

ICSB Gazette

The Global Leader Supporting Micro-, Small and Medium Enterprises

Monday, May 25, 2020. Issue 69

An Analysis and Comparison of the Brazilian and Canadian Economies

Written By: The Global Entrepreneurship Monitor (GEM)



The Brazilian Policy Roadmap

2019 saw both the introduction of new entrepreneurial policies in Brazil as well as the successful continuation of recently enacted reforms. For example, the

country's labour reform bills, effective since November 2017, have brought greater flexibility in employment contracts. Other policies have likewise been passed to make entrepreneurship easier, including approval of the provisional Measure of Economic Freedom, an act that includes policies such as the cessation of business licences for low-risk small business activities, in addition to the simplification of the national digital bookkeeping system for collecting taxes and social security obligations.

In the financial realm, the 2019 Empresa Simples de Crédito (ESC) act aims to increase access to finance for micro and small enterprises, while the Micro Empreendedor Individual (MEI) aims to formalize the microfinance system already adopted by 9.2 million micro entrepreneurs. Complementary to these policies, the Cadastro Positivo, effective July 2019, makes information on individuals' defaults and payments easier to access for loan-granting organizations. This will improve trust and transparency among business owners.

Factors that have negatively affected entrepreneurship in Brazil include low economic growth and political turbulence. Although the country continues to show positive signs of recovery, in 2019 low levels of economic growth were still in evidence — a cycle dating back to 2015. This scenario leads to lower consumer activity and reduced investor confidence. The recent turbulent election cycle has also shaken confidence among investors.

Moving forward, Brazil should aim to speed its tax reforms and further simplify the current tax system, which currently costs taxpayers countless working hours every year to fulfil all obligations. Administrative reforms are needed to improve the hiring and remuneration of quality civil servants. Bureaucracy should be reduced to ease the costs and burdens of licensing and access to credit. Other improvements the government could make include instituting entrepreneurial training as a government policy and implementing long-term financial support for research and development.

With regard to the UN's Sustainable Development Goals, Brazil's entrepreneurial policies can assist in addressing Goals 1 (No poverty) and 5 (Gender equality). In Brazil, about 57% of Brazilian entrepreneurs say they were unemployed or looking for a job for three months before starting their business, reflecting the ability of entrepreneurship to improve an individual's prospects. In 2019, the rates of initial entrepreneurs by gender were very close: 23.1% for women and 23.5% for men. Over time, this will hopefully help equalize the gender balances of established businesses, in which the involvement of 13.9% of total Brazilian adult females compares with 18.4% of males.

ECONOMY PROFILE



Brazil

Population (2019) (WEF)

208.3 million

GDP growth (2018, annual % change) (IMF)

1.1%

GDP per capita (2018; PPP, international \$) (IMF)

16.15 thousand

World Bank Ease of Doing Business Rating (2019)

59.1/100

Rank: 124/190

World Bank Starting a Business Rating (2019)

81.3/100

Rank: 138/190

World Economic Forum Global Competitiveness Rank (2019)

71/141

World Economic Forum Income Group Average (2019)

Upper-middle

Attitudes and perceptions

	% Adults	Rank/50
Know someone who has started a new business	51.6	27
Good opportunities to start a business in my area	46.4	34
It is easy to start a business	39.4	30
Personally have the skills and knowledge	62.0	20
Fear of failure (opportunity)	35.6	38
Entrepreneurial intentions	30.2	16

Activity

Activity	% Adults	Rank/50	% Female	% Male
Total early-stage Entrepreneurial Activity	23.3	4	23.1	23.5
Established Business Ownership rate	16.2	2	13.9	18.5
Entrepreneurial Employee Activity	0.6	=38	0.4	0.9

Motivational

(somewhat or strongly agree)

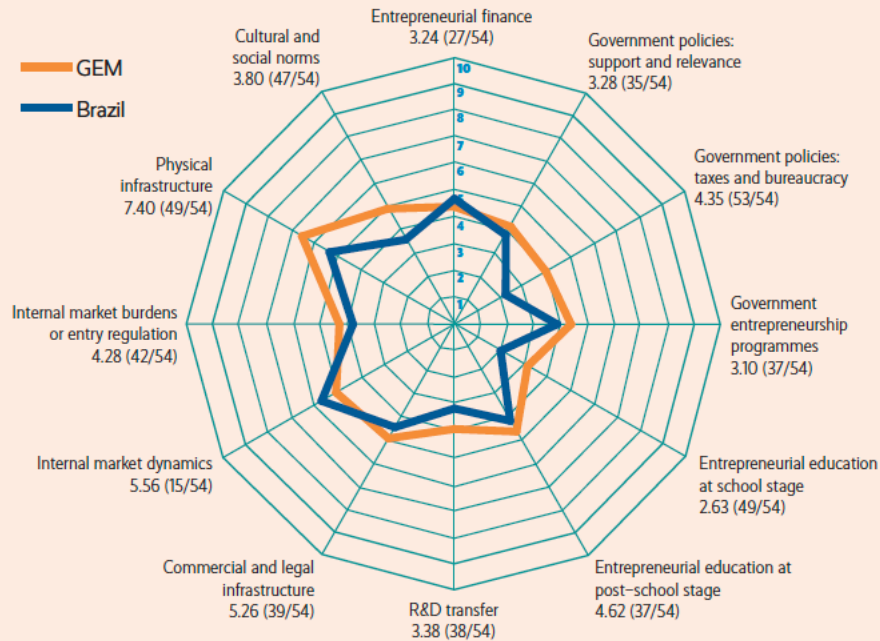
	% TEA	Rank/50	% Female TEA	% Male TEA
To make a difference	51.4	18	53.2	49.6
Build great wealth	36.9	42	31.8	41.9
Continue family tradition	26.6	=33	24.4	28.8
To earn a living	88.4	9	90.8	86.0

Entrepreneurship impact

	% Adults	Rank/50
Job expectations (6+)	2.1	31
International (25%+ revenue)	0.1	=49
National scope (customers and products/process)	0.1	=48
Global scope (customers and products/process)	0.0	=45
Industry (% TEA in business services)	7.6	43

An equals sign (=) indicates that the ranking position is tied with another economy or economies

Expert ratings of the entrepreneurial framework conditions



EFCs scale:

0 = very inadequate insufficient status,
10 = very adequate sufficient status. Rank out of 54 recorded in brackets

The Canadian Policy Roadmap

At the highest policy level, Canada's priority continues to be the creation of a fair, modern and competitive marketplace. This includes policies and regulations for the digital economy, which is transforming the competitive advantage of economies. This is particularly important today as new advancements (e.g. forthcoming 5G, the internet of things, cybersecurity and various multi-sided electronic platforms) will reshape the economy and society.

With this in mind, in its last Speech of the Throne (December 5, 2019), the minority Government of Canada reiterated its commitment to remove barriers to domestic and international trade for entrepreneurs and “reduce red tape so that it is easier to create and run a start-up or small business” (p. 8). Additionally, in its last Budget in 2019, the Government of Canada expanded its support for inclusive entrepreneurship for women, youth, seniors and indigenous people. This commitment is reflected in its allocation of up to CAN\$100 million to create a new Indigenous Growth Fund as well as CAN\$17 million to expand the Aboriginal Entrepreneurship Program over three years. Further, the federal government allocated CAN\$3 million to Futurpreneur Canada over five years to support youth entrepreneurs.

However, challenges persist. Given that Canada is a small and open economy where a large share of entrepreneurs rely substantially on exports, the fragmentation of existing international global value chains and other geopolitical factors are causing an increasingly complex and fractured global marketplace for emerging and established entrepreneurs. An accelerated ageing society is tightening the labour market and pressuring the entrepreneurial ecosystem. A trend in Canada of increasing part-time or hybrid entrepreneurs and retiring established entrepreneurs raises concerns about the erosion of the entrepreneurial ecosystem. Improving the integration of immigrants into the labour market and entrepreneurial ecosystem also remains a challenge despite the proven success of economic-class immigrants in entrepreneurial activities.

Looking to meet the UN's Sustainable Development Goals, recent entrepreneurship policy trends in Canada have emphasized the growing importance of inclusive entrepreneurship programmes for women, youth, seniors and indigenous people, which relates among others to SDG Goal 5 (Gender equality).

GEM's Canadian surveys have been instrumental in influencing public policy towards the issue of the sustainability of the entrepreneurial ecosystem through inclusive entrepreneurship initiatives, programmes and policies, especially targeted at women and youth entrepreneurship, and business transfers in Quebec. Additionally, over the last three years, the GEM Canada: Rapport du Québec has highlighted these issues using GEM data. These findings have been used by provincial ministers to support entrepreneurship policy development. For example, in May 2019, Marie-Ève Proulx, Associate Minister of Economic Development, cited GEM findings in a speech at an international conference on business transfers, and Pierre Fitzgibbon, Minister of the Economy and Innovation, in a national media interview cited GEM findings to support new policy initiatives to tackle entrepreneurship relief and business transfers.



ECONOMY PROFILE



Canada

Population (2019) (WEF)

37 million

GDP growth (2018, annual % change) (IMF)

1.9%

GDP per capita (2018; PPP, international \$) (IMF)

49,69 thousand

World Bank Ease of Doing Business Rating (2019)

79.6/100

Rank: 23/190

World Bank Starting a Business Rating (2019)

98.2/100

Rank: 3/190

World Economic Forum Global Competitiveness Rank (2019)

14/141

World Economic Forum Income Group Average (2019)

High

Attitudes and perceptions

	% Adults	Rank/50
Know someone who has started a new business	55.1	=22
Good opportunities to start a business in my area	67.1	12
It is easy to start a business	68.0	9
Personally have the skills and knowledge	56.8	28
Fear of failure (opportunity)	47.2	=14
Entrepreneurial intentions	11.9	=37

Activity

	% Adults	Rank/50	% Female	% Male
Total early-stage Entrepreneurial Activity	18.2	9	15.1	21.4
Established Business Ownership rate	7.4	24	5.8	9.1
Entrepreneurial Employee Activity	5.4	=13	3.8	7.1

Motivational

(somewhat or strongly agree)

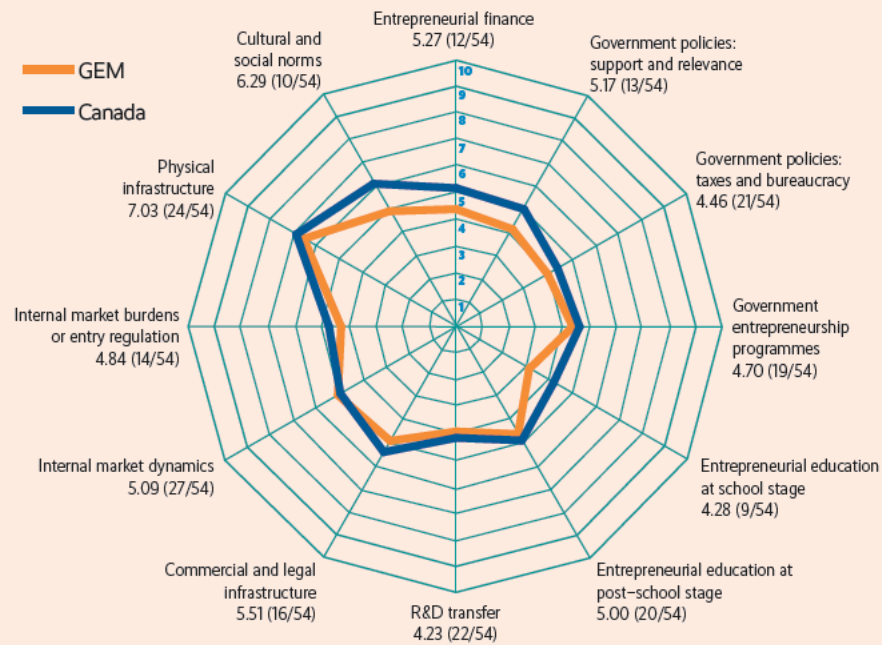
	% TEA	Rank/50	% Female TEA	% Male TEA
To make a difference	67.3	6	70.7	64.8
Build great wealth	64.0	18	63.9	64.1
Continue family tradition	44.0	13	41.6	45.6
To earn a living	62.8	28	63.8	62.1

Entrepreneurship Impact

	% Adults	Rank/50
Job expectations (6+)	3.8	14
International (25%+ revenue)	4.2	1
National scope (customers and products/process)	3.1	7
Global scope (customers and products/process)	0.9	=6
Industry (% TEA in business services)	22.2	22

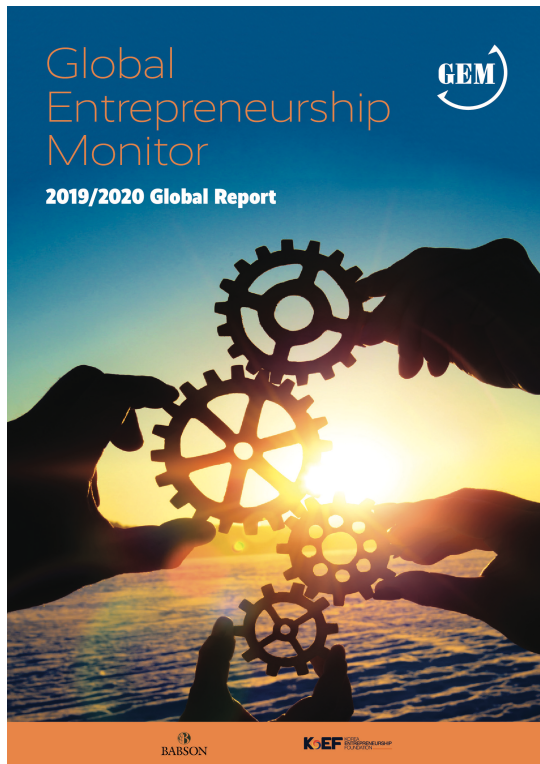
An equals sign (=) indicates that the ranking position is tied with another economy or economies

Expert ratings of the entrepreneurial framework conditions



EFCs scale:
 0 = very inadequate insufficient status,
 10 = very adequate sufficient status. Rank out of 54 recorded in brackets

About the Author



The Global Entrepreneurship Monitor (GEM) has been keeping its finger on the pulse of the state of entrepreneurship since 1999, both in terms of the state of the entrepreneurial mind-set, motivations, activities and ambition, and the national framework conditions required to allow entrepreneurship to flourish in an economy. In this, GEM's "coming of age" 21st year, entrepreneurship is in the spotlight as never before, with multiple governments increasingly focused on putting into place policy frameworks and mechanisms to drive and promote entrepreneurship. Fifty economies participated in the GEM 2019 Adult Population Survey (APS), including 11 from the Middle East & Africa, eight from Asia & Pacific, eight from Latin America & Caribbean, and 23 from Europe & North America. Five of these economies are classified as low-income level, 12 as middle-income and the rest as high-income. Over 150,000 individuals participated in extended interviews as part of the GEM research in 2019. This is the solid evidence base for the GEM findings that are presented in this report...[Read the full report here](#)

Institution	Team	Funders
<p>Lead institution The Centre for Innovation Studies (THECIS)</p> <p>Type of institution Research Institute</p> <p>Website http://thecis.ca</p> <p>Other institutions involved Centre for Policy Research on Science and Technology (CPROST), Simon Fraser University, Vancouver Memorial University, St John's, Newfoundland Memorial University, Cornerbrook, Newfoundland</p>	<p>Team leader Peter Josty, PhD</p> <p>Team members Adam Holbrook Geoff Gregson Blair Winsor Jacqueline S. Walsh Harvey Johnstone Kevin McKague Yves Bourgeois Matthew Pauley Etienne St-Jean Marc Duhamel Sandra Schillo Charles Davis Dave Valliere</p>	<p>Government of Alberta Government of Canada Government of Ontario Government of the Yukon Western Economic Diversification Canada Women's Economic Knowledge Hub (Ryerson University)</p> <p>Social Sciences and Humanities Research Council University of Manitoba</p> <p>APS vendor Elemental Data Collection Inc.</p> <p>Contact p.josty@thecis.ca</p>



Institution	Team	Funders	APS vendor	Contact
<p>Lead institution Instituto Brasileiro da Qualidade e Produtividade (IBQP)</p> <p>Type of institution Non-governmental Organization</p> <p>Website http://www.ibqp.org.br</p> <p>Other institutions involved Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE)</p>	<p>Team leader Simara Greco</p> <p>Team members Erika Onozato, MSc Paulo Bastos, MA Vinicius Larangeiras de Souza</p>	<p>Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE)</p>	<p>ZOOM – Agência de Pesquisas</p>	<p>simaragrec@yahoo.com.br</p>





About the International Council for Small Business (ICSB)

The ICSB Gazette is a weekly edition of a key topic that ICSB will showcase. The content is varied from research, practice, policy, and education. The editors of the ICSB Gazette is Mr. Kyle Lyon, ICSB Junior Project Manager and Mr. Skye Blanks, ICSB Junior Project Manager He will be soliciting ideas and articles from ICSB members world-wide.



Skye Blanks

Editor, ICSB Gazette

Skye is the Junior Project Manager at the International Council for Small Business (ICSB) in Washington, D.C. and an Editor of the ICSB Gazette.

ICSB Executive Director

Comment:

This ICSB Gazette issue is featuring an article from The Global Entrepreneurship Monitor (GEM) 2019-2020 Report

Contribute:

Have a topic you would like to see or an article to share? Please submit for consideration to skye@icsb.org

ICSB Gazette