

# BRAZIL'S PATH TO SUSTAINABLE GROWTH

June 10<sup>th</sup>, 2019

ERIVALDO ALFREDO GOMES

Secretario de Assuntos Econômicos Internacionais



MINISTÉRIO DA  
ECONOMIA



[www.economia.gov.br](http://www.economia.gov.br)

# BRAZIL AT A GLANCE

June 6, 2019

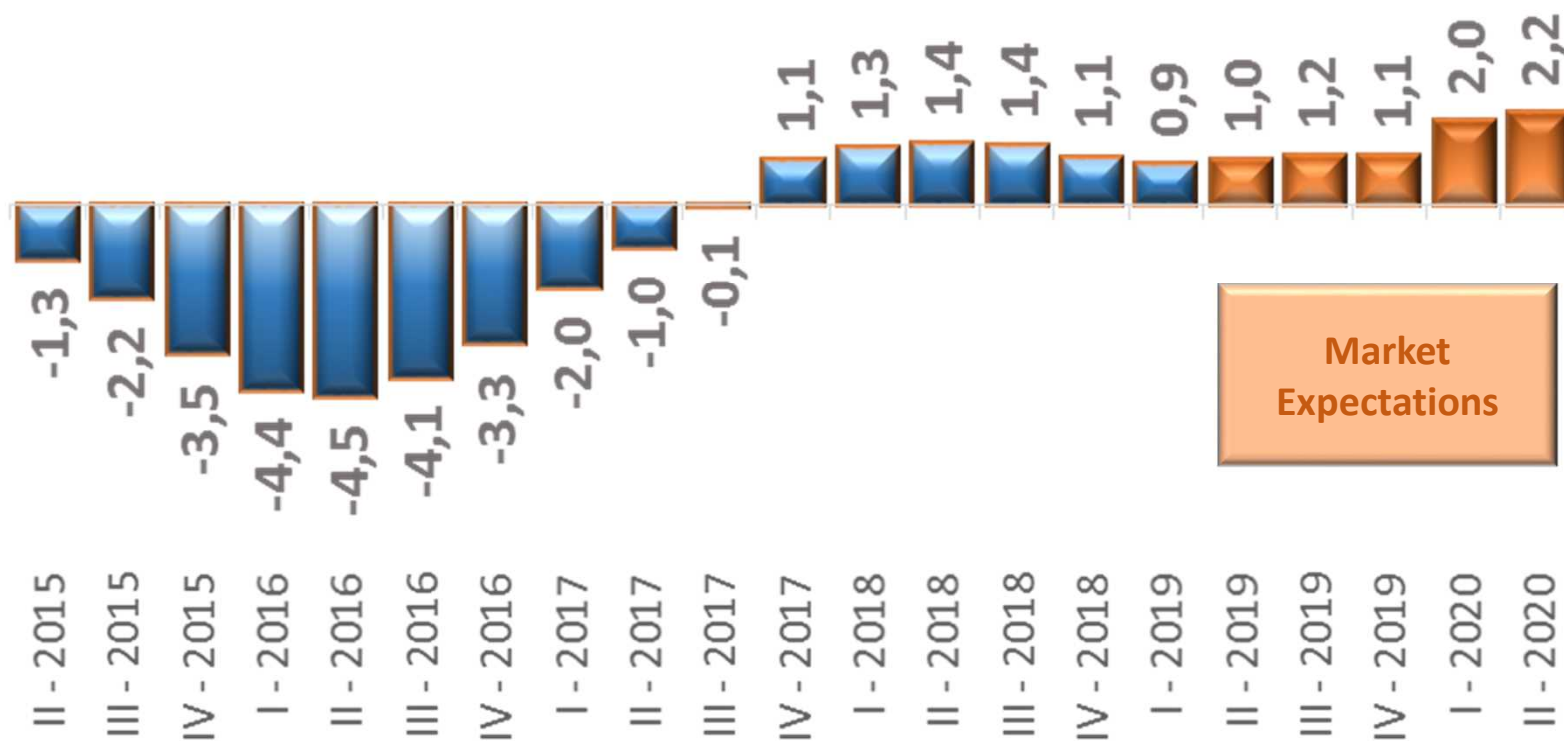
	2014	2015	2016	2017	2018	2019	2020
GDP (% YoY)	0,50	-3,55	-3,31	1,06	1,12	1,13 (*)	2,50 (*)
Consumer Inflation IPCA (% YoY)	6,41	10,67	6,29	2,95	3,75	3,98 (*)	4,00 (*)
Current Account (USD bi)	-101,4	-54,5	-24,0	-7,2	-14,5	-25,05 (*)	-35,30 (*)
Foreign Investment in the Country (USD bi)	87,7	60,3	73,4	70,3	88,3	82,7 (*)	84,4 (*)
International Reserves (USD bi)	364	356	365	374	375	387 (04 jun)	-
Unemployment rate (%)	6,5	8,9	12,0	11,8	11,6	-	-
General Government Gross Debt (% GDP)	56,3	65,5	69,9	74,1	77,2	79,7 (**)	80,9 (**)
Ibovespa Index (BRL, % chg.)	-2,9	-13,3	38,9	26,9	15,0	9,8 (ytd)	-
CDS 5 years (year average)	186	470	285	164	205	171 (Jun/19)	-
Interest rate (Selic Target) (% eop)	11,75	14,25	13,75	7,00	6,50	6,50 (*)	7,25 (*)

Estimates: (\*) Focus Survey, Central Bank of Brazil, May. 31,2019); (\*\*) Prisma Fiscal, May.2019

Sources: Central Bank, STN, Reuters

# GROWTH EXPECTED TO ACCELERATE

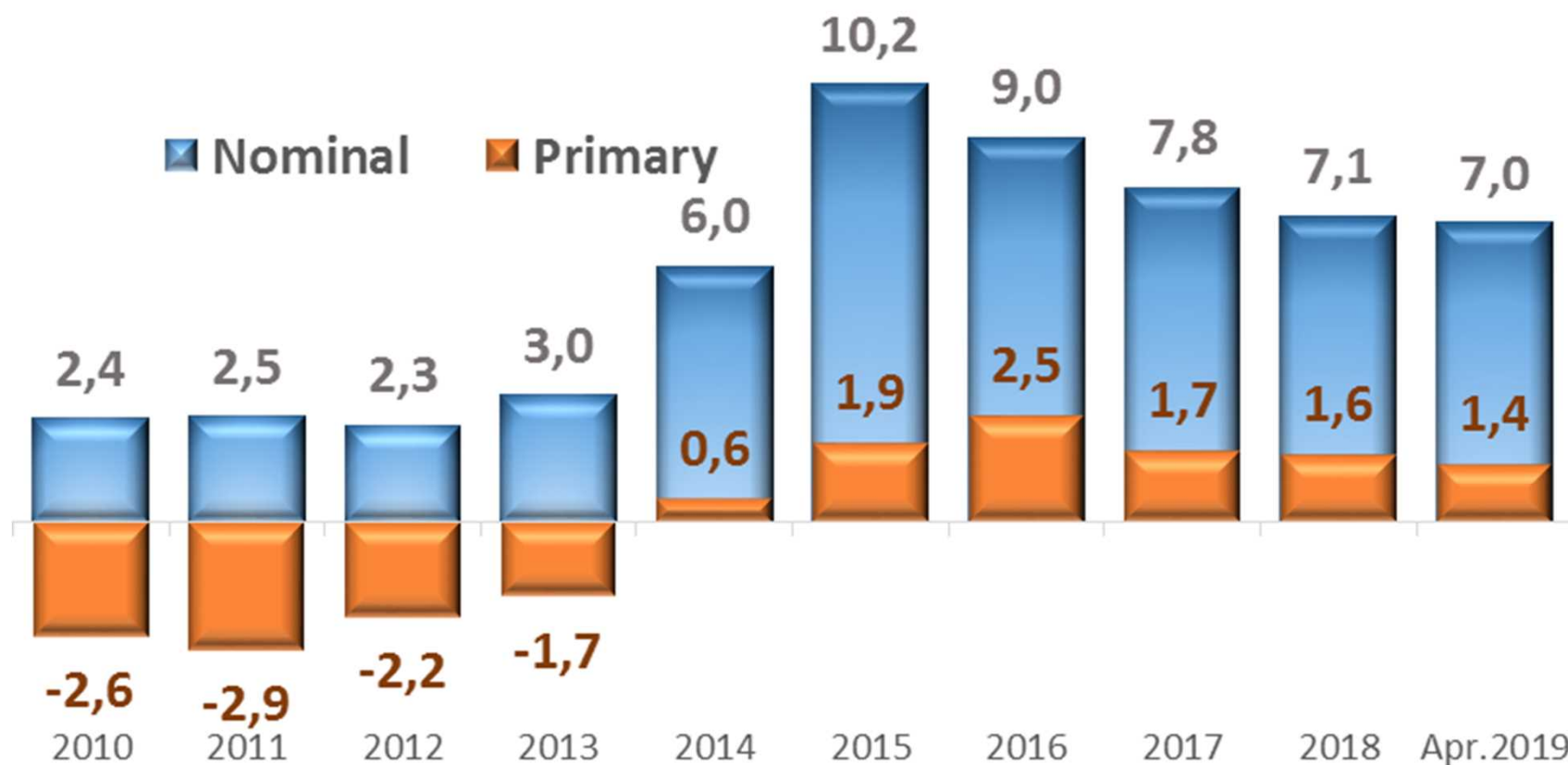
Gross Domestic Product  
(% change in 4Q ver the previous period)



Source: Central Bank. Market expectations as of May 31, 2019

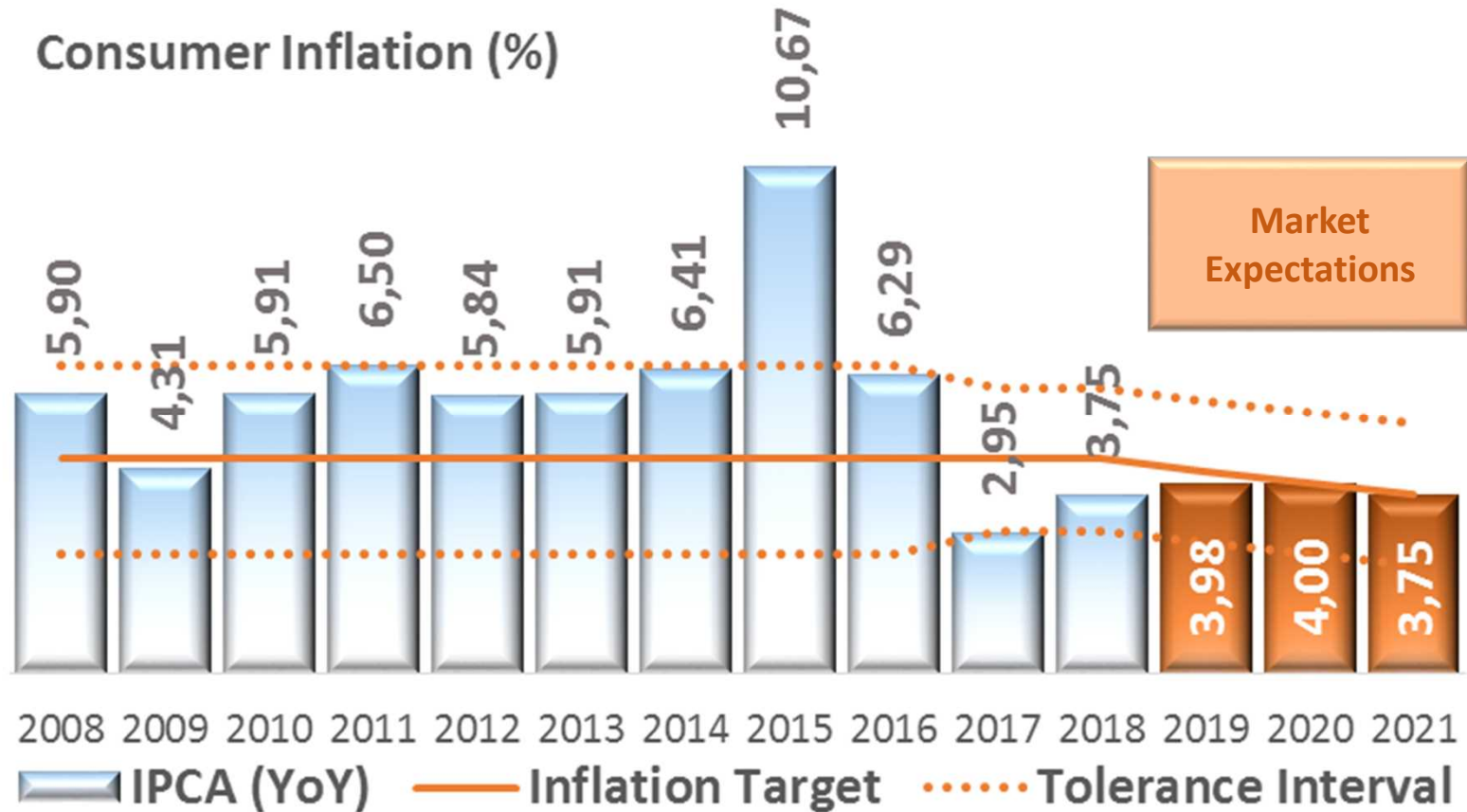
# FISCAL RESULTS ARE SLOWLY IMPROVING

Public Sector Fiscal Deficit (% of GDP)



Source: Central Bank

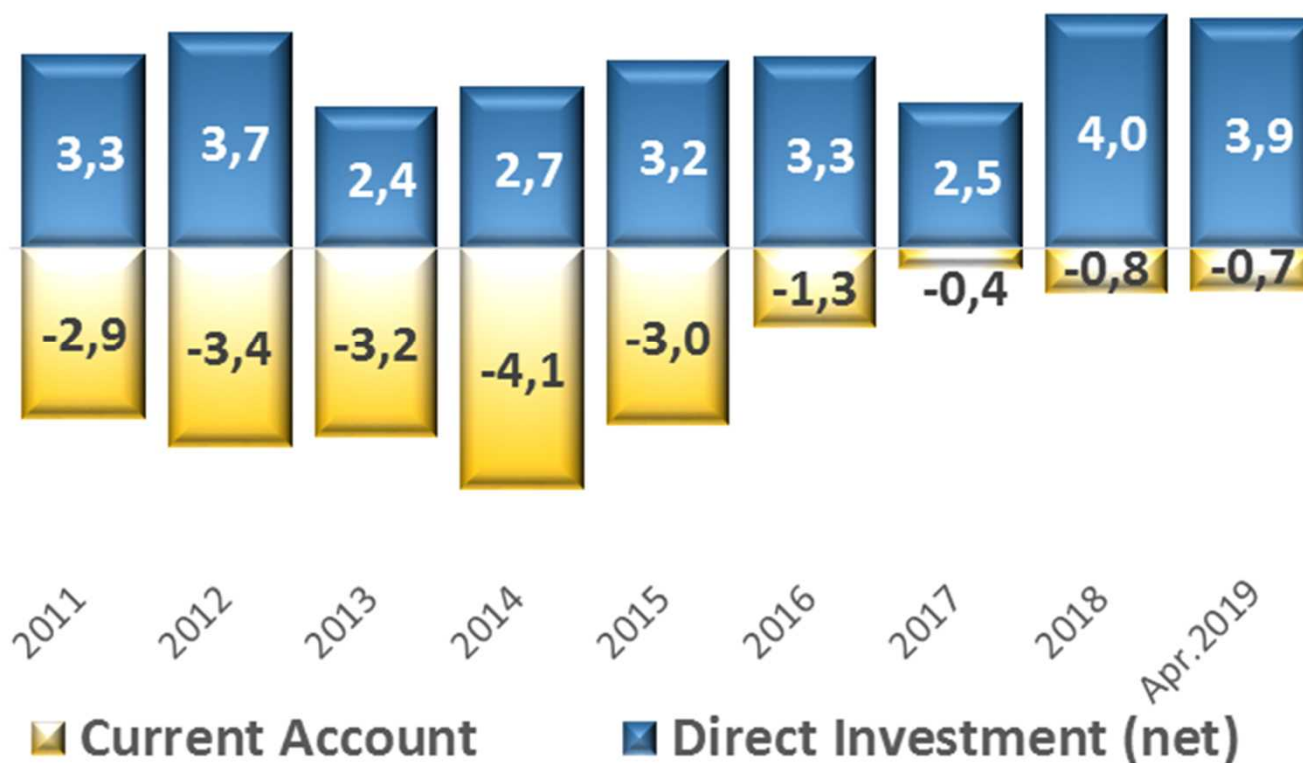
# A SUCCESSFULL INFLATION TARGET REGIME



Source: Central Bank. Market expectations as of May 31, 2019

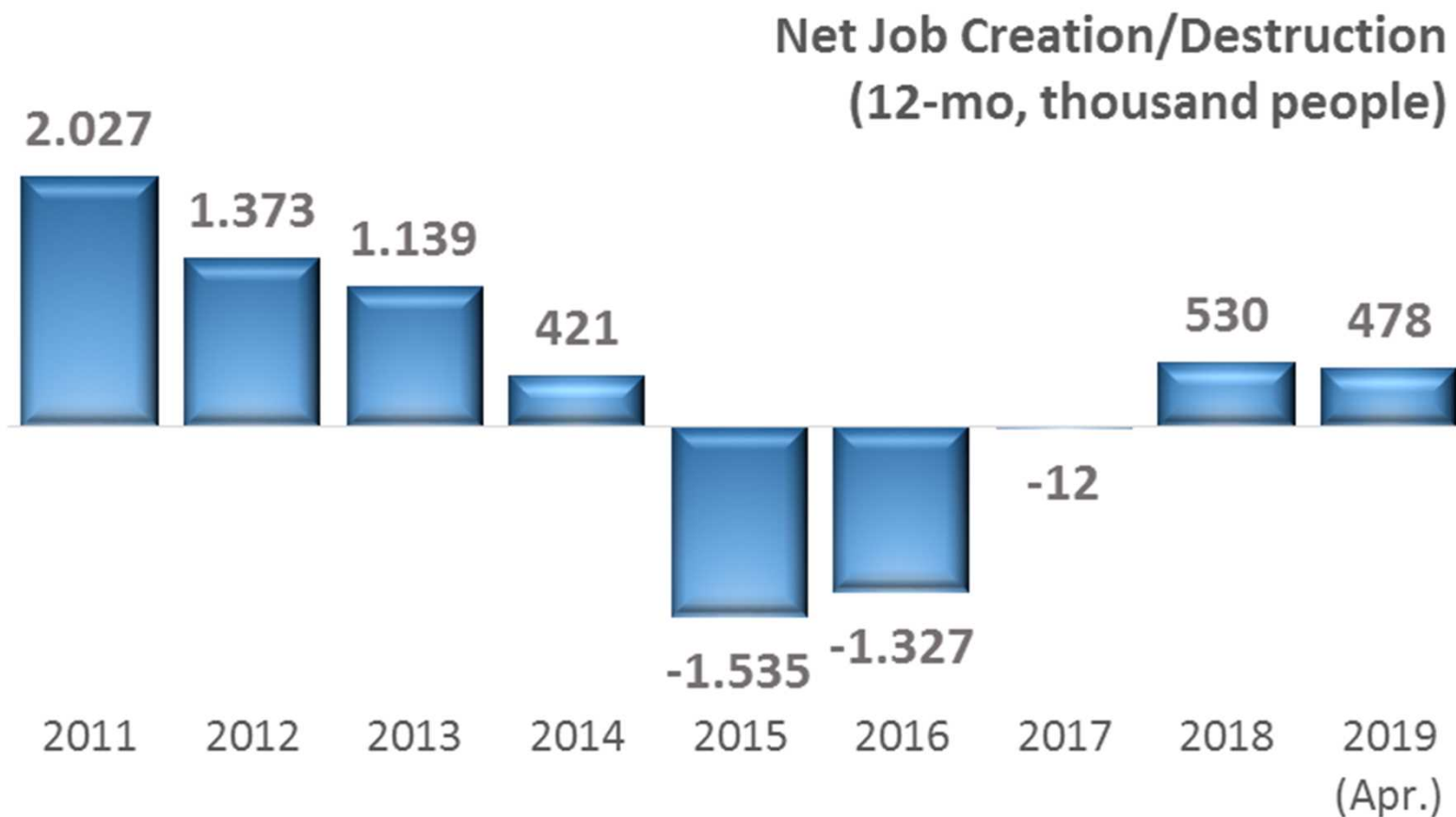
# EXTERNAL FINANCING NEEDS FUNDED BY FDI WITH CONSIDERABLE LEEWAY

External Financing Needs (% of GDP, 12-mo.)



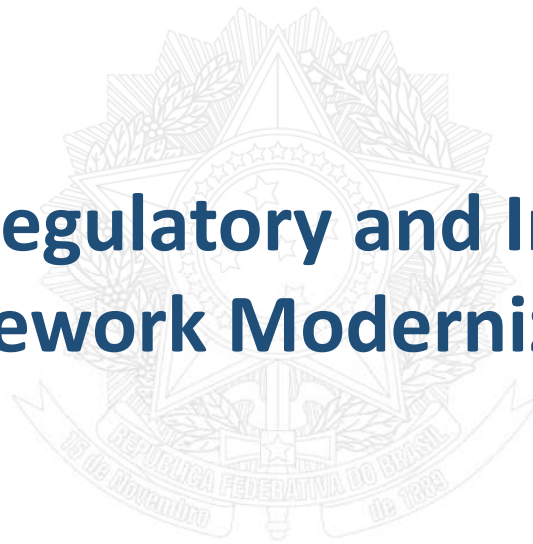
Source: Central Bank

# FORMAL JOB MARKET IS STABLE



Source: CAGED

# Structural, Regulatory and Infrastructure Framework Modernization





# MAIN MEASURES

## Social Security Reform

- Brazil spends more than half of the Federal budget on social security and benefits. Without the reform, the Gen. Govt. Gross Debt will climb 25 p.p. in the next 5 years
- Currently being discussed at a Congress Special Commission (40 sessions). Approved in the House of Representatives regarding its constitutionality
- Impact: R\$ 1.2 trillion over 10 years



## Next Steps

- Two voting rounds in the House of Representatives and in the Senate. Needs 308 of the 513 votes and 49 of the 81 votes, respectively
- Analysis of its constitutionality by a Senate commission
- Changes made by the Senate must be voted by the House of Representatives
- Expected to be approved in 2019

## Tax Reform

- Aims at simplifying the tax system and at reducing the tax burden, legal insecurity and legal dispute
- Includes the merger of federal taxes (PIS/COFINS, IPI, CSLL and IOF) into a Federal Single Tax
- Instrument: PEC and infra constitutional measures



## Next Steps

- Legislation being prepared by the Government

## Economic Freedom (Interim Order n. 881/2019)

- Reduces red tape and state intervention in economic activities, facilitating the opening of new businesses



## Next Steps

- Congress approval until Oct. 2019

# MAIN MEASURES

## Central Bank Independence

- On April 11th, the Government sent to Congress a bill establishing formal independence to the Central Bank of Brazil. It comprises a four- to eight-year term for the directorate of the institution, with no overlapping with the presidential mandate; and the end of ministerial status given to the president of the Bank.

### Next Steps



- Congress appreciation
- Instrument: Supplementary Bill

## Trade Liberalization

- Openness targeted to increase from 22% to 30% of GDP in four years
- 2019 initiatives include the end of quantitative restrictions on the free trade agreement of autos with Mexico; modernization of tax agreements; import tax reduced to zero on 449 industrial machines and equipment not produced domestically; among others

### Next Steps



- Free Trade agreement between Mercosur and the European Union

## Ombudsman for Direct Investments

- Consultation for foreign investors about legislation or administrative procedures related to investments in Brazil
- Effective since April 2019

# MAIN MEASURES

## Combat embezzlement of social security benefits

- Revision of 6.4 million benefits granted, with expected savings of R\$ 9.8 billion in 12 months; stricter rules for the concession of new benefits.
- New rules to simplify and make more efficient the judicial collection of debt due and unpaid to the Social Security, focused on big debtors.

### Next Steps

- Bill of Law to be sent to Congress

## Subsidies reduction

- Reduction and streamlining of subsidies granted by the Government, which amount to around 4.7% of GDP in the 2019 budget.

### Next Steps

- In preparation

## Extreme poverty reduction

- On April 11th, the Government announced one additional allowance per year for the 14 million households covered by conditional cash transfers (Bolsa Família Program). There is no fiscal impact, due to the relocation of public expenditures.

### Next Steps

- Interim Order to be enacted in Oct.

## Positive Credit Registry Law

- Law that includes individuals and companies in a database with information on their credit track record, aiming at broadening and easing credit opportunities for those with a good payment record.

# MAIN MEASURES

## Fight corruption, criminal organizations and violent crimes

- Changes to the Code of Criminal Procedure, Criminal Code, Criminal Law, Electoral Code, among others.
- Criminal law enforcement measures will reduce costs of doing business. Include the provisional execution of a criminal conviction after second instance sentences; the criminalization of irregular funding in elections; tighter sentences and penalties increase.

### Next Steps

- Proposal submitted to Congress on February 19th
- Instrument: 3 Infra constitutional instruments

## Employment

- The registers of the unemployed were opened to private recruitment companies, extending the use of the national employment system dataset

### Next Steps

- New Work Booklet (Verde e Amarela) to ease access to the labor market.
- Emprega Mais: new workforce training strategy.

## National Tourism Policy

- Bill to develop and promote the tourism segments related to the World Cultural and Natural Heritage of Brazil, within the scope of the National Tourism Policy.

### Next Steps

- Congress appreciation

# MAIN MEASURES

## Fiscal sustainability of subnational entities

### Next Steps

- Federal support to states with some counterparts, such as fiscal adjustment measures and opening of regional markets for gas distribution.
- Sharing resources from the pre-salt with states and municipalities.



- Launch of the Financial Equilibrium Plan and elimination of the Federal exclusivity to the Social Fund.

## Restrictions to public banks

### Next Steps

- Bill provides that the Central Bank must approve the appointment of directors and administrators of public financial institutions, in accordance to the technical criteria established by the National Monetary Council.



- Congress appreciation

## Public administration overhaul

- 21,000 commissioned positions eliminated.
- Limitations for creating collegiates. Elimination of unnecessary collegiates.
- Restrictions for hiring civil servants and rules for hiring senior officials.

# MAIN MEASURES

## Digital Government

- Digital Citizenship Platform (access and provision of digital public services)
- GovData (crossing and information analysis of the main official databases)
- ConectaGov (connection and exchange of information between government systems)

### Next Steps

- Implementation throughout 2019

## Auction of Assignment Agreement

- The auctioning of the surplus of around 5 to 6 billion barrels will result in a compensation for Petrobras of US\$ 9.0 billion. The signature bonus is estimated at around US\$ 26.5 billion

### Next Steps

- Auction scheduled for Oct. 28th, 2019

## Privatization

- The sale of state-owned companies and Voluntary Dismissal Programs are under preparation. There are 134 companies owned by the Fed. Govt. (being 88 subsidiaries), with more than 450,000 employees

### Next Steps

- On June 6<sup>th</sup>, 2019, the Supreme Court ruled that subsidiaries do not need Congress approval to be sold

# Investments, Concessions and Privatizations



# INVESTMENTS, CONCESSIONS AND PRIVATIZATIONS

**52 PPI  
Projects  
Auctioned  
or  
Renewed**



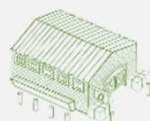
Electric  
Power

- Privatization of 7 Distributors (CELG, CEAL, CEPISA, CERON, Eletroacre, Amazonas, Boa Vista)
- Concessions of 2 Hydroelectric Plants (Jaguara, UHE) and 2 Small Plants
- Transmission Lots



Airports

- 16 Concessions



Supply

- Privatization of CASEMG



Oil and  
gas

- 4<sup>th</sup> Marginal Fields Round
- 14<sup>th</sup> and 15<sup>th</sup> Exploratory Blocks Bidding Round
- 2<sup>nd</sup> to 5<sup>th</sup> Pre-Salt Production Sharing Bidding Rounds



Railways

- 5 Extensions and 1 Concession (Norte-Sul)



Port  
Terminals

- 22 Projects (leasing, extension or assignment agreement)



Highways

- Concession of Rodovia da Integração do Sul



# INVESTMENTS, CONCESSIONS AND PRIVATIZATIONS

## 47 Ongoing PPI Projects



Oil and  
gas

- Concession of 14 Marginal Fields Areas
- 16th Exploratory Blocks Bidding Round
- 6th Pre-Salt Production Sharing Bidding Round
- Auction of Assignment Agreement



Railways

- 4 Concessions



Port  
Terminals

- 12 Leasing Projects
- 1 Privatization



Airports

- 6<sup>th</sup> Round  
(North I, South and Central)

- Other
- Privatization - Casa da Moeda, CEASAMINAS, Infraero shareholdings and Eletrobras
  - Concession of LOTEX
  - PPP for COMAER



Electric  
Power

- Transmission Lots
- 2 Auctions of New Energy



Highways

- 11 Concession



Nuclear  
Power

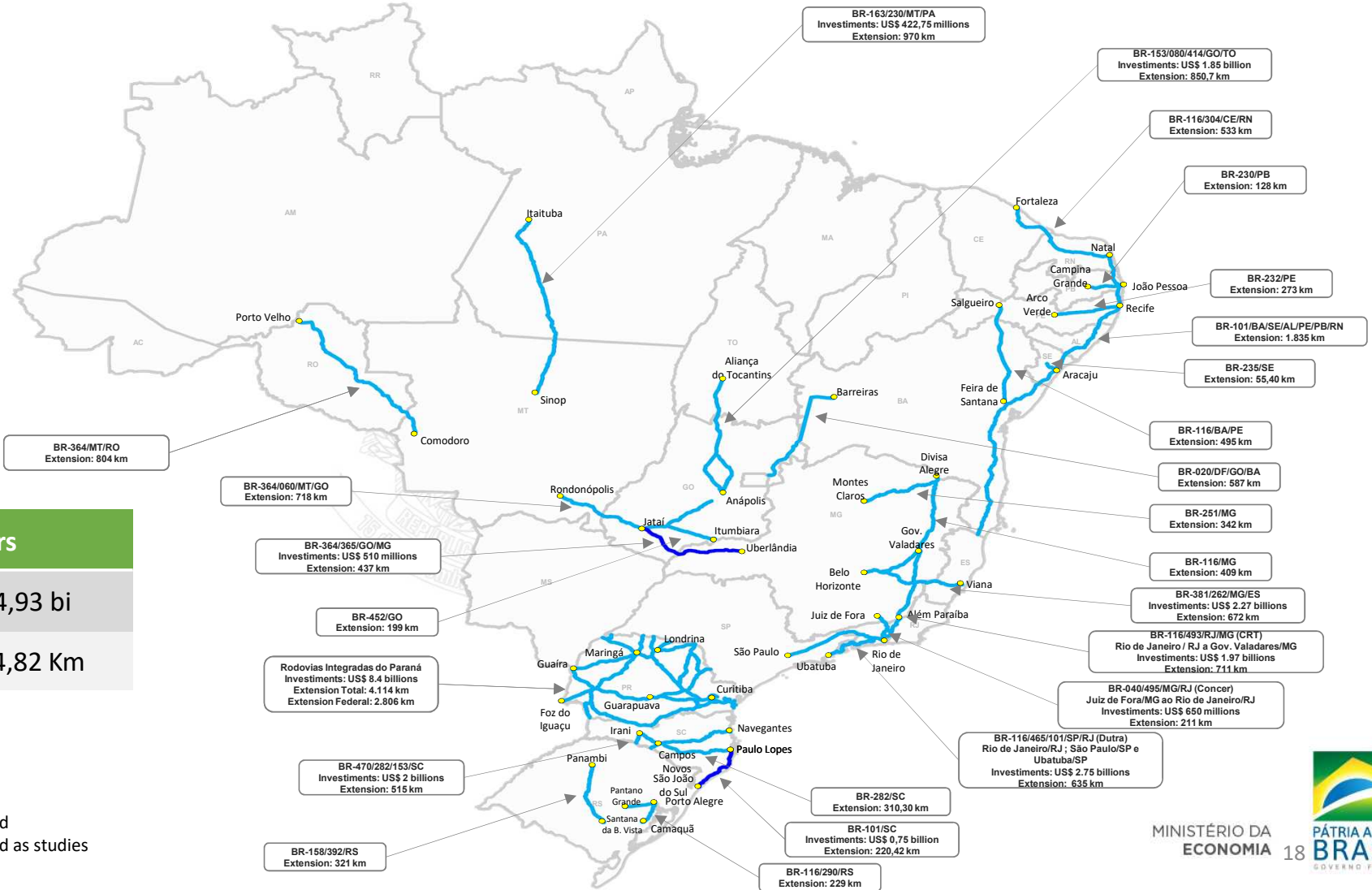
- Angra 3 Thermonuclear Plant



Mining

- 4 Concessions of CPRM Mining Rights

# Highway – Project Potfolio

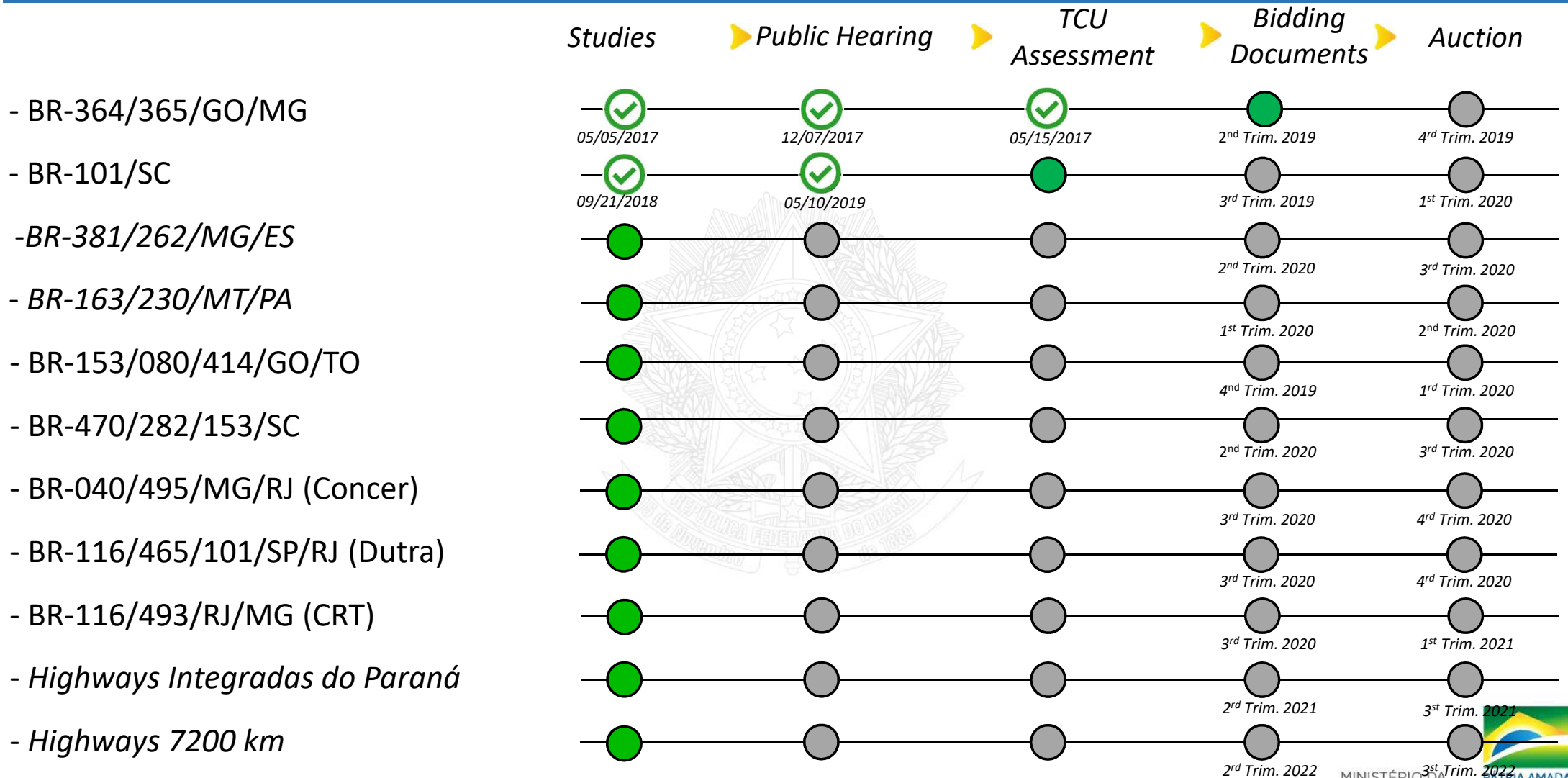


Projects Numbers	
Investments	US\$ 34,93 bi
Extension	16.574,82 Km

Source: Ministry of Infrastructure

**Projects**  
— Qualified  
— Qualified as studies

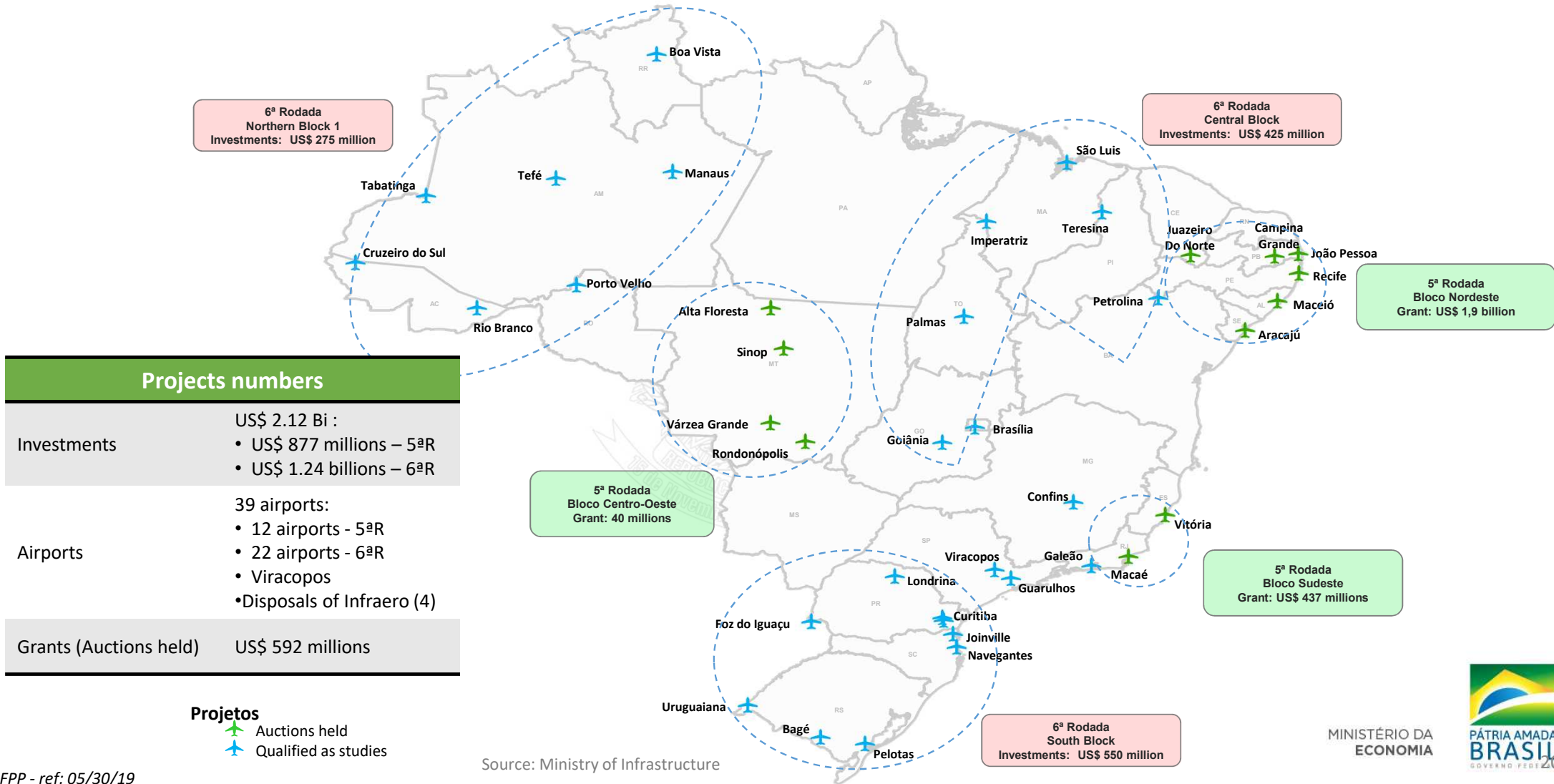
# SFPP Road Projects



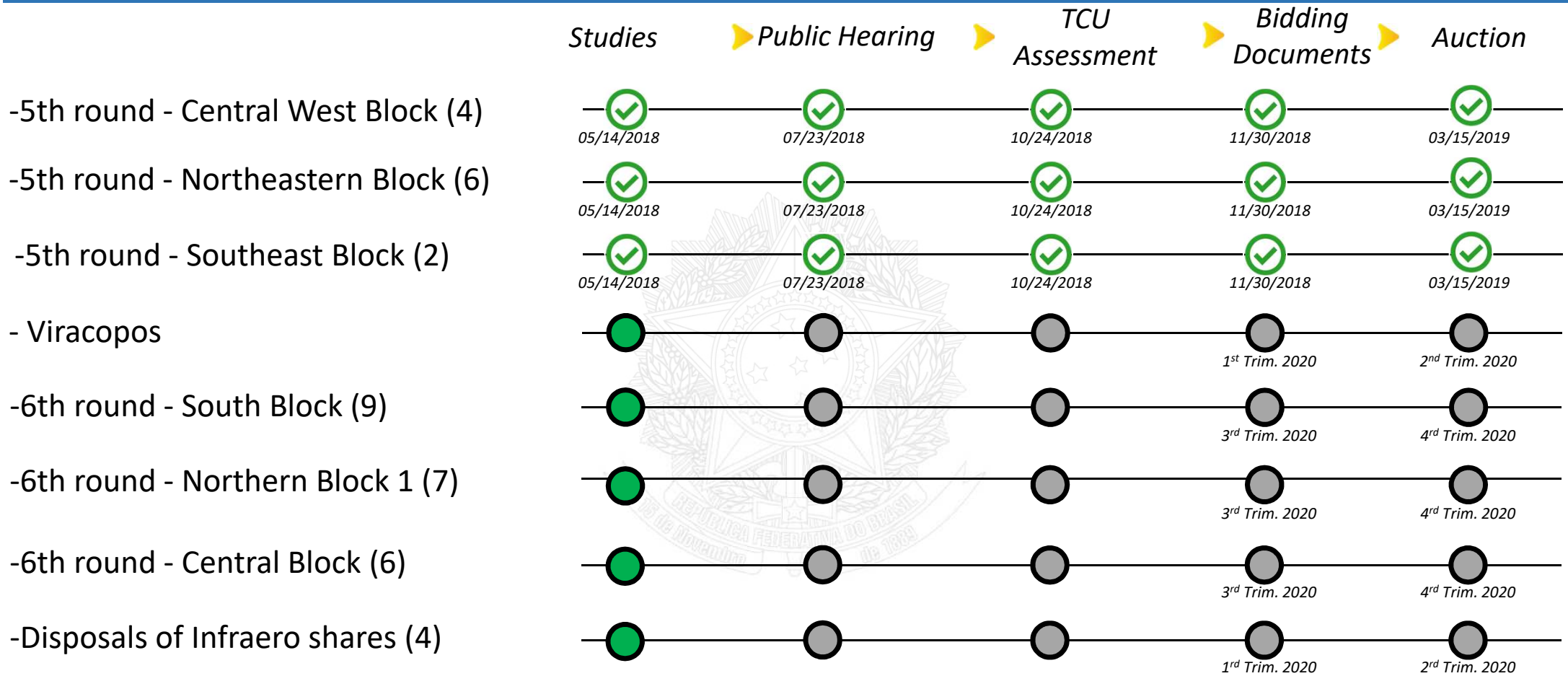
Source: Ministry of Infrastructure

✔ Completed 
 ● In progress 
 ● To be performed

# Airports – Projects Portfolio



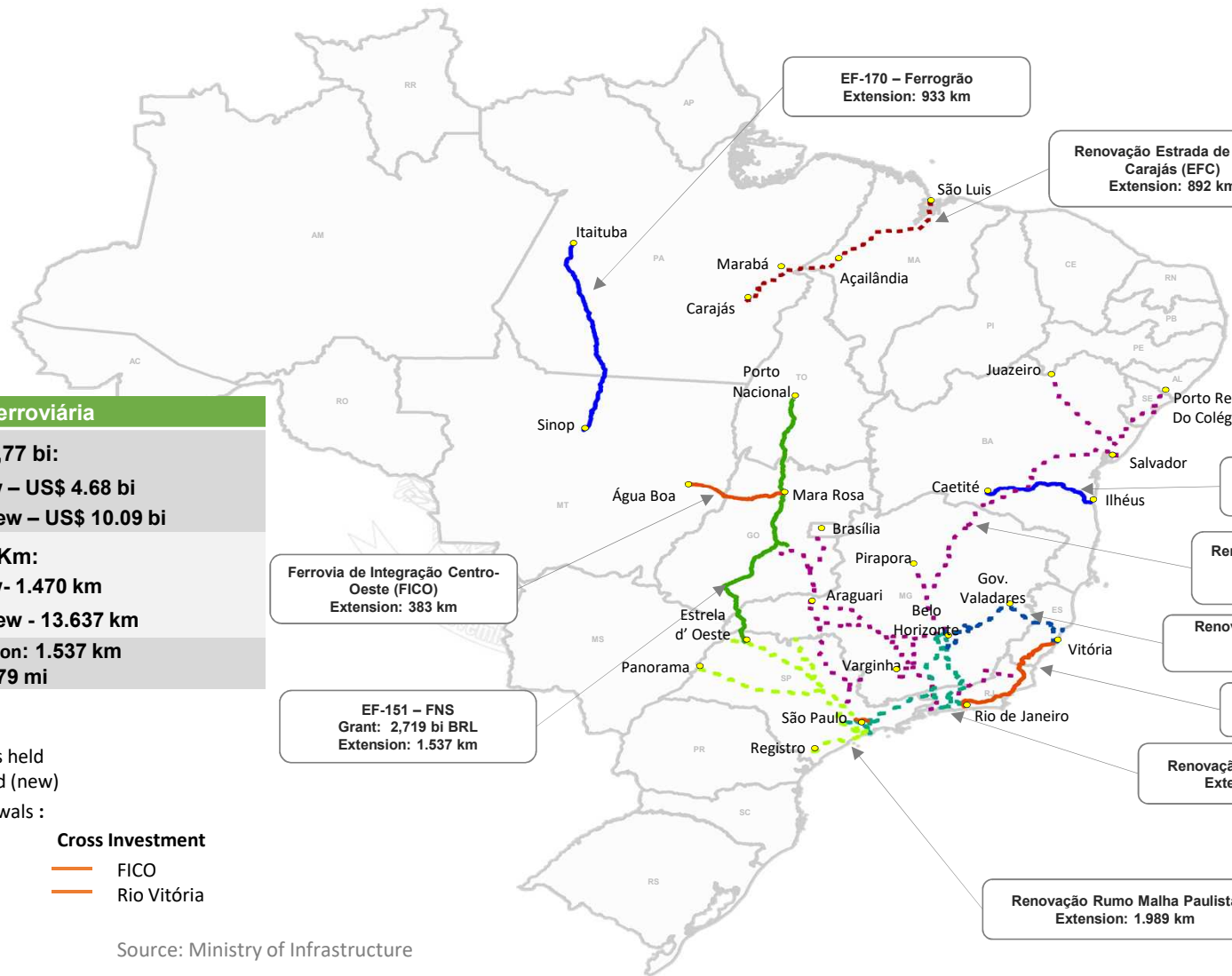
# SFPP Airport Projects



Source: Ministry of Infrastructure

✔ Completed 
 ● In progress 
 ● To be performed

# Railroad – Projects Portfolio



## Números da Carteira Ferroviária

**US\$ 14,77 bi:**

- new – US\$ 4.68 bi
- renew – US\$ 10.09 bi

**15.107 Km:**

- new- 1.470 km
- renew - 13.637 km

**Extension: 1.537 km**  
**US\$ 679 mi**

## Projetos

- Auctions held
- Qualified (new)

Qualified for renewals :

### Dealers

- EFVM
- FCA
- MRS
- RMP
- EFC

### Cross Investment

- FICO
- Rio Vitória

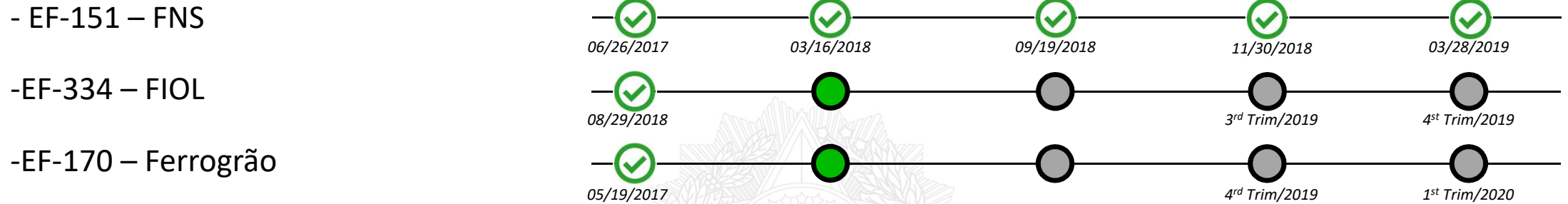
Source: Ministry of Infrastructure

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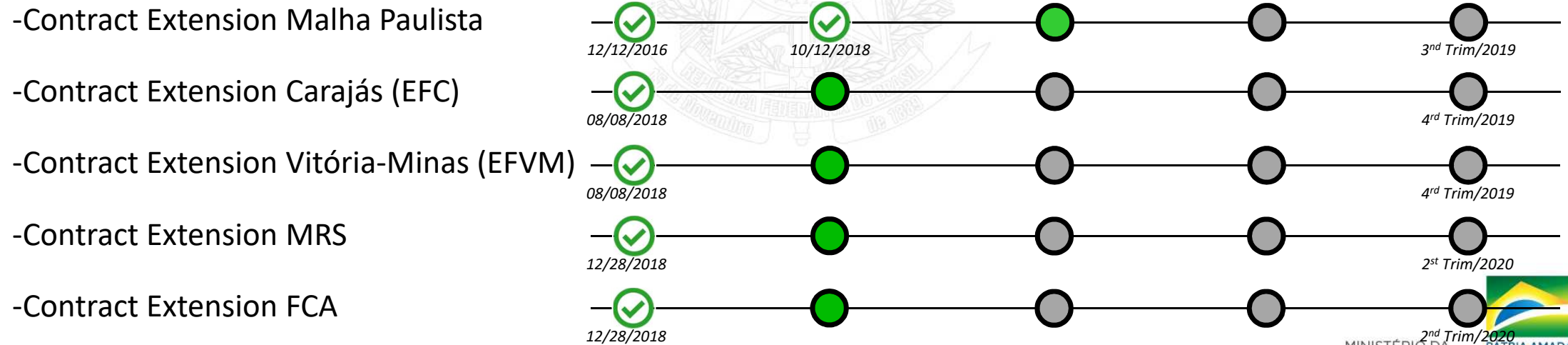


# SFPP Railroad Projects

Studies    ▶ Public Hearing    ▶ TCU Assessment    ▶ Bidding Documents    ▶ Auction



Studies    ▶ Public Hearing    ▶ TCU Assessment    ▶ Legal Opinion    ▶ Subscription of the Addendum





Source: Ministry of Infrastructure

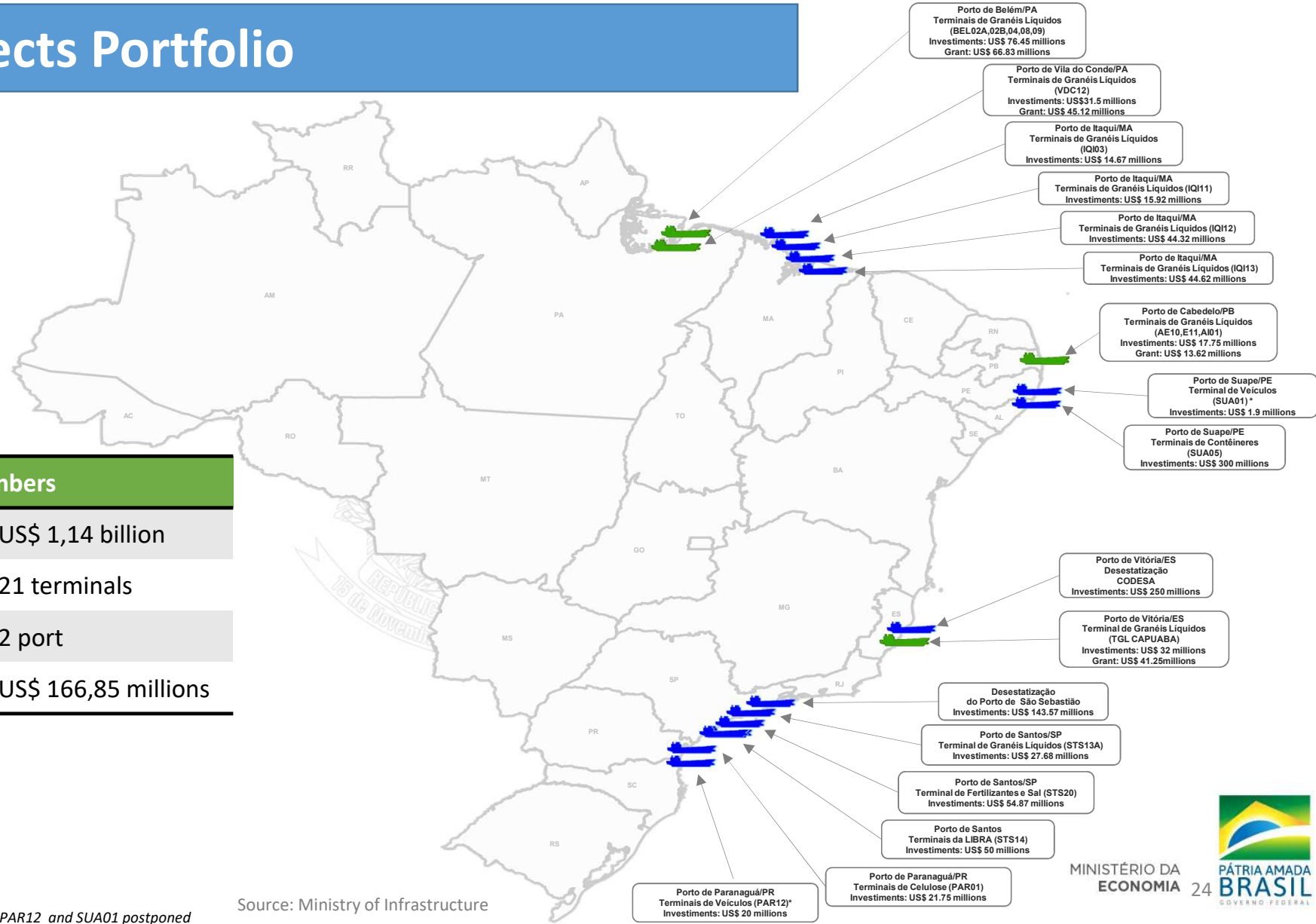
✔ Completed    
 ● In progress    
 ● To be performed

# Ports – Projects Portfolio

Projects Numbers	
Investments	US\$ 1,14 billion
Ports rent terminals	21 terminals
Port concession terminal	2 port
Auctions held	US\$ 166,85 millions

## Projects

-  Auctions held
-  Qualified

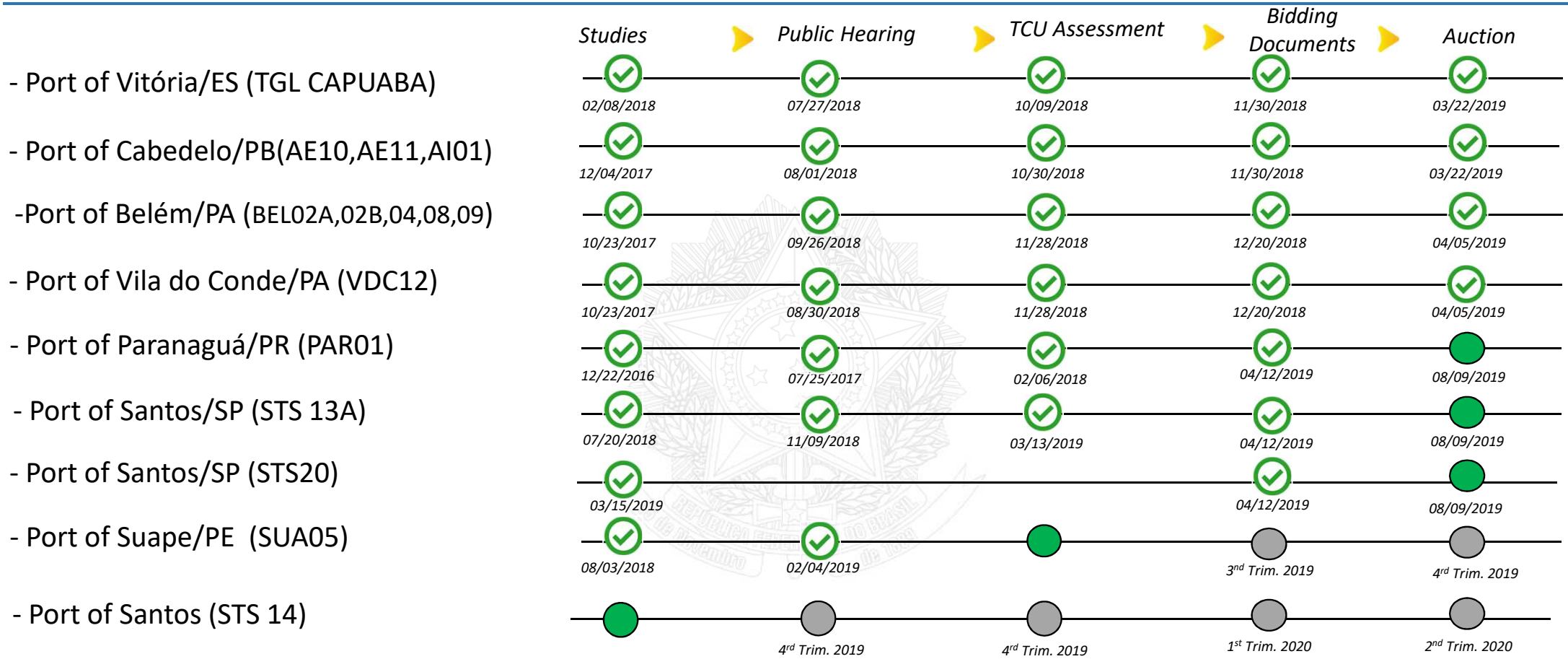


Source: Ministry of Infrastructure

\* Ports PAR12 and SUA01 postponed



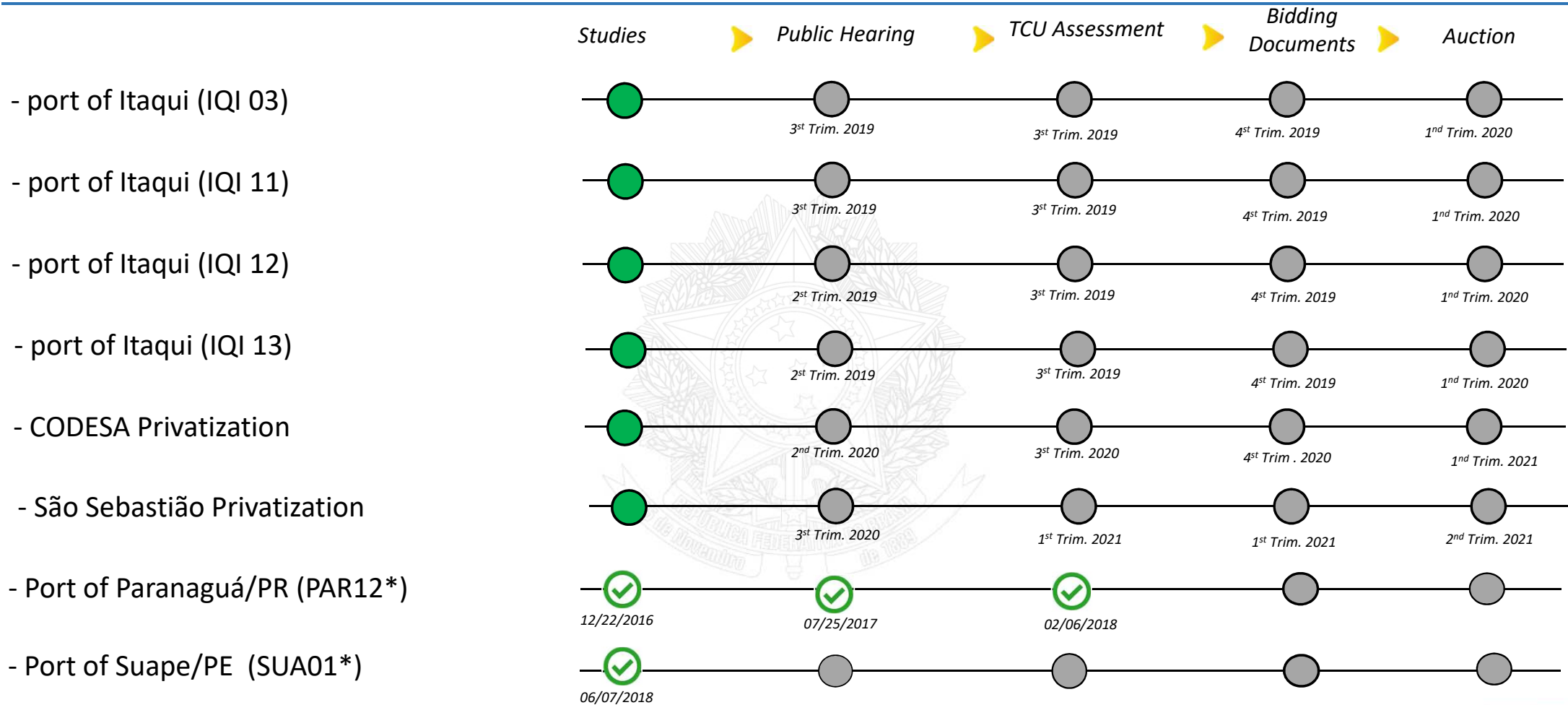
# SFPP Ports Projects



Source: Ministry of Infrastructure

Completed 
 In progress 
 To be performed

# SFPP Ports Projects



\* Ports PAR12 and SUA01 postponed

✔ completed    
 ● In progress    
 ● To be performed

Source: Ministry of Infrastructure



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# Recent Improvements to the Business Environment in Brazil

**Renato Baumann**

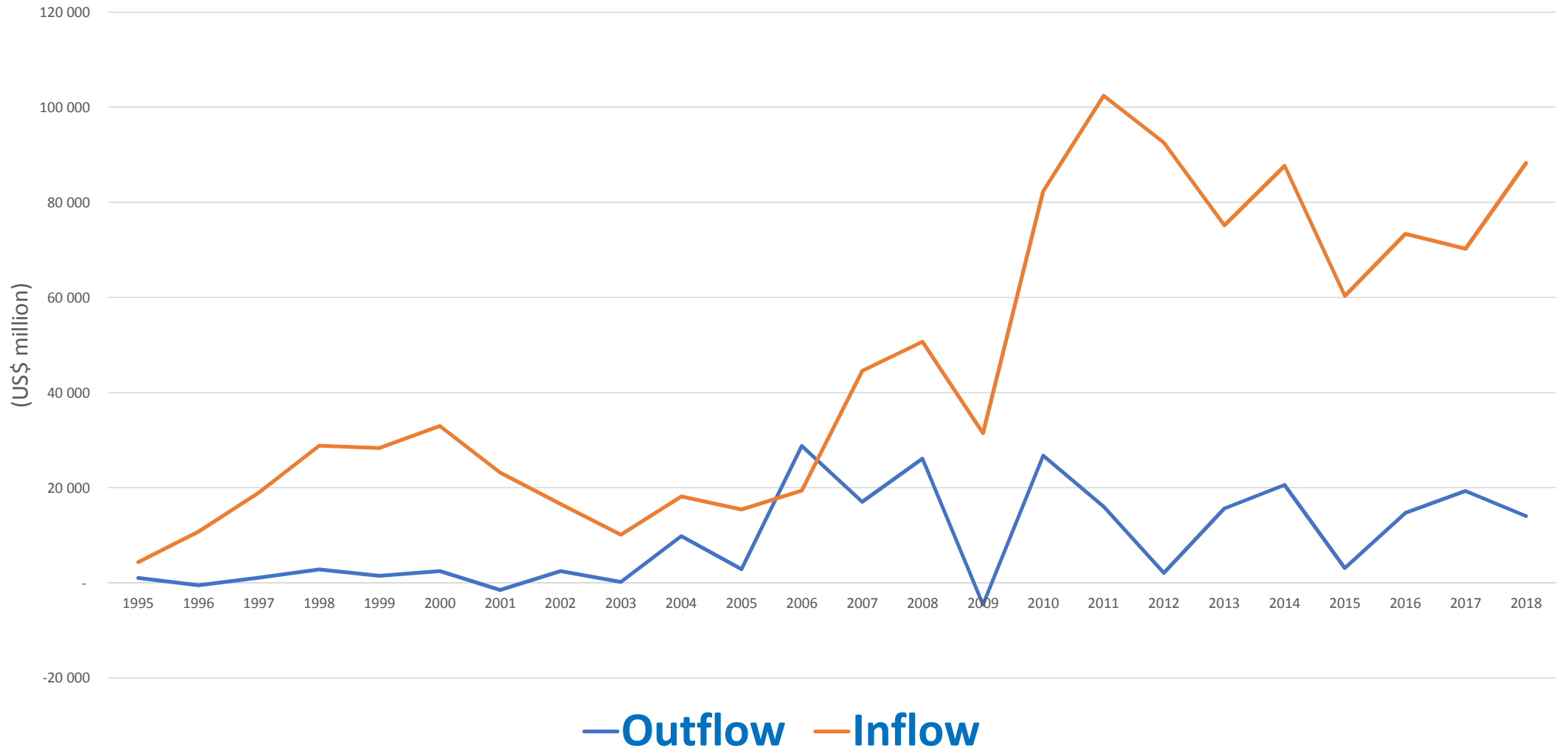
SE/CAMEX

# New Policy Approach – More Business Friendly

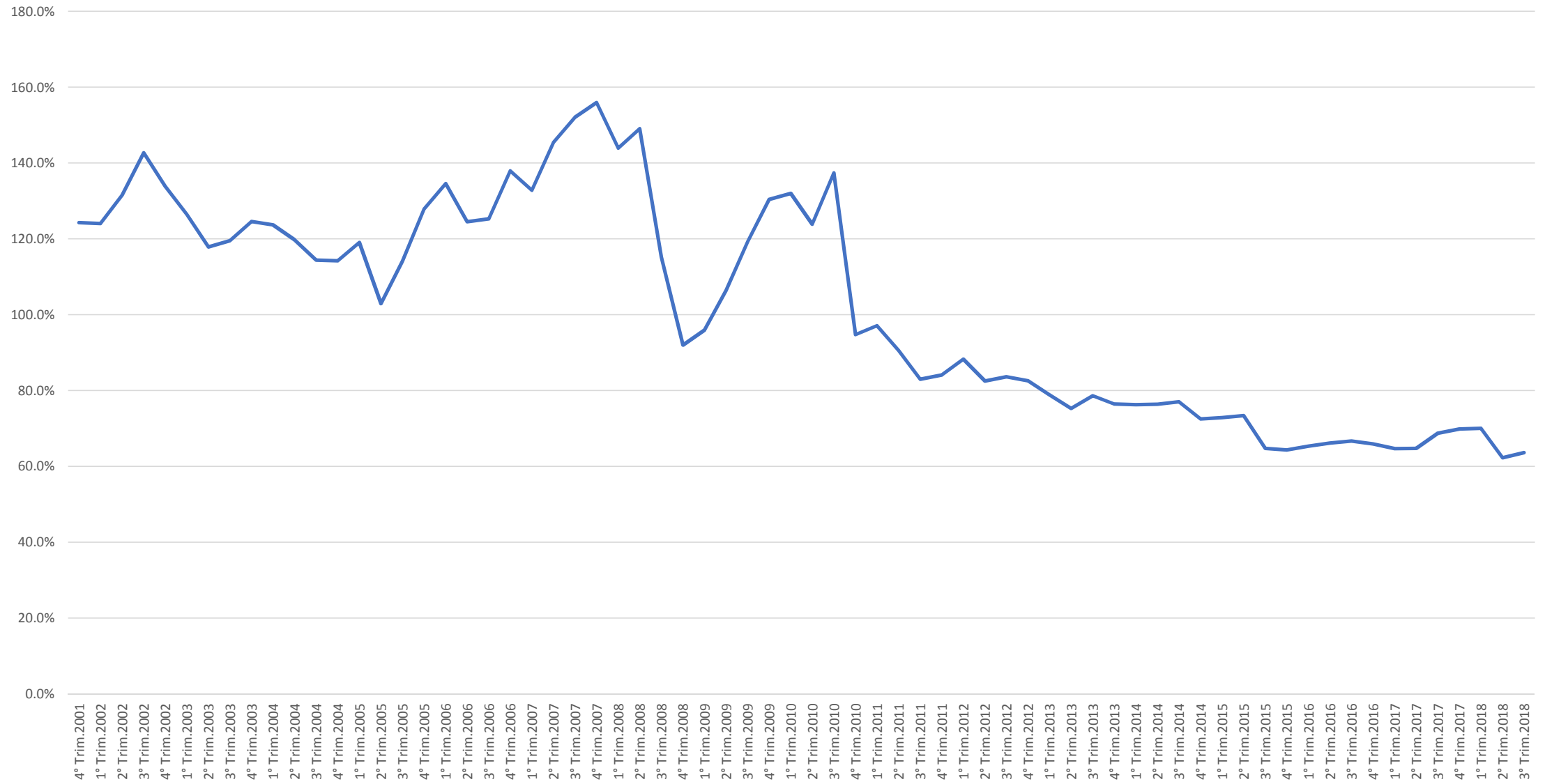
- Zero import tariff for several capital goods without domestic production
- Reduction of the time required to register a foreign-owned company, from 45 to 3 days
- Creation – under a ‘single window’ mechanism – of a centralized payment mechanism for all taxes on foreign trade
- Authorization of 100% of foreign capital in domestic airlines
- More flexible rules for government procurement
- Increased concern with Socially Responsible Business Practices

# **A Brief Overview of Foreign Investment in Brazil**

# Direct Investment in Brazil



# Portfolio Investment/Direct Investment





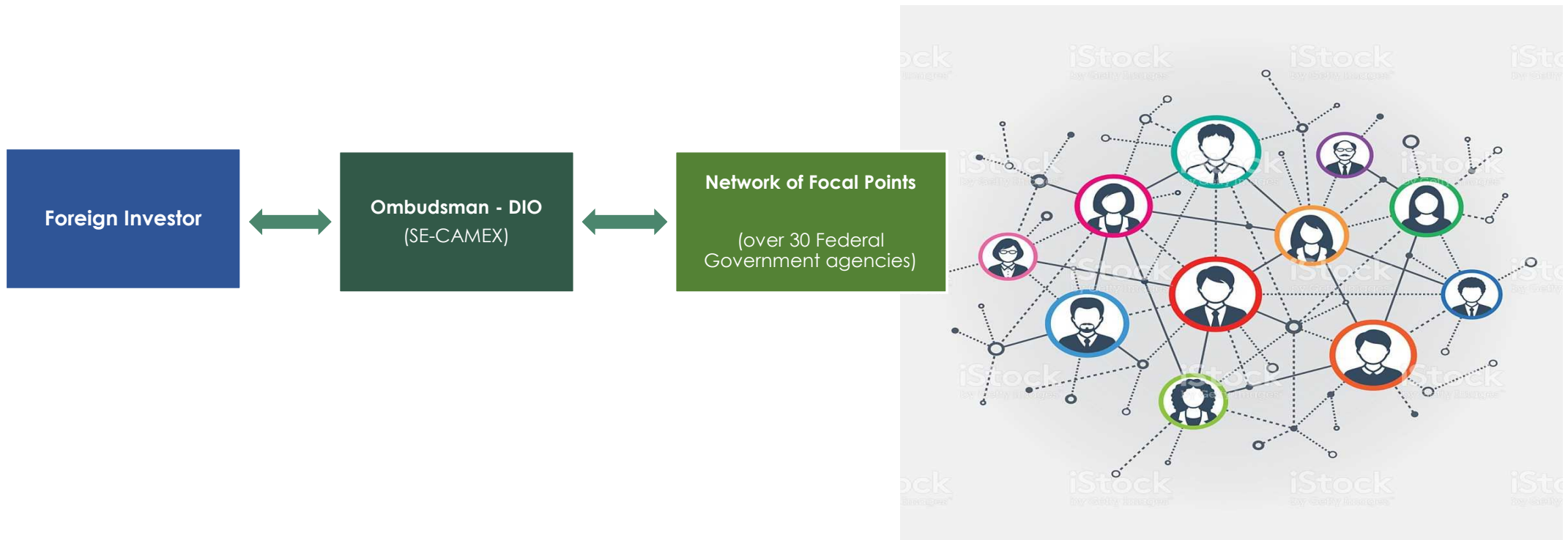
**Two recent initiatives  
related to Direct Investment stand-out**

# **I - The Direct Investment Ombudsman (DIO)**

# Foreign Direct Investment Ombudsman (DIO)

- “single window” for foreign investors
- Requests to be answered with the support of focal points (set of over 30 federal Government agencies plus representatives from all States)
- Ombudsman reports to the Council of vice-ministers responsible for the foreign investment policies

# Network of DIO Focal Points



**[www.oid.economia.gov.br](http://www.oid.economia.gov.br)**

Esplanada dos Ministérios  
Ministério da Economia  
Bloco "J", Sl. 904  
Brasília – DF, CEP: 70170-900

## **II - The National Contact Point**

# **OECD Guidelines for Responsible Business Conduct**

# The Importance of Business Responsibility

- Consumers prefer products and services from companies concerned with social responsibility and environmental sustainability
- Sustainability can be a strategic tool to reduce costs and risks, thus fostering profitability and market share
- Furthermore, investors might be led to reduce their participation in companies with a negative image

## **OECD Guidelines:**

**11 Dimensions to be observed by  
multinational companies**



## Brazil has signed the OECD Declaration on International Investment and Multinational Companies (comprising the Guidelines) in 1997

### Number of Processes so far

Under analysis	3
Refused	6
Concluded	17

## **Like the Ombudsman:**

- the NCP relies upon a diversified set of focal points**
- the NCP reports to the Council of vice-ministers responsible for the foreign investment policy**

**[pcn.ocde@economia.gov.br](mailto:pcn.ocde@economia.gov.br)**

**[www.pcn.economia.gov.br](http://www.pcn.economia.gov.br)**

**These initiatives contribute to a favourable  
environment for investors**

**and**

**It is expected that investors show  
Social Responsibility**

**Finally, an invitation to  
potential investors in Brazil**



**FÓRUM DE  
INVESTIMENTOS  
BRASIL 2019**  
BRASIL INVESTMENT FORUM 2019

# SAVE THE DATE

The Brasil Investment Forum 2019  
will take place on October 10th and 11th,  
at the World Trade Center, in São Paulo.

For more information please visit:  
[www.brasilinvestmentforum.com](http://www.brasilinvestmentforum.com)

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2nd Brazil Japan Meeting for Cooperation on Infrastructure

# Smart Sustainable Cities in Brazil

Investment Opportunities and Methodology

**Vitor Menezes**

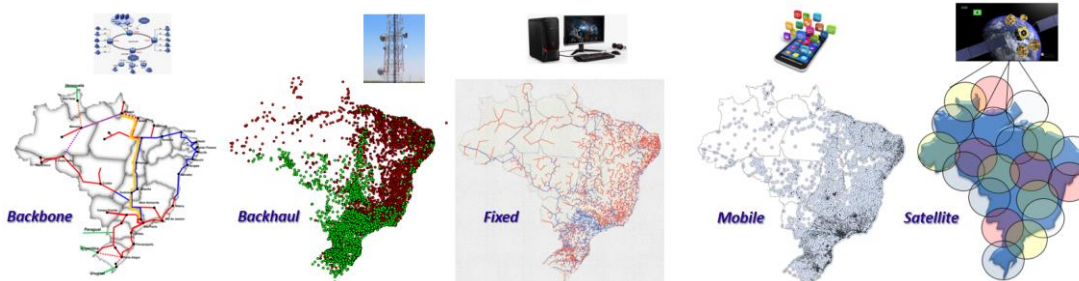
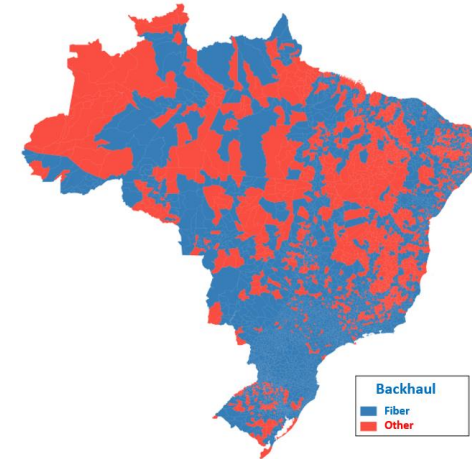
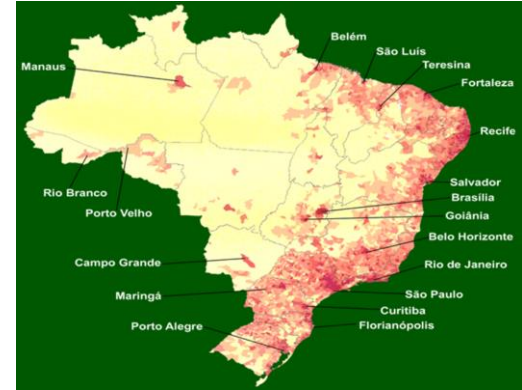
Secretary of de Telecommunications

Ministry of Science, Technology, Innovation and Communications



# Brazil in numbers:

- Population 210 Million (May 2019).
- 5.570 municipalities .
- Broadband Infrastructure:
  - Fixed (in service) = 32M (cable/xdsl/fiber) -> 43% of domiciles
  - Mobile (in service) = 186M (3G/4G) -> 99% / 93% pop. coverage
- Broadband Uptake:
  - Fixed + Mobile (active online) = 75% of domiciles
  - Smartphone = 66% of population

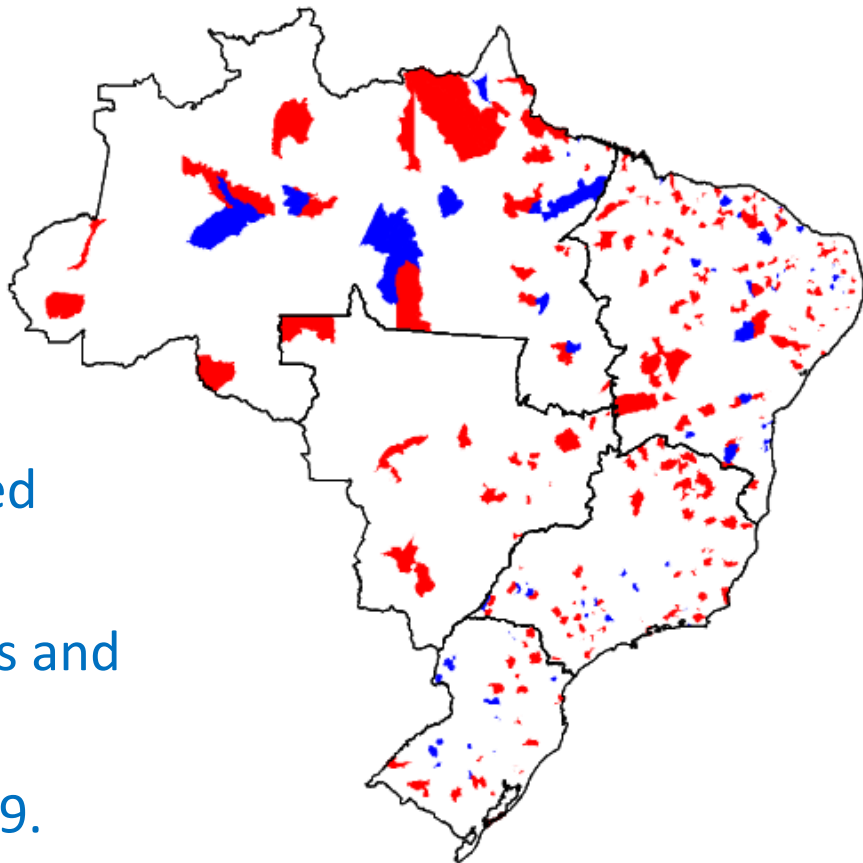






## Cidades**Digitais**

- ✓ Existing Program (since 2012)
- ✓ 139 selected municipalities received investments in Optical Fiber Rings.
- ✓ Aimed at increasing Internet access and the provision of digital services.
- ✓ Additional 78 municipalities in 2019.
- ✓ Will be replaced by new program: “Smart Sustainable Cities”



# Programa Brasileiro para cidades inteligentes **Sustentáveis**



## ✓ **ITU-T Recommendations:**

- Smart Sustainable Cities Maturity Model.
- Assessment Framework for Digital Transformation of Sectors in Smart Cities.

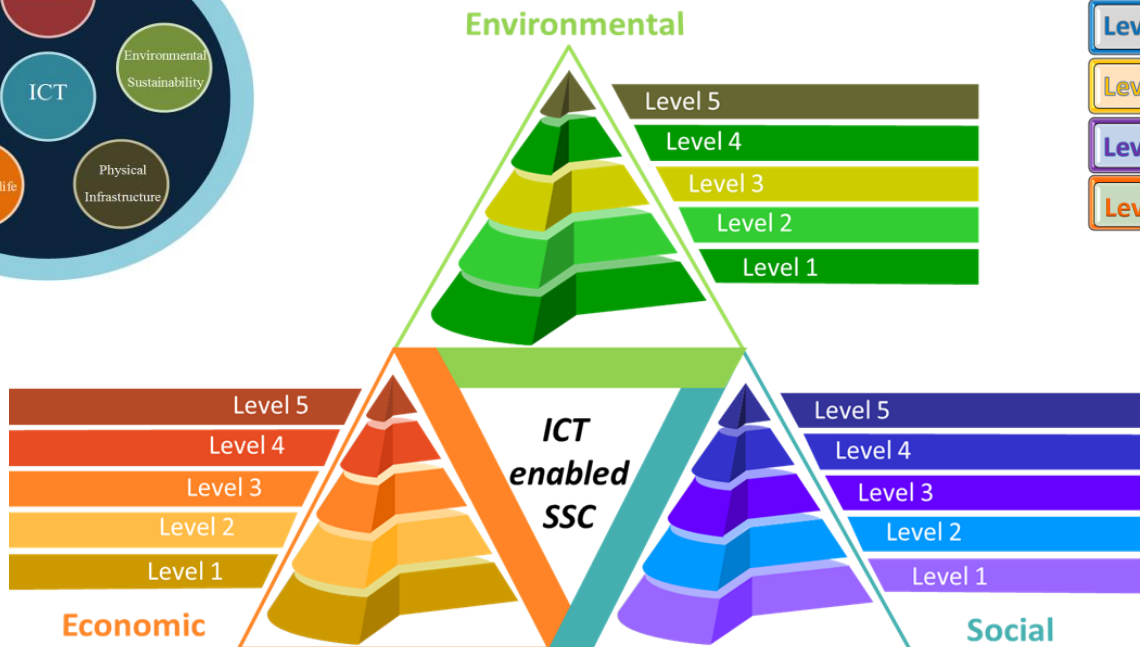


## ✓ **Definition:**

*"A smart sustainable city is an innovative city that uses information and communication technologies (ICTs) and other means to improve quality of life, efficiency of urban operation and services, and competitiveness, while ensuring that it meets the needs of present and future generations with respect to economic, social, environmental as well as cultural aspects".*



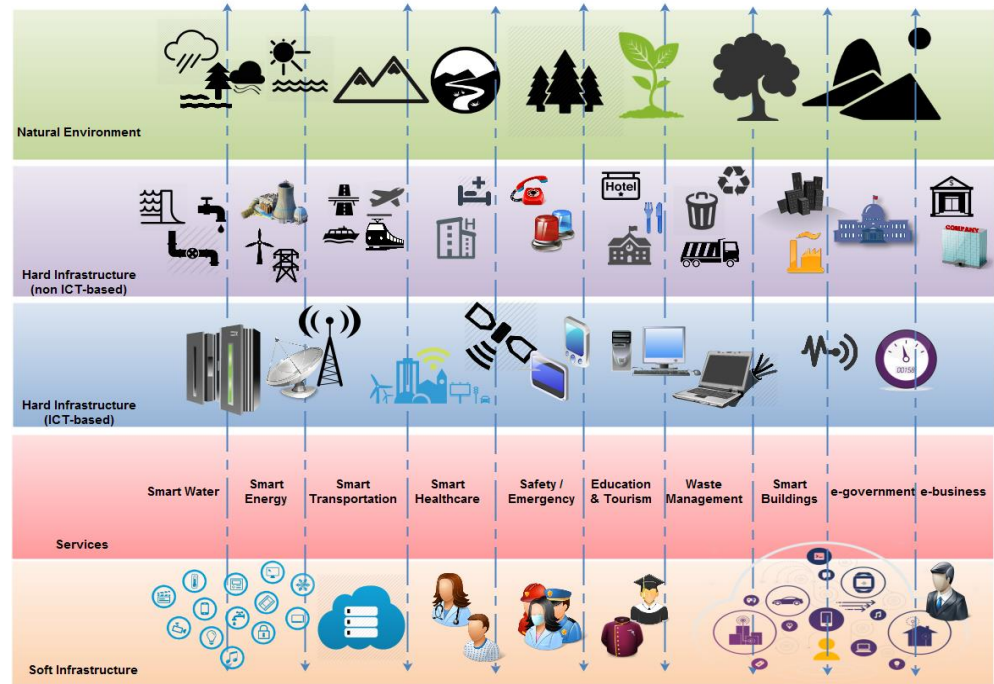
# SMART SUSTAINABLE CITIES MATURITY MODEL



# SMART SUSTAINABLE CITIES KEY PERFORMANCE INDICATORS



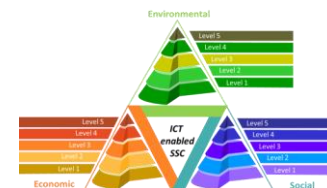
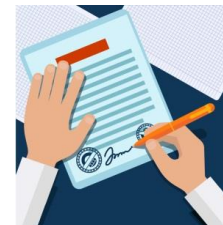
- ✓ ITU-T has developed a set of key performance indicators (KPIs) to assist cities in integrating ICT services into their existing urban operations.
- ✓ These KPIs provide cities with a credible monitoring system for their smart city transitions.





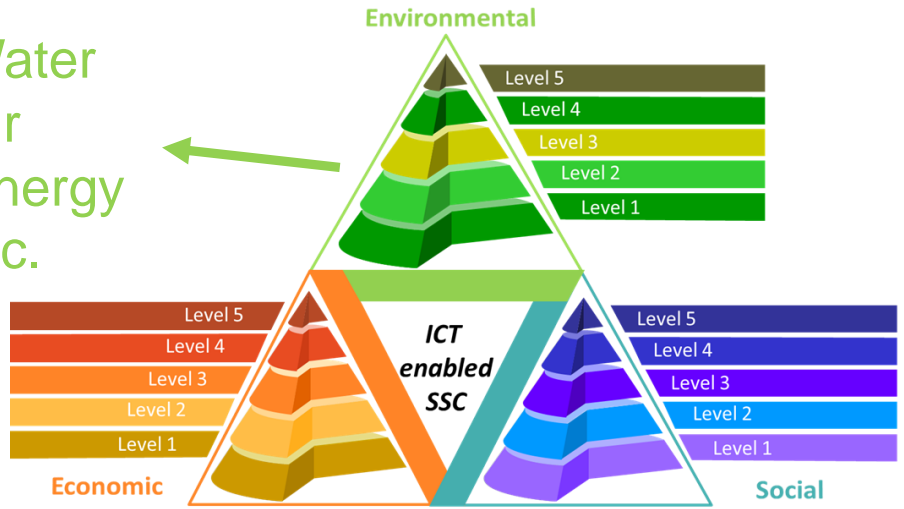
## Brazil Roadmap:

- Governance Instance (*Chamber for Smart Sustainable Cities*)
- Policy for Smart Sustainable Cities (*Decree*)
- Selection of Indicators for Smart Sustainable Cities
- Assessment Framework Leveling
- National Strategy for Smart Sustainable Cities:
  - ✓ Implementation.
  - ✓ Maturity Model for Smart Sustainable Cities.
  - ✓ Certification of Smart Sustainable Cities.



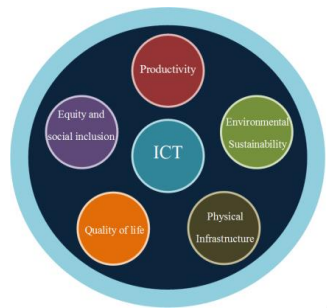
# SMART SUSTAINABLE CITIES STRATEGY IMPLEMENTATION

- ✓ Water
- ✓ Air
- ✓ Energy
- ✓ etc.



- ✓ Connectivity
- ✓ Services
- ✓ Startups
- ✓ etc.

- ✓ Education
- ✓ Health
- ✓ Security
- ✓ etc.



# Thank you!

## Questions?

**Vitor Menezes**

**Secretary of de Telecommunications**

**Ministry of Science, Technology, Innovation and Communications**