AN AGENDA FOR BRAZIL TO OVERCOME ITS CRISIS

2016 - 2018

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THE ROADMAP

- Recovering confidence
  - Regaining long-term fiscal balance
  - Actions to improve the business environment
  - Modernizing institutions and the political system

- Avoiding shortcuts and coming to grips with what needs to be done
  - Acting to improve the macroeconomic environment and competitiveness
  - Setting priorities for reforms
  - Strengthening policies designed to increase productivity

- Exploring sources of growth (important for the fiscal agenda itself)
  - Consolidating exports as a priority and avoiding setbacks
  - Consolidating initiatives to attract the private sector to engage in infrastructure projects
  - Eliminating regulatory obstacles that affect investment and the operation of companies
7 KEY ACTIONS

Ensuring fiscal sustainability
(reducing the fiscal deficit by controlling spending, de-earmarking federal revenues, and reviewing costs without increasing the tax burden)

Ensuring legal certainty in labor relations
(outsourcing and collective bargaining)

Extending deadlines for collecting taxes
(adapting deadlines for payments to business practices in order to reduce working capital needs for companies)

Speeding up the process of granting infrastructure concessions to the private sector

Giving priority to exports as a growth engine
(exchange rate policy, trade facilitation, trade agreements and Reintegra)

Temporarily suspending the imposition of new ancillary obligations on companies and developing a program to simplify and reduce fiscal red tape
(e.g. NR 12 (regulatory standard), e-social, Bloco K)

Regularizing credit conditions for companies
(improving access conditions, guarantees and cost system)
An Agenda for Brazil to Overcome its Crisis 2016-2018

**GOVERNMENT EFFICIENCY**

1. Reforming the Social Security System
2. Implementing mechanisms to control public spending
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4. Extending the deadlines for collecting the IPI (Tax on Industrialized Products) and PIS-Cofins
5. Allowing for credit compensation between federal taxes
6. Validating tax incentives for the ICMS (Value Added Tax on Sales and Services)
7. Reforming the ICMS tax

**TAXATION**

3. Adopting the principle of financial credit for the PIS (Social Integration Program)-Cofins (Contribution to Social Security Financing)
4. Extending the deadlines for collecting the IPI (Tax on Industrialized Products) and PIS-Cofins
6. Validating tax incentives for the ICMS (Value Added Tax on Sales and Services)
7. Reforming the ICMS tax

**LABOR RELATIONS**

8. Valuing collective bargaining
9. Regulating outsourcing
10. Suspend or change the text of the NR 12 (Regulatory Standard)
11. Excluding commuting accidents from the FAP (Accident Prevention Factor) calculation
12. Reviewing the sharing regime in the oil and gas industry

**INFRASTRUCTURE**

13. Modernizing the conditions for accessing imported natural gas
14. Modernizing concessions for exploiting natural gas onshore
15. Charging the CDE (Energy Development Bill) proportionally
16. Considering total costs in electricity auctions
17. Increasing thermal generation at the base of the system
**FINANCING**

18. Increasing the participation of the private sector in water supply and sanitation services

19. Transferring port administrations to the private sector

20. Completing the process of reviewing the maps of the administrative jurisdiction of port authorities (*poligonais*) over organized ports

21. Improving working capital conditions for companies

22. Stimulating the expansion of private long-term financing

**FOREIGN TRADE**

23. Negotiating trade agreements

24. Improving trade financing mechanisms

25. Completing the trade facilitation agenda

26. Adjusting the Reintegra (Special Tax Reintegration Regime for Exporting Companies) rate

27. Creating conditions for keeping the exchange rate at competitive and stable levels

**LEGAL CERTAINTY AND REGULATION**

28. Disciplining procedures for disregarding legal personality

29. Strengthening regulatory agencies

30. Ensuring autonomy to the environmental licensing agency

31. Simplifying environmental licensing

**INNOVATION**

32. Regulating the National ST&I Code

33. Improving the so-called Law of Good

34. Ensuring that funds for innovation are actually made available to companies

35. Regulating access to genetic resources

36. Promoting operational improvements in the INPI (Brazilian Patent Office)
Measures announced

1. Regaining fiscal balance
   a. New Fiscal Target
   b. Mechanism for controlling spending growth (setting a ceiling)
   c. Reform of the social security system (avoiding early retirement)
   d. Review of budget rules and earmarked funds (DRU)

2. Resumption of privatizations
   a. Partnership and investment program (PPI)
   b. Review of the single operator requirement for the pre-salt oil fields
   c. Resumption of privatization and concession auctions

3. Review of the governance of state enterprises
   a. New rules for the pension funds of state enterprises
   b. Appointment of directors to state enterprises without political motivations (new criteria for appointing such directors)
Unannounced measures

1. Renegotiation with the states
   a. Review of the debt of the states
   b. Reform of the ICMS (Value-Added Tax on Sales and Services)

2. Labor relations
   a. More flexible labor rules
   b. Outsourcing

But the competitiveness agenda is not yet complete
The industry agenda

2013
Long term guidelines

2014
Proposals for the 2014 elections

Short term agenda
Focus on regulation and on actions to eliminate red tape

2015

2016