

Outlook and perspectives of the Brazilian political-economic scenario

Executive and Legislative Branches

Outlook



Brazil: Lula's third term

A completely different economic and social scenario/circumstances than Lula's first and second terms (2003-2011) – both nationally and globally.

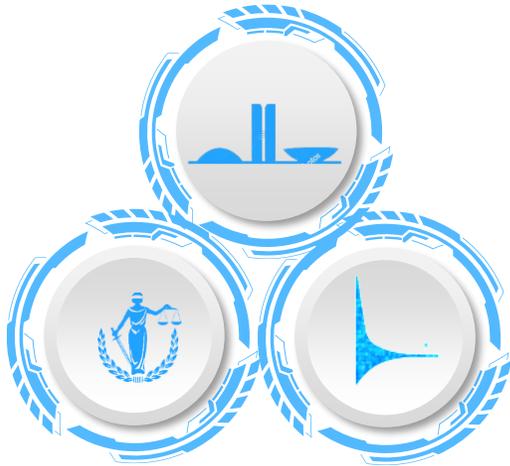


World: tensions different from those Lula faced before

- The competition for supremacy between the US and China and its implications for geopolitical power distribution;
- Intensification of tensions due to the Ukraine war and its effects on the energy plan and on the global goods and service chains; etc.

Political scenario

Gestures of harmony/synergy between the 3 branches



- Mutual support in favor of a democratic state under the rule of law, a prerequisite for economic and social development.
- Balance and mutual respect between the Executive, Judicial and Legislative branches in favor of democracy.
- Suitable environment for dialogue on important reforms.

However, such harmony does not imply automatic alignment with political orientations or programmatic agendas defended by the third Lula government.

Executive versus Legislative



Weak government coalition in the National Congress

The Congress election results

did not guarantee a stable coalition of Congress members with sufficient numbers for approvals requiring a qualified quorum in the legislature.

In recent years

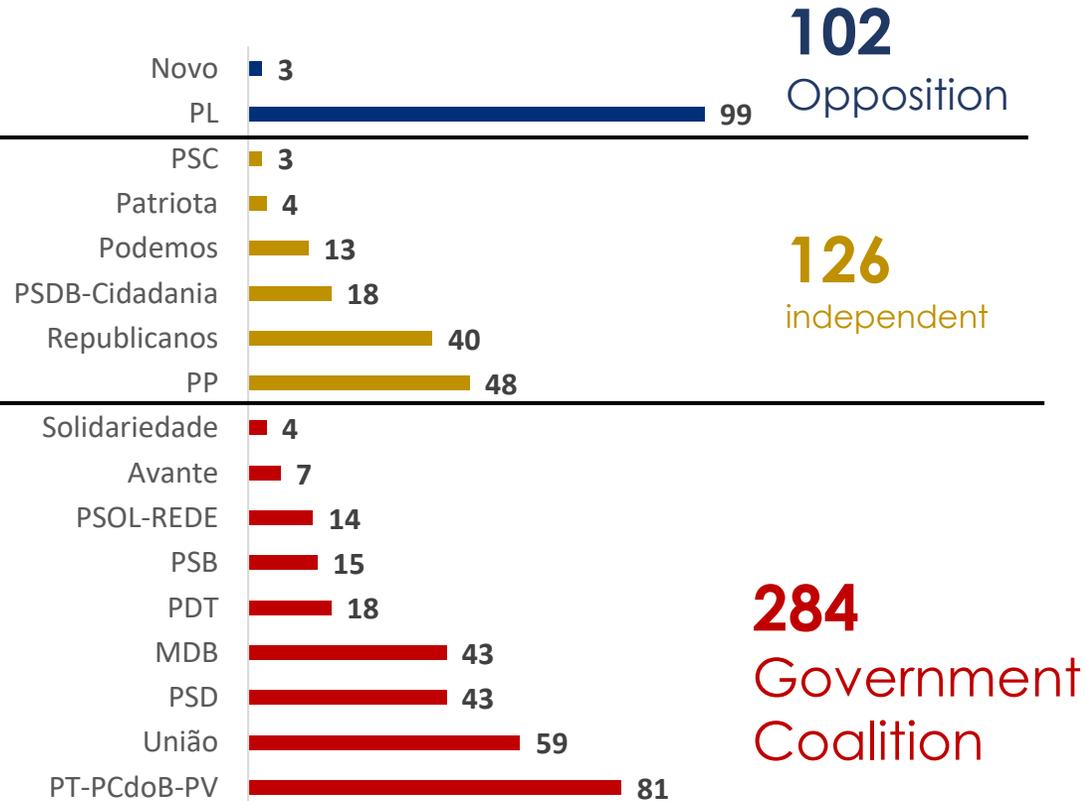
the Congress has played a central role in formulating and allocating the public budget through the “impositive budget” (mandatory execution).

Current scenario

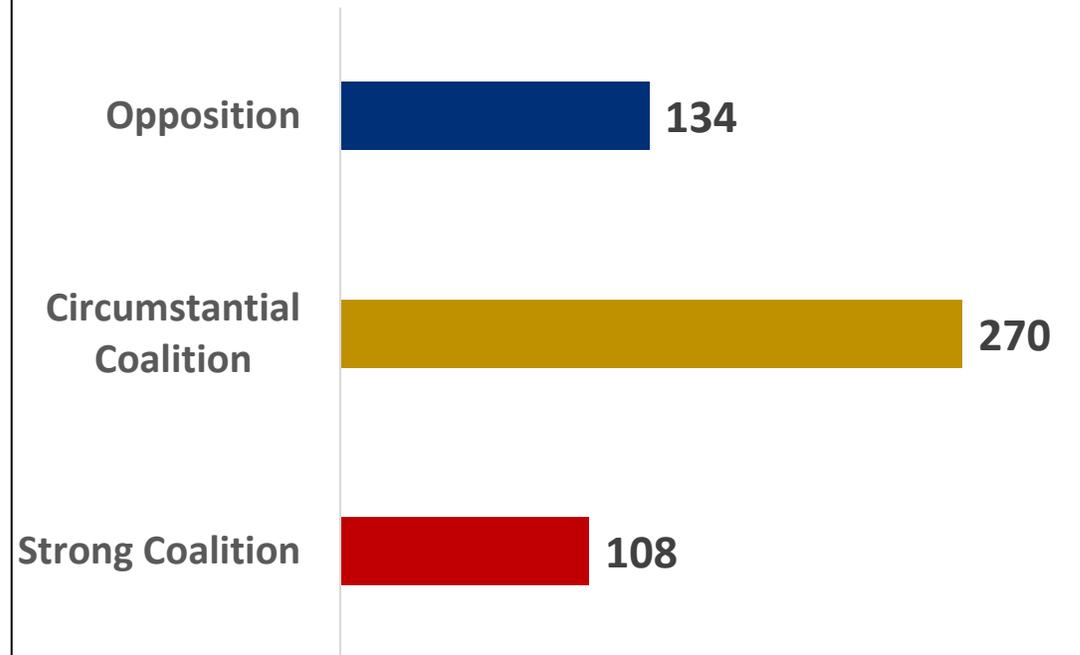
Impossibility of reversing relevant reforms that have been pushed forward in recent years, such as labor and social security reforms, and important regulatory frameworks such as for basic sanitation

Government coalition in the National Congress

Government coalition, in theory (Parties holding ministerial positions)



Government coalition, actual (According to individual behavior during the last votes in the Plenary)



Challenges for the Federal Government



- The implementation of Government programs depends on the formation of specific majorities and agendas on which there is minimal consensus or common interest among the Government coalition (with limited potential) and center parties.
- However, new arrangements - opening up Executive leeway - can ease uncertainty about the feasibility of initiatives and priorities of the Executive branch in the Legislative branch.
- The assertiveness of the Federal Government in running the economy will make a decisive contribution to a positive perception of the third Lula government.

Brazil

Third Lula Government

Three priority agendas



Economic

Economic growth
with social
development



International

International presence
and search for
agreements; return to
South-South cooperation.



Environmental

Socioenvironmental
responsibility as a
cross-cutting element
of all its policies

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- The Government presented a proposal for a new budget rule (PLP 93/23) to replace the “public expenditure ceiling”.
- The Government also signaled a willingness to approve the tax reform.

Perception of the economic reaction:

- Risk rating agency S&P Global Ratings changed Brazil's long-term outlook from “stable” to “positive”, the first change since 2019.
- The Central Bank's “Focus” report, which summarizes statistics calculated taking into account weekly market expectations, shows a reduction in this year's inflation estimate from 5.42% to 5.12%



The Economic agenda of the Congress



Federal Senate | New Fiscal Framework (PLP 93/2023)

*Already processed by the Chamber of Deputies and approved in May 2023.
It was approved with amendments in the Federal Senate in June 2023.
The matter returns to the Chamber of Deputies for review.*

Chamber of Deputies | Tax Reform (PEC 45/2019)

*Approved in May 2023 in the Committee on Constitution and Justice and Citizenship (CCJC).
Awaiting deliberation on the opinion of deputy Aguinaldo Ribeiro - PP/PB, which is favorable to the project with Substitute Bill.
It still needs to be deliberated by the Plenary of the Chamber of Deputies. If approved, it will go to the Federal Senate for review.*

National Congress | Budget Laws (PPA 2024/27, LDO 2024, LOA 2024)

On June 15th, the rapporteurship was defined for the budget laws: the Multiyear Plan (PPA) of the Lula Government, the Budget Guidelines Law (LDO) 2024, and the Annual Budget Law (LOA) 2024.

- Rapporteur of PPA 24/27: Deputy Bohn Gass (PT/RS).*
- Rapporteur of LDO 2024: Deputy Danilo Forte (União/CE)*
- Rapporteur of LOA 2024: Senator Professor Dorinha Seabra (União/TO).*

LDO 2024 must be deliberated by the Congress by July 17th – there is no forecast yet for discussion of the matter in the Joint Committee on Budgets.

PPA 2024/2027 must be sent by the Executive to Congress by August 31st and approved by the end of the year.

The Government's Economic agenda

Industrial policy

- A positive gesture by the Federal Government in favor of a structural reform that favors a recovery process of the Brazilian industry.
- Reactivation of critical bodies for dialogue with the productive sector and policy formulation, such as the Ministry of Development, Industry and Foreign Trade (MDIC) and the National Industrial Development Council (CNDI).
- Attribution of the responsibility for industrial policy to Vice-President Geraldo Alckmin.
- In dialogue with CNI, definition of a mission-oriented policy that adopts the priorities set by the national industry.



Industrial Policy in the Congress



Federal Senate | Equal pay for men and women (PL 1085/2023)

Already processed by the Chamber of Deputies and approved in May 2023.

Already processed by the Senate and approved in June 2023.

Awaiting sanction by July 4th, 2023.

Chamber of Deputies | Modernization of the “Good Law” (PL 4944/2020)

The matter is being urgently processed and awaits inclusion on the Order of Business. If approved, it will go to the Federal Senate for review.

Chamber of Deputies | Corporate income tax (IRPJ) and reinvestment incentives in Sudam and Sudene (PL 4416/2021)

Awaiting approval of the Final Wording by the Committee on Constitution and Justice and Citizenship (CCJC) of the Chamber of Deputies.

According to an internal decision of the Chamber, if approved in a merit commission by July, there is the possibility of being included in LDO 2024 - There are negotiations on the inclusion of amendments by the Executive itself.

Federal Senate | Payroll tax exemption related to social security contributions (PL 334/2023)

Approved the substitute bill in the Economic Affairs Committee (CAE).

It will go to the Chamber of Deputies for review.

Federal Senate | Incentives and tax benefits for legal entities (PLP 41/2019)

Awaiting inclusion on the Order of Business of the Federal Senate Plenary.

If approved, it will go to the Chamber of Deputies for review.

The Government's International agenda

Dialogue and agreements

- The priority given to foreign policy is clear given the President's heavy travel agenda.
- Strong position of the country in the international scenario in favor of the energy transition and protection of the environment, including the unblocking of the Amazon Fund.
- Rapprochement with international partners, conclusion of trade or cooperation agreements (7 with Portugal, 15 with China, etc.), and openness to dialogue on the agreement between Mercosur and the EU.



The International agenda of the Congress



Federal Senate | Mercosur Trade Facilitation Agreement (PDL 164/2022)

Already processed by the Chamber of Deputies and approved in May 2023.

Awaiting the opinion of Senator Cid Gomes (PDT/CE) in the Committee on Foreign Affairs (CRE).

It still needs to be deliberated by the Senate Plenary. If approved, it will need to be promulgated by the Board of the National Congress.

Federal Senate | Mercosur Protocol on Public Procurement (PDL 928/2021)

Already processed by the Chamber of Deputies and approved in May 2023.

Awaiting the opinion of Senator Dorinha Seabra Rezende (União/TO) in the Committee on Foreign Affairs (CRE).

It still needs to be deliberated by the Senate Plenary. If approved, it will need to be promulgated by the Board of the National Congress.

National Congress | Legislative authorization for credit operations abroad

The matter is being discussed in the Chamber of Deputies (PEC 3/2023) and in the Federal Senate (PRS 34/2021 and PL 87/2023).

In the Chamber of Deputies, the matter awaits deliberation on the opinion favoring constitutionality by Deputy Arthur Oliveira Maia (União/BA). If approved, it must be deliberated in a Special Committee.

In the Senate, PRS 34/2021 awaits the opinion of Senator Oriovisto Guimarães (Pode/PR) in the Committee on Economic Affairs (CAE), while PL 87/2023 awaits the opinion of Senator Humberto Costa (PT/PE) in the Committee on Foreign Affairs (CRE).

The Government's Environmental agenda

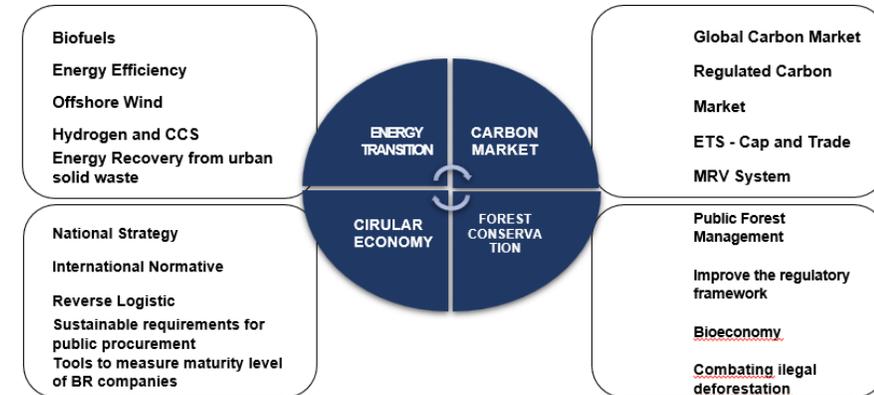
Strategic actions



- Host the United Nations Climate Change Conference (COP 30) in Belém in 2025.
- Zero deforestation as a goal to be achieved by 2030.
- Drafting of an Ecological Transition Plan that includes initiatives such as the implementation of the carbon market.
- Launching soon of the Amazon Security and Sovereignty Plan.
- Revision of the Brazilian NDC and resumption of the commitment made by the country under the Paris Agreement.
- Access to credit for low-carbon agriculture and agroecology.



CNI'S STRATEGY TO SUPPORT A LOW CARBON ECONOMY



The Environmental agenda of the Congress



National Congress | Carbon Market (PL 1425/2022 and PL 2148/2015)

In the Senate, PL 1425/2022 was authored by former Senator Jean Paul Prates (PT/RN), current president of Petrobras. Awaiting the opinion of Senator Beto Faro (PT/PA) in the Committee on the Environment (CMA). It was already approved by the Committee on Infrastructure Services (CI) on June 6th. If approved by the CMA, it will go to the Chamber of Deputies.

In the Chamber of Deputies, PL 2148/2015 is the main project of a block of projects dealing with this topic. The matter is awaiting deliberation by a Special Commission yet to be formed and is being processed under the urgency regime, which requires Plenary deliberation.

Federal Senate | Environmental Permits (PL 2159/2021)

The matter was already approved by the Chamber of Deputies in May 2021. Awaiting the opinions of Senator Tereza Cristina (PP/MS) in the Committee on Agriculture (CRA) and Senator Confúcio Moura (MDB/RO) in the Committee on the Environment (CMA). It still needs to be deliberated by the Senate Plenary.

Federal Senate | Bioinputs Regulation (PL 3668/2021)

Project authored by Senator Jaques Wagner, Government leader in the Senate. Awaiting deliberation on a favorable opinion with Substitute Bill by Senator Veneziano Vital do Rêgo (MDB/PB) in the Committee on the Environment (CMA). If approved by the CMA, it will go to the Chamber of Deputies.



Thank you!



**Brazilian National Confederation of Industry
Institutional Relations Office**