



Assessing Firm-Support Programs in Brazil

Executive Summary

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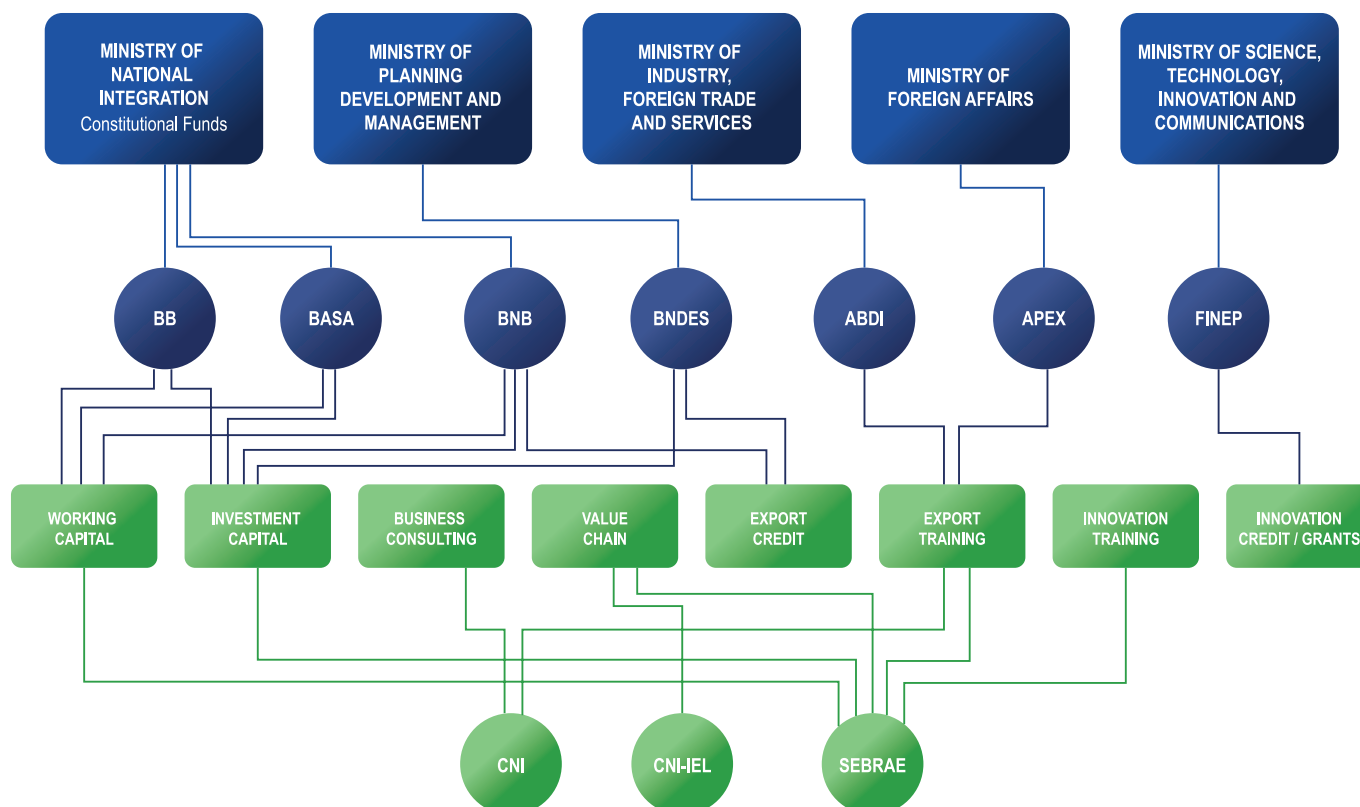
ove Office of
Evaluation
and Oversight

EXECUTIVE SUMMARY

Increasing productivity is generally considered to be the only sustainable way of improving living standards in the long term. The Brazilian economy has had periods of strong growth, particularly until 2010, but the country has performed poorly in terms of aggregate productivity. The federal government has implemented many programs aimed at boosting firm growth and fostering competitiveness in Brazilian industries, though knowledge about their results to date is scarce.

This study provides an overview of various Brazilian programs of firm support — including productive finance, business consulting, value chain, export promotion, and innovation support — as well as an assessment of the effects of a subset of these programs on productivity, employment, and real wages. Access to a unique dataset on Brazilian firms and beneficiaries allowed the Office of Evaluation and Oversight (OVE) to analyze these programs over an 11-year period; 2002 to 2012.

ROAD-MAP: ENTITIES PROVIDING FIRM-SUPPORT PROGRAMS



*Acronyms on final page

Profile of Brazilian firms, 2002 - 2012

Brazilian firms are, on average, small and operate predominantly in the retail and services sectors. Average firm size differs by sector, with manufacturing firms being larger than services firms and much larger than firms in the retail sector. Average firm employment grew little over the period, and fewer than half of firms with 50 employees or less survived. Though the average education levels of employees grew slightly, it failed to reach the level of high school completion.

FIRMS



RETAIL SECTOR



SERVICES SECTOR



MANUFACTURING FIRMS



WORKFORCE

2002

2012

AVERAGE EDUCATION

10.1
years



11.2
years

AVERAGE AGE

31.2
years



33.1
years

AVERAGE REAL WAGE

R\$722



R\$975

2002

2012

Average firm size

21.6
employees



Average firm size

24.7
employees



78.8% of firms had 10 employees or less



75% of firms had 10 employees or less

Firms' Survival
RATE 2002 - 2012

67%

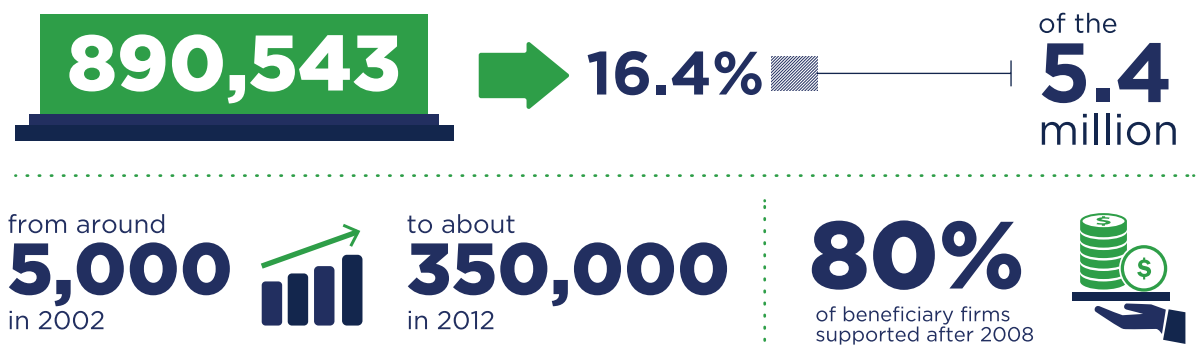
Source: Annual Social Information Survey (RAIS)

Firm-support programs: Overview

OVE had access to administrative data on 34 programs offered by nine different Brazilian institutions. Nearly 900,000 firms participated in at least one program, and the number of participating firms per year increased over the period. Provision of investment capital accounted for approximately two-thirds of the almost 1.5 million treatments in the data.

Firms receiving export training and innovation support were larger, on average, than firms receiving other types of support, and they paid above-average wages and hired workers with a higher level of education. Working capital support, and to a lesser extent investment capital, reached firms that were smaller, paid lower wages, and hired less educated workers than the national average.

SUPPORTED-FIRMS



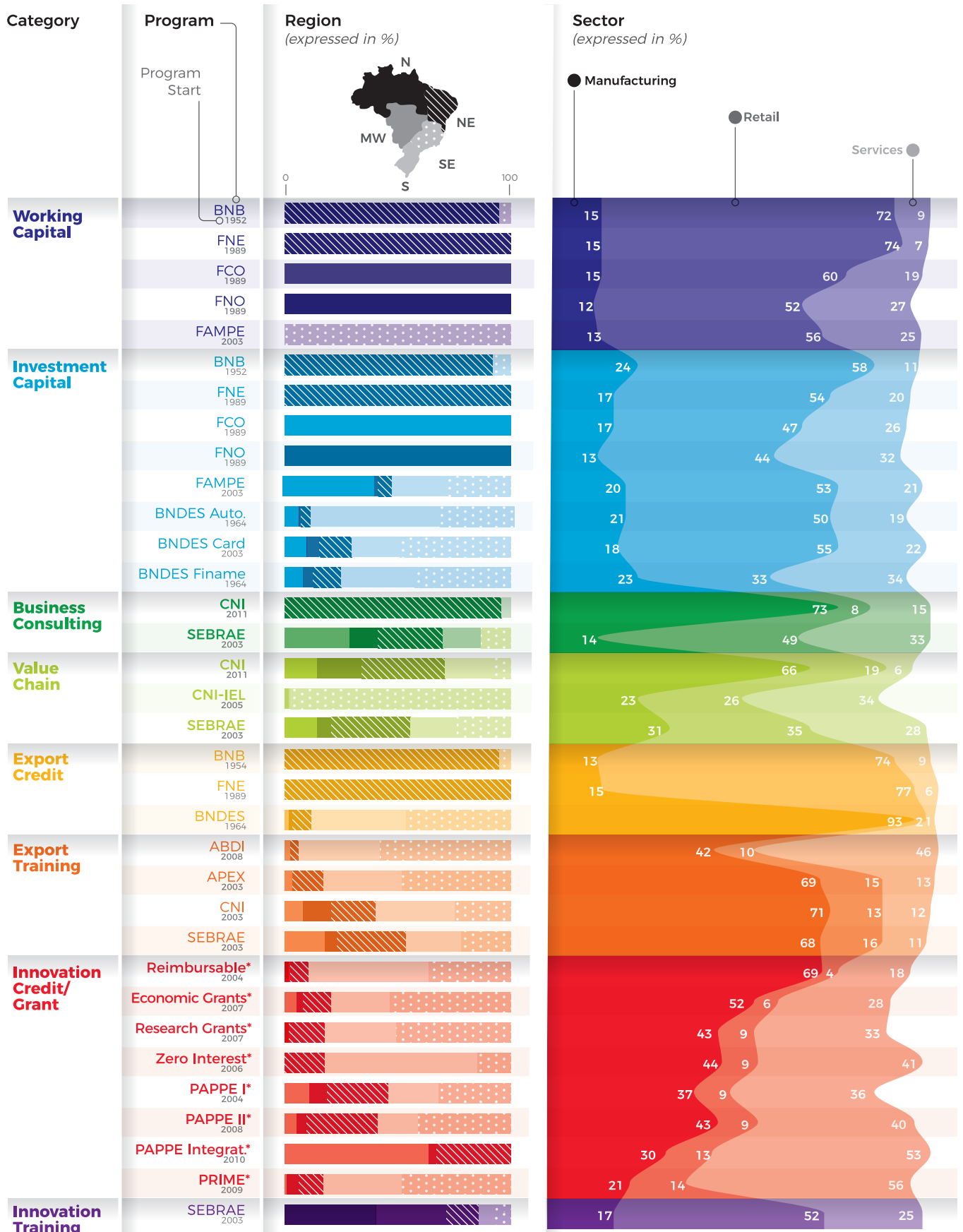
FIRM-SUPPORT PROGRAM



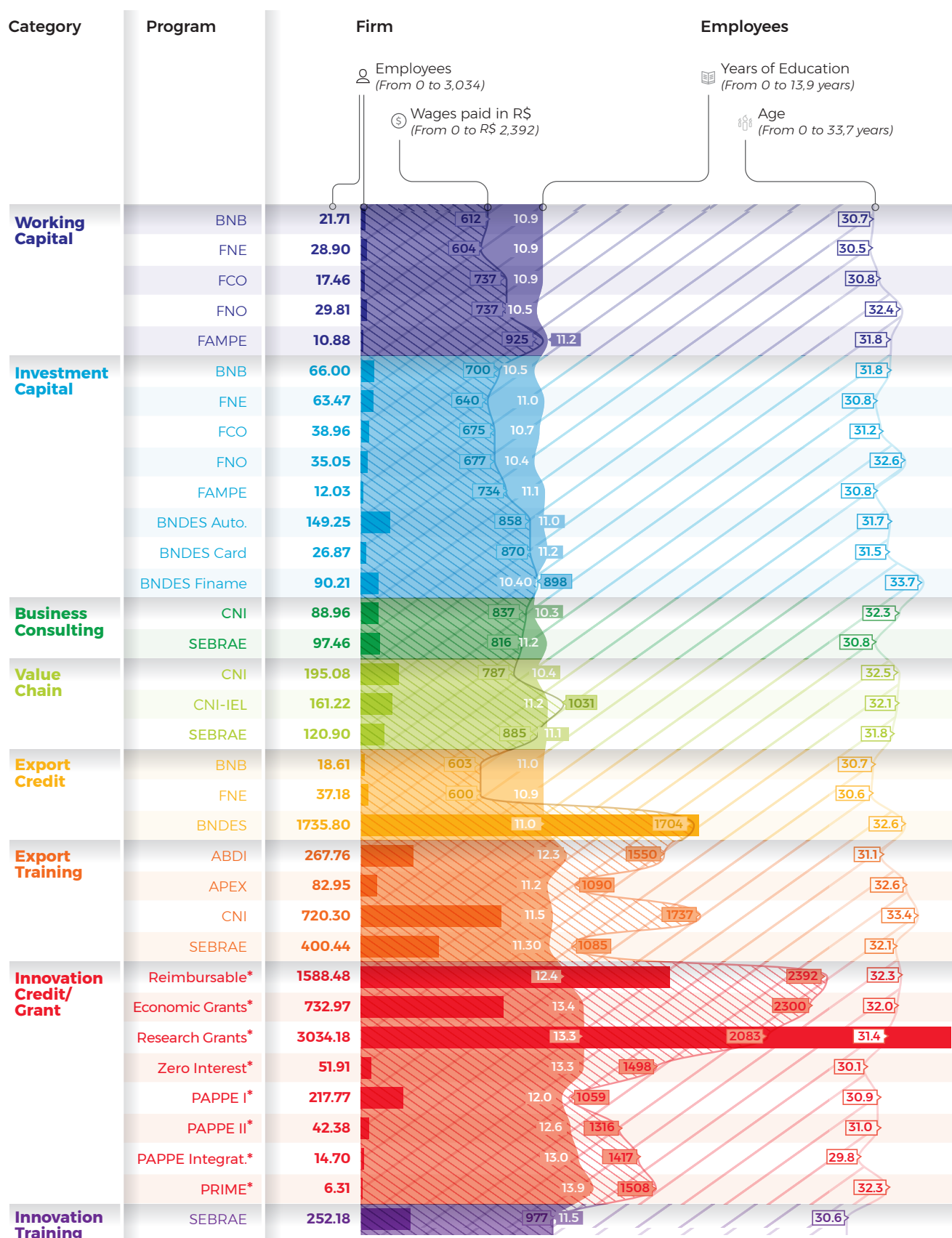
CATEGORIES



PROGRAM REACH BY SECTOR AND REGION



CHARACTERISTICS OF FIRMS AND THEIR EMPLOYEES BY SUPPORT TYPE



*FINEP Source: OVE using RAIS data

Impacts: Are firm-support programs related to better firm performance?

The intertwined nature of these programs makes it difficult to attribute effects to a single intervention; a problem inherent to impact evaluations of complex or multiple interventions. In addition, the large size and complexity of overlapping programs made it infeasible to run regressions that controlled for multiple treatments using the full data set of treatments. OVE thus decided to limit the regression analysis in this evaluation to firms that received treatment from a single program. This study, therefore, covers around 600,000 firms, each of which participated in only one of the six programs that could be evaluated given this criterion.

Although the survival rate of the treated firms was higher than the expected value for the average Brazilian firm, only a few treatment types were associated with statistically significant increases in firm productivity, and even fewer with increases of a large magnitude.

RESULTS OF FIRM SUPPORT ON PRODUCTIVITY

Individual Treatments	Productivity					Employment			Wages		
	Labor			Capital	Total	PIA	PAS	PAC	PIA	PAS	PAC
	PIA	PAS	PAC	PIA	PIA						
INVESTMENT CAPITAL											
FCO	⊗	⊗	⊗	⊙	⊗	⊗	⊗	⊙	⊗	⊙	⊙
FAMPE	⊗	⊙	⊖	⊗	⊗	⊗	⊕	⊗	⊙	⊙	⊙
BNDES Auto.	⊙	⊕	⊙	⊕	⊗	⊗	⊕	⊙	⊙	⊗	⊗
BNDES Card	⊗	⊕	⊗	⊕	⊗	⊙	⊕	⊙	⊖	⊙	⊙
BNDES Finame	⊗	⊗	⊗	⊗	⊗	⊙	⊖	⊙	⊖	⊗	⊙
combined + SEBRAE VALUE CHAIN	⊗	⊗	⊙	⊗	⊗	⊙	⊗	⊗	⊗	⊙	⊗
VALUE CHAIN											
SEBRAE	⊗	⊙	⊙	⊗	⊙	⊙	⊙	⊗	⊖	⊙	⊙
combined + SEBRAE BUSINESS CONSULTING	⊗	⊗	⊗	⊗	⊗	⊗	⊙	⊙	⊗	⊙	⊗
REFERENCES PIA: Manufacturing Sector / PAS: Services Sector / PAC: Retail Sector											
Magnitude of Positive Results			Magnitude of Negative Results			Statistical significance			Other data		
<div><div>+</div><div>+</div><div>+</div></div> <div>LG MD SM</div>			<div><div>-</div><div>-</div><div>-</div></div> <div>LG MD SM</div>			<div><div>10%</div><div>5%</div><div>1%</div></div>			<div><div>⊗</div><div>⊙</div></div> <div>No impact Not conclusive</div>		

Source: OVE

Programs supporting firms in the manufacturing sector fared better, while there were very few positive results in the retail and services sectors. Regressions also revealed few positive impacts of the programs on other outcomes. Indeed, the interventions studied were likely to be associated with reductions in wages, and they were just as likely to show negative results as positive results on employment. To summarize, there were few positive results on productivity or other indicators; in most cases, either no impact was found or regression results were inconclusive.

The shortage of positive impacts suggests a need to revisit the scope, design, and monitoring of firm-support programs in Brazil. The programs studied in this review did not require firms receiving support to invest in new technologies or take steps to enhance efficiency, and the programs did not explicitly define productivity as an outcome to pursue or establish mechanisms to monitor productivity gains. A key challenge going forward will be to design programs in a more focused way, to achieve results and to build, from the onset, better systems for the monitoring and evaluation of impacts.

ACRONYM GUIDE

ABDI	Brazilian Agency of Industrial Development
APEX	Brazilian Trade and Investment Promotion Agency
BASA	Amazon Bank
BB	Bank of Brazil
BNB	Northeast Bank of Brazil
BNDES	Brazilian Development Bank
CNI	National Confederation of Industry
CNI-IEL	National Confederation of Industry - Euvaldo Lodi Institute
FAMPE	Micro and Small Enterprise Guarantee Fund
FCO	Constitutional Fund of the Mid-Western Region
FINAME	Financing Fund for the Acquisition of Machinery and Equipment
FINEP	Brazilian Agency for Innovation and Research
FNE	Constitutional Fund of the Northeastern Region
FNO	Constitutional Fund of the Northern Region
PAC	Annual Survey of Commerce - Enterprise
PAPPE	Firm Research Support Program
PAS	Annual Survey of Services - Enterprise
PIA	Annual Survey of Manufacturing - Enterprise
SEBRAE	Brazilian Small Business Support Service



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