

## Evaluation of the emergency measures taken by the Federal Government to address the Covid-19 crisis

April 17, 2020

The measures taken by the Federal Government are positive, as they are intended to mitigate the harmful effects of the crisis on companies and provide financial support to the most vulnerable groups of our population.

However, the seriousness of the crisis requires stronger measures to assist companies and ensure their survival during this period of low economic activity and, thus, to preserve jobs.

In this regard, the most important measures to be adopted are those of expanding the list of federal taxes whose payment will be temporarily suspended (as is the case of the Corporate Income Tax [IRPJ], the Social Contribution on Net Profit [CSLL] and the Tax on Industrial Products [IPI]), which will be paid in installments at a later time, and making collateral instruments available or the possibility of companies carrying out direct operations with the Central Bank and Brazil's Development Bank (BNDES). This is the most efficient way of ensuring that new funds made available for financing actually reach the final borrower and are not stuck in the financial system.

In general lines, the use of public funds should be focused on strengthening the healthcare system and on alleviating the financial situation of companies with the aim of preserving jobs and ensuring an income to informal or self-employed workers, considering that the main action to control the epidemic (restricting the movement of people) will interrupt or reduce their activities.

To meet the emergency demand for scarce public funds due to the fiscal situation, the Federal Government and the National Congress resorted to mechanisms provided for in the Spending Ceiling Rule and in the Fiscal Responsibility Law and, recognizing a state of public calamity, approved the adoption of fiscal measures to fight the crisis. It is important, however, to prevent these measures from becoming permanent expenses that may deteriorate the fiscal situation after the emergency period.

Finally, it should be noted that some measures are still pending approval by the competent government agency, by a presidential decree, or by Congress as a bill or provisional measure to become effective. It is essential that the necessary actions for the announced measures to be implemented be taken urgently, since the impacts of the pandemic are being increasingly and more rapidly felt.

## Emergency measures

### 1. Use of flexibility mechanisms contemplated in tax rules

Recognition of the state of public calamity for the purpose of:

- a) Making extraordinary credits available, so that the Federal Government may incur emergency spending to fight the crisis without breaching the Spending Ceiling Rule; and
- b) Exempt the Federal Government from meeting the fiscal result targets provided for in the Budget Guidelines Law of 2020 and from limitations for authorizing new spending, as provided for in the Fiscal Responsibility Law.

**Status:** In force (Legislative Decree No. 6 of March 20, 2020).

**Evaluation:** Positive. Key measure for the Federal Government to increase its spending to strengthen healthcare systems and act to mitigate the effects of the economic crisis.

## Support to the most vulnerable population

### 2. Bringing forward of the payment of the first and second installments of the 13th salary (Christmas Bonus) to retirees and pensioners of the National Social Security Institute (INSS): the first one in April and the second one in May (R\$46 billion)

**Status:** In force (Provisional Measure No. 927 of March 22, 2020).

### 3. Making unpaid amounts of contributions to the Social Integration Program (PIS)/Investment Program for Civil Servants (PASEP) available for withdrawal from the Warranty Fund for Severance Pay (FGTS) from June 15 at the maximum amount of R\$1,045 per person (R\$21.5 billion in total)

**Status:** In force (Provisional Measure No. 946 of April 7, 2020). The BNDES announced a transfer of R\$20 billion from PIS/ PASEP contributions to the FGTS to increase its liquidity to make it possible for withdrawals estimated at R\$21.5 billion to be made.

### 4. Bringing forward of the wage bonus to June (R\$12.8 billion)

**Status:** In force (Resolution of the Deliberative Council of the Workers' Support Fund [FAT] No. 857 of April 1, 2020).

### 5. Bringing forward of the sick pay benefit in the amount of one minimum wage/month for three months for people waiting to be examined by the INSS for eligibility to sick pay

**Status:** In force (Law No. 13,982 of April 2, 2020).

### 6. Bringing forward of the payment of R\$600/month for three months of the Continuous Provision Benefit (BPC) to people with disabilities waiting to be examined by the INSS for eligibility (R\$15 billion)

**Status:** In force (Law No. 13,982 of April 2, 2020).

**Combined evaluation of measures 2 to 6:** Positive. The measures make it possible for beneficiaries or insured individuals to provide financial assistance to people in their inner circle who are not covered by any social program, such as informal or self-employed workers.

**7. Bolsa Família (Family Grant Program): increase in the number of beneficiaries by including more than 1 million additional people in the program (R\$3.1 billion)**

**Status:** In force (Administrative Ruling issued by the Ministry of Citizenship No. 335 of March 20, 2020 and Provisional Measure No. 929 of March 25, 2020).

**Evaluation:** Positive. The interruption for 120 days of fund blockings, suspensions and cancellations of benefits for noncompliance with the management rules and conditionalities of the *Bolsa Família* Program and the unblocking of funds for families that failed to provide information for monitoring conditionalities will increase the coverage of the program, which is designed to assist low-income families not covered by any other social program.

**8. Emergency cash grant of R\$600 for beneficiaries of the Bolsa Família program, informal workers, self-employed workers, intermittent workers and individual microentrepreneurs (MEIs) for three months (R\$98.2 billion)**

**Status:** In force (Law No. 13,982 of April 2, 2020).

**Evaluation:** Positive. This measure contributes for people not covered by the social security system to have access to a cash grant to alleviate their lack of income as a result of the crisis brought about by the new coronavirus, Covid-19. This measure is essential for these people to be able to remain in social isolation according to the guidelines issued by the Ministry of Health. It is worth mentioning that the government will select the beneficiaries of this cash grant from the Single Registry or from the National Social Information Registry (CNIS) and that the benefit cannot be accumulated with a retirement pension from the INSS, with the Continuous Provision Benefit (BPC), with the *Bolsa Família* grant or with unemployment insurance. This emergency cash grant will replace the *Bolsa Família* grant when it is more advantageous for the beneficiary. The Institute for Applied Economic Research (Ipea) estimates that 59.2 million Brazilians are eligible for the emergency cash grant.

**9. Reduced payroll interest ceiling for INSS retirees and pensioners, in addition to increased margin and extended payment deadline**

**Status:** Reduced interest ceiling and extended payment deadline approved by Resolution 1338 of March 18, 2020 of the National Social Security Council. For the margin to be increased, a bill must be passed or a provisional measure must be issued for this purpose.

**Evaluation:** Positive. The measure makes it possible for families affected by the crisis to resort to loans at this time of financial difficulty. Retirees and pensioners can provide financial support to members of their family not covered by the social security system, such as informal and self-employed workers. These people are more vulnerable to the restrictions imposed by Covid-19 and must be provided with the financial means to stay at home without working, following the guidelines issued by the Ministry of Health.

**10. Suspension of proof of life for pensioners of the social security system (INSS) for 120 days**

**Status:** In force (INSS Administrative Ruling No. 373 of March 16, 2020).

**11. Postponement for 120 days of procedures for blocking and suspending the Continued Provision Benefit (BPC)**



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**Status:** In force (Administrative Ruling issued by the Ministry of Citizenship No. 330 of March 18, 2020).

**Combined evaluation of measures 10 and 11:** Positive. These measures are important to avoid movement and agglomeration of people, which is fundamental for preserving public health, and are focused on the elderly population, which is the most vulnerable to the new coronavirus.

#### **12. Postponement for 2 months of the deadline for submitting the Individual Income Tax return**

**Status:** In force (Normative Instruction issued by the Internal Revenue Service No. 1,930 of April 1, 2020).

**Evaluation:** Positive. This measure brings financial relief to people who would have amounts to pay to the Internal Revenue Service in Brazil after filing their income tax return. Another advantage of this postponement is that families will have more time to gather all the necessary documentation for submitting their income tax return, thus alleviating difficulties that were being faced to gather such information due to the consequences of the coronavirus pandemic.

### **Preserving companies and jobs: operating and financial costs**

#### **13. Suspension of payments to the FGTS for three months**

**Status:** In force (Provisional Measure No. 927 of March 22, 2020, and Circular Letters issued by Caixa Econômica Federal [Brazil's federal savings bank] No. 893 and 897, both of March 24, 2020).

#### **14. Suspension for two months of payment of contributions to the Social Integration Program (PIS)/Contribution to Social Security Financing (COFINS), of the Employers' Contribution to the INSS, of the Social Security Contribution on Gross Revenue (CPRB) and of contributions to the Rural Workers' Assistance Fund (Funrural)**

**Status:** In force (Administrative Ruling issued by the Ministry of Economy No. 139 of April 3, 2020 and Administrative Ruling issued by the Ministry of Economy No. 150 of April 7, 2020).

**Combined evaluation of measures 13 and 14:** Positive, with reservations. The measure is fundamental for alleviating the adverse financial situation being faced by companies, which tends to worsen in the coming months as a result of the demand and supply restrictions imposed by measures to fight the new coronavirus. The postponement of payment of federal taxes will reduce the working capital requirement, freeing up funds to keep paying wages and suppliers, which are essential for keeping companies in operation.

However, it should be noted that payment of other federal taxes should also be suspended for three months: of the Corporate Income Tax (IRPJ), of the Social Contribution on Net Income (CSLL) and of the Tax on Industrialized Products (IPI). In addition, companies should be allowed to pay the deferred amounts in installments to prevent pressures on their cash flow when they resume their activities.

**15. Suspension for three months of payment of taxes payable under the National Simplified Taxation System (*Simples Nacional*) (federal, state and municipal portions) and of tax payments of Individual Microentrepreneurs (MEIs)**

**Status:** In force (Resolution of the National Simplified Taxation System Committee No. 154 of April 3, 2020).

**Evaluation:** Positive. The measure is important to alleviate the financial situation of micro and small enterprises (MSEs) and Individual Microentrepreneurs (MEIs), who are already suffering from the drop in revenues brought about by the decline in demand caused by the fight against Covid-19. MSEs are usually more vulnerable to crises, as they have a less robust financial structure as compared to medium and large enterprises, especially with regard to their access to credit (interest rates, repayment deadlines, collateral, etc.), including for working capital. The measure will enable MSEs and MEIs to withstand the crisis with less difficulty and to retain their workers.

**16. Postponement of delivery of ancillary obligations of taxpayers under the National Simple Taxation System, of MEIs and of the Statement of Federal Tax Debts and Credits (DCTF), of EFD PIS/Cofins and of the EFD Contributions**

**Status:** In force (Resolution of the National Simplified Taxation System Committee No. 153 of March 25, 2020 and Normative Instruction of Brazil's Internal Revenue Service No. 1,932 of April 03, 2020).

**Evaluation:** Positive. Postponement to June 30 of the deadline for delivery of the Statement of Socioeconomic and Tax Information (Defis) for companies operating under the National Simple Taxation System and of the Simplified Annual Statement for Individual Microentrepreneurs (DASN-Simeis). Submission of the DCTF, EFD PIS/Cofins and EFD Contributions statements was postponed to mid-July. This postponement reduces the cost companies incur to generate and submit this information; and it also prevents some companies from failing to provide information due to the absence of employees in charge of this activity, as many of them are in quarantine.

**17. 50% reduction in contributions to the S System for three months (R\$2.2 billion) and increase of R\$500 million in the Guarantee Fund for Micro and Small Enterprises (FAMP)**

**Status:** In force (Provisional Measure No. 932 of March 31, 2020).

**Evaluation:** Positive, with reservations. Reducing the rate of contribution to the S System is reasonable at this time of crisis, as it represents a cash relief for companies, which have been suffering from a sharp drop in their revenues. It is also very important to allocate additional funds from SEBRAE to the Credit Guarantee Fund as a means to expand loans to micro and small enterprises (MSEs), which have been facing difficulties to provide collateral for such operations. SEBRAE estimates that this measure will ensure an amount of R\$12 billion in financing for MSEs.

However, it should be highlighted that the reduction in contributions should be only temporary, for three months, as in addition to playing an important role in training workers, the S System is a major actor in facing the ongoing crisis due to its capillarity and close ties with manufacturing companies, their employees and their families. SENAI can provide the necessary support in the healthcare area in the form of direct care and guidance. SENAI is structured to support industrial companies in overcoming problems caused by declines in



sales, through alternatives designed to promote productivity. Additionally, SENAI is already carrying out actions in support of the development and production of essential goods to fight the COVID-19 crisis, such as alcohol-based gel and respirators. In addition, raising from 3.5% to 7% the management fee charged by the Internal Revenue Service for collecting contributions from companies and passing them on to the entities making up the S System is unacceptable.

**18. Suspension, extension and postponement of acts for collecting the Union's active debt**

**Status:** In force (Administrative Ruling of the Ministry of Economy No. 103 of March 17, 2020 and Administrative Ruling of the National Treasury Attorney General's Office No. 7,821 of March 18, 2020).

**19. Conditions for extraordinary transaction in collecting the Union's active debt**

**Status:** In force (Administrative Ruling of the Ministry of Economy No. 103 of March 17, 2020 and Administrative Ruling of the National Treasury Attorney General's Office No. 7,820 of March 18, 2020).

**Combined evaluation of measures 18 and 19:** Positive. The measures contribute to providing financial relief to companies in the face of falling revenues. Postponing the collection of debts with the Union and facilitating the settlement of those debts can free up funds that companies can use to pay suppliers and wages, avoiding more serious consequences for the economy.

**20. Suspension for two months of deadlines for taxpayers to respond to inspection actions**

**Status:** In force (Administrative Ruling of the Brazilian Internal Revenue Service No. 543 of March 20, 2020).

**Evaluation:** Positive. The measure is intended not to compromise the progress of taxpayers' administrative processes with the tax authority at a time when both companies and the tax authority themselves are finding it difficult to maintain their routines amidst the consequences of the coronavirus pandemic.

**21. Suspension for 40 days of procedural deadlines for mining processes, including those related to the Financial Compensation for Exploration of Mineral Resources (CFEM)**

**Status:** In force (Resolution of the National Mining Agency No. 28 of March 24, 2020).

**Evaluation:** Positive, with reservations. The measure is important to prevent mining companies from missing procedural deadlines with the National Mining Agency (ANM) that may be related to various issues, including fines and improper charges for Financial Compensation for Exploration of Mineral Resources (CFEM). However, a suspension period of only 40 days may be insufficient, especially considering that all other measures were designed to be applied for two months or more.

**22. Facilitating, before landing, the clearance of imported industrial raw materials and inputs**

**Status:** In force (Normative Instruction of the Internal Revenue Service of Brazil No. 1,927 of March 17, 2020).

**Evaluation:** Positive. The measure will likely contribute to preserving the supply of inputs and raw materials that are important for the operation of manufacturing companies,

especially those that depend on foreign suppliers, so as to avoid the scarcity of products for consumers.

**23. Support for civil aviation companies: temporary suspension of contributions payable at privatized airports, extension of the deadline for paying air navigation tariffs, establishment of a 12-month period to reimburse passengers and of a special BNDES credit line**

**Status:** In force (Provisional Measure No. 925 of March 18, 2020, Decree No. 10,284 of March 20, 2020 and announcement by the BNDES).

**Evaluation:** Positive. This is one of the sectors most affected by the crisis so far and one that needs a lot of capital to remain in operation, given the high costs involved in air transportation activities. In addition, it is a strategic sector for the country, as it ensures the movement of goods and passengers.

**24. Extension of the validity of Debt Clearance Certificates (CNDs) from 60 to 180 days, extendable, in the event of a public calamity, for another 180 days**

**Status:** In force (Provisional Measure No. 927 of March 22, 2020 and Joint Administrative Ruling of the Internal Revenue Service of Brazil/National Treasury Attorney General's Office No. 555 of March 23, 2020).

**Evaluation:** Positive. The extension of the validity period of CNDs reduces the red tape and several problems faced by companies as a result their extremely short validity before this measure was taken. In addition, it allows companies facing momentary difficulties due to the crisis not to be prevented from supplying goods and providing services to the Federal Government.

**25. Acceptance of digital documents and new procedures for remote service by Brazil's Internal Revenue Service**

**Status:** In force (Normative Instruction 1,931 of April 2, 2020).

**Evaluation:** Positive. The measure facilitates the dialogue between taxpayers and Brazil's Internal Revenue Service at this time of social isolation due to the coronavirus.

**26. Electricity supply may not be cut off in default of payment for consumers engaged in essential or low-income activities**

**Status:** In force (Normative Resolution of the Brazilian Electricity Regulatory Agency [ANEEL] No. 878 of March 24, 2020).

**Evaluation:** Positive, with reservations. The measure ensures that electricity supply will not be cut off for companies that are unable to pay for it, so as to avoid interruptions in essential operations due to lack of electricity. However, the measure will harm electricity utilities.

**27. Non-payment for three months of electricity bills for families covered by the Electricity Social Tariff program. And financial operations of government to support electricity distributors, with repayment of debt by charging an extraordinary tariff charge (to be created) on electricity consumption**

**Status:** In force (Provisional Measure No. 950 of April 8, 2020).

**Evaluation:** Positive, with reservations. Exempting low-income families from paying electricity bills – with the Federal Government bearing costs in the order of R\$900 million

– is a correct measure, as it protects the most vulnerable group of the population at this moment of crisis. However, charging an extraordinary tariff charge to financially support distributors is wrong, as it will put pressure on other electricity consumers (families and companies), who are also in a fragile situation due to the crisis. In this regard, the measure should be adjusted in two points with the aim of: i) ensuring greater financial support from the Federal Government to subsidize the energy bills of low-income families (the amount is likely to exceed R\$900 million as defined in the Provisional Measure) and ii) ensuring that the new charge, if it is actually inevitable, is temporary and is solely intended to subsidize the electricity consumption of low-income families. In other words, it is essential to eliminate the risk that the charge may become a permanent charge and make sure that its purpose is to compensate distributors for their loss of revenue during the crisis.

**28. Suspension of the procedural deadlines of IBAMA and ICMBio for an undetermined period**

**Status:** In force (Administrative Ruling of the Ministry of Environment/IBAMA No. 826 of March 21, 2020 and Administrative Ruling of the Ministry of Environment/ICMBio No. 226 of March 21, 2020).

**Evaluation:** Positive. The measure makes it possible to extend environmental licenses and certificates automatically, at federal level, so that some companies don't have to compromise their activities due to the lack of this type of documentation.

**29. Extension of validity periods for verification certificates and establishment of extraordinary conditions for regulated conformity assessment services, both of which are measures taken by INMETRO**

**Status:** In force (Administrative Rulings of INMETRO No. 99 and No. 101, both of March 20, 2020).

**Evaluation:** Positive. This measure eases procedural rules with the aim of making it possible for companies to remain in conformity with INMETRO despite the countless difficulties they have been facing in their routines due to the consequences of the coronavirus pandemic. This avoids harming some activities simply because they are not complying with regulations.

**30. Postponement of deadlines and easing of governance procedures for business corporations (corporate meetings) for submission of accounting and financial documents of publicly-held companies and for governance rules for investment funds**

**Status:** In force (Provisional Measure No. 931 of March 30, 2020, and Resolution of the Ministry of Economy/CVM No. 849 of March 31, 2020).

**Evaluation:** Positive. The measure gives more flexibility for companies to fulfill their governance and compliance obligations with regulatory bodies, such as with the Brazilian Securities and Exchange Commission (CVM), thus avoiding any impediments in their activities.

**31. Suspension of the Transportation Operation Identifier Code (CIOT) and extension of the validity of certificates issued by the National Registry of Road Cargo Transporters (RNTRC), both of which are regulated by the National Land Transportation Agency (ANTT)**

**Status:** In force (Resolution of the National Land Transportation Agency No. 5,876 of March 20, 2020).



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**32. Suspension, during the state of calamity, of procedural deadlines with ANTT with regard to investigations of traffic infractions and duties set out in notices of bidding documents and concession contracts**

**Status:** In force (Resolution of the National Land Transportation Agency No. 5,882 of April 7, 2020).

**Combined evaluation of measures 31 and 32:** Positive. The measures contribute to prevent cargo transportation from being harmed by the consequences of the coronavirus pandemic, thus avoiding even greater damages for companies and possible restrictions on the supply of essential goods for the population. In the specific case of biddings/concessions, the measure is important to prevent any losses in ongoing administrative processes when deadlines are missed due to problems caused by the pandemic, which could, ultimately, compromise the development of public works, for example.

**33. Postponement of the federal charge for the use of water resources for four months, which can be paid in up to five installments, between August and December 2020**

**Status:** In force (National Water Agency Resolution nº. 18, of April 15, 2020).

**Evaluation:** Positive. The measure reduces the fixed costs of companies, contributing to their financial situation, at this moment of sharp reduction on revenues, due to the coronavirus crisis.

### Preserving companies and jobs: labor relations

**34. Easing of labor rules for telecommuting, hour bank, bringing individual vacations forward, granting collective vacations, using holidays and bringing them forward, suspending administrative requirements for occupational safety and health, suspending the deadlines for labor-related defense and administrative appeals, extending collective bargaining agreements and accords at the employer's discretion, and labor inspections for guidance purposes**

**Status:** In force (Provisional Measure No. 927 of March 22, 2020).

**Evaluation:** Positive. Easing labor rules is essential for companies to adapt their operating routines to the new crisis situation, so as to avoid layoffs, preserve jobs and reduce legal insecurity.

**35. Emergency Employment and Income Preservation Program: permission to reduce working hours temporarily, suspend employment contracts temporarily and grant a compensatory benefit**

**Status:** In force (Provisional Measure No. 936 of April 1, 2020).

**36. Defrayal, by the Social Security System, of the wages of employees since the first day of layoff due to Covid-19**

**Status:** In force (Law No. 13,982 of April 2, 2020).

**Combined evaluation of measures 35 and 36:** Positive. According to the Emergency Employment and Income Preservation Program, companies will be allowed to reduce the wages of their employees in proportion to their working hours. Cuts of 25%, 50% or 70%



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are allowed for up to 90 days. In addition, employers may agree, by means of an individual agreement, to suspend employment contracts temporarily for a maximum period of 60 days. During the period in which the wages or employment contracts of workers are suspended, the Government will pay an emergency benefit to these workers, calculated based on the monthly amount of the unemployment insurance to which each worker would be entitled, which will vary according to the reduction in their working hours and to their wage level.

In addition, companies will be allowed to deduct wages paid during the first 15 days of layoff due to Covid-19 from contributions due to the Social Security System, with the ceiling set by the INSS as the limit per workers. These measures are essential for reducing the costs of companies during the period of low productive activity and sharp drop in their revenues, so as to ensure that jobs are preserved.

### Preserving companies and jobs: credit

#### 37. Emergency credit line of R\$40 billion to fund two months of payroll expenses

**Status:** In force (Provisional Measure No. 944 of April 3, 2020).

**Evaluation:** Positive. The measure, announced by the Central Bank, Caixa Econômica Federal and BNDES, creates a special credit line to fund the wages of workers in companies with annual revenues ranging from R\$360,000 to R\$10 million. The financeable amount per worker is up to two minimum wages, with interest rates of 3.75% per year, a 30-month repayment period and a six-month grace period. This financing is conditional on keeping employees employed during the two months of the program. This is a fundamental measure, as it focuses on the working capital subsidy for payment of wages. This will help small and medium enterprises to avoid layoffs during this time of crisis.

#### 38. Expansion of the R\$5 billion credit line of the Income Generation Program (PROGER)/Workers' Support Fund (FAT) for Micro and Small Enterprises by creating the *Proger Urbano - Capital de Giro* credit line

**Status:** In force (Resolution of FAT's Deliberative Council No. 850 of March 18, 2020).

#### 39. Expansion of the credit line of BNDES for small enterprises by R\$ 5 billion to finance working capital

**Status:** In force (Announced by BNDES).

**Combined evaluation of measures 38 and 39:** Positive, with reservations regarding the *Proger Urbano - Capital de Giro* credit line. The measures correctly expand credit for working capital for MSEs and medium enterprises. This credit is essential for these companies to be provided with sufficient funds to mitigate the drop in revenues caused by the economic effects of fighting the new coronavirus and, consequently, to honor commitments such as, for example, paying their suppliers and employees.

However, the interest rates contemplated in the *Proger Urbano - Capital de Giro* credit line are high, considering the difficulties faced in the current crisis (Long-term Interest Rates [TLP] + 12%), and it excluded the possibility of using a guarantee fund, making it difficult for SMEs to access this credit line. In addition, the difficulties being faced by companies to access the Proger credit line should be highlighted, since financial agents are not fully prepared to take/operationalize the loans.

Regarding the BNDES credit line, it should be noted that the Central Bank (Resolution No. 4792/20) granted exclusive authorization for the BNDES to transfer funds to fintechs authorized to operate as direct credit companies. As a result, as of May, fintechs registered on the online platform of the BNDES to apply for credit, the *Canal MPME* platform, will start to operate with funds made available by the development bank. The measure is intended to increase financial inclusion via bank deconcentration.

**40. Suspension of repayment of BNDES financing through direct and indirect operations**

**Status:** In force (Announced by BNDES).

**Evaluation:** Positive. The measure is very important to alleviate the adverse financial situation of companies, which tends to worsen in the coming months as a result of the demand and supply restrictions imposed by measures to fight Covid-19. The interruption of repayments to BNDES will free up funds that can be used as working capital by companies, which is expected to avoid layoffs and default with suppliers.

**41. Expansion of credit from Banco do Brasil (R\$100 billion) and Caixa Econômica Federal (R\$106 billion) to companies and families, at lower interest rates**

**Status:** In force (Announced by Banco do Brasil and Caixa Econômica Federal).

**42. Suspension of repayment of debts with Caixa Econômica Federal for 90 days and with Banco do Brasil for 60 days**

**Status:** In force (Announced by Caixa Econômica Federal and Banco do Brasil).

**Combined evaluation of measures 41 and 42:** Positive. The measures contribute to providing financial relief to companies to avoid bankruptcies and layoffs and also to support families in facing this moment of crisis.

**43. Reduction of the basic interest rate, the Selic rate, from 4.25% to 3.75%**

**Status:** In force (Decision announced by the Monetary Policy Council [COPOM]/Central Bank on March 18, 2020).

**Evaluation:** Positive, with reservations. The measure contributes to providing financial relief to companies, as the reduction in the Selic rate is likely to make loans cheaper. As a result, companies will be better able to retain their employees. However, the seriousness of the situation requires an even more significant reduction, since, among other reasons, the benign behavior of inflation allows for such a movement.

**44. Reduction in reserve requirement rates on time deposits (from 25% to 17%)**

**Status:** In force (Circular Letter of the Central Bank of Brazil No. 3,993 of March 23, 2020).

**Evaluation:** Positive. The additional reduction in the rate will free up R\$68 billion, according to the Central Bank, increasing liquidity in the financial market and the availability of credit for companies. The Central Bank signaled that further cuts are being considered.

**45. Exemption for three months from the Tax on Financial Operations (IOF) on loans**

**Status:** In force (Decree No. 10,305 of April 1, 2020).

**Evaluation:** Positive. Temporary exemption from the IOF will reduce the cost of credit with the aim of facilitating access to it by companies and families in need of financial support to be able to honor their commitments and face the crisis.



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**46. Easing of rules for Agribusiness Letters of Credit (LCA)**

**Status:** In force (Resolution of the Central Bank of Brazil No. 4,787 of March 23, 2020).

**Evaluation:** Positive. The measure facilitates the granting of credit to agribusiness and strengthens banks' liquidity. According to the Central Bank, the potential for additional credit to agribusiness amounts to R\$6.3 billion and the potential for additional liquidity for banks amounts to R\$2.2 billion.

**47. Improvements in the rules applied to the Short-Term Liquidity Indicator (LCP)**

**Status:** In force (Circular Letter of the Central Bank of Brazil No. 3,986 of February 20, 2020).

**48. Repurchase operations in US dollars**

**Status:** In force (Circular Letter of the Central Bank of Brazil No. 3,990 of March 18, 2020)

**49. New Time Deposit with Special Guarantees (NDPGE)**

**Status:** In force (Resolutions of the Central Bank of Brazil No. 4,785 of March 23, 2020 and No. 4,799, April 6, 2020).

**50. Lending to banks with debentures as collateral**

**Status:** In force (Resolution of the Central Bank of Brazil No. 4,786 of March 23, 2020).

**51. Expansion of the repurchase limit and reduction in the maturity of Financial Letter**

**Status:** In force (Resolution of the Central Bank of Brazil No. 4,788 of March 23, 2020 and Provisional Measure No. 930 of March 30, 2020).

**52. Reduction in the Additional for Principal Capital Conservation (ACPConservação) from 2.5% to 1.25% for one year**

**Status:** In force (Resolution of the Central Bank of Brazil No. 4,783 of March 16, 2020).

**53. Tax exemption for investment protection operations abroad**

**Status:** In force (Provisional Measure No. 930 of March 30, 2020).

**54. Repurchase operations backed by Federal Public Securities (TPF)**

**Status:** Under analysis. Depends on Central Bank regulations.

**55. Reduction in the liquidity leveling spread**

**Status:** Under analysis. Depends on Central Bank regulations.

**56. Loan backed by Financial Letters (LF) guaranteed by credit operations**

**Status:** In force (Resolution of the Central Bank of Brazil No. 4,795 of April 2, 2020 and Circular Letter of the Central Bank of Brazil No. 3,996 of April 6, 2020).

**Combined evaluation of measures 47 to 56:** Positive, with reservations. The measures announced by the Central Bank are intended to increase the availability of financial resources for banks with the aim of expanding the granting of credit to companies at the lowest possible cost.

However, this increase in liquidity does not necessarily translate into growth in credit operations. The Central Bank's incentive and guidelines for allocating these funds and strengthening credit guarantee systems with the aim of reducing the risk perception of

banks are necessary to make sure that the objective of this increase in liquidity – estimated at 1.2 trillion – is actually achieved.

**57. Creation of a special credit line with funds from the Constitutional Financing Funds**

**Status:** In force (Resolution of the Central Bank of Brazil No. 4,798 of April 6, 2020).

**Evaluation:** Positive. The measure established a special credit line estimated at R\$6 billion for SMEs with funds from the Constitutional Financing Funds of the North (FNO), Northeast (FNE) and Midwest (FCO) regions for isolated working capital and investment-associated working capital at a rate of 2.5% per year, with a grace period until December 31, 2020. The Resolution also suspends for 12 months payments of installments of the financing that are past due or due by December 31, 2020.

**58. Simplification of the requirements for contracting credit and waiving of the Debt Clearance Certificate (CND) for credit renegotiation**

**Status:** The simplification of the requirements for contracting credit is in force (Resolution of the Central Bank of Brazil No. 4,782 of March 16, 2020). The waiving of the CND was announced by the Government, but it still depends on the publication of a normative act to enter into force.

**Evaluation:** Positive. The measure is important at this moment of crisis to facilitate access to credit and increase its supply, including for defaulting companies and families. Loans are an important instrument to alleviate the lack of funds caused by the effects of the fight against Covid-19, avoiding bankruptcy of companies and the vulnerability of families.

**59. Waiving of increased provisioning for financial institutions in the case of debt renegotiation**

**Status:** In force (Resolution of the Central Bank of Brazil No. 4,782 of March 16, 2020).

**Evaluation:** Positive. The measure exempts banks and cooperatives from the requirement of increased provisioning in the event of a renegotiation of their loans for a period of 180 days. The measure favors the rollover of debts of industrial companies at a time of strong impact on their cash flow due to the crisis brought about by Covid-19.

**60. Reduction in the Risk Weighting Factor for credit operations for small and medium enterprises**

**Status:** In force (Circular Letter of the Central Bank of Brazil No. 3,998 of April 9, 2020).

**Evaluation:** Positive. The measure is intended to allocate funds to smaller companies – with annual gross sales in the range of R\$15million-300 million – that are more dependent on financial resources from the banking sector and are less able to provide collateral. The 100% to 85% reduction in the capital requirement for credit operations for small and medium enterprises has the potential to free up approximately R\$3.2 billion from financial institutions for new credit operations.

**61. Change in risk assessment criteria**

**Status:** In force (Resolution of the Central Bank of Brazil No. 4,803 of April 9, 2020).

**Evaluation:** Positive. The measure avoids the need for increased provisioning for loan losses, with impacts on the supply of credit, by allowing financial institutions to reclassify operations renegotiated from March 1 to September 30, 2020 to the risk level attributed



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to them in February 2020, before the economic effects of the measures to fight Covid-19 began to be felt. This risk reassessment, with reduced need for provisioning, contributes to reducing the cost of credit and to increasing access to the banking market.

## Strengthening of the Healthcare System

### 62. Credit from Caixa Econômica Federal to nonprofit hospitals (Santa Casas) (R\$5 billion)

**Status:** In force (Announced by Caixa Econômica Federal).

**Evaluation:** Positive. The measure will contribute to reinforce hospital services, which are in high demand currently due to the coronavirus pandemic.

### 63. BNDES credit line of R\$2 billion and refinancing of R\$30 billion for companies operating in the health sector

**Status:** In force (Announced by BNDES).

**Evaluation:** Positive. The measure will help healthcare companies to meet the new demands imposed by the coronavirus pandemic, with a focus on increasing the number of beds in ICUs and the manufacture of medical and hospital equipment, especially respirators.

### 64. Extra budget for procuring hospital equipment and supplies (R\$5.1 billion)

**Status:** In force (Provisional Measure No. 924 of March 13, 2020).

### 65. Postponement of the 2020 CENSUS to 2021, with resulting funds allocated to the Ministry of Health (R\$2.3 billion)

**Status:** It depends on the passage of a Bill of Law of the National Congress (PLN) or of a provisional measure providing for supplementary credit for the Ministry of Health.

### 66. Allocation of the balance of the insurance fund for Personal Injuries Caused by Land-based Automotive Vehicles (DPVAT) to the Unified Healthcare System (SUS) (R\$4.5 billion)

**Status:** It depends on the passage of a bill of law or provisional measure.

**Combined evaluation of measures 64 to 66:** Positive. In view of the adverse fiscal situation and of the need for additional spending brought about by actions to fight the new coronavirus, the opening of supplementary credits and reallocation of funds previously allocated to the DPVAT insurance and to the CENSUS to the healthcare area are appropriate measures. In addition, postponing the CENSUS avoids contacts between those in charge of carrying it out and the population, helping to control the Covid-19 epidemic.

### 67. Reduction to zero in import tariffs for products for medical use in hospitals (until September 30, 2020)

**Status:** In force (Resolution of the Foreign Trade Chamber/Ministry of Economy No. 17 of March 17, 2020 and Decree No. 10.291 of March 24, 2020).

### 68. Temporary exemption from the Tax on Industrialized Products (IPI) for domestically produced goods and imported goods required to fight the new coronavirus

**Status:** In force (Decree No. 10,285 of March 20, 2020).

**69. Granting of tariff preference to products for medical and hospital use**

**Status:** It depends on the approval of the Foreign Trade Chamber (Camex).

**70. Prioritized customs clearance for products for hospital and medical use**

**Status:** In force (Normative Instruction of Brazil's Internal Revenue Service No. 1,927 of March 17, 2020).

**71. Export control to avoid shortages of products to fight the new coronavirus**

**Status:** In force (Administrative Ruling of the Foreign Trade Secretariat/Ministry of Economy No. 16 of March 18, 2020).

**Combined evaluation of measures 67 to 71:** Positive. These measures will contribute to reducing costs and ensuring continued supply of goods for use in the field of public health, which are essential for fighting Covid-19. However, the changes in import tax rates should be in accordance with the Mercosur rules applied to shortage situations.

**72. Definition of extraordinary temporary criteria and procedures for handling applications for registration of drugs, biological products and products for in vitro diagnosis and post-registration changes in drugs and biological products**

**Status:** In force (Resolution of the Collegiate Board of the Brazilian Health Surveillance Agency [Anvisa] No. 348 of March 17, 2020).

**Evaluation:** Positive. The measure allows for greater agility and flexibility for the pharmaceutical industry to meet the emergency demand brought about by the new coronavirus pandemic.

**73. Suspension of compulsory certification of hospital and medical supplies by the National Institute of Metrology, Standardization and Industrial Quality (INMETRO)**

**Status:** In force (Administrative Ruling of INMETRO No. 102 of March 20, 2020).

**Evaluation:** Positive. The measure speeds up the process of introducing new medical and hospital products that can be used to prevent or fight the coronavirus.

**74. Simplified procedure for remitting genetic heritage related to the Public Health Emergency situation**

**Status:** In force (Administrative Ruling of the Ministry of Health and Ministry of Environment No. 115 of April 3, 2020).

**Evaluation:** Positive. The measure eases procedural rules applied by the ministries of Environment and Health to remittances of genetic heritage with the aim of speeding up the supply of medical and hospital products used for prevention and treatment of coronavirus disease.

**75. Postponement of any price increase in drugs for 60 days**

**Status:** In force (Provisional Measure No. 933 of March 31, 2020).

**Evaluation:** Positive, with reservations. According to the pharmaceutical industry, the prices of inputs for producing drugs have increased significantly in recent months, especially those originating in China and India, and this has put pressure on the costs of Brazilian pharmaceutical companies. Nevertheless, the sector is aware that society at large is facing a critical moment and postponing increases in drug prices will contribute to making



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them more accessible. However, the sector stresses that it would be more appropriate to restrict this postponement measure to drugs used to fight and prevent the coronavirus.

**76. Federal Government package to strengthen States and Municipalities (R\$85.8 billion): transfer to the health sector, recomposition of the State Participation Fund (FPE) and of the Municipality Participation Fund (FPM), budget for social work, suspension of debts of the states with the Union, renegotiation with public banks and credit operations**

**Status:** Announced by the Federal Government. Partially in force (Provisional Measure No. 938 and Provisional Measure No. 939, both of April 2, 2020). Some parts of the package still depend on the approval of other normative acts.

**Evaluation:** Positive. The measure will make it possible for the Union to provide financial assistance to states and municipalities, freeing up funds for subnational entities to strengthen their public healthcare systems and assist the population in greatest need, which is more exposed to the effects of the coronavirus crisis.