

Brazil Offers Credit Line to Small Businesses

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Owners of small businesses in Brazil will soon be able to count on a new credit line created by the federal government to expand their operations.

This is the National Guided Productive Microcredit Program, legally instituted in April and approved unanimously, August 29, by the Deliberative Council of the Workmen's Assistance Fund (Codefat).

The program, which still needs to be regulated by Brazil's National Monetary Council (CMN, Conselho Monetário Nacional), will allocate US\$ 83.857 million (R\$ 200 million) from the Workmen's Assistance Fund (FAT, Fundo de Amparo ao Trabalhador) in the form of loans of up to US\$ 4.192 thousand (R\$ 10 thousand).

The federal government estimates that, in the first six months, these resources should benefit around 100,000 micro-entrepreneurs from all parts of the country.

"The purpose of the program is to provide small business owners from the community with credit and managerial guidance. It is credit without bureaucracy, tailor-made for this clientele," the coordinator of the program, Valdi Dantas, summarizes.

Individuals and legal entities with annual gross revenues of up to US\$ 25.157 thousand (R\$ 60 thousand) are eligible for these loans, which will carry monthly interest rates of up to 4% and must be repaid in a maximum of 24 months (which includes a 3-month grace period).

According to Dantas the new credit line should begin operating 30 days after it is regulated. The program was on the agenda of the CMN's latest meeting.

The program was formulated by an interministerial committee, with representatives of the Ministries of Labor and Employment (in charge of coordination), Finance, and Social Development and Hunger Alleviation. The committee will monitor the program every six months, proposing adjustments as they become necessary.

The Codefat will also meet every six months to assess the results of the credit line. "The Codefat has assumed a commitment to program the allocation of more resources if the demand exceeds US\$ 83.857 million (R\$ 200 million)," Dantas reveals.

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