

Data Sheet

USAID Mission:	Brazil
Program Title:	MSE Growth, Trade, and Poverty Reduction
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	512-011
Status:	Continuing
Planned FY 2006 Obligation:	\$990,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2007 Obligation:	\$1,770,000 DA
Year of Initial Obligation:	2004
Estimated Year of Final Obligation:	2006

Summary: USAID's "Increased Economic Opportunities for Trade Led Small and Micro Enterprise Growth and Poverty Reduction" program promotes hemispheric free trade in the context of the Free Trade Area of the Americas (FTAA) and Doha round negotiations. The program focuses on: assisting micro and small businesses to participate in the global economy; investigating constraints to small business trade and promoting policy reforms conducive to trade-led growth; promoting public understanding and awareness of the benefits of trade; and providing technical and life skill training to vulnerable young adults in order to increase their chances of viable employment in the formal sector.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Economic Policy and the Business Environment (\$190,000 DA). USAID is working with the Brazilian Confederation of Industries, the Brazilian Small Business Agency (SEBRAE), and the Brazilian Export Promotion Agency to prioritize and address the most critical constraints to increased small business participation and competitiveness in international trade. USAID supports policy reform allowing small industries to develop trade-focused consortia, thereby lowering their administrative costs and increasing competitiveness. USAID works with the GOB and the World Bank to survey further barriers to small business development, complementing findings from USAID's efforts to assist selected small enterprises. To create momentum for trade reform, USAID is disseminating survey results at workshops in several northeastern states targeting influential decision-makers. Survey results are expected to be considered by the Brazilian Congress as it finalizes and approves the draft Small Business Development Act which includes a number of trade components. Principal Implementers: Development Alternatives, Inc. and the Foreign Investment Advisory Service.

Increase Trade and Investment (\$800,000 DA). USAID continues to emphasize the importance of increased small enterprise participation in two-way trade as a means to foster more equitable economic growth. In FY 2006, USAID provides technical assistance to selected small producer clusters (swimwear, cashew nuts, honey, and palm berry fruit) to identify competitive advantages and niche markets, improve product quality, and enhance packaging and wholesale representation. USAID is improving access to trade finance by small enterprises in partnership with the Bank of Brazil and the Brazilian Bank for Social and Economic Development by implementing a pilot small producer trade credit mechanism. The experience gained by working with these clusters is resulting in a "road map" that will help thousands of Brazilian small enterprises to address the challenges inherent in entering export markets. The road map is being disseminated by national small business and export promotion institutions, while efforts to further identify and address constraints to more extensive and equitable access to trade opportunities will continue. Finally, in preparation for the start-up of a new at-risk workforce training activity for young adults in 2007, USAID is conducting a feasibility study and assess the actual potential for employment generation in trade-related areas, including accounting, logistics, shipping, finance,

trade information technology, sales and marketing. Principal Implementer: Development Alternatives, Inc.

FY 2007 Program:

Improve Economic Policy and the Business Environment: (100,000 DA). USAID plans to improve the enabling environment and strengthen local support capacity so that small enterprises benefit from free trade agreements including the FTAA and those derived from the Doha round negotiations. USAID will work alongside federal and state governments and the private sector to identify and remove trade barriers for small enterprises. As an example, USAID may work to simplify regulations and reduce other bureaucratic barriers for small business.

Improve Quality of Workforce through Vocational/Technical Education: (\$900,000 DA). Workforce training activities previously developed under USAID's Disadvantaged Youth Program will be adapted to this strategic objective in 2007, with the objective of ensuring workforce preparedness, primarily for micro and small businesses. In order to increase access to formal employment, primarily in the micro and SME sectors. USAID, through a competitive selection process, will choose one or more Brazilian NGO partners capable of providing high-level, medium to long-term training to vulnerable groups, including youth involved in gangs, juvenile offenders convicted of minor crimes, victims of TIP in persons and sexual exploitation, and with disabilities. Training will focus on entrepreneurship, information and communication technologies, the tourism industry, trade and trade-related services such as accounting, stock management, logistics, financing, sales, and marketing. A small-grant component will also be established to provide direct support to local organizations doing innovative work in youth training and employment. Primary implementing partners will be identified through a competitive process.

Increase Trade and Investment: (\$770,000 DA). USAID will build the capacity of local partners to improve and expand trade-related services to small enterprises. USAID plans to develop a program to strengthen the Brazilian Network of International Business Centers in partnership with the Brazilian Confederation of Industries; provide technical assistance to the Brazilian Export Promotion Agency to review and improve the effectiveness of their programs; and partner with the Brazilian Small Business Agency to design and initiate a trade capacity building program for local brokers and traders specializing in small producer transactions. USAID will work with traditional and non-traditional financial institutions to build their capacity to extend trade finance to small business and small business consortia. Principal grantees will be determined competitively.

Performance and Results: In FY 2005, USAID researched the small business environment and selected four representative small business trade clusters (swimwear, cashew nuts, honey, and palm berry fruit), which received technical assistance to access export markets and improve competitiveness. USAID's assistance was provided to enhance product quality, marketing, access to finance and relationships with suppliers and distributors. Trade activities were initiated in the last three months of FY 2005, and resulted in over \$650,000 in negotiated exports and created approximately 750 jobs. USAID also began to strengthen the state Industrial Federation Centers for International Business by providing thirteen training courses on trade software such as Trade Map, Market Access Map, and Product Map.

In the policy arena, USAID-funded research facilitated the preparation of draft legislation that will encourage the development and operation of small business trade consortia, reversing earlier laws that increase small business costs and reduce their export competitiveness. The trade consortia legislation has been incorporated into the omnibus Small Business Development Act.

USAID poverty reduction efforts in FY 2005 resulted in organic farming pilots on over 25,000 hectares of land, the establishment of 80 seed banks, and training of 2,500 farmers in organic agriculture techniques. A Global Development Alliance enabled the establishment of over 200 school-based community gardens benefiting 83,000 children.

By the end of this program, USAID will contribute to an improved small business environment,

reduced policy constraints for exports, increased small producer two-way trade within the hemisphere (small enterprise exports should increase from 3% to 5% of Brazilian's total exports); increased small enterprise employment (at least 15% employment growth in supported clusters); increased United States access to Brazilian markets and joint ventures between U.S. and Brazilian firms; increased awareness of the benefits and challenges associated with free trade; and improved poverty reduction program effectiveness and dissemination of USAID models by the government and other donors.

US Financing in Thousands of Dollars

Brazil

512-011 MSE Growth, Trade, and Poverty Reduction	DA	ESF
Through September 30, 2004		
Obligations	1,000	660
Expenditures	0	0
Unliquidated	1,000	660
Fiscal Year 2005		
Obligations	846	0
Expenditures	843	404
Through September 30, 2005		
Obligations	1,846	660
Expenditures	843	404
Unliquidated	1,003	256
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2006 NOA		
Obligations	990	0
Total Planned Fiscal Year 2006		
Obligations	990	0
Proposed Fiscal Year 2007 NOA		
Obligations	1,770	0
Future Obligations	0	0
Est. Total Cost	4,606	660