



Global Entrepreneurship Monitor

Entrepreneurship in Brazil - 2003
National Report - Abridged Version - English





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1 INTRODUCTION

This report is a summarized version of the Brazilian edition of the GEM National Report 2003, following the lines of the International Report. Brazil's first entry into the Global Entrepreneurship Monitor research Project dates back to 2000. In that year, the results coming from the field showed a very entrepreneurial country. Brazil was ranked first among all other participating countries. This was a surprising result, neither national nor international experts expected. Since then the methodology has been refined and still, Brazil continues to show up among the ten most entrepreneurial countries in the World. The reasons for that good standing are well understood now. This first English version is an effort to make the Brazilian entrepreneurial reality better known to a larger audience who from the beginning showed their curiosity in learning about Brazil on this issue.

The work is divided as follows: a brief summary about the country, taking into account secondary data; survey outcomes taken from an adult population sample, transcribed with a comparison to the other participant countries; an overview on entrepreneurial motivations; the business fields where entrepreneurs mostly invest; market impacts caused by new businesses; and, more. Field data collection, along with the national conditions aforementioned are provided in the next section, as well as the assessment of a selected group of Brazilian experts. In conclusion some propositions derived from the outcomes are presented.

GEM 2003 Research used data on the national context, which affects entrepreneurship in Brazil in order to investigate issues such as economy, finances, education, infrastructure, while comparing the obtained results to other participant countries. Indicators used are tax burden and the load of regulation, GNP, international trade, governmental and legislative efficiency, enrollment percentage in the different educational level, etc.

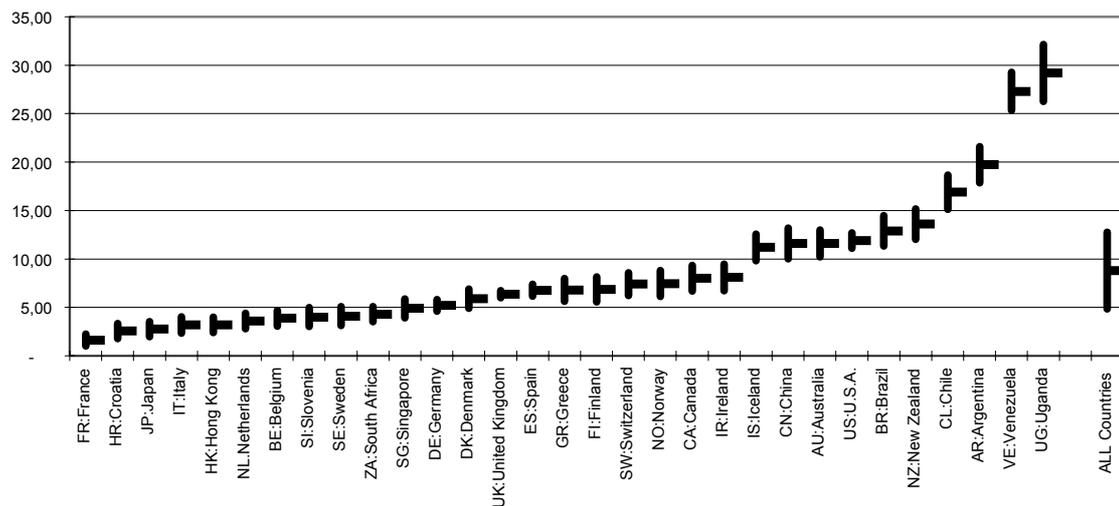
The resulting overview is not very encouraging, because it pictures a country whose social and economic development is inferior to most of the surveyed nations, mainly when per capita figures are taken into account. This scenario is aggravated by the following: high tax burden and bureaucracy; high unemployment rates; job or income shortage; an educational shortage mainly when considering the highest educational levels; and, difficult infrastructure access evidenced by insufficient communication and transport. Several conditions which seem to be barriers for business, especially formal businesses, can, however be turned into opportunities. In the face of short supplies with strong demands to be met in a relatively poor society, there is a considerable and increasing labour force, which has a huge consumption potential.

2 LEVELS OF ENTREPRENEURSHIP IN BRAZIL AND IN THE WORLD

2.1 TOTAL ENTREPRENEURIAL ACTIVITY

The entrepreneurship rate in Brazil (TEA) was 12.9% in 2003. This follows the trend in emerging countries and is among the highest in the GEM Survey (sixth place). This is so in these societies due to a higher number of young people, informal market, and the existence of unmet demands. Although the most affluent countries are globally ranked in the last positions, they have significantly higher percentages of businesses with high technological and market expansion, & in addition, having a higher impact on job creation and on international trade. They also enjoy a higher rate of investors and general venture capital availability, including higher-risk ones.

FIGURE 1 - TOTAL ENTREPRENEURIAL ACTIVITY [TEA PREVALENCE] 2003: BY COUNTRY

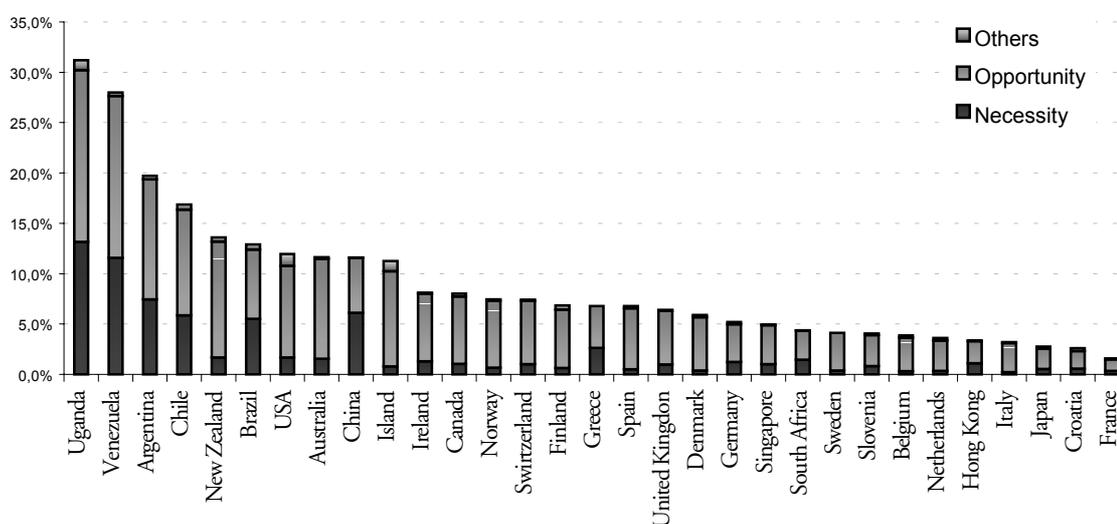


2.2 MOTIVATION

In 2001, a new variable was introduced with which the total entrepreneurship index was unfolded in a different indicator. The new variable is the “motivation to venture” designed to measure if the business was created from the recognition of a true business opportunity or from the sheer necessity to generate a reasonable source of living. The construction of this indicator was a consequence of the search for explanations of the high entrepreneurship indexes obtained by the emerging countries in relation to the numbers reached by the high capitalist development countries. Concerning the motivation to venture, the comparison between the Brazilian situation and that of the other participants of the research reveals that Brazil, in general, presents the profile of an emerging society, going far away from the motivation profile of rich countries (Figure 2). The opportunity-based entrepreneurship index (6.9%) in Brazil (Chart 1) is similar to the world

(6.4%) average for this indicator, and quite inferior to the one in Uganda, where the highest index was registered (17.6%), Brazil however is much higher than in France, where only 1.1% of the adults ventured by opportunity in 2003. The Brazilian index of necessity-based entrepreneurship (5.5%), although a little lower than half the result obtained in Uganda (13.2%), is higher than twice the average index of the group of participant countries (2.3%), and more than 25 times higher than the percentile registered in Italy, country with the lowest necessity-based entrepreneurship index (0.2%).

FIGURE 2 - MOTIVATION IN VENTURE CREATION - GLOBAL



The comparison of the Brazilian results with the results of the other participants of the research in Latin America reveals that the four countries follow a similar tendency (Chart 1). In all of them the global entrepreneurship indexes are quite high. Another common data is the high proportion of necessity-based business, that reflects the Latin-American context of formal work crisis and weakness of the State in offering of a social security system. Individually highlighting the countries of the considered group, it is verified that Argentina and Venezuela present much higher indexes, as much of global entrepreneurship as of both motivations to venture - opportunity and necessity. During the period of the research, both countries lived the echoes of serious economic crises, which implicated expressive falls of their GDPs. It is inferred, then, that their labour force assumed an obligation to look for survival alternatives given the brutal fall of the occupation opportunities and income. Brazil and Chile, for their shift, have entrepreneurship indexes that translate a tendency toward their structural accommodation of entrepreneurial dynamics. That is more evident in the case of Brazil, considering all the GEM researches, starting from 2000.

CHART 1 - COMPARISON OF THE LATIN-AMERICAN COUNTRIES AND SELECTED COUNTRIES IN THE GEM RESEARCH 2003

Country	TEA	TEA Opportunity	TEA Necessity
Uganda	29.3	17.1	13.2
Venezuela	27.3	16.1	11.6
Argentina	19.7	11.9	7.5
Chile	16.9	10.5	6.1
Brazil	12.9	6.9	5.5
France	1.6	1.1	0.4
World	8.8	6.3	2.4

Source: GEM Research 2003

Concerning opportunity-based entrepreneurship, about 66% was verified between 25 and 66 years of age, and only 11% at 45 years of age or over. The last age category, on the other hand, is responsible for approximately 25% of the necessity-based entrepreneurship. In relation to income, about 80% of the necessity-based entrepreneurship is carried out by businesspeople with a monthly income up to 6 MS.

TABLE 1 – OPPORTUNITY-BASED AND NECESSITY-BASED ENTREPRENEURSHIP X CATEGORIES

CATEGORIES		OPPORTUNITY				NECESSITY			
		2000-2003		2003		2000-2003		2003	
		TEA	TEA ratio	TEA	TEA ratio	TEA	TEA ratio	TEA	TEA ratio
GENDER	Male	8.1	63	7.6	54	6.8	58	6.1	55
	Female	5.3	37	6.2	46	5.3	42	4.9	45
MARITAL STATUS	Single	7.4	35	7.4	36	4.5	24	4.0	24
	Married	6.6	56	6.3	52	7.3	69	6.8	70
	Widow/er	2.2	1	3.8	2	2.2	1	1.3	1
	Other	8.2	7	11.3	10	5.6	5	4.0	5
AGE	18 to 24 years	6.7	22	7.3	24	4.6	16	4.8	20
	25 to 34 years	8.8	35	8.5	35	7.7	35	6.7	35
	35 to 44 years	8.6	29	9.2	31	6.8	26	4.8	21
	45 to 54 years	4.3	9	4.3	10	5.9	14	7.1	21
	55 to 64 years	2.2	4	0.5	1	3.9	8	2.0	4
INCOME	Less than 3 MS	4.2	34	4.6	42	6.2	57	5.7	66
	From 3 to 6 MS	9.1	31	10.4	15	6.1	23	5	7
	Over 6 to 9 MS	10.7	12	7.6	4	6.8	9	6.2	4
	Over 9 to 15 MS	9.8	8	16.3	10	8.0	7	5.7	5
	More than 15 MS	13.9	8	17.2	4	1.6	1	3.1	1
	Refused to answer	12.7	2	4.0	1	4.2	1	8.	2
	Don't know	9.0	4	7.9	2	5.4	2	2.6	1
EDUCATION	No formal education	6.5	12	0.0	0	3.8	8	3.8	3
	1 to 4 years	5.6	46	4.7	36	6.8	62	5.7	55
	5 to 11 years	8.9	30	10.2	48	6.1	23	6.0	35
	Over 11 years	9.5	12	9.6	16	5.0	7	3.7	7

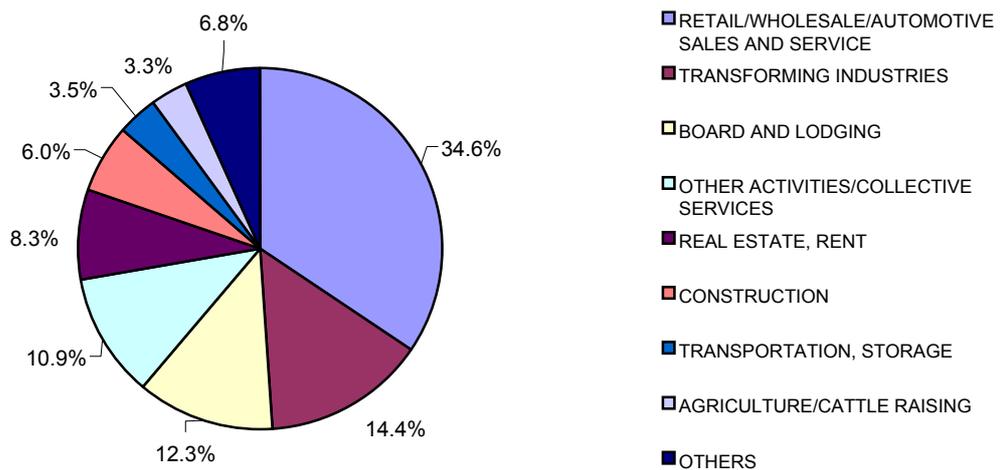
SOURCE: Survey GEM Brazil 2003 among adult population

2.3 BUSINESS SECTORS

As for the entrepreneurial profile, survey among the adult population enables us to describe the business sectors developed, job creation potential, and growth projections.

Only four categories of activities out of seventeen account for 72% of businesses set up in the country. These entail: 35% for Retail & Wholesale Automotive sales and service, 14% for Transforming Industries, 12% for Board and Lodging, 11% for Collective, Social and Personal Services. As is evidenced, Retail businesses prevail, accounting for 80% of the first category businesses. It should also be pointed out the predominance of business activities related to board and clothing. Within the manufacturing category, clothes and clothing accessories prevail. In Board and Lodging, 97% of the businesses are connected with meal serving. In Other Collective, Social and Personal Services, entertainment and esthetics stand out.

FIGURE 3 – TOTAL OF ENTREPRENEURS' GROUP IN BRAZIL – ACCORDING TO CNAE SECTION – GROUPING 2000-2003



SOURCE: GEM 2000-2003 Survey

Considering the business sectors, the trend evidenced does not present much difference from necessity-based rates of global TEA. That is to say, there is strong presence of retail businesses and Transforming Industries, mainly the ones related to food and clothing. As for opportunity-based TEA, pooled data from 2001 to 2003, only three sectors are responsible for around 66% of the generated businesses: commerce, industry and collective services. It is in this category of entrepreneurship that Transforming Industries stand out: one out of five opportunity-based businesses are connected with them, which is, food and clothing.

2.4 ENTREPRENEURS' PROFILE

In relation to gender, in the period of 2000 – 2003, 18% of the male labor force and 12% of the female labor force developed some kind of entrepreneurial activity. Women were responsible for 36% of the new businesses set up in Brazil. In 2003, male TEA specifically accounted for 14.2%, making the country rate seventh among male entrepreneurship, while Brazilian women occupied the fourth position (11.7%). These results reflect a visible change in rate behaviour, showing that women practically performed level with men when we consider the data about year-to-year evolution.

TABLE 2 – ENTREPRENEURSHIP DISTRIBUTION BETWEEN MEN AND WOMEN IN BRAZIL – 2003

	MEN	WOMEN	BRAZIL
Total Population	89,894,000	92,139,000	182,033,000
Population between 18-64 years	51,832,000	53,126,000	104,958,000
TEA	14.2 %	11.7 %	12.9 %
Entrepreneurs (estimation) Fig.	7,360,000	6,216,000	13,576,000
Entrepreneurs (estimation) (%)	54.2	45.8	100.0
General Ranking	7th	4th	6 th

SOURCE: Survey among adult population GEM BRAZIL 2003

TABLE 3 – ENTREPRENEURIAL PARTICIPATION IN BRAZIL – MEN vs WOMEN - 2000-2003

GENDER	2000 (%)	2001 (%)	2002 (%)	2003 (%)
Men	71	71	58	54
Women	29	29	42	46
Total	100	100	100	100

SOURCE: GEM 2000 – 2003 Surveys

In relation to age category, higher entrepreneurial rates were obtained both between 25 and 34 years, and between 35 and 44 years. Both categories verified a TEA of 19% during 2000-2003. Considering the number of entrepreneurs, about 64% were between 25 and 44 years. The youngest entrepreneurs, 19% of the total, were between 18 and 24 years of age. In relation to entrepreneurs over 45 years of age, it was pointed out that they are responsible for only 17% of the businesses set up in Brazil during the same period. Only considering the year 2003, TEAs are as follows:

between 18 and 24 years: 12.6%

between 25 and 34 years: 16.1%

between 35 and 44 years: 14.4%

between 45 and 54 years: 11.5%

between 55 and 64 years: 3.5%

Viewing these results, slight changes can be perceived, although they do not alter entrepreneurial dynamics by age.

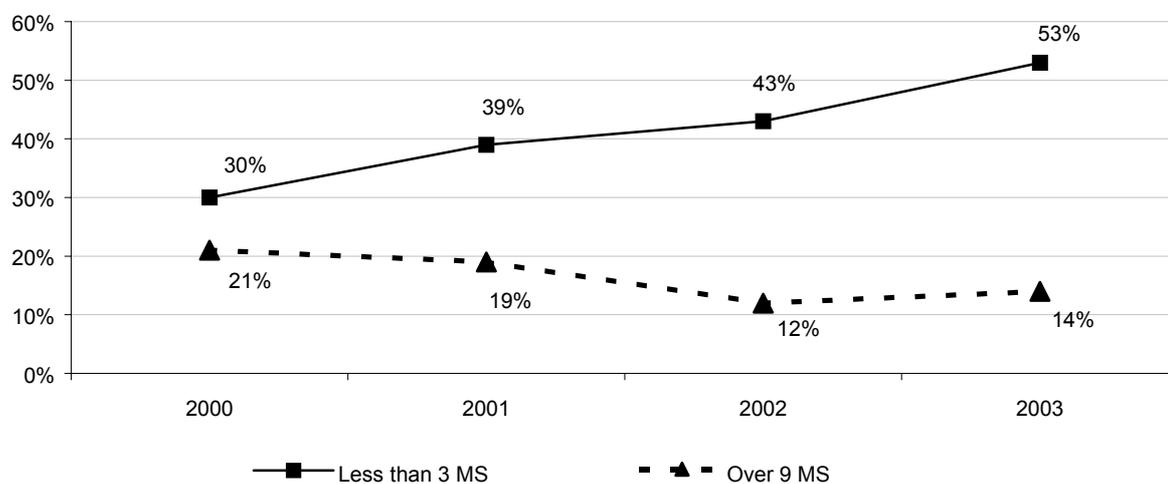
In relation to income ranking during the period 2000-2003, the highest entrepreneurial rate (21%) is verified among those who monthly earn between 6 and 15 minimum salaries.¹ In relation to the educational level, the highest entrepreneurial rate was verified among those with over 11 years of study, with a TEA of 19%, followed by the ones who studied between 5 and 11 years (not a meaningful difference).

TABLE 4 – EVOLUTION OF BRAZILIAN ENTREPRENEURS' IN BRAZIL INCOME 2000 – 2003

INCOME CATEGORY	2000 (%)	2001 (%)	2002 (%)	2003 (%)
Less than 3 MS	30	39	43	53
Between 3 and 6 MS	30	31	34	22
Over 6 to 9 MS	14	12	11	8
Over 9 to 15 MS	12	8	9	8
Over 15 MS	9	11	3	6
Don't know	1	3	1	1
Refused to mention	4	6	2	2
Total	100	100	100	100

SOURCE: GEM 2000 – 2003 Surveys

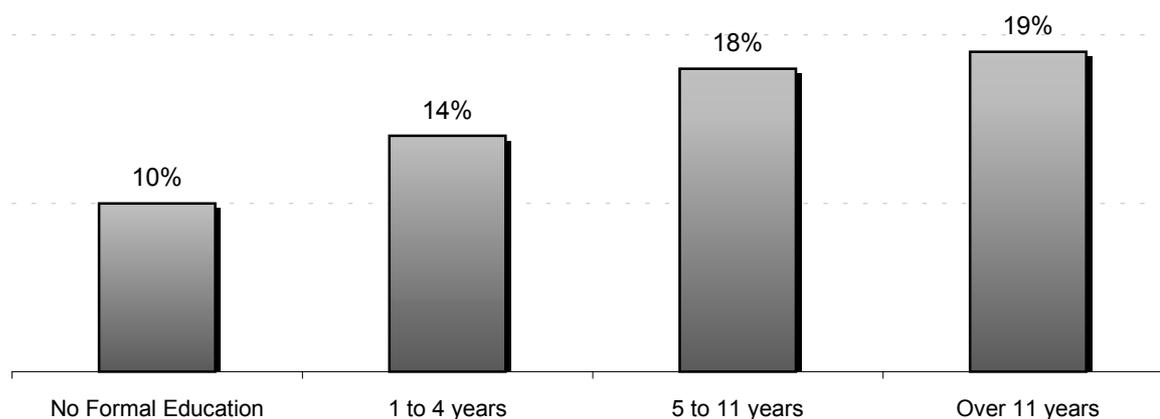
FIGURE 4 – EVOLUTION OF BRAZILIAN ENTREPRENEURS' INCOME – 2000-2003



SOURCE: GEM 2000-2003 Surveys

¹ At the time of the survey, minimum monthly salary in Brazil approached US\$ 80.00

FIGURE 5 – TEA BASED ON EDUCATIONAL LEVEL IN BRAZIL - 2003



SOURCE: GEM 2003 Survey

Although the highest entrepreneurial rates are found among higher educated people with higher income rates, it is appropriate to point out that they are in the minority compared to the total population. In absolute figures, most entrepreneurs come from low educational and income levels. In 2003, practically 60% of the entrepreneurs earned less than six minimum salaries and 40% earned less than three minimum salaries. Verifying year-to-year data, there has been an income depreciation to the same extent that lowest income people's percentage goes up. Likewise, almost 50% of the businesses were created by people with one to four years of education, while only 13% were generated by those with secondary educational level.

2.5 MARKET AND JOB CREATION

Three out of 10 entrepreneurs do not project the creation of more jobs in the next 5 years and only about 7.5% anticipate the creation of 20 or more jobs in their businesses. It should be pointed out that 45% of entrepreneurs project the creation of 1 to 5 jobs in this period. In relation to Market Creation², the Brazilian situation is not very encouraging: 1,100 out of 10,000 Brazilians (11%) own businesses without any possibilities of market creation; and, 183 out of 10,000 (1.83%) own businesses with a very small chance of market creation. Moreover, no entrepreneurs who were interviewed are running businesses with medium or high possibility of market creation. These figures have ranked Brazil in a very inferior position in relation to the averages of the group of surveyed countries.

² In order to rank businesses according to market creation, the following indicators were included: technology age, market knowledge of the product, amount of competitors. In general lines, the lower the values obtained for these indicators, the higher the possibility of market creation. The pursuit for these rates implied the analysis of 36 different possible combinations of answers, which enable to rank businesses in four types: no market creation, low market creation, medium market creation, high market creation.

In turn, respondents who intended to run high growth³ businesses were just over 5 out of 10,000 inhabitants (0.05%), which comprises one fourth of the average index of 22 (0.22%) of the group of participant countries, and is much lower than the New Zealand results, with an index higher than 75/10 thousand people (0.75%).

FIGURE 6 – MARKET CREATION

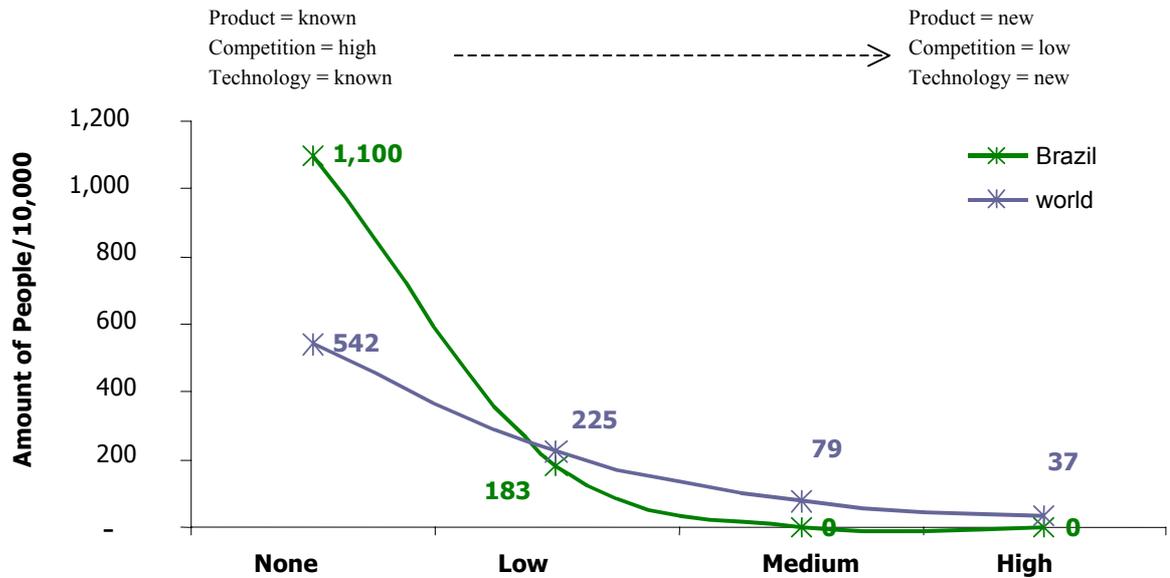
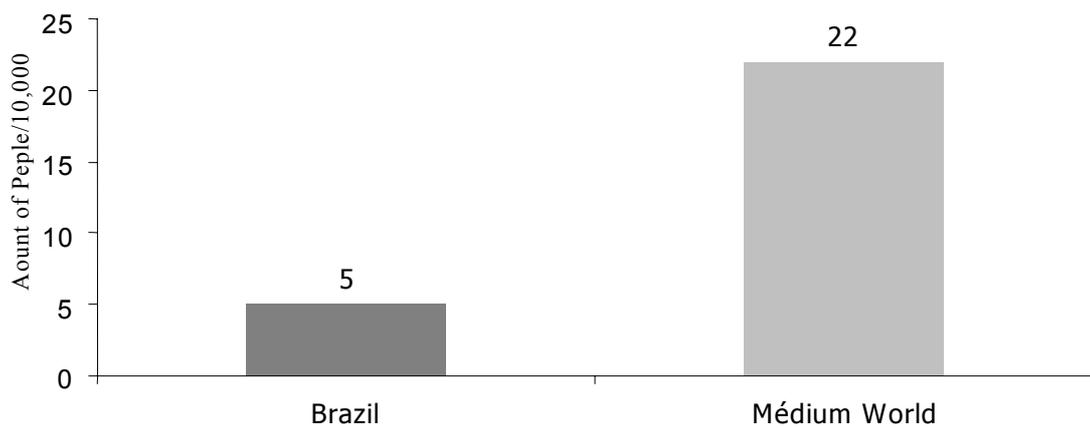


FIGURE 7 – HIGH GROWTH POTENTIAL



SOURCE: GEM 2003 Survey

³ That is to say, a low market creation, over 19 jobs generated in the next 5 years, obtain at least 11% income over exports and have at least 25% of its clients living over an hour distance, by land.

2.6 BUSINESS STAGES

When businesses are ranked according to their stages, taking in account pooled data from 2000 & on, the following rates are obtained: global TEA of 15.1%; nascent businesses, 8.9%; and, 7.0% new businesses. Considering only 2003, global TEA decreased, reaching 12.9%. The same is evidenced to nascent businesses, as in 2003 the corresponding rate is 6.5%. As for the new businesses, even varying along the period, their pooled data held steady, that is, 6.9%. These figures rank Brazil in the 6th position in terms of new businesses and 9th position in relation to the nascent ones. Considering pooled data, it is evidenced a similar behavior to global data when business sectors are referred to, with higher entrepreneurial dynamics verified on nascent businesses. According to the figures, four segments prevail: Retail, Wholesale, Transformative Industry, Board and Lodging, Collective Services, always stressing clothing and meal serving.

TABLE 5 – NEW AND NASCENT BUSINESS RATES IN BRAZIL, 2000-2003 POOLED DATA; 2003 ISOLATED DATA

CATEGORIES		NASCENT BUSINESSES				NEW BUSINESSES			
		2000-2003		2003		2000-2003		2003	
		TEA	TEA ratio	TEA	TEA ratio	TEA	TEA ratio	TEA	TEA ratio
GENDER	Male	10.6	65	7.4	56	8.3	64	7.3	52
	Female	6.8	35	5.6	44	5.4	36	6.6	48
MARITAL STATUS	Single	9.2	34	7.8	40	6.3	30	5.5	26
	Married	9.0	59	6.0	52	7.5	63	7.7	63
	Widow/er	5.8	2	5.1	3	1.8	1	1.3	1
	Other	8.0	5	5.6	5	8.5	6	11.3	10
AGE	18 to 24 years	8.6	20	6.9	23	5.4	16	6.0	19
	25 to 34 years	10.6	33	7.6	33	9.0	36	9.2	38
	35 to 44 years	11.4	30	8.5	30	8.9	30	6.8	23
	45 to 54 years	6.3	10	4.7	12	6.3	13	7.1	17
	55 to 64 years	4.5	7	1.5	2	2.5	5	2.5	4
INCOME	Less than 3 MS	7.0	41	5.8	56	5.0	38	5.4	49
	From 3 to 6 MS	10.7	28	6.9	10	8.1	27	9.6	14
	Over 6 to 9 MS	13.1	13	5.5	3	10.3	13	9.0	5
	Over 9 to 15 MS	9.3	7	12.6	9	12.5	11	10.3	7
	More than 15 MS	10.8	6	12.5	3	9.5	7	15.6	4
	Refused to answer	12.4	3	8.0	2	8.6	3	8.	1
	Don't know	9.9	2	7.9	2	4.6	1	2.6	1
EDUCATION	No formal education	6.8	8	2.5	2	3.7	5	2.5	1
	1 to 4 years	8.1	48	5.1	41	6.4	49	6.0	45
	5 to 11 years	10.7	31	9.1	45	8.3	31	8.0	38
	Over 11 years	10.6	13	6.9	12	9.3	15	10.0	16

SOURCE: Survey GEM Brazil 2003 among adult population

From the new businesses, two-thirds are among the four highest-incidence segments, with Retail accounting for 30% of the total. Taking only 2003 data, there is also a high prevalence in the Construction field (exclusively male activity, with 20% of new companies run by men). A decrease in Board and Lodging should be pointed out (lower than 6% of the total) and a boom of retail businesses with over 40%.

2.7 VENTURE CAPITAL

GEM 2003 survey shows that venture capital is scarce in Brazil. Informal investors take up only 0.8% of the adult population, ranking last among the surveyed countries. The average per investor is less than 900 dollars, superior only to Uganda (270 dollars/investor). As a way for comparison, emerging countries like Argentina, China and Venezuela displayed significantly higher amounts, between 4,200 dollars and 5,400 dollars. 21 countries, mostly developed ones, showed higher averages than 10,000 dollars/informal investor per year. There are few Brazilian investors and they invest little.

2.8 GENERAL SYNTHESIS

In short, the survey found Brazil to be a dynamic society, heavily involved with entrepreneurial activities, which could be surprising due to framework shortcomings. It is the economic context – low economic growth, unemployment, job scarcity – which compels many Brazilians to entrepreneurship. Besides, a needy market offers an encouraging set of opportunities, even if businesses are set up in consolidated, saturated sectors. The country lacks generation of businesses in new innovative areas, compelling other demands. This reflects the scarce relationship between knowledge generating centers and enterprises as well as the low private investment on research and development.

Other inferences are also possible. First of all, there is a high presence of opportunity-based entrepreneurship in the last surveys. This category has held steady while necessity-based entrepreneurship has decreased. This suggests that the former is structural, evidencing that a small somewhat stable share of population (who should not be overlooked) responds to perceived business opportunities. Another variable, which calls attention, is gender. Male prevalence, a characteristic in the first years of survey, has significantly dropped, while a higher female participation in the entrepreneurship rate has been evidenced. It is a favourable datum if gender equality is to be pursued by societies. Another fact is the ratio of Brazilian entrepreneurship and youth: nine out of ten entrepreneurs in Brazil are between 18 and 44 years of age.

Income and education results suggest that these variables are somewhat related to entrepreneurship, which may evidence GEM survey hypothesis that entrepreneurship can

positively impact societies' socioeconomic development. The continuity of the survey will probably ratify the hypothesis.

3 THE ASSESSMENT OF NATIONAL EXPERTS

Experts interviewed in 2003 stated their views, which were quite similar to participants in former studies, unfolding a framework trend, which presents a certain level of homogeneity and recurrence in their perceptions, although every year different people are surveyed. Respondents in question are closely related to the entrepreneurial issue because they are entrepreneurs themselves or participants in the definition and operation of business fostering policies. Thus they are better used to the entrepreneurial issue than the population as a whole. This chapter states the experts' views, present in the interviews and questionnaires.

In the interviews, the experts pointed out weaknesses and strengths to entrepreneurship in Brazil, as well as proposals to improve (these are found within the final chapter of the report). Briefly, the main obstacles to businesses in Brazil are:

- Capital is scarce and costly. There is not a significant amount of sources and investment types (common in developed economies), such as venture capital and seed money, To make things worse, situational policies make capital costly and curb a more effective participation of the State to solve this problem.
- The State hinders businesses, either not supporting them or imposing upon them a heavy tax and regulation load. Bureaucracy and an excess of legal procedures to set up a business mirror this reality.
- Concerning entrepreneurship, information and programs are scattered. There is no integration, making it difficult to access.
- Brazilian educational system does not foster entrepreneurship, due to two main aspects: low-quality education, principally in elementary levels, causes negative results to educate the labour-force in general; on the other hand, school curricula do not offer, in a massive and systematic way, teaching contents and entrepreneurship promotion.
- Brazilian culture is an obstacle by encouraging the pursuit of a formal job, a career in large established companies. It does not claim the entrepreneur as a person to be admired and imitated.

The main strengths pointed out are:

- Brazil has got a large market, featuring the most varying demands. It has undergone a positive process of market openness in the last decade, which brings about business perspectives for those who are capable of digging opportunities.
- The movement for creation of incubators in traditional companies as well as technological-based ones, encouraged in the 90s, is highly responsible for business generation, mainly in highly technological fields.
- There is job scarcity in Brazil, with a sharp reduction in the amount of formal jobs. The need for income generation makes people pursue alternatives to survive, which is a proper environment for entrepreneurship.
- Brazilians are creative and have learned to survive in a highly adverse and unstable environment, thus being prepared to struggle and survive away from the formal traditional occupations.

Experts were very realistic. Except for only three factors: entrepreneurial motivation, entrepreneurial opportunity and market opportunities, their assessment always ranks Brazil among the countries with the worst possible entrepreneurship conditions or, in the last position as can be apprehended by reading the Table below.

TABLE 6 – CONDITIONS WHICH HINDER ENTREPRENEURSHIP IN BRAZIL – ASSESSEMNT MADE BY NATIONAL EXPERTS.

CONDITIONS WHICH HINDER ENTREPRENEURSHIP IN BRAZIL	BRAZIL AVERAGE	WORLD AVERAGE	BRAZILIAN RANKING
Entrepreneurial Potential: Motivation	0,53	0.38	10/31
Entrepreneurial Opportunity	0,34	0.19	11/31
Women's participation	0,18	0.34	19/31
Physical infrastructure access	0,13	0.95	31/31
Obstacles to Market access – internal market and dynamics/opportunity	0,12	-0.19	7/31
Education and Training – Higher Studies and specialization	-0,37	-0.21	22/31
Social and Cultural Norms	-0,43	-0.23	18/31
Commercial and Professional Infrastructure	-0,45	0.23	31/31
Entrepreneurial Capacity: Potential	-0,63	-0.52	19/31
Financial Support	-0,76	-0.39	23/31
Government Programs	-0,78	-0.38	25/31
IPR Protection	-0,83	0.12	28/31
Obstacles to Market set up – biggest obstacles – costs, competition, legislation	-0,90	-0.25	31/31
Transference and Technological Development	-0,98	-0.51	28/31
Federal, state, municipality policies; policy effectiveness	-1,05	-0.40	28/31
Education and Training – primary and secondary	-1,28	-0.94	27/31
Government Policies: Taxes; Answer Time	-1,68	-0.57	31/31

SOURCE: GEM 2003 Expert Survey

4 CONCLUSION – ENTREPRENEURSHIP IN BRAZIL: OUTCOMES

In the light of the survey results, propositions to foster entrepreneurship in Brazil close this report. These propositions sum up the experts' contributions, interviewed in 2003 from suggestions by the research staff and, for better understanding, are disposed in blocks that follow, in general, describes the entrepreneurship conditions, which also affected data collection.

Venture capital is the first issue. The general proposal is to facilitate credit access, cut down bureaucracy and costs. Financial agents and government are the main capital source in face of venture capital scarcity. What follows is a summary of capital-related propositions:

- expansion of the stock market in Brazil, considered very incipient. The recent initiative of federal government to release funds from the Mandatory Fund for Unemployment Benefits (FGTS in Portuguese), to purchase state company shares is a step forward. This measure, however, cannot be restricted to state companies. The access to the stock market should be liberated as well as information on its risks and possibilities;
- expansion in the offer of credit mechanisms like seed money. However, it is deemed necessary that some existing mechanisms in countries such as England and the USA be adapted to Brazilian context. In practice, government funding would be implemented for businesses unable to access venture capital;
- microcredit incentive, which makes it necessary to change the access structure to public funding by small businesses, in a way that the government be involved in the lending as well as the business management.

Some measures are concerned with government policies and programs, such as the reduction of tax burden over production and consumption, simplify legislation, cut down bureaucratic barriers by reducing the necessary procedures to set up and run a firm, decrease registration and professional costs. Moreover, integration of programs and information related to launch and the running of a business was also proposed. Thus, it is public and private initiative's duty to:

- simplify tax and labor legislation so that everybody can and must pay taxes, avoiding unfair competition on the part of informal businesses which do not comply with their legal duties;
- integrate all information that entrepreneurs need. This can be carried out by government organizations which are able to transfer knowledge and interact with other private, state or municipal institutions;

- carry out specific policies to foster and support new businesses' creation so that such institutions design and implement their programs, based on macro-guidelines, with complimentary and integrated actions;
- have in their entrepreneurial supporting teams, other entrepreneurs who have already undergone all the process of a new business launch.
- accelerate infrastructure works – housing and sewage system, for example – mainly in the interior of the country to meet the social demands and encourage business opportunities away from the large urban centers in order to create income and jobs for the unskilled workforce, which is the profile of Brazilian labour force;
- facilitate the access to legal, managerial and accounting quality services, which will also provide occupation and income to self-employed professionals. This could be made feasible by institutions like SEBRAE, at low costs. Support would be available from business conception up to services related to business setup and management: planning, feasibility analysis, financial analysis, registration, licenses, etc.;
- provide some kind of funding so that nascent entrepreneurs be able to access consultancy firms to carry out market analysis, market and advertising planning;

To education and culture, the propositions are as follows: 1) enhance the quality of Brazilian education and introduce, at all educational levels, entrepreneurial subjects and contents, aiming to qualify students to entrepreneurship, not only to a formal job pursuit; 2) change the culture which praises formal jobs, mainly in the public service, or government agencies, into entrepreneurship as a feasible career possibility. What follows are specific propositions:

- encourage nascent entrepreneurs to look for consistent information about the intended business, not only relying on their own beliefs or relatives', acquaintances' opinions, but looking for technical assessment. This initiative must be followed by support to necessity entrepreneurs from the business choice and feasibility analysis up to its implementation, offering the best management tools in order to reduce failure risk;
- intensify and refine qualification programs to entrepreneurial educators;
- qualify secondary and college students to examine ideas of already existing businesses besides passing on successful entrepreneurial history-cases. Technical and superior courses must change their focus once they qualify students to pursue a career in a big company, even self-employed professionals.

About the propositions concerning the economic organization and the Brazilian market organization, strong alternatives to the crisis of formal jobs were proposed. Thus, some

suggestions to develop cooperative culture, partnerships and clusters have been brought about with some proposals, such as:

- companies should intensify their outsourcing process, while returning to their core business, purchasing products and services from third parties;
- carry out a specific project of entrepreneurial motivation and qualification to Brazilian women who comprise an increasing public of heads of family.

Besides the above-mentioned propositions, there are business possibilities for management and environmental conservation. Not only environmentally sustainable extraction but also residential, commercial and industrial recyclable waste cooperatives have become increasingly common. They bring about positive results to reduce environmental impact as well as to create jobs for the existing labour force without demanding costly investments for their implementation and personnel training. They could generate an interesting market niche but specific funding and government policies are deemed necessary.

Putting in practice the above propositions implies an effort not only on the part of government agents but it also demands a direct and intense participation of the society as a whole, organized in unions, NGOs and people in general to the extent that many proposals entail somewhat deep cultural changes. Lack of private venture capital as seed money, for example, cannot be only attributed to an assumed risk-averse national trait, but a relatively recent memory of macroeconomic instability. Economic stability must be kept so that people feel secure to invest and set up businesses in a rewarding way.

The implementation of the aforementioned proposals must be considered a decisive step to face the obstacles that hinder the successful management of stable businesses (although they do not prevent the entrepreneurial development in our country as GEM 2003 Research outcomes have shown), which meet regional traits, generate jobs and income and have a strong impact to create new market niches, innovations and attract consumers beyond the national borders.

APPENDIX

Appendix 1			
TEA rate for all countries 2000-2003			
Country	2001	2002	2003
Argentina	10.5	14.2	19.7
Australia	16.2	8.7	11.6
Belgium	4.6	3.0	3.9
Brazil	14.2	13.5	12.9
Canada	11.0	8.8	8
Chile	–	15.7	16.9
China	–	12.3	11.6
Croatia	–	3.6	2.6
Denmark	8.1	6.5	5.9
Finland	9.3	4.6	6.9
France	7.2	3.2	1.6
Germany	7.0	5.2	5.2
Greece	–	–	6.8
Hong Kong	–	3.4	3.2
Hungary	11.4	6.6	–
Iceland	–	11.3	11.2
India	11.3	17.9	–
Ireland	12.1	9.1	8.1
Israel	6.0	7.1	–
Italy	10.2	5.9	3.2
Japan	5.1	1.8	2.8
Mexico	18.7	12.4	–
Netherlands	6.4	4.6	3.6
New Zealand	15.6	14.0	13.6
Norway	8.7	8.7	7.5
Poland	10.0	4.4	–
Portugal	7.1	–	–
Russia	6.9	2.5	–
Singapore	5.2	5.9	4.9
Slovenia	–	4.6	4.0
South Africa	9.4	6.5	4.3
South Korea	14.9	14.5	–
Spain	7.8	4.6	6.8
Sweden	6.7	4.0	4.1
Switzerland	–	7.1	7.4
Taiwan	–	4.3	–
Thailand	–	18.9	–
Uganda	–	–	29.3
United Kingdom	7.7	5.4	6.4
United States	11.7	10.5	11.9
Venezuela	–	–	27.3

Appendix 2
ENTREPRENEURIAL ACTIVITY - NASCENT AND BABY BUSINESS - BY COUNTRY: 2000-2003

Country	NASCENT ENTREPRENEURIAL ACTIVITY			BABY BUSINESS ENTREPRENEURIAL		
	2001	2002	2003	2001	2002	2003
Argentina	7.98	8.52	12.4	2.54	6.20	8.5
Australia	8.97	3.76	6.6	7.24	5.22	5.4
Belgium	3.36	2.13	2.8	1.23	1.08	1.2
Brazil	9.2	5.7	6.5	5.0	8.5	6.9
Canada	7.04	5.94	5.1	3.94	3.58	3.8
Chile	–	10.40	10.9	–	5.49	7.1
China	–	5.54	4.3	–	7.41	7.4
Croatia	–	2.81	1.7	–	0.94	0.9
Denmark	5.31	3.63	3	2.76	3.12	3.3
Finland	5.98	2.68	4.1	3.34	2.06	3.1
France	6.35	2.40	0.9	0.88	0.86	0.7
Germany	4.81	3.51	3.5	2.23	2.07	2.1
Greece	–	–	2.9	–	–	3.9
Hong Kong	–	2.04	1.7	–	1.40	1.6
Hungary	7.78	3.49	–	3.64	3.62	–
Iceland	–	5.65	7.3	–	6.23	4.4
India	7.77	10.89	–	3.48	7.45	–
Ireland	7.27	5.66	5.1	4.85	4.20	3.8
Israel	1.18	3.36	–	4.79	3.88	–
Italy	7.82	3.74	2	2.35	2.35	1.3
Japan	4.26	0.87	1.4	0.82	1.04	1.5
Mexico	12.69	9.18	–	6.05	3.22	–
Netherlands	2.59	2.57	1.7	3.79	2.09	1.9
New Zealand	9.32	9.13	9.3	6.31	6.06	5.2
Norway	5.73	5.23	4	2.97	4.40	3.9
Poland	7.41	3.67	–	2.58	0.77	–
Portugal	3.93	–	–	3.16	–	–
Russia	3.65	1.09	–	3.26	1.54	–
Singapore	3.50	4.03	3	1.69	2.03	2.3
Slovenia	–	3.28	3	–	1.53	1.1
South Africa	7.23	4.71	2.7	2.14	2.00	2
South Korea	7.66	5.85	–	7.19	9.29	–
Spain	5.62	2.24	4.4	2.16	2.54	2.5
Sweden	4.19	1.80	2	2.48	2.51	2.4
Switzerland	–	4.44	4.3	–	3.26	3.7
Taiwan	–	1.28	–	–	3.08	–
Thailand	–	11.63	–	–	8.40	–
Uganda	–	–	14.8	–	–	16.9
United Kingdom	4.94	2.49	3.4	2.74	3.05	3.2
United States	8.19	7.09	8.1	3.46	4.57	4.9
Venezuela	–	–	19.2	–	–	9.7

Appendix 3
OPPORTUNITY AND NECESSITY BY COUNTRY

Country	OPPORTUNITY TEA			NECESSITY TEA		
	2001	2002	2003	2001	2002	2003
Argentina	6.2	6.8	11.9	4.7	7.1	7.5
Australia	12.0	6.7	9.9	2.9	1.5	1.6
Belgium	3.6	2.0	3.3	0.8	0.3	0.3
Brazil	8.5	5.8	6.9	5.7	7.5	5.5
Canada	7.6	7.4	6.7	3.0	1.1	1.1
Chile	.	8.5	10.5	.	6.7	5.9
China	.	5.6	5.5	.	7.0	6.1
Croatia	.	2.2	.	.	0.9	.
Denmark	6.6	5.9	5.3	0.5	0.4	0.4
Finland	6.2	3.9	2.7	0.6	0.3	0.3
France	3.8	2.8	1.1	1.4	0.1	0.4
Germany	5.6	3.9	3.7	2.0	1.2	1.2
Greece	.	.	4.2	.	.	2.6
Hong Kong	.	2.3	2.2	.	1.2	1.1
Hungary	7.9	4.0	.	3.3	2.1	.
Iceland	.	8.6	9.4	.	0.9	0.8
India	3.9	12.4	.	7.7	5.0	.
Ireland	9.3	7.8	6.7	2.1	1.4	1.3
Israel	2.0	5.2	.	0.6	1.4	.
Italy	7.8	3.3	2.9	2.1	0.5	0.2
Japan	2.3	1.2	.	2.2	0.5	.
Mexico	12.9	8.3	.	7.1	2.7	.
Netherlands	5.4	4.0	3.0	0.4	0.5	0.4
New Zealand	14.9	11.6	11.5	2.8	2.3	1.7
Norway	7.4	7.4	6.7	0.2	0.4	0.7
Poland	4.7	2.8	.	4.9	1.3	.
Portugal
Russia	5.1	1.9	.	1.1	0.6	.
Singapore	5.1	4.9	3.9	1.2	0.9	1.0
Slovenia	.	3.3	3.1	.	1.4	0.8
South Africa	6.0	3.3	2.9	3.0	2.4	1.5
South Korea	8.0	8.6	.	5.8	4.1	.
Spain	5.6	3.4	6.1	1.9	1.0	0.5
Sweden	5.5	3.3	3.8	0.8	0.7	0.4
Switzerland	.	6.0	6.3	.	0.9	1.0
Taiwan	.	3.3	.	.	0.7	.
Thailand	.	15.3	.	.	3.4	.
Uganda	.	.	17.1	.	.	13.2
United Kingdom	5.1	4.4	5.4	1.4	0.7	1.0
United States	10.3	9.1	9.1	1.3	1.2	1.7
Venezuela	.	.	16.1	.	.	11.6