

Appendix 1 - Small business: Definitions

The respective definitions used by the South African government (Appendix Table 1), the Brazilian government and Sebrae (Appendix Table 2) and the Indian government (Appendix Table 3) to classify small, medium or micro enterprises, appear in three tables below:

Appendix Table 1: South Africa: National Small Business Amendment Act of 2003 (Selected main sectors* for SMMEs by annual turnover**)

	Micro	Very small	Small	Medium
Manufacturing	R0.2m	R5m	R12m	R51m
Wholesale trade, commercial agents and allied services	R0.2m	R6m	R32m	R64m
Finance and business services	R0.2m	R3m	R13m	R26m
Community, social and personal services	R0.2m	R1m	R6m	R13m

Notes: * - The criteria vary depending on the sector (of which the National Small Business Amendment Act of 2003 prescribes 11 different ones: Agriculture; Mining and Quarrying; Manufacturing; Electricity, Gas and Water; Construction; Retail and Motor Trade and Repair Services; Wholesale trade, commercial agents and allied services; Catering, accommodation and other trade; Transport, storage and communications; Finance and business services; Community, social and personal services).

** - The size of a business in South Africa is chiefly defined by its number of employees: Micro: 0 to 4 employees; Very small: 5 to 9 employees; Small: 10 to 49 employees; Medium: 50 to 200 employees

Appendix Table 2: Brazil: Lei Geral defition

	Micro-enterprise	Small enterprise
Turnover	to R\$240 000 (about R1.1m)**	up to R\$2.4m (about R11m)*
Construction and industry*	Up to 19 employees	from 20 to 99 employees
Commerce and services*	Up to 9 employees	10 to 49 employees

Notes: * -In addition to annual turnover, Sebrae uses these two definitions by employee for two sectors.

** - But the thresholds differs for states and municipalities, only when considering Simples tax. Depending on the state, the thresholds range between R\$1.2m and R\$2.4m.

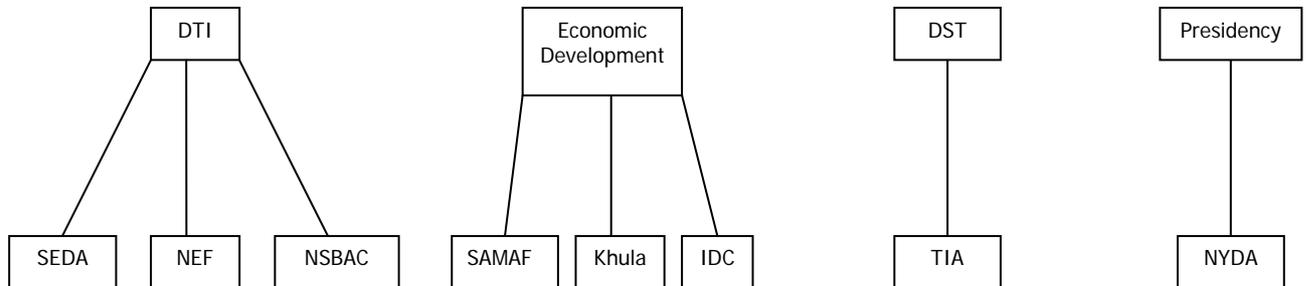
Appendix Table 3: India: MSME Act definitions

	Micro	Small	Medium
Manufacturing sector (Investment in plant & machinery)	Up to Rs2.5m	(Rs2.5m-Rs50m) R418 000 to R8.4m	(Rs50m-Rs100m) R8.4m to R17m
Services sector (Investment in equipments)	Up to Rs1m	(Rs1m-Rs20m) R170 000 to R3.5m	Rs20m-Rs50m) R3.5m to R8.4m

Note: * - According to Fisme secretary general Anil Bhardwaj: Only 5% of all enterprises are classified as MSMEs – of these just 10% are registered and can therefore access government programmes. The remaining 95% are mostly handicraft, wholesale, communication, retail, transport, handloom businesses.

Appendix 2 – Institutional Make-Up

South Africa



Department of Trade and Industry (DTI) - www.thedti.gov.za

Small business falls under the Minister of Trade and Industry Rob Davies, and specifically under two of the Department's units: the Enterprise Organisation, presently headed by Deputy Director General Tumelo Chipfupa, and the Empowerment and Enterprise Development Division, presently headed by acting Deputy Director General Siphso Zikode. The department has various entities under it, namely:

i) Small Enterprise Development Agency (Seda) - www.seda.org.za

An agency of the Department of Trade and Industry mandated to support small enterprises, Seda, was formed out of a merger between Ntsika Enterprise Promotion Agency, National Manufacturing Advisory Centre (Namac) and the Community Public Private Partnership Programme (CPPP). The Godisa Trust and the Technology Programmes were integrated into Seda in 2006, becoming Seda Technology Programme (STP).

ii) National Empowerment Fund (NEF) - www.nefcorp.co.za

Set up in 1998 and operational in 2004, the NEF aims to fund black-owned and empowered (both big and small) businesses. Between 2003, and March 31 2010, the fund made 208 disbursements of over R1.5 billion. Of these 156 worth R457 million went to small black-owned businesses or franchisees (through the Imbewu Fund).

iii) National Small Business Advisory Council (NSBAC)

The National Small Business Advisory Council, launched in 2006, falls under the Department of Trade and Industry and reports to its chair Trade and Industry Minister Rob Davies. The council has eight members and serves to advise the minister on ways to boost support to small businesses. The first council collapsed after two years in 1998 amid allegations of mismanagement.

Department of Economic Development

The Department of Economic Development was set up in 2009 to co-ordinate the South African Government's economic policy. It oversees Khula, the IDC, Samaf, as well as the Competition Commission. The department oversees various entities, namely:

i) Khula Finance Limited - www.khula.org.za

The government's small business finance organisation was set up in 1996 to help fund small businesses. As of 2009, Khula falls under the Department of Economic Development. It has various schemes to assist business owners, such as a credit guarantee scheme, a reverse factoring facility, a land-reform facility

and a network of retail financial intermediaries to which it advances to, which then lend this onto business owners.

ii) Industrial Development Corporation (IDC) - www.idc.co.za

The government's development finance institution was set up in 1940, and the funding of small businesses forms a large part of its mandate. The IDC falls under the Department of Economic Development. The IDC financed 159 small enterprises to the tune of R2.13 billion (from a total of R10.9 billion) in 2008/2009. This compares to 94 dispersals the year before, valued at R933 million (out of a total of R8.4 billion). Altogether 142 of the net approvals during 2010 (67% of the total number of approvals) were for SMEs.²⁶¹ R2 103 million (more than 23% of the total value of approvals) were for these SMEs (companies with fewer than 200 employees, turnover less than R51 million and/or less than R55 million total assets).

iii) SA Micro Finance Apex Fund (Samaf)

Samaf was set up in 2005 as a micro-finance organisation and began operating in 2006. It provides loans to entrepreneurs of up to R10 000.

Department of Science and Technology

Technology Innovation Agency (TIA) - www.tia.org.za

A new umbrella body, launched in 2010, for funding innovation set up in 2009, includes the Tshumisano Trust which housed the technology transfer stations, the Innovation Fund, the Council for Scientific and Industrial Research (CSIR)'s Advanced Manufacturing Technology Strategy.

The Presidency

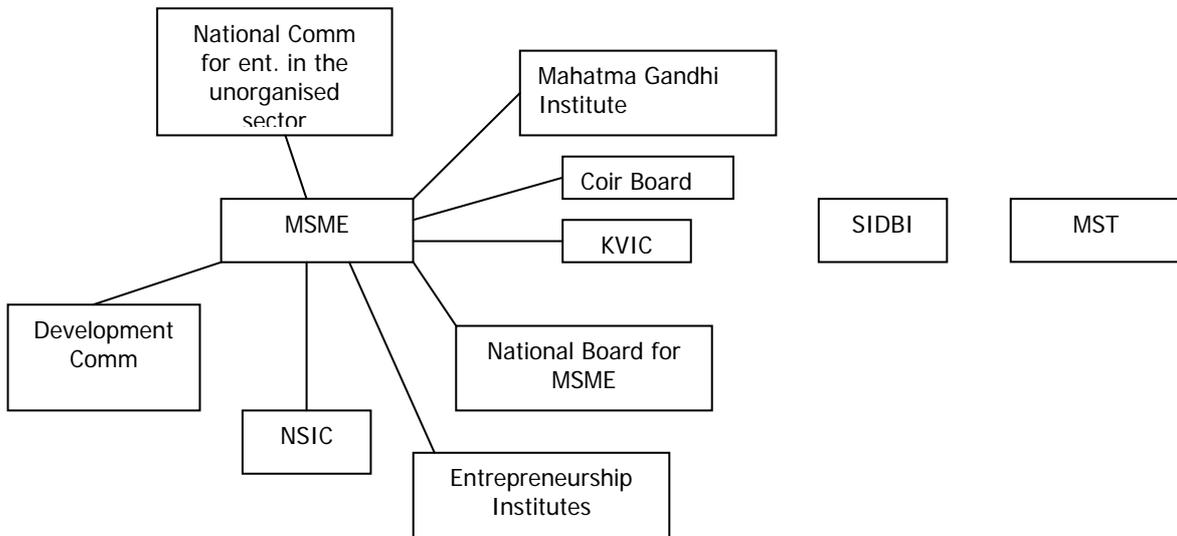
National Youth Development Agency (NYDA) - www.nyda.org.za

Born in 2009 out of a merger between the National Youth Commission and the Umsobomvu Youth Fund, the NYDA aims to assist youth with career skills and to help start their own businesses. It funds training and gives out loans. The agency disbursed 7 500 micro loans to value of R23 million and a further R4 million in loans in 2009/10²⁶².

²⁶¹ Bignews, June 2009

²⁶² Business Report, May 13, 2010

India



Ministry of Micro, Small and Medium Enterprises (MSME) - www.msme.gov.in

Presently headed by the Minister of State (Independent Charge), Ministry of MSME Dinsha Patel, with Uday Kumar Varma as the secretary (equivalent of South Africa's director general), the MSME ministry came about as a result of a merger between the Ministry of Small Scale Industries (SSI) and the Ministry of Agro and Rural Industries in 2007. The ministry has various entities under which fall under it, namely:

i) The Office of the Development Commissioner MSME - www.dcmsme.gov.in

The Office of the Development Commissioner (Small Scale Industries), previously known as the Small Industry Development Organization, is an apex body, established in 1954, to assist the ministry in formulating, coordinating, implementing and monitoring policies and programmes for the small-scale industries. It has over 60 offices and 21 autonomous bodies under its management, including: 30 MSME Development Institutes, 28 branches, 10 tool rooms, six MSME technology development centres (R&D for clusters or act as training centres) and various training centres:

ii) National Small Industries Corporation Limited (NSIC) - www.nsic.co.in

The National Small Industries Corporation (NSIC) is a public sector company set up in 1955 to support small businesses in the country in areas such as marketing, purchase of raw materials, credit ratings and management practices. The organisation has 121 offices around the country. It also has an office in Johannesburg.

iii) National Board for Micro, Small and Medium Enterprises

Board was set up under the MSME Act in 2006 to look at the factors affecting promotion and development of small enterprises and review policies and programmes relating to the sector, with a view to making recommendations to government on these matters. It is effectively a continuation of the old Small-Scale Industries Board which also fell under the ministry.

iv) Three autonomous national level entrepreneurship institutes

The Ministry of MSME set up three entrepreneurship institutes to help train and create new businesses. These are based in Hyderabad, Guwahati and Delhi. The Institutes conduct training and research.

v) Rural and informal businesses

- a) Khadi and Village Industries Commission (KVIC): The KVIC was set up in 1956 and is a statutory organisation aimed at promoting and developing family-run khadi (cloth) and village

enterprises in rural areas. The commission's role is to plan, promote and organise schemes for generation of employment opportunities in khadi and village industries.

b) Coir Board: The Coir Board was established in 1953 to promote the coir industry and to improve the condition of those workers involved in this traditional industry.

c) Mahatma Gandhi Institute for Rural Industrialisation: The Institute in Wardha, Maharashtra aimed at improving research and development activities in the rural industrial sector.

d) National Commission for Enterprises in the Unorganised Sector: set up in 2004, the NCEUS acts as a watchdog for informal sector businesses and looks at the problems that this sector faces, making various recommendations to the government of India.

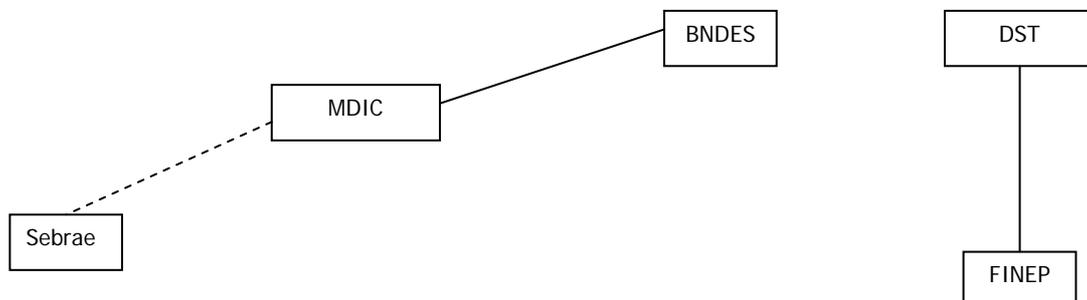
Ministry of Science and Technology - www.dsir.gov.in

The Department for Scientific and Industrial Research which falls under the ministry, operates a number of schemes aimed at technology entrepreneurs. The ministry also supports a network of about 50 incubators and offers seeding funding to incubatees through some incubators, according to the ministry's 2009/2010 annual report.

Small Industries Development Bank of India (Sidbi) - www.sidbi.com

The Sidbi was established in 1990 as a small business bank. The central government has about an 80% shareholding in Sidbi, through various government institutions and funds. It operates different programmes and schemes through 5 Regional Offices and 33 Branch Offices. The financial assistance of SIDBI to the small scale sector is channelised through the two routes – direct and indirect.

Brazil



Ministry of Development, Industry and Foreign Trade (MDIC: Ministério do Desenvolvimento, Industria e Comercio Exterior) - www.mdic.gov.br

Presently headed by the Minister Miguel João Jorge Filho, with Sergio Nunes de Souza as the director of the Department of Micro, Small and Medium Enterprises.

Banco Nacional de Desenvolvimento Econômico e Social (BNDES) - www.bndes.gov.br

Brazil's state development bank, set up in 1952, includes the financial support of small, micro and medium enterprises as one of its goals and has a number of programmes aimed at SMEs. BNDES reports to MDIC.

Agência de Apoio ao Empreendedor e Pequeno Empresário (Sebrae) - www.sebrae.com.br

A private non-profit company tasked with providing non-financial support and developing policies for small business in Brazil. Sebrae was set up in 1972 (as a government institution called Cebrae, before transforming to a private organisation in 1990) it receives government funding through the “S” system.

Ministry of Science and Technology

Finep - www.finep.gov.br

Financiadora de Estudos e Projetos — FINEP (Research and Projects Financing), is a publicly owned company which falls under the Ministry of Science and Technology and was founded in 1967. Its mandate includes supporting small enterprises with funding to access innovation.

Appendix 3 – Important SME schemes

Below are some of the most prominent government support schemes for small businesses that the author studied to determine which might be most suitable for South Africa to learn from. Also included here, for their usefulness is a list of the most prominent South African government support schemes for SMEs.

South Africa

South Africa has a wide range of support schemes that target small business owners, in the areas of research and development, business and marketing support, exports and support for setting up manufacturing, tourism and co-operatives. The majority are in the form of incentive schemes, which pay out matching grants to business owners, with either half or a large percentage of the project costs being funded by the applicant themselves.

Most of the schemes are located under a unit at the Department of Trade and Industry called The Enterprise Organisation. The schemes include:

- The Black Business Supplier Development Programme (BBDSP): a cost-sharing grant offered to black-owned small enterprises to assist them in improving their competitiveness and sustainability. Grants of up to R1 million are given out for enterprises with an annual turnover of up to R35 million.
- The Export Market and Investment Assistance (Emia): This scheme assists businesses to attend trade fairs or to conduct trade visits by refunding a significant portion of their air fare, accommodation, transport of samples and marketing material.
- The Co-operative Incentive Scheme: Provides start-up funding from R10 000 to R300 000 to co-operatives, with the government covering 90% of the funding in the form of a grant.
- The Enterprise Development Programme: Matching grants are provided to small manufacturing firms and businesses in the tourism sector.

Added to this the department also oversees the Support for Industrial Innovation (Spii) and Technology and Human Resources for Industry Programme (Thrip).

- Spii funds research and development (R&D) for new innovations in manufacturing, through a grant of 50% to 75% of up to R3m and has been in operation since 1993.
- Thrip supports scientific research and aims to foster a collaboration between academic institutions and industry through a cost-sharing grant offered by the department. The programme is managed by the National Research Foundation (NRF).

Business owners can also benefit from the cluster-based initiative the Workplace Challenge Programme run by the Department of Trade and Industry and managed by Productivity SA, an agency of the Department of Labour. The programme aims to increase the productivity of businesses big and small, by getting them to work together in a cluster and share learnings. In all 19 clusters consisting of 187 enterprises in all were up and running in the 2010 financial year.²⁶³

The recent performance of the schemes show that:

- Spii had funded 1 025 projects to the tune of R933 million up until March 31, 2010. In 2007 the programme was chosen by the OECD and World Bank as the best incentives programme within the South African government.²⁶⁴

²⁶³ Productivity SA's 2010 annual report.

²⁶⁴ Business Day, 18 August 2009.

- Thrip: Between 2006/07 and 2009/10, 866 SMMEs were funded to the tune of R240.3m.
- BBSDP: Since its inception in 2002 till March 31 2010, 9 657 enterprises with total disbursements of R187.5 million have benefited.
- Emia: In 2008/09 a total of 1 276 businesses benefited from R110.9 million in funding through the scheme. This is down from the 1 332 assisted in the 2008/2009 year, when R106.4 million was disbursed in funding. Emia supported 779 projects in 2009/10.
- Co-operative Incentive Scheme: From 2006 to September 7 2010, 357 co-operatives had been assisted to the tune of R71.2m.²⁶⁵
- The Enterprise Development Programme: 164 tourism projects (to the value of R417 million) and 290 manufacturing projects (R1 billion) had been approved up to the end of February 2010.²⁶⁶

India

India has numerous schemes, which fall under the Ministry of Micro Small and Medium Enterprises (MSME) and which form part of the country's 11th Plan which came into affect in March 2007 and runs until 2012.

The most prominent schemes are:

- Assistance to set up or upgrade mini-tool rooms: The government funds up to 90% of the cost of setting up a tool room, up to Rs.90 million, whichever is less. For the upgrading of existing tool rooms, assistance of up to 75% of the cost or Rs.75 million, is granted to state governments.
- Credit linked Capital Subsidy Scheme: Launched in 2000 and revised in 2005, this scheme aims to help small businesses to upgrade their technology by providing a 15% capital subsidy on loans for plant and machinery that run up to Rs10 million.
- Credit rating and performance subsidy: subsidises 75% of the cost of a credit rating, up to Rs40 000.
- ISO reimbursement scheme: reimburses entrepreneurs who take out ISO9000, ISO14001 or Hazard Analysis and Critical Control Points (HACCP) certifications. Enterprises can have 75% of the costs for certification reimbursed, up to Rs75 000 in each case.
- National Manufacturing Competitiveness Programme: launched in 2007 to help MSMEs compete better in global markets and against multinational companies.

The National Manufacturing Competitiveness Council (NMCC) has finalised a five-year National Manufacturing Programme and 10 schemes have been drawn up including schemes for promotion of ICT, mini tool room, design clinics and marketing support for SMEs. Implementation will be in the form of a public-private partnership model.

Some of these schemes are²⁶⁷:

- MSE Marketing Development Assistance (MDA): offers to fund up to 75% of a small business's air fare for participation in overseas fairs and trade delegations. The scheme also provides for funding for producing publicity material (up to 25% of costs), for sector specific studies (up to Rs200 000) and for contesting anti-dumping cases (50% up to Rs100 000) – for individual MSMEs & Associations.
- Integrated Infrastructure Development (IID): This scheme grants assistance of up to Rs20 million or 40% of the project cost, whichever is less, for setting up new industrial estates for MSEs (up

²⁶⁵ Parliamentary question 2444, 7 September 2010.

²⁶⁶ Parliamentary question 322, 18 March 2010.

²⁶⁷ A summary can also be found on: http://msme.gov.in/msme_schemes.htm

to 80% or Rs40 million for the states in the north eastern regions). The government has earmarked 50% of the support for rural areas.

- Assistance to Entrepreneurship Development Institutes: To strengthen training infrastructure for entrepreneurship institutions, the government provides assistance of up to 50% or Rs5 million whichever is less. The financial assistance targets areas like building, training aids, equipment and other support services and will be on matching basis, say 50% of the cost restricted to Rs10 million in each case.
- Under the Ministry of Science and Technology's Department of Scientific and Industrial Research, the technology entrepreneurs can access the Technopreneur Promotion Programme (TePP) which offers grants of between Rs75 000 and Rs4.5 million for creating prototypes, patenting ideas and testing new innovations.

Performance:

- Credit linked Capital Subsidy Scheme: In 2008/2009 1 790 businesses benefited to the tune of Rs974 million – up from Rs638 million and 1 407 businesses in 2007/2008.²⁶⁸
- ISO reimbursement scheme: Up to 31 December 2009, 19 468 entrepreneurs had benefited since the inception of the scheme.
- Credit rating and performance subsidy: 7 505 business owners benefited from the scheme in 2009/2010, a slight increase over the year before when 5 011 accessed the scheme.²⁶⁹

Brazil

Most of Brazil's support for small business falls under either its small business support agency Sebrae, the Ministry of Development, Industry and Commerce (MDIC), as well as under its development finance institution BNDES and state banks.

Some of the more prominent schemes include:

- Programme Enterprising Brazil, or Programa Brasil Empreendedor (PBE): an initiative of MDIC focused on supporting existing small businesses and encouraging new start-ups. It was launched in 1999. Support is dispensed through state bank Banco do Brasil, as well as through Sebrae, BNDES and a number of other state banks to business owners that work together in focus groups of 25 firms with similar interests.
- Criatec programme: A venture capital fund created by development bank BNDES in 2007. It aims to invest R\$100 million in about 50 small innovative companies, with investments each of between R\$1.5 million and R\$3.5 million.
- The Fundo de Aval às Micro e Pequenas Empresas (Credit guarantee fund for micro and small businesses): formed from resources drawn from Sebrae's budget has been in operation since 1995 and aims to guarantee credit to small businesses.
- Inovar Project: a venture capital fund and information network, hosted by the Brazilian government's innovation agency, Finep (Financiadora de Estudos e Projetos – Research and Projects Financing).
- Programme First Innovative business (Prime): launched in 2009, provides grants of about R\$120 000 to start-ups, selected by 17 incubators acting as agents, focused on innovation. Between 2009 and 2011, and through three rounds of finance, it hopes to reach about 5 000 entrepreneurs with R\$650 million in grants, with a total of R\$1bn including additional capital and credit. Finep also has a 0% interest funding programme to stimulate firm growth in early stages, which successful new enterprises can also request loans from – up to R\$120 000 in 100 instalments without interest.

²⁶⁸ MSME Ministry Annual report 2009/2010.

²⁶⁹ Interview with Gaunang Dixit, manager of the credit rating subsidy at the NSIC, March 2010.

- Primeiros Exportações: MDIC's Primeiros Exportações is an export-ready support programme set up in 2000. Fabio Castejon Resende, an analyst of the foreign trade secretariat at the ministry²⁷⁰ said only a very few small firms – 21 000 according to the MDIC – are involved in exporting, despite the fact that about half of all export firms are SMEs.

Performance:

- Programme Enterprising Brazil: since 1999 it has made available more than R\$3 billion for investment in small and medium-sized enterprises.
- Criatec programme: In 2008 Criatec invested a total of R\$15.4 million in 11 businesses, with an average investment of R\$1.4 million in each enterprise.²⁷¹
- Fampe: In August 2010, the fund which guarantees loans principally through Banco do Brasil, (which is disbursing over 99% of all guarantees) had given out R\$3.6 billion to 143 544 micro and small businesses.²⁷²
- Inovar: The first funding Inovar I kicked off in 2000 and a second one was recently launched in 2008. So far 52 businesses have benefited – 50 of which are SMEs. Most of the companies (19) are in the IT sector.²⁷³
- Prime: In all 3 140 were supported through the grant at the end of its 2009 funding cycle.²⁷⁴
- Primeiros Exportações: Of the first three states that completed the programme – Rio Grande do Norte, Espirito Santos and Goias, 44 companies completed training with the assistance of 84 agents and today just 12 of these are exporting. Companies that complete the programme can participate in Apex missions free. According to Fabio Castejon Resende, an analyst of the foreign trade secretariat at the ministry, who oversees the ministry's Redeagents project, since 2000 the programme has trained 50 000 people – 70% employers or employees of small enterprises.

²⁷⁰ Interview with Fabio Castejon Resende, Brasilia, August 2010.

²⁷¹ BNDES, Annual report 2008

²⁷² "Fampe permite a liberação de R\$3,6 bi em avais de crédito para micro e pequenas empresas", 27 August 2010, Sebrae agency news: <http://www.agenciasebrae.com.br/noticia.kmf?canal=32&cod=10545930>

²⁷³ According to Venture capital: http://www.venturecapital.gov.br/vcn_ing/en_oquee_Pl.asp

²⁷⁴ According to Finep: <http://www.finep.gov.br/programas/prime.asp>, <http://www.portalinovacao.mct.gov.br/pi/prime/indicadores/>

Appendix 4 – Clusters supported by IPAP

The clusters supported under IPAP include:

1. Under metal fabrication, capital equipment and transport equipment: increased support for:
 - a) The National Tooling Initiative²⁷⁵
 - b) The National Foundry Technology Network²⁷⁶
2. Under the Agro-processing, the setting up of two abalone hatcheries at Hondeklip Bay in the Northern Cape and the establishment of marine aquaculture zones by the Department of Agriculture and Fisheries, after running a pilot in Port Elizabeth in the 2010/11 financial year.
3. In the automotive sector: The Department of Trade and Industry will continue with its support to the sector through the Automotive Production and Development Programme, benchmarking, the setting up of a web portal to help SMEs to optimise existing technology investments and providing mentorship of SME component manufacturers.
4. The clothing and textiles sector: The Department of Trade and Industry will continue with its support to the sector. A new programme, the Clothing and Textiles Production Incentive was launched in 2010 and the department will also roll out training programmes, a programme to clamp down on illegal imports and oversee the commercialisation of certain fibres.
5. Under the Forestry, timber, paper and pulp and furniture sector the Department of Trade and Industry plans to:
 - a) Set up furniture clusters for small manufacturers in outlying regions.²⁷⁷
 - b) Set up charcoal plants in the Eastern Cape.²⁷⁸
6. The Cultural industries: Crafts, film and music sector, which in 2008 contributed 0.01% of manufacturing value-add and employed 2.9% of those in the manufacturing sector, will benefit from the establishment of craft hubs with rural satellites in priority provinces.²⁷⁹

²⁷⁵ This includes benchmarking of suppliers as part of the Unido's Sub-contracting and Partnership Exchanges (SPX) programme and participation in Unido's CSDP, developing a support instrument template to access support through the Small Enterprise Development Agency (Seda) as well as Khula, the National Empowerment Fund (NEF) and banks, rolling out a competitiveness improvement and export development programme, apprenticeship programme and carrying out an evaluation by the department of the programme.

²⁷⁶ The National Foundry Technology Network, which provides technical support to foundries in South Africa. Support includes: carry out a training and benchmarking programme as part of Unido's SPX programme, technology assistance packages, facilitation of research and development through Mintek, the Council for Scientific and Industrial Research (CSIR) and the network.

²⁷⁷ The furniture clusters aim to assist businesses to conduct joint selling and share various manufacturing costs. The department aims to develop a business plan and marketing strategy sector, as well as appoint facilitators to set up clusters, in the 2010/11 financial year. In tandem with the clusters, the department aims to, in the same financial year, approve a business plan for the setting up of a furniture centre of competence, which also aims to aid small manufacturers.

²⁷⁸ The aim is to in the 2010/11 financial year to get the Small Enterprise Development Agency (Seda) to train and register 12 co-operatives in communities showing an interest in charcoal production. The National Empowerment Fund (NEF) and the Industrial Development Corporation (IDC) will provide funding and Seda will also implement a business plan and co-operatives monitoring programme.

²⁷⁹ The Small Enterprise Development Agency (Seda) will co-operate with the Department of Trade and Industry and provincial governments in the respective provinces to launch hubs in the North West in 2010/11 and KwaZulu-Natal in 2011/12. In the 2011/12 financial year, the IDC will set up a R10 million fund to support enterprises being developed in those hubs.

Appendix 5 – Corruption in India

Indian entrepreneurs still face a number of obstacles including numerous labour laws, bureaucracy and severe corruption – a fallout from the licensing regime – and highly saturated market.²⁸⁰ Indeed, the World Bank's Doing Business 2010 Report ranks India 133 for ease of doing business, just behind Brazil at 129 and way behind South Africa at 34.

An even bigger threat to business owners in India, is corruption. While business owners in South Africa list as one of the biggest problems they face as crime – particularly with the increase in armed robberies, (Gem Report and SME Study) Indian business owners have to contend with an alarming rate of endemic corruption. In India – ranked 84 out of 180 countries by Transparency International's Corruption Perception Index in 2009, 29 places below South Africa – a little money baksheesh can go a long way to solving just about any misunderstanding. It can also help buy you an ISO 9001 certificate or secure the land needed to set up a new factory. In a 2008 survey by business consultancy Milagrow Business and Knowledge Solutions 97% of small and medium enterprises polled who had accessed government schemes, said they had been asked to pay a bribe by officials. In all 82% of business owners polled said they had been adversely affected by corruption.

Milagrow's director Rajeev Karwal can even relate his own experience, when a labour inspector visited his offices recently and asked to see his Establishment Act certificate, necessary if one wants to set up a business. The inspector asked for a little sweetener – 4000 rupees (R650) – before he renewed the certificate. Karwal refused to pay the bribe and the inspector dragged him to court. The director won the case, but in a final act of spitefulness the inspector scribbled on top of the certificate, changing the validation date from three years to one year. According to Karwal: "A lot of companies just compromise because who has the time, to go and fight the system, to go to the courts, because they have to run their businesses".

Then there is the Delhi business owner I spoke to who exports buttons and items such as garden tools and handicrafts. Just over a year ago he tried to access a government scheme that subsidises small firms that want to attend trade fairs. His first port of call was the government agency which runs the scheme. Officials there indicated to him that he would have to first register his business as a Medium, Small and Micro Enterprise before he could benefit from the scheme. But before he could register he needed to get approval from local authorities that he wasn't running a hazardous business. This required obtaining a No Objection Certificate. He also needed clearance from the city's pollution control committee. Eighteen months later he is still waiting for the two licenses and it is becoming increasingly evident what is expected of him. Just recently he says, he bought the certificate he needed to run his factory, by paying "quite a large bribe". Had he not paid the bribe he would still be waiting for his certificate.

Yet corruption in India might be on the rise. According to economist Arvind Panagariya in *India: The Emerging Giant*, at independence the country inherited a "largely honest and efficient bureaucracy". To encourage more entrepreneurs to enter the economy the government introduced licenses, which reserved many sectors for small businesses. As the economy started growing and became more complex, as the paperwork began piling up bribes became the order of the day and many smaller businesses unable to afford the bribes lost out to more cash-endowed larger businesses. Corruption has since become endemic.

Says one entrepreneur: "I myself unsuccessfully participated in bidding processes of government contracts and I was shocked to know the level of intimidation and corruption – the same goes on the in private sector. If you have a pocket full of money to buy anyone, certainly you will succeed."

²⁸⁰ Arvind Panagariya, *India: The Emerging Giant*, p.59.

Appendix 6 – Highlights from Sebrae's 2009 management report

Objectives and results from Sebrae's 2009 management report:²⁸¹

1. Promote innovation

A total of R\$260.2 million or 38% of Sebrae investments were in 2 051 projects and activities to stimulate innovation. Among these were:

- i) Investment of R\$58 million in strategic partnerships to promote innovation with various institutions such as Finep and the National Industry Confederation (CNI).
- ii) A series of 120 programmes about innovation called Faça Diferente with 500 radio transmission to the cost of R\$5 million.
- iii) Local innovation agents (Agentes Locais de Inovação – ALIs) – 388 professional were capacitated in eight states with 6 936 enterprises reached, to the cost of R\$1.2 million.

2. Strengthen co-operation between SMEs

A total of R\$15.2 million was spent on 588 projects and activities to encourage institutions and small and micro enterprises to form partnerships, such as:

- i) Project Empreender Sebrae GO to promote associations and co-operation among SMEs (R\$1.2 million).
- ii) The Programme to Strengthen the System of Association of Micro and Small Enterprises (Programa de Fortalecimento do Sistema Associativo das MPE) – R\$1.05 million.
- iii) Project Co-operation (Projeto Cooperação como Estratégia Competitiva para as Pequenas Empresas) implanted in five states in 2009 (R\$327 000).

3. Assist SMEs to enter the market

Sebrae aims to assist SMEs to enter the market through mechanisms such as e-commerce, conscious consumerism, electronic payments, certification, socio-economic responsibility, producer chains, consortiums and co-operatives

The agency spent R\$113.8 million through 1 585 projects, including:

- i) Mercopar Fair 2009 (Feira Mercopar 2009) hosted by Sebrae's Rio Grande do Sul office, with business in industrial innovation which had over 500 exhibitors national and international (R\$2.88m).
- ii) Centre of Events of the Pantanal (Centro do Eventos do Pantanal Sebrae Mato Grosso) – R\$2.1m.
- iii) Programme of internationalisation of micro and small enterprises (Programa de Internacionalização das MPE) with 500 enterprises reached in five states (R\$1.44 million).

²⁸¹ Author's own translation.

4. Assist with capacitation in management, technology and processes

Sebrae aims to offer products and services to assist SMEs to compete better.

The agency spent R\$175m in 1 972 projects and activities, among those were:

- i) Educação Sebrae (Sebrae Education) which offered internet courses, reaching 282 300 participants in 2009 through nine courses (R\$6 million).
- ii) The agency spent R\$4.3 million through strategic partnerships with a number of organisations:
 - o The National Foundation of Quality's Competitiveness competition (Prêmio Competitividade do Fundação Nacional da Qualidade) with 57 718 applications.
 - o Competition for Women in Business (Prêmio Mulher de Negócios) with 3 060 participants.
 - o Abeta's Programme of Qualification and Certification in Adventure Tourism (Programa de Qualificação e Certificação em Turismo de Aventura) which assisted 756 enterprises.
 - o Roberto Marinho Foundation (Fundação Roberto Marinho) which spread entrepreneurship through Canal Futura.
- iii) Sebrae Programme for advanced enterprises attended to 1 180 individuals in 2009, the goal in 2010 is to attend to 30 000 enterprises (R\$1.09 million)

5. Promote a culture of entrepreneurship

Through education drives Sebrae spent R\$47.9 million in 2009 on 453 projects and activities:

- i) Management and accompaniment of projects attended to individuals (R\$5.9 million).
- ii) Eight entrepreneurship fairs were realised with 630 exhibitors and 116 180 visitors, with R\$24.8 million in business generated (R\$5.6 million).
- iii) Sebrae virtual competition for universities (Desafio Sebrae) received a record 131 183 applications (R\$4.96 million).

6. Strengthen networks of partnership

Sebrae spent R\$18.3 million on mobilising resources, knowledge and competencies to benefit small and micro enterprises through 448 projects and activities, including:

- i) Partnering with BID and the Centre of Technology Itaipu (Centro Tecnológico Itaipu) Projeto Centro de Desenvolvimento de Tecnologias to integrate micro and small enterprises with with other Latin American countries (R\$2.04 million).
- ii) Project furniture units (Projeto Unidades Móveis) in partnership with Finep to supply technological services and laboratories (527 assisted).
- iii) Technical co-operation programme with Anprotec to support the development of science parks and incubators.

7. Stimulate the access to financial services

Sebrae spent R\$5.1 million on eight projects, the highlights being:

- i) Partnerships with Rede Ande e Ancosol – Cooperativa de Crédito Solidário no Brasil (R\$1.5m).
- ii) Support to the micro finance sector and credit co-operatives to increase their financial offerings to small and micro enterprises and reduce costs (R\$500 900).

iii) Assisting Fundo de Aval as Micro e Pequenas Empresas to set up agreements with 10 financial institutions. The fund helped 40 000 enterprises access R\$1.5 billion (R\$1.2 billion guaranteed) – R\$285 000.

8. Articulate, propose and support the implementation of public policies

The key goal of the agency is to see Lei Geral implanted in 2 800 of the 5 000 municipalities by 2012. At the end of 2009 this figure stood at 1 222.

Sebrae spent R\$16.8 million on 261 projects in all states to prioritise a legal environment Among other things:

- i) It spent R\$2.7 million on the National Front for Mayors (Frente Nacional de Preitos) to alert municipalities of the benefits of Lei Geral.
- ii) It spent R\$951 000 on a meeting with the National Federation of Accountants that Service Business
- iii) Support to the implanting of Empreendedor Individual. In 2009 121 910 such businesses were registered and the goal in 2010 is one million.

9. To ensure excellence in management of its results through Sistema Sebrae

In all R\$82,1m was spent on 2 435 projects such as supporting tourism projects in 13 states (R\$2.18m).

10. Develop competencies and retain talents inside and outside

Sebrae spent R\$28m on 102 training projects for staff and consultants, including R\$3.8 million on Sebrae's University (Universidade Corporativa Sebrae) which offered 17 disciplines online with 2 259 participants and 3 076 applications in courses.

The agency also spent R\$270 000 on capacitating 261 directors and nationala dn state councillors and R\$233 000 on capacitating partners (914 individuals trained) that can then spread Sebrae solutions.

11. Develop and implant management and knowledge about SMEs in Sebrae

In all R\$9.8 million was spent on 164 activities and projects, of which R\$749 000 was used to set up MPE Data (a site which contains data on SMEs) as well as on surveys and publications.

Also R\$448 000 was spent on 2 919 new texts in 2009 which is the principle foundation used to attend to SMEs. Its's "Ideias do Negócio" alone, with 360 titles, received over 385 000 visits per month on Sebrae's website.

The online library now has 3 187 documents available through Sebrae's web portal.

Objective	Composition	Value in Reals
1.Promote innovation	34%	260.1m
2. SME co-operation	2%	15.1m
3.Market access	15%	114.2m
4.Capacitation	23%	175.9m
5.Entrepreneurship	6%	48.1m
6.SME networks	2%	18.6m
7.Access to finance	1%	5.9m
8.Public policies	2%	17m
9.Management system	11%	82.6m
10.Internal competencies	3%	28.3m
11.SME knowledge	1%	9.8m
TOTAL	100%	775.7m