

Brazilian Small Businesses Get Grant from EU

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The Brazilian support program for small businesses to become exporters (Programa Brasileiro de Apoio à Inserção Internacional das Pequenas e Médias Empresas) (PMEs) will have a four-year budget of US\$ 58.6 million.

The program has been approved by the Foreign Financing Commission (Cofix) which is housed in the Ministry of Planning, Budget and Management.

Half of the program funding, US\$ 29.3 million, will come from the European Union in the form of a grant.

The rest of the funding will come from the Ministry of Development, Industry and Foreign Trade, the Export Promotion Agency (Apex), the Small Business Administration (Sebrae) and trade associations.

Informal

Between 1997 and 2003, the number of informal companies in Brazil went up from 9.4 million to 10.3 million, an increase of 9%, according to a 2003 research, released recently by the Brazilian Institute of Geography and Statistics (IBGE).

During the same period, the monthly income of these small businesses dropped from US\$ 8.12 billion (20.07 billion reais) to US\$ 6.90 billion (17.6 billion reais), and the same happened with their participation on the Brazilian Gross Domestic Product (GDP), which fell from 8% in 1997, to 6% in 2003.

The research was a partnership with Sebrae, the Brazilian Micro and Small Business Support Service.

In the evaluation of Sebrae's Technical Director, Luis Carlos Barbosa, the fact that informal companies became poorer between 1997 and 2003 "accompanied the fluctuations in the Brazilian economy during this period, which had very low growth indices, excepting for the year 2000, in which the GDP increased 4.5%."

The study also reveals that 7.6 million of the 10.3 million companies of the informal sector did not have any type of documentation, and that the majority had not even tried to formalize their condition due to bureaucracy and high associated costs.

"In the last two years, the government has created mechanisms to stimulate microfinancing, but it is a long way, because only 5% of small entrepreneurs and of companies that have up to five employees have been able to obtain financing. Because banks only give credit when they are sure they will collect later, and it becomes difficult if the company is not officially registered," added Barbosa.

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