

Data Sheet

USAID Mission:	Brazil
Program Title:	SME Growth, Trade, and Poverty Reduction
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	512-011
Proposed FY 2004 Obligation:	\$1,000,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$855,000 DA
Year of Initial Obligation:	FY 2004
Year of Final Obligation:	FY2006

Summary: Brazil is a key strategic partner in advancing the United States' highest regional priorities: increased hemispheric integration, trade, and investment. Brazil and the United States co-chair the Free Trade Area of the Americas (FTAA) negotiations, which are scheduled to conclude January 1, 2005. Increased participation of small and medium enterprises (SMEs) in trade will both enhance the effectiveness of the anticipated FTAA agreement and contribute directly to poverty alleviation through the creation of more jobs and the expansion of economic opportunities for the poor.

Although the SME sector has the potential to expand and increase employment opportunities in Brazil, many obstacles exist. In surveys conducted by the Brazilian Institute for Geography and Statistics and the Brazilian SME Support Services (SEBRAE), businesses were asked to list the main constraints to doing business in Brazil. Survey results pointed to an overly burdensome bureaucracy, especially in terms of registration and licensing of businesses; excessive taxes; lack of access to credit; poor market and management information; and financial and regulatory policies that are unfavorable to small businesses. USAID endeavors to minimize these constraints and support economic growth and increased employment opportunities within the SME sector.

Sustained economic growth in the SME sector is a process that will take time to achieve. In the short to medium-term a social safety net must be in place in order to assist eventual beneficiaries until new jobs can be realized. During the June 2003 United States/Brazil Presidential Summit, the United States government agreed to support Brazil's Zero Hunger Program, a comprehensive initiative undertaken by the Lula Administration to address hunger alleviation, nutrition, health, education, and expanding economic opportunities for the poor. The Zero Hunger Program is a natural conduit for developing this social safety net.

Inputs, Outputs, Activities:

FY 2004 Program:

Increased economic opportunities for trade, SME growth and poverty reduction (\$800,000 DA). USAID will mobilize a mix of policy reform and development assistance interventions to increase SME participation in two-way trade. USAID will conduct a SME study to assess the constraints to greater SME participation in export markets. The results of this study will be used to promote policy reforms that improve the enabling environment and assist targeted SME firms and associations to access credit, market information, training opportunities, and related assistance. USAID will support policy reform for small enterprise development by fostering dialogue to develop public-private consensus on SME policy reform. USAID will provide technical assistance and managerial training to strengthen the capacity of targeted NGOs to deliver enterprise development assistance. USAID will also work to reduce the amount of time and steps required to establish a new business in Brazil. Implementing Agency: To be determined.

Promotion of the free trade area of the Americas (\$200,000 DA). An FTAA agreement will significantly increase regional trade for both the United States and Brazil, and in turn, create a number of opportunities

for increased SME participation. The current Brazilian political climate with respect to an FTAA agreement is highly mixed. Widespread public doubts and misconceptions on FTAA, tied to fear that it will lead to U.S. commercial domination of Brazil and/or the closure of Brazilian industries, is presently hampering the negotiation process. By encouraging public debate and the exchange of factual information on the benefits of free trade, USAID can have a positive impact on promoting this key U.S. foreign policy objective. USAID will provide funding for seminars and talks by expert speakers which are designed to acquaint Brazilian government officials and public opinion makers with the NAFTA experience. Training will be provided to trade associations, trade promotion agencies, business association, university-based trade programs, and other NGOs for a training of trainers in trade techniques and related application software in trade. Implementing Agency: To be determined.

USAID proposes to follow a four-pronged approach: 1) technical assistance to the Government of Brazil, state and local governments to design and implement the Zero Hunger Program; 2) technical support for policy reform that directly contributes to poverty reduction; 3) support to community-based poverty alleviation programs that can be replicated in conjunction with the Zero Hunger Program; and 4) technical assistance in micro-credit. Implementing agency: U.S. Department of Agriculture (USDA) and a microcredit NGO to be determined

FY 2005 Program:

Increased economic opportunities for trade, SME growth and poverty reduction (\$705,000 DA). USAID will organize and launch specific policy campaigns to mobilize and focus local resources on targets of opportunity for SME growth. USAID will provide capacity-building support to an SME public/private policy steering group to improve its effectiveness in engaging authorities in a dialogue on issues affecting the SME sector. A congressional group will be sent to the United States for discussions with U.S. legislators and congressional staffers on the development of legislation favorable to the SME sector. Implementing agency: To be determined.

Promotion of the Free Trade Area of the Americas (\$150,000 DA). USAID will expand the FTAA component, designed to strengthen the debate on the benefits of free trade, to include professional training for technical managers and directors of international trade departments in both public and private sector organizations throughout Brazil. USAID will provide orientation to trade associations, state level federations of industries, and key Chambers of Commerce in the areas of trade policy and road maps, information networks, and trade finance. USAID will expand dissemination of this information through a training of trainer's course that will be facilitated by USAID in selected cities. USAID will continue follow-up trade outreach events in key Brazilian cities to encourage open dialogue on FTAA issues to disseminate factual information related to the FTAA. Implementing agency: To be determined.

USAID will continue to support the Zero Hunger agenda sites in northern and northeastern Brazil, with increased emphasis on income generating opportunities for target populations. Business management training and information on micro credit will be provided with strong participation from local institutions; these partnerships will support the expansion of appropriate income generating opportunities to graduate individuals from the food supplement component of the Zero Hunger program to independent, self-reliant entrepreneurs. Continued technical assistance will be provided to support policy reform that directly contributes to poverty reduction as well as community-based poverty alleviation programs. Implementing agency: To be determined.

Performance and Results: FY 2004 will be the first year for implementing this program. By the end of the strategic planning period, these activities will have contributed to the following results: a FTAA ratified and operational; strengthened U.S./Brazil bilateral relationship; increased SME trade within the hemisphere; increased U.S. access to Brazilian markets; increased public-private partnerships assisting SMEs; improved access to affordable SME trade credit; increased SME employment opportunities; and better targeting of social programs, with more efficient use of Brazilian government resources and increased use of microcredit in the Zero Hunger target areas.

US Financing in Thousands of Dollars

Brazil

512-011 SME Growth, Trade, and Poverty Reduction	DA
Through September 30, 2002	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2003	
Obligations	0
Expenditures	0
Through September 30, 2003	
Obligations	0
Expenditures	0
Unliquidated	0
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2004 NOA	
Obligations	1,000
Total Planned Fiscal Year 2004	
Obligations	1,000
Proposed Fiscal Year 2005 NOA	
Obligations	855
Future Obligations	0
Est. Total Cost	1,855