in contracting companies to conduct socio economic surveys, environmental and topographic mapping assessments, and overall taking the time and energy to ensure the viability of the project. For AMC, the upfront costs arise when purchasing land to develop affordable housing. Construction and building processes also accrue large costs in the form of labor, expertise, and raw materials. Especially when working with large communities, these costs become multiplied across households. Meanwhile, to make these services affordable, Terra Nova and other enterprises must consider micro-financing plans. This leads to returns in the long run, but the company has already spent time and money in the beginning stages that can result in a capital miss-match. Terra Nova faces this issue in its efforts to expand to new communities, and likely other social enterprises will encounter similar capital miss-match issues in operating within the housing sector.

5.5 Areas for Future Research

With greater time I would like to explore the contrast between social enterprises and government-controlled firms. Brazil is home to several that operate within the housing sector, though I chose not to study most of them because they operated in states that Terra Nova did not. The discussion about Terra Nova's partnership with COHAPAR speaks to these points of inquiry; however, I would have liked to undertake a more thorough comparison between state-controlled

firms and social enterprises. For the sake of simplicity, Chapter 3 focused on government, non-profits, and traditional for-profit companies, where state-controlled firms serve as a hybrid that could have warranted greater discussion.

Furthermore, I largely relied on Terra Nova's overall success in generating social impacts as a part of my argument, where I claim that the company serves as an ideal case study showing how social enterprises should be integrated into property regularization systems. For future research I would like to take a more critical approach, namely by using the PEF the way London intended: as a strategic tool for evaluating where the enterprise could improve their partnership ecosystem. I commented on some of the broad takeaways from this approach; however, applying London's approach more consistently would likely lead to the generation of recommendations for partnerships that could improve Terra Nova's ability to achieve success and scale. These recommendations could then potentially be transferred into broad considerations for social enterprises looking to enter and form partnerships within informal settlement regularization systems.

Lastly, much of my discussion focused on the BoP, meaning the subset of the population earning less than \$3,000 per capita per year. The BoP context becomes important particularly for identifying features of the underdeveloped market environment in which these enterprises operate. However, most of Terra Nova's customer base lives slightly above the means of the "absolute" BoP, so using this umbrella term can erase important caveats that affect the application of my argument on a larger scale.

A major caveat involves the purchasing power of the BoP. Daniel Albuquerque admits that the company primarily serves residents of Brazil's socioeconomic classes C and D, while residents of class E, who could be considered members of the absolute base of the pyramid, typically cannot

afford Terra Nova's services. This point indicates that in expanding my argument to other contexts, enterprises may find it difficult to serve the most low-income populations due to financial constraints. With future research I would like to explore how addressing informal settlements from a property-rights perspective can lead to exclusion of the most vulnerable populations due to the high upfront costs involved in the housing sector.

5.6 Conclusion

As global trends of increasing urbanization continue, we can expect a growing prevalence of informal settlements, leading to more and more residents living in a precarious legal situation without access to critical public services. Over one billion people continue to live in slums, so finding innovative, efficient solutions remains an important goal that I argue social enterprises can help achieve through their ability to manage cross-sectoral partnerships. Brazil serves as an example of an urbanizing country faced with a housing deficit, yet they exhibit policies aimed toward slum upgrading that have effectively paved the way for social enterprise Terra Nova to emerge.

Terra Nova has demonstrated success in coordinating large-scale slum regularization agreements for over 20 years, issuing over 55,000 land titles and coordinating the provision of public services for over thirty communities across Brazil. The benefits that regularization has to offer extend beyond property title to areas of health, psychological well-being, employment, mobility, education, wealth, and social inclusion into urban society. Many issues faced by the BoP can be traced back to their living environment, so interventions from enterprises like Terra Nova can generate sector-spanning effects that lead to a complete community transformation.

Throughout this research I have argued that Terra Nova serves as a case study for understanding how social enterprises manage a complex ecosystem of partners using collaborative interdependence, and that their identity as a social enterprise incentivizes the formation of these partnerships in regularization systems that did not exist before. Due to the cross-sectoral nature of the issue, there exists a wide variety of stakeholders and partners that require coordination, and Terra Nova shows how social enterprises are incentivized to undertake this coordination.

Specifically, I used the Partnership Ecosystem Framework to map Terra Nova's partners and discuss the grounds of partnership formation, as well as the interplay between different partners. The interplay between partners relates to the discussion of collaborative interdependence, which emphasizes mutual value creation between partners by approaching these relationships with the mindset: "how can we help each other?"

Major findings from these discussions include the contribution of collaborative interdependence to relationships with and between governments, the BoP, and impact investors. In discussing the applicability of these findings more broadly, I identified factors that can contribute to and or limit the success of other enterprises seeking to participate in the informal housing sector. These factors include the importance of government support for slum upgrading policies, as well as the need to manage relationships with political parties to reduce resistance towards private intervention. Furthermore, I identified that social enterprises can potentially provide the most value in areas of conflict and ground-up rehabilitation of land, as these instances require greater collaboration between a wider range of partners.

From the PEF I identified the importance of partnerships and investments in property mapping technology to enhance the market environment of the informal housing sector while presenting a value proposition to build relationships with governments. Furthermore, I outlined

the capital miss-match issue in the housing sector, which involves high amounts of upfront investments met with incremental returns in the long run. This capital miss-match can be addressed with “financial capital” partnerships that typically involve impact investors; however, Terra Nova demonstrates that even with an impact investor, financial capital will likely continue to constrain the enterprise, and this finding will likely hold true for other enterprises seeking to enter the field.

Overall, the findings from the Terra Nova case study support my argument that social enterprises’ incentives and ability to manage a diverse partnership ecosystem can benefit informal settlement regularization processes through greater efficiency and aggregation of value for all partners and stakeholders. While there exist caveats for expanding this argument to other social enterprises and geographical contexts, I hope this research encourages both the emergence of social enterprises in the informal housing sector, as well as support from governments in collaborating with these enterprises.

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