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Brazil in Brief



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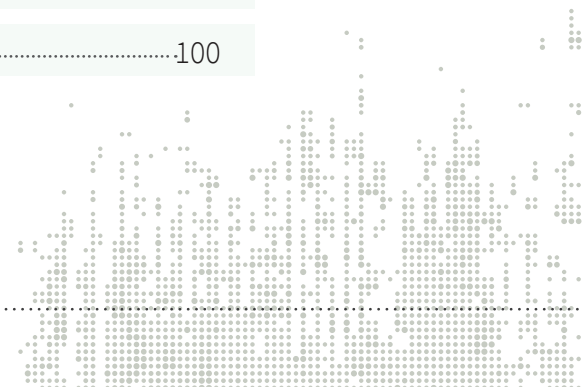
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SUMMARY

Brazil in Numbers	5
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Brazil in numbers

MINISTÉRIO DA
FAZENDA



BRAZIL

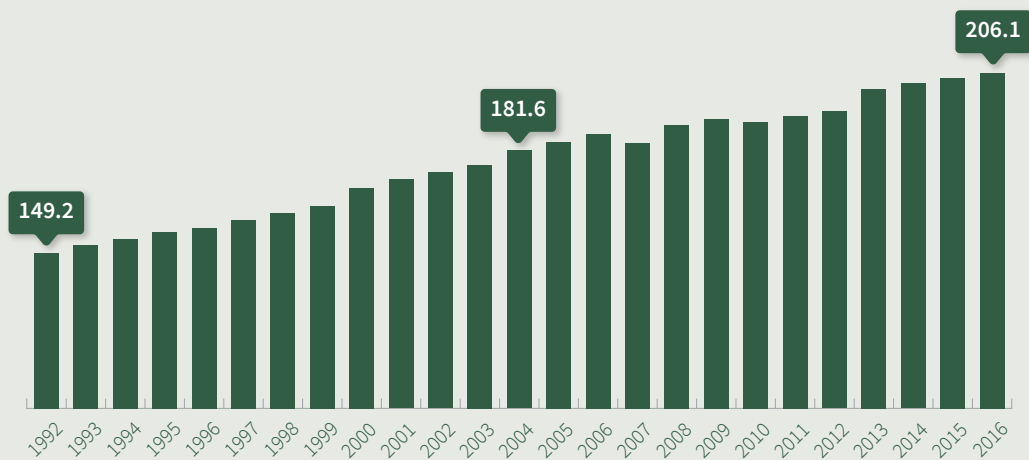
The largest economy in Latin America

- **9th largest GDP in the world**
(USD 1.8 trillion/ R\$: 6.3 trillion in 2016)
- **5th largest population**
(207 million)
- **5th largest country by area**
(3,287,597 sq mi / 8 515 767 sq km)
- **Coastal shore:**
4,577 mi / 7,367 km
- **GDP per capita:**
USD 15,241 (PPP based)/ R\$ 30,407



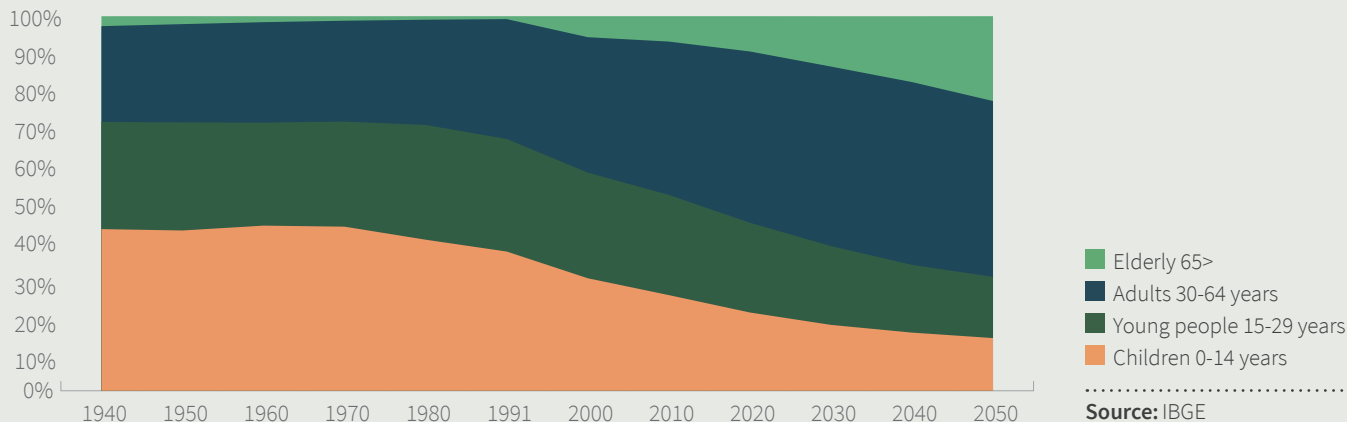
POPULATION

Number of Inhabitants (million)



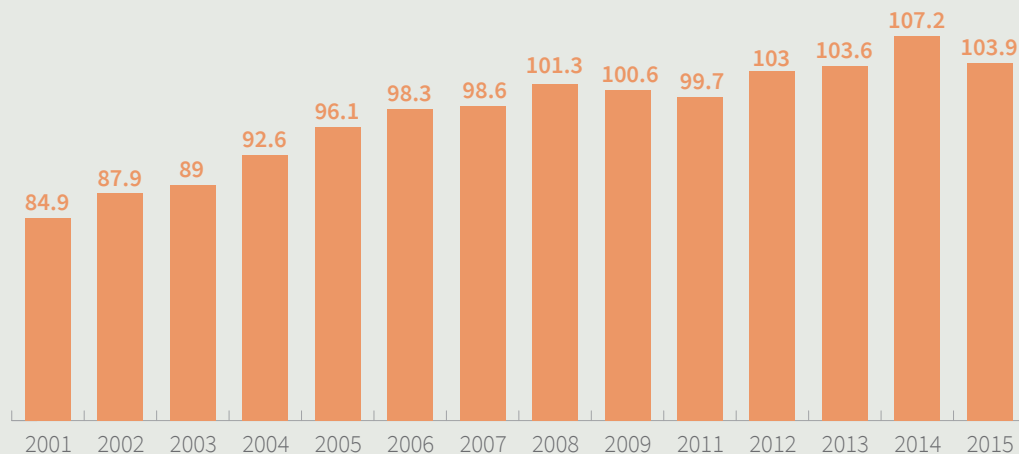
Source: IBGE

DISTRIBUTION OF THE BRAZILIAN POPULATION ACCORDING TO AGE GROUPS – 1940 -2050



WORKING POPULATION

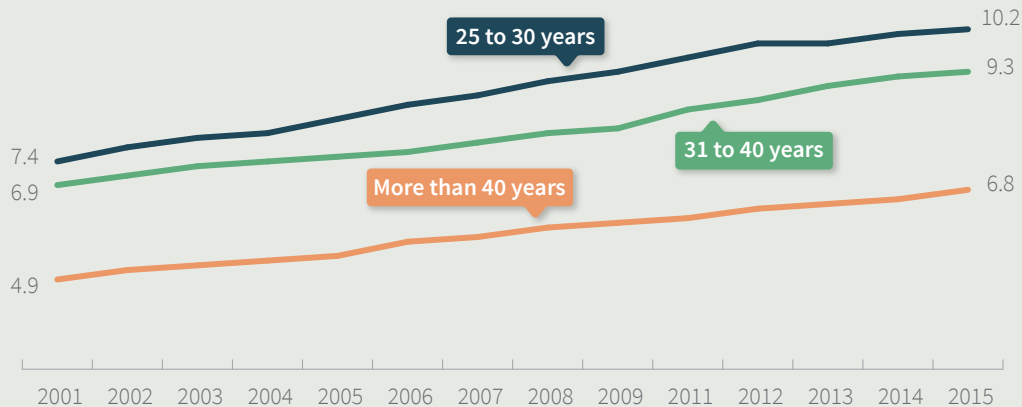
People with 10 years or more (millions of people)



Source: PNAD/IBGE.



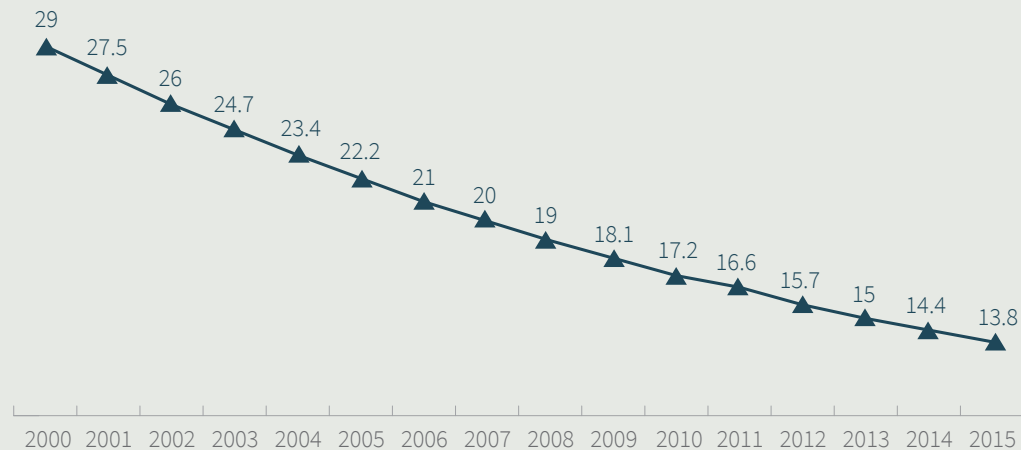
AVERAGE SCHOOLING YEARS BY AGE GROUP



Source: PNAD/IBGE

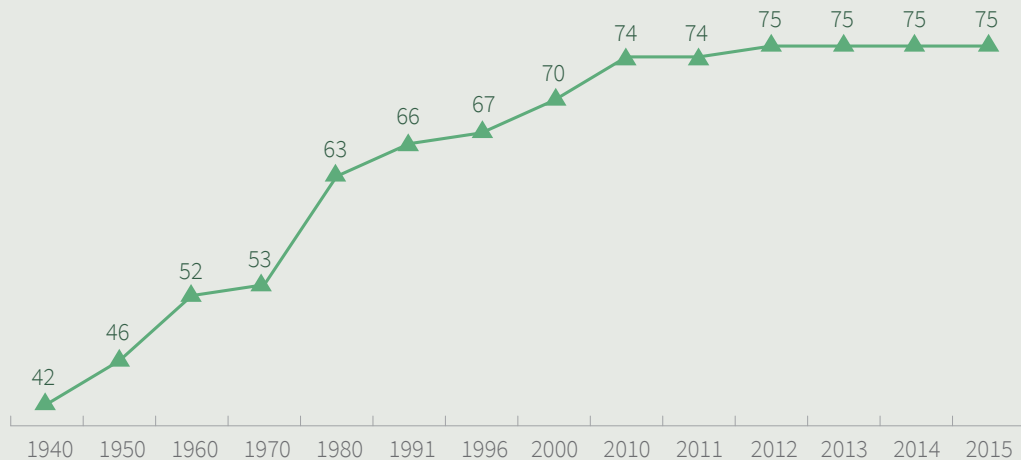
INFANT MORTALITY RATE

Deaths/ 1,000 live births



LIFE EXPECTANCY AT BIRTH

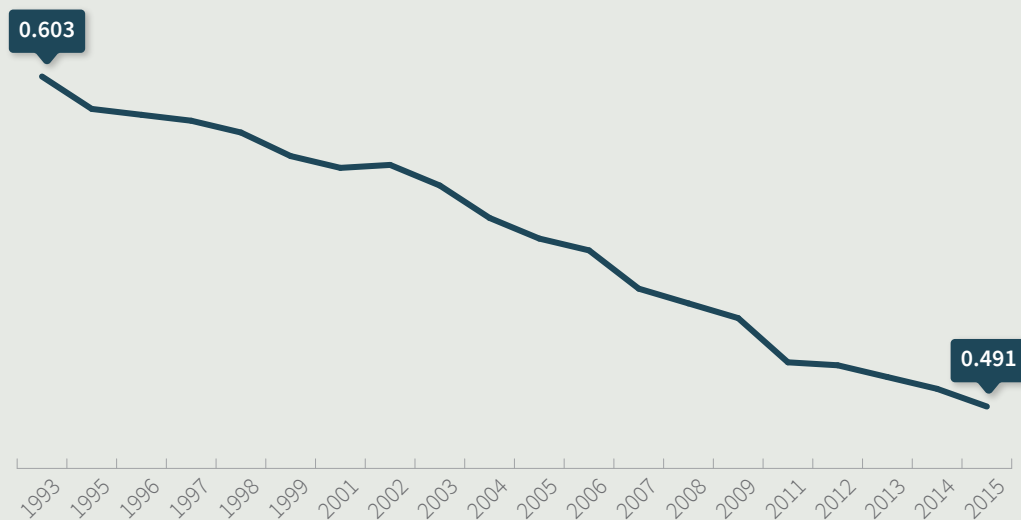
Years



Source: IBGE

GINI INDEX

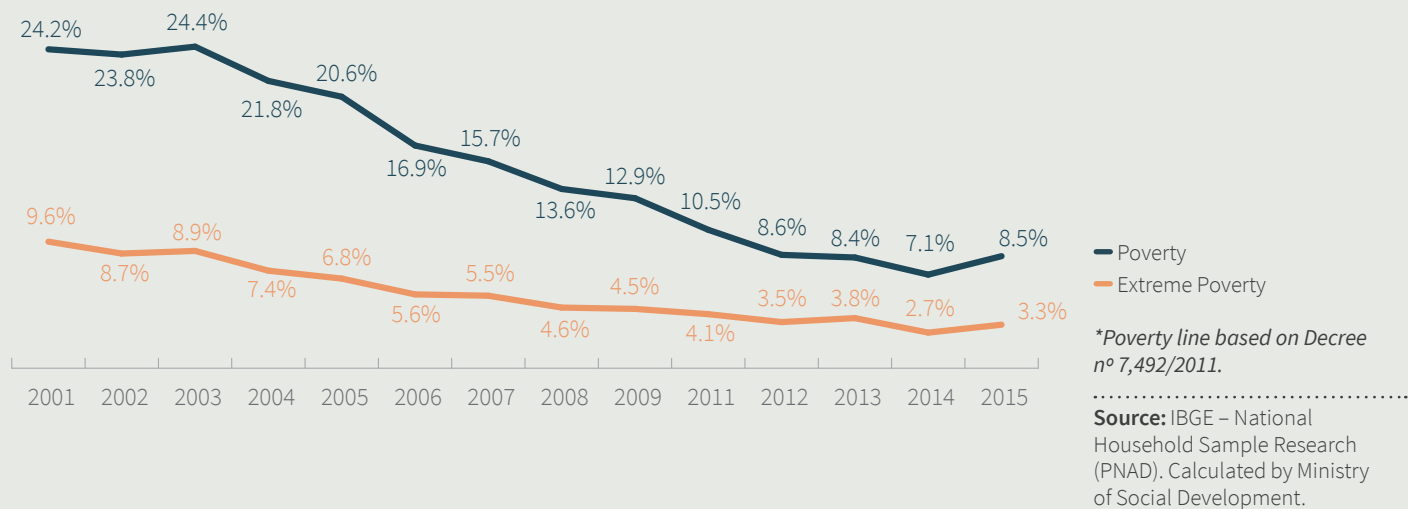
Gini index shows consistent reduction in inequality



Source: IBGE

PERCENTAGE OF THE POPULATION IN EXTREME POVERTY AND POVERTY

Gini index shows consistent reduction in inequality



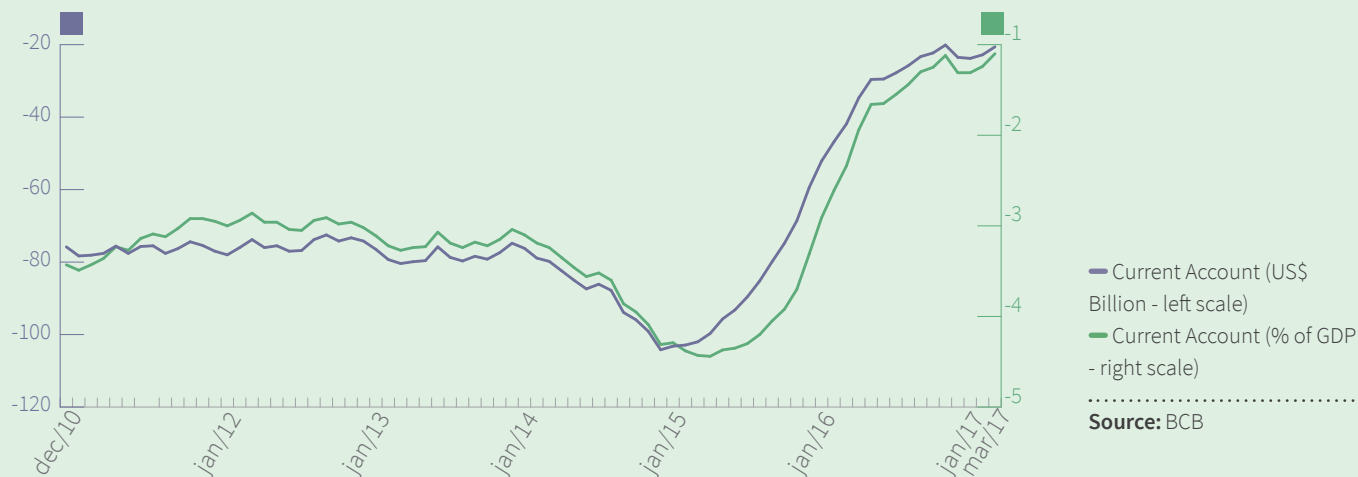
Economic Outlook

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CURRENT ACCOUNT DEFICIT HAS BEEN DECREASING MAINLY ...

Current Account 12 months-flow (US\$ Billion and % of GDP)



... DUE TO TRADE BALANCE RESULT.

Balance of Payment (US\$ billions)

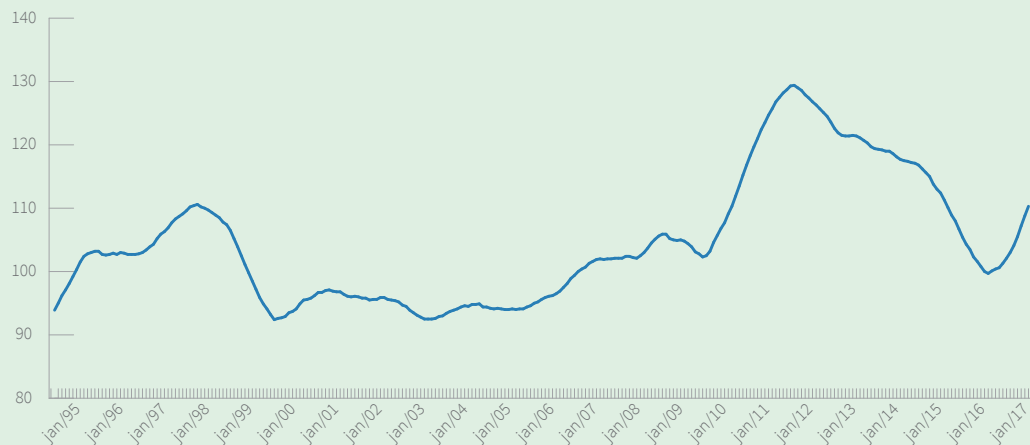
	2006	2008	2010	2012	2014	2015	2016	2017 ¹
Current Account	13.0	-30.6	-75.8	-74.2	-104.2	-59.4	-23.5	-20.6
Trade Balance (Goods - FOB)	45.1	23.8	18.5	17.4	-6.6	17.7	45.0	51.1
Exports	137.8	198.4	201.3	242.3	224.1	190.1	184.5	194.4
Imports	92.7	174.6	182.8	224.9	230.7	172.4	139.4	143.3
Services	-9.4	-16.9	-30.2	-40.2	-48.1	-36.9	-30.4	-31.6
Travel	-1.4	-5.2	-10.7	-15.7	-18.7	-11.5	-8.5	-10.0
Goods and Services	35.7	6.9	-11.7	-22.7	-54.7	-19.2	14.6	19.5
Primary Income	-27.0	-41.8	-67.1	-54.3	-52.2	-42.9	-41.1	-42.8
Secondary Income	4.3	4.2	2.9	2.8	2.7	2.7	3.0	2.7
Capital and Financial Accounts	13.3	-28.7	-75.8	-73.7	-100.4	-54.7	-16.2	-14.7
Foreign Direct Investment	19.4	50.7	88.5	86.6	96.9	74.7	78.9	85.9
Statistical discrepancy	-0.1	1.7	-0.4	0.1	3.4	3.8	6.8	5.2

1. 12 months flow up to March

Source: BCB

Despite the recent decrease, terms of trade still are at historically high level.

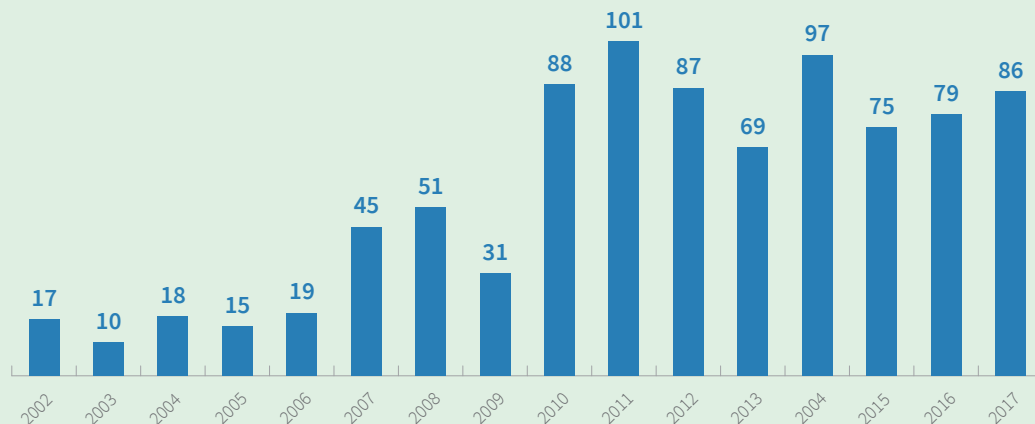
Terms of Trade (12-months moving average; Index: 2006 = 100)



Source: Secex.

BRAZIL KEEPS ATTRACTING FDI

Foreign Direct Investment (US\$ Billion)

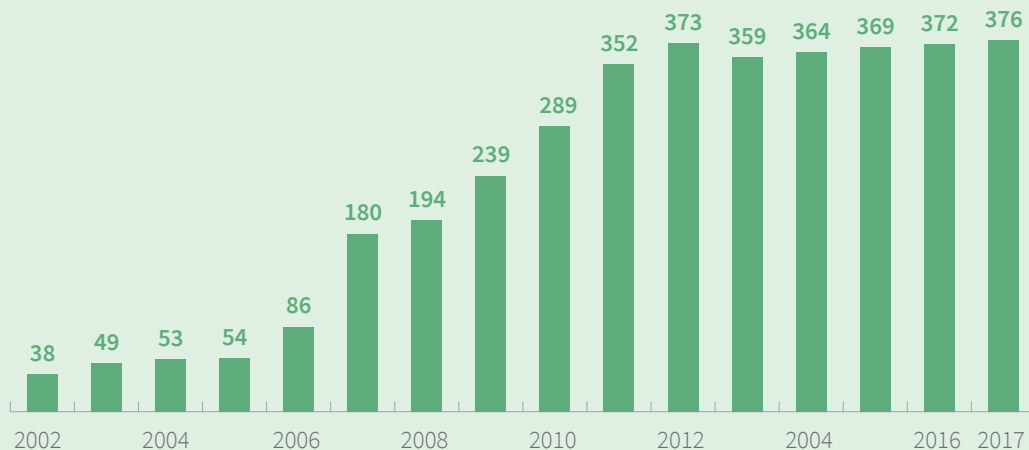


* 12 months-flow up to March
Data based on BPM6 - IMF

Source: BCB.

CURRENT LEVEL OF RESERVES ENSURES SUSTAINABILITY OF EXTERNAL SECTOR, AND...

International Reserves (US\$ Billion)



* Position of April 18th /2017

Source: BCB.

... HAS IMPROVED THE NET EXTERNAL DEBT.

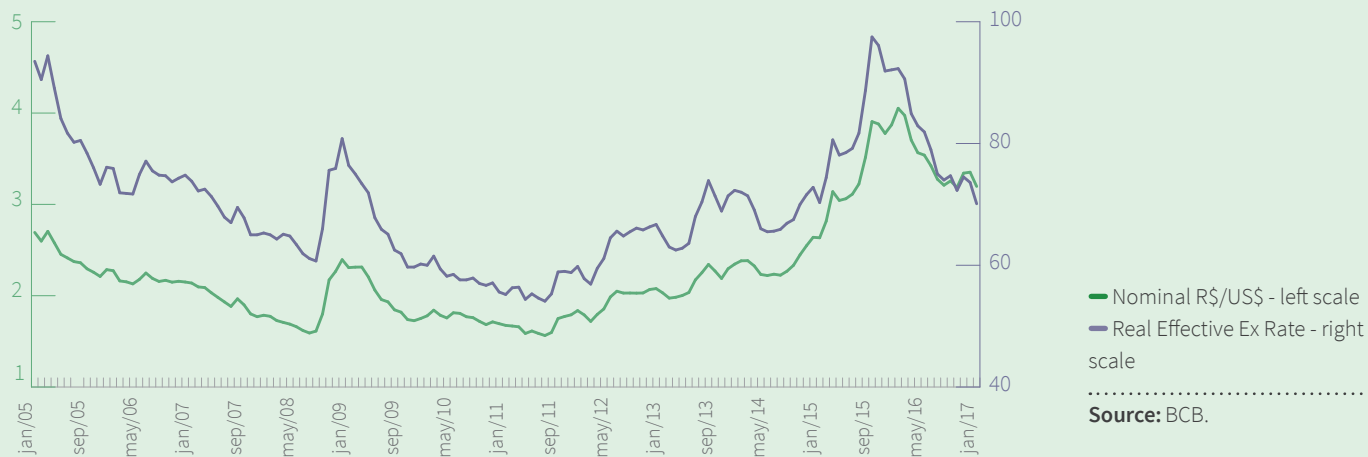
External Debt, 1999 – 2016

Items	1999		2009		2016	
	US\$ billions	% of total	US\$ billions	% of total	US\$ billions	% of total
Gross External Debt ¹	225.6	100.0	198.2	100.0	321.3	100.0
Medium and Long Term	199.0	88.2	167.2	84.4	265.0	82.5
Non-Financial Public Sector	97.4	43.2	77.2	38.9	84.9	26.4
Private Sector ²	101.6	45.0	90.1	45.4	180.0	56.0
Short Term	26.6	11.8	31.0	15.6	56.3	17.5
Non-Financial Public Sector	3.3	1.5	0.0	0.0	0.1	0.0
Private Sector ²	23.3	10.3	31.0	15.6	56.2	17.5
International Reserves	36.3	-	238.5	-	372.2	-
Net External Debt	189.3	-	-40.3	-	-50.9	-

1. Excludes Intercompany loans.
2. Includes financial public sector

Source: BCB.

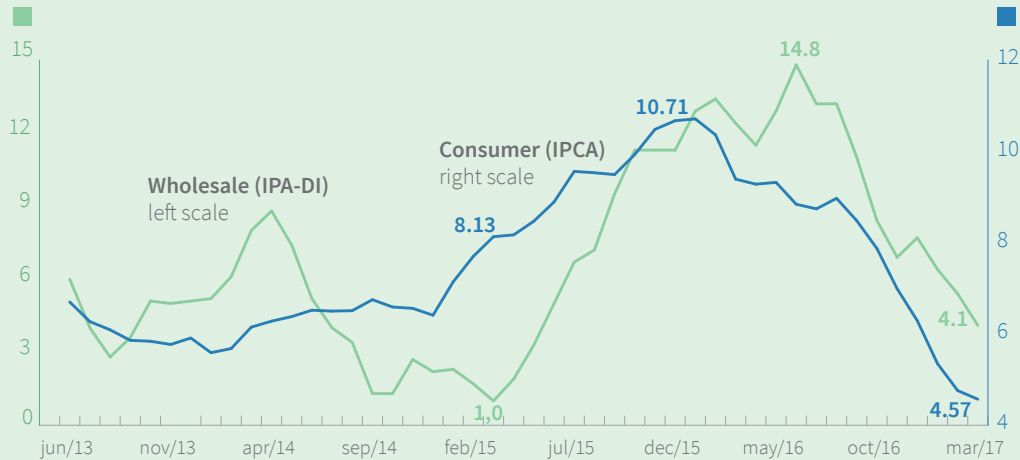
OWING TO THAT, AFTER AN OVERSHOOTING,
EXCHANGE RATE HAS APPRECIATED.



Source: BCB.

CONSUMER INFLATION IS NOW TAMED ...

Consumer and Wholesale Price Inflation, 2013 – 2017 (March)
(year over year % change)

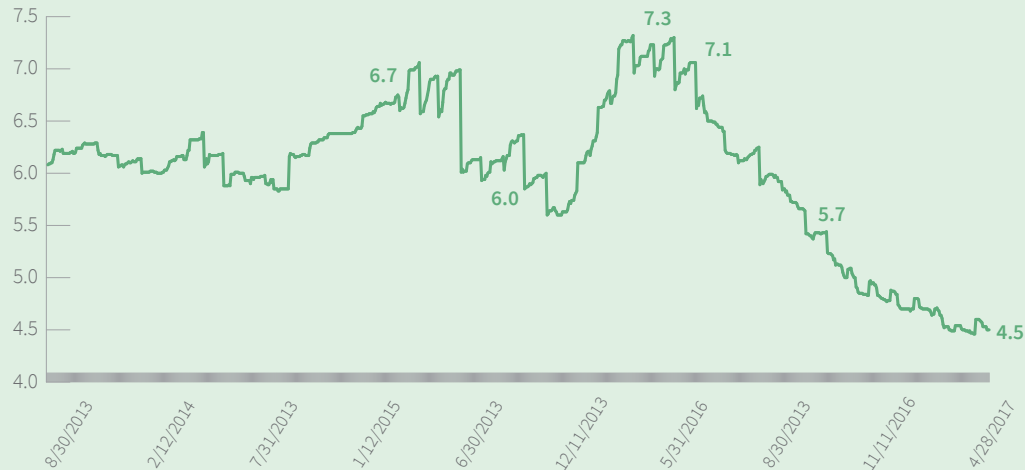


Source: IBGE and BCB

... AND ALSO THE EXPECTED INFLATION.

Inflation Expectations¹, 2013 – 2017 (April)

(%; average of market's projections for inflation accumulated over the next 12 months)

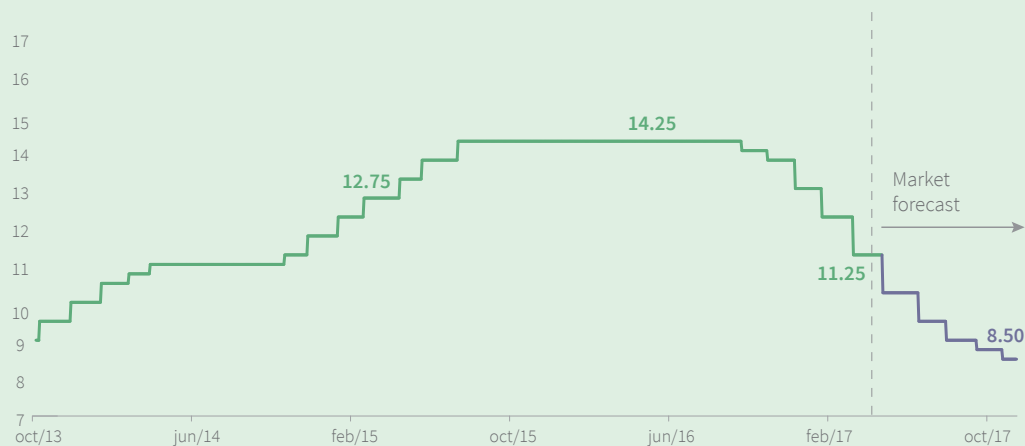


1. Consumer price index (IPCA).

Source: IBGE and Central Bank of Brazil.

CONSEQUENTLY, MARKET EXPECTS CENTRAL BANK TO DECREASE INTEREST RATE.

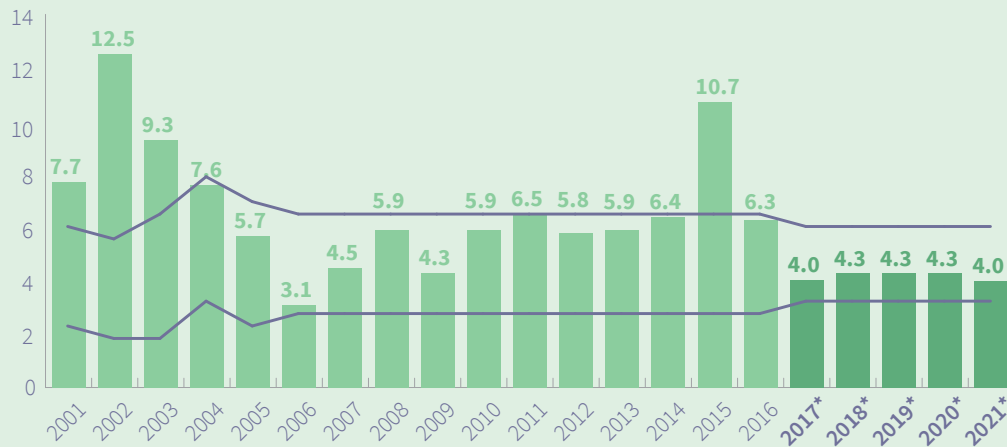
Central Bank Primary Interest Rate Target (Over-Selic), 2013 – 2017 (December)
(daily data; % per year)



Source: BCB

LONG-RUN INFLATION EXPECTATIONS ARE ALSO UNDER CONTROL

Inflation Target Regime

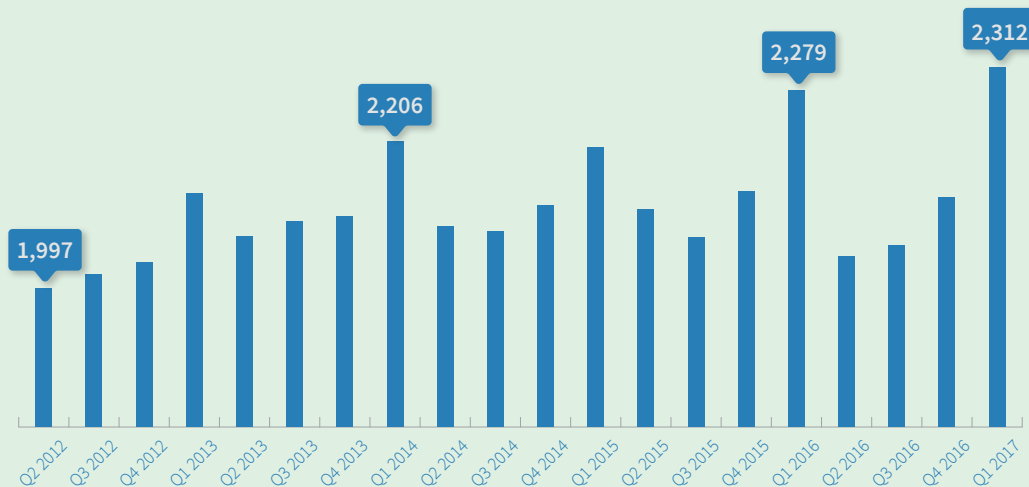


* Market expectation available in Boletim Focus (Central Bank of Brazil's Survey) of 04/28/2017.

Source: BCB and IBGE

LABOR EARNINGS ARE RECOVERING OWING TO LOW INFLATION AND SALARY INCREASE...

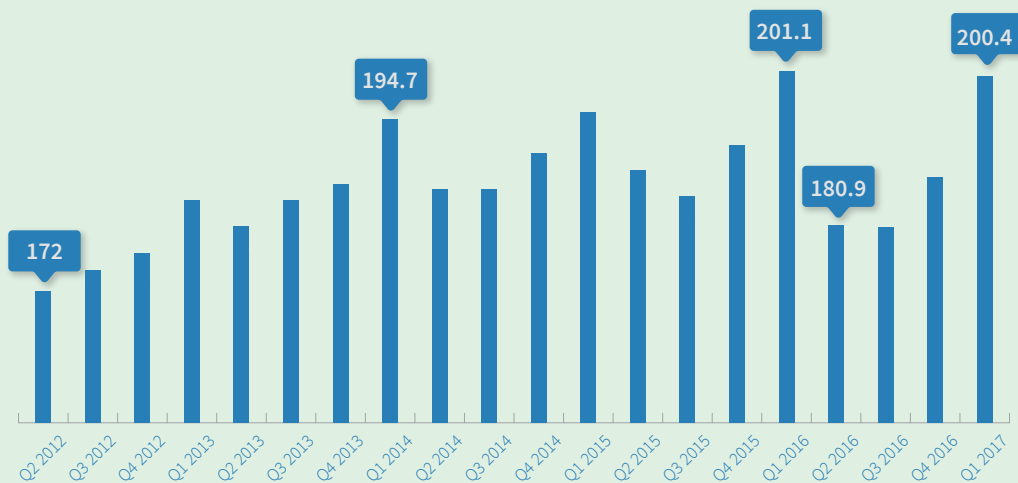
Real Average Earnings of Working Population (R\$)



Source: IBGE.

... AND AS A CONSEQUENCE, THE REAL WAGE BILL HAS BEEN INCREASING.

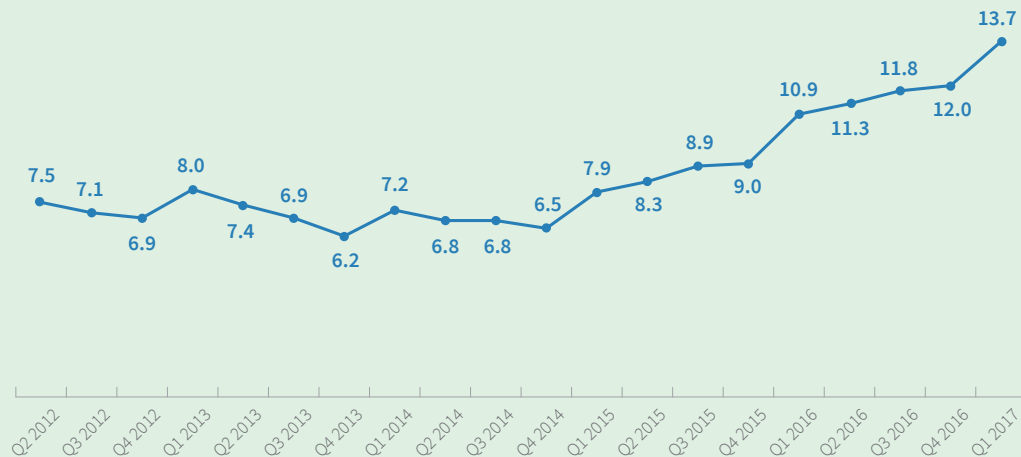
Real Wage Bill (R\$ Billion)



Source: IBGE.

ALTHOUGH THE UNEMPLOYMENT RATE IS STILL RISING AND IS EXPECTED TO FALL IN 2018.

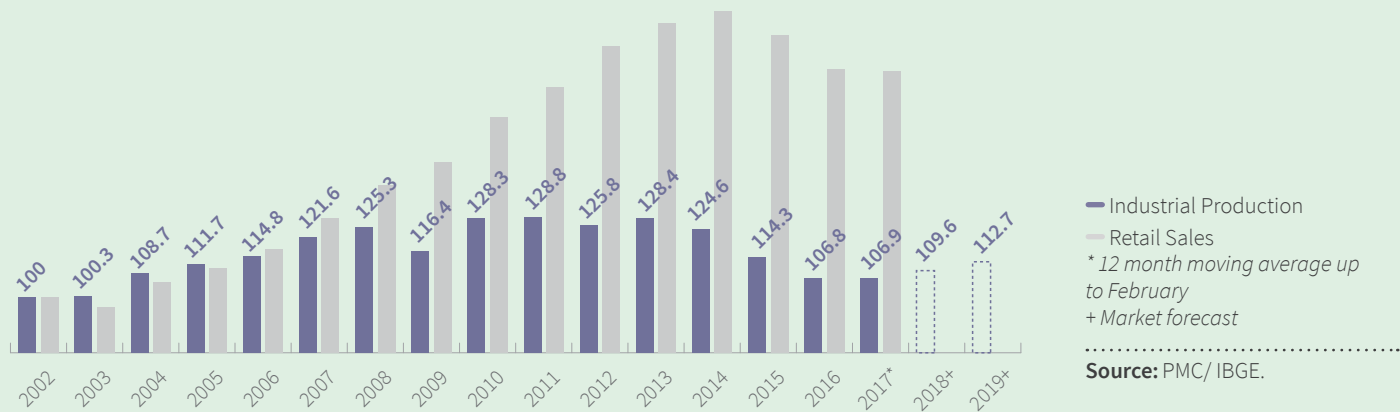
Unemployment Rate (%)



Source: IBGE.

INDUSTRIAL PRODUCTION HAS STABILIZED, AND MARKET FORECAST RECOVERY.

Retail Sales, and Industrial Production Index (2002 = 100)



AGRICULTURE IS IN A STEADY PACE OF GROWTH DESPITE WEATHER VOLATILITY ...

Agriculture - Grains Production (Growth %; year over year)

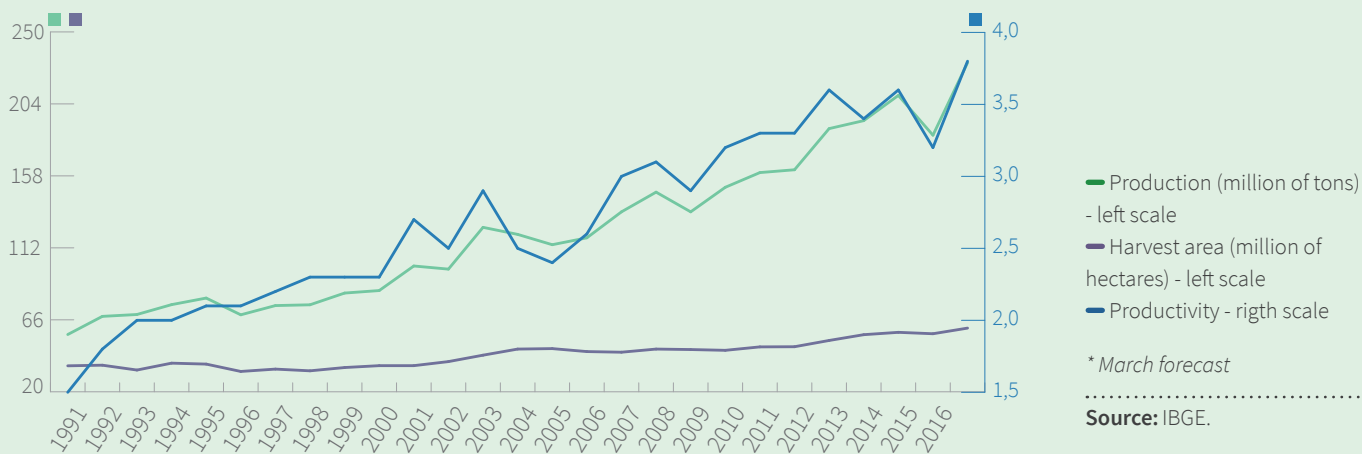
	2007	2008	2010	2011	2013	2015	2016	2017 ¹
Total Production	13.8	9.7	11.6	7.1	16.2	8.6	-12.1	25.1
Soybeans	10.7	3.4	20.2	9.4	24.4	12.4	-1.5	15.9
Corn	21.6	13.9	9.4	0.4	13.0	8.6	-25.9	45.8
Rice	-3.9	9.5	-10.1	18.7	3.2	1.3	-14.0	13.9
Wheat	64.8	44.0	20.1	-4.4	30.5	-13.1	25.2	-13.8
Beans	-5.6	6.6	-8.5	8.6	4.1	-3.1	-17.6	31.0

1. IBGE March forecast.

Source: IBGE.

THE PRODUCTION HAS INCREASED MOSTLY BASED ON PRODUCTIVITY GAINS.

Grain Production



DESPITE THE EFFORTS, HOLDING AND REDUCING THE EXPENDITURES AFTER 2014 ...

Discretionary Expenditure (% of GDP)

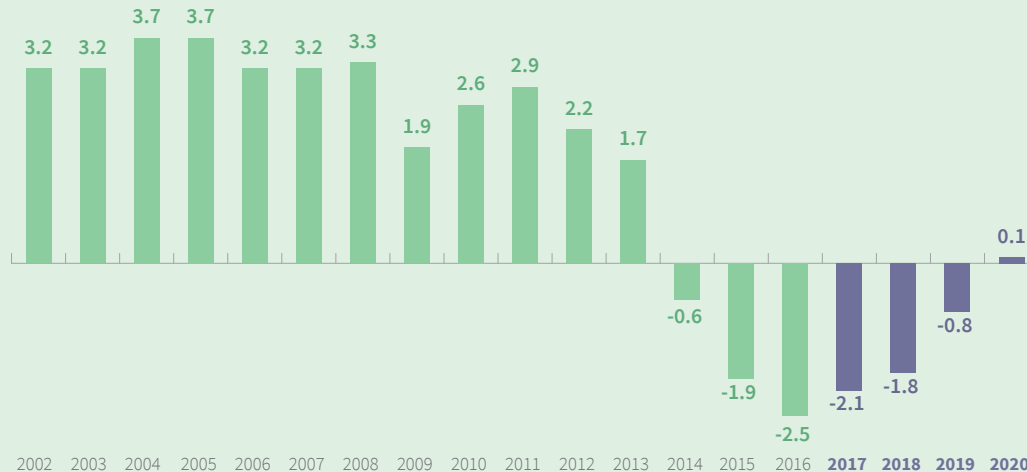


+ Excludes R\$ 20 Billion payment of undid commitments form previews years (RAP)
* Bi-Monthly Budget Execution Report (March, 2017)

Source: SOF

... BRAZIL WILL ONLY HAVE A PRIMARY SURPLUS IN 2020.

Primary Fiscal Result (% of GDP)

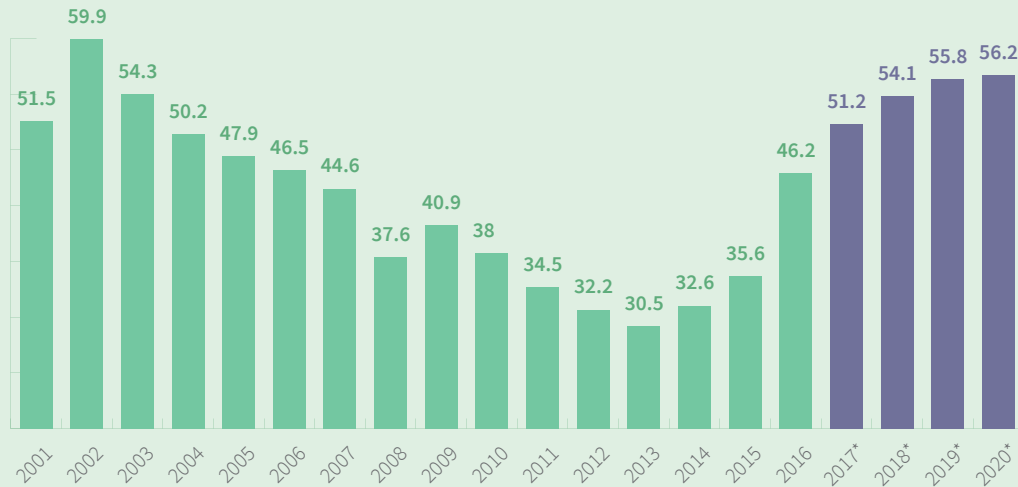


- Forecast based on Ministry of Finance assumptions on 03/13/2017.
- Draft of Budget Guidelines Law 2018

Source: BCB.

OWING TO THAT, THE NET DEBT WILL CONTINUE TO RISE ...

Public Sector Net Debt (% of GDP)

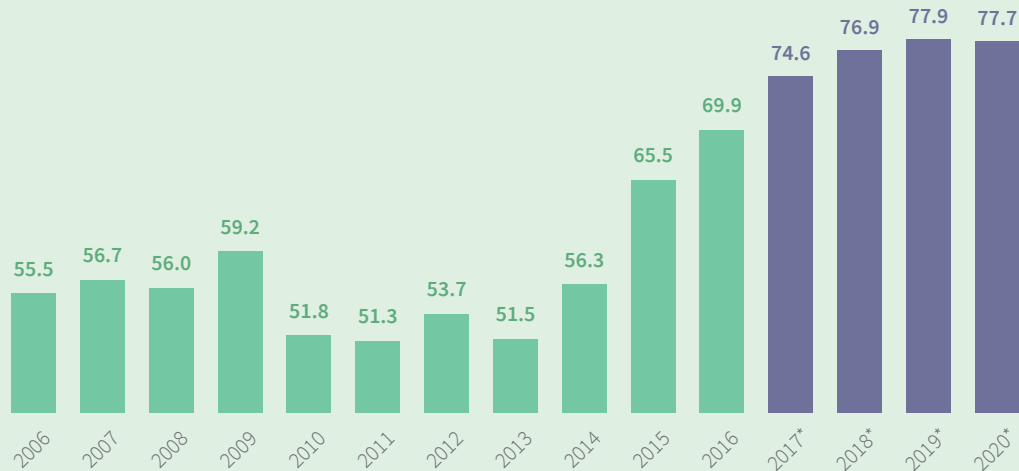


Central Bank forecasts based on Ministry of Finance assumptions on 03/13/2017. Draft Budget Guidelines Law 2018

Source: BCB.

... AND, THE GROSS DEBT WILL STABILIZE MERELY IN 2020.

General Government Gross Debt (% of GDP)



Central Bank forecasts based on Ministry of Finance assumptions on 03/13/2017. Draft Budget Guidelines Law 2018

Source: BCB.

THE CURRENT REFORMS WILL CONTRIBUTE TO REVERT THE TREND FOR THE FISCAL BALANCE

In 2016, the private social security deficit (INSS) represented 96% (BRL 149.7 billion) of the public sector deficit (BRL 155.8 Billion)

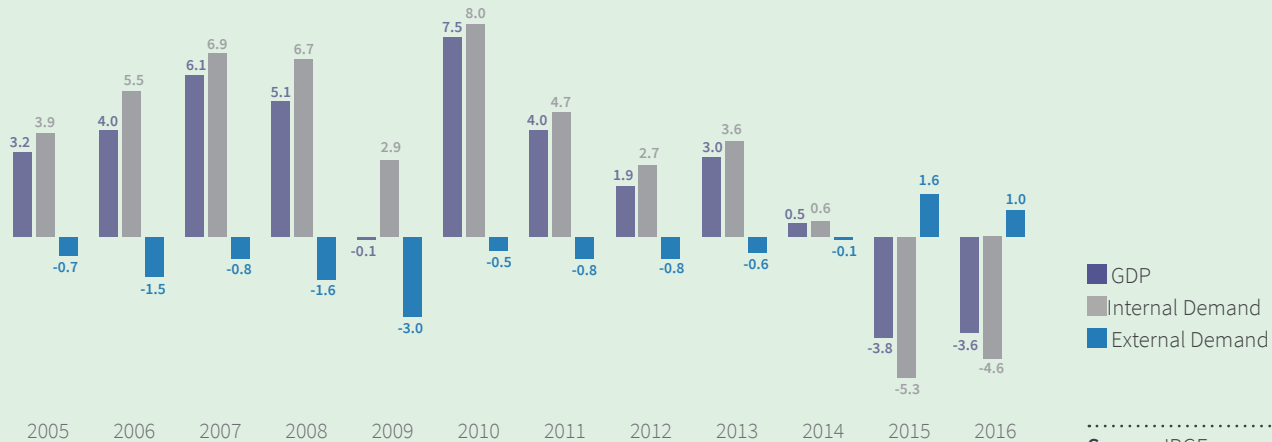
Primary Balance	2015		2016		2017	
	Nominal (BRL bn)	% GDP	Nominal (BRLbn)	% GDP	Nominal (BRLbn)	% GDP
Central Government	-116.7	1.9	-159.5	2.5	-139.0	2.0
Subnational Government	9.7	0.2	4.7	0.1	-1.1	0.02
Public Sector	-111.2	1.9	-155.8	2.5	-143.1	2.1

Budget rigidity and lack of reform coupled with unfavorable business cycle led to fiscal deficit

Source: BCB

THE STURDY FALL ON GDP HAS AFFECTED THE TAX COLLECTION, AND THUS THE FISCAL RESULT.

GDP and Internal Demand (% growth)

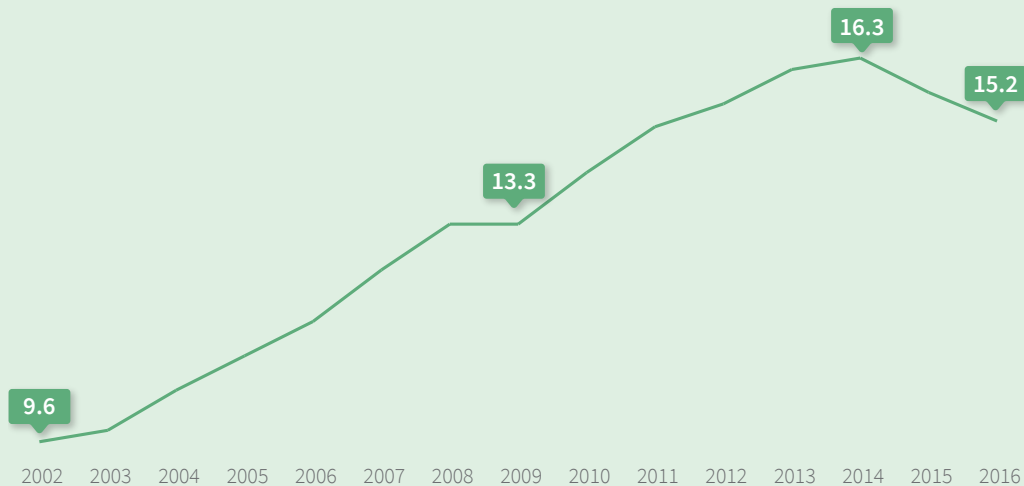


Source: IBGE

EVEN THE CURRENT GDP PER CAPITA BASED ON PPP HAS BEEN FALLING.

GDP per capita

Current prices - based on purchasing-power-parity (US\$ thousand)



Source: IBGE, and IMF

Environmental Context

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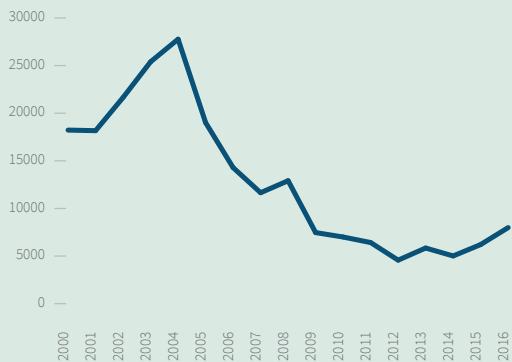


ENVIRONMENT AND CLIMATE CHANGE

- Brazil has the world´s largest tropical rainforest, the Amazon. It has 4.2 million square meters representing 49.3% of the national territory;
- The country has 12% of global freshwater resources and has the biggest biodiversity;
- The energy grid is largely based on the use of renewable energies;

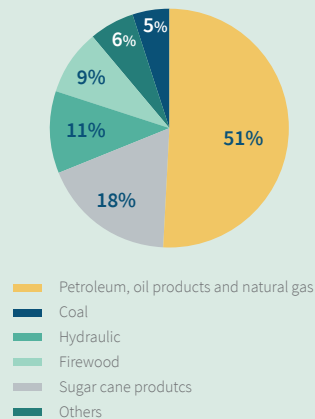
ENVIRONMENT AND CLIMATE CHANGE

Amazon's Deforestation rate, 2000-2016



Source: INPE/MCTIC
Produced by: Ministry
of Finance

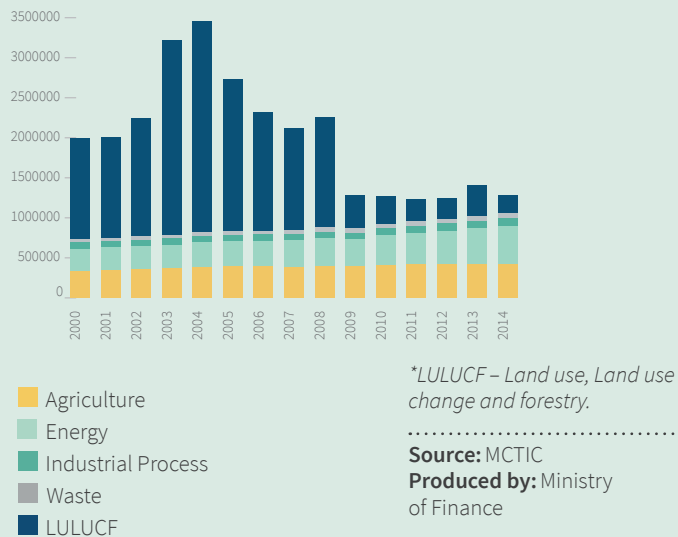
Domestic Energy Supply, 2015



Source: MME

ENVIRONMENT AND CLIMATE CHANGE

Brazil's GHG Emissions by sector



Some figures of the Brazilian environmental performance

- GHG emissions dropped 35% from 2000 to 2014;
- Amazon Deforestation was reduced by 70% since 2004;
- The total of protected areas has doubled since 2000;
- In the period 2004-2012, Brazil's GDP increased by 32% while emissions dropped 52%;
- Electricity supply consists of 75% of renewable energies.
- Brazil has one of the largest and most successful biofuel programs to date, including cogeneration of electricity using biomass.

ENVIROMENT AND CLIMATE CHANGE

- **Nationally Determined Contribution (NDC) – Paris Agreement:**
 - Brazil ´s NDC has a broad scope including mitigation, adaptation and means of implementation;
 - Brazil intends to reduce its greenhouse gas emissions by 37% below 2005 levels in 2025 and 43% below by 2005 levels in 2030.
- Brazil has launched its National Adaptation Plan in December 2016;
- Brazil intends to increase the share of sustainable biofuels in the Brazilian energy mix to approximately 18% by 2030;
- In land use change and forests, Brazil aims to achieve zero illegal deforestation in the Amazon rainforest by 2030 and intends to restore and reforesting 12 million hectares of forests by 2030;
- The country aims to achieve 45% of renewable in the energy mix by 2030.

Public Governance

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STRUCTURE OF GOVERNMENT



OPEN GOVERNMENT

Brazil is one of the 8 founding countries of the Open Government Partnership

- **Access Information**

- Federal System for Access To Information (E-SIC)

- **Citizen Participation**

- Digital public services offer
- Electronic Attendance
- Enhancement on data transparency of the National Consumer Defense System (SINDEC)

- **Public Accountability**

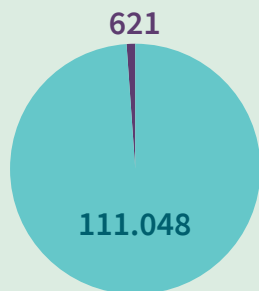
- Transparency Portal, Supervision and Controls
- Joint construction of the Federal System of Ombudsmen's Offices (E-OUV)

- **Technology and Innovation**

- Simplification, integration and innovation, with the intensive use of the technology
- Digital Citizenship Platform (Decree (8.936/2016): broadens and simplifies access to digital public services, including via mobile devices. The services will be offered to citizens and companies in a single integrated channel

FEDERAL SYSTEM FOR ACCESS TO INFORMATION (E-SIC)

INFORMATION	AMOUNT (2016)
Request Answered	111.048
Request Overdue	621
Number of Questions	165.894
Questions by Request	1.52
Number of requesters	57,438
Average Time For Answer	13 days (limit: 30 days)



■ Request Answered ■ Request Overdue

REQUESTS TOPICS (TOP 10) - 2016		
CATEGORY AND SUBJECT	AMOUNT	% OF REQUESTS
1. Economy and Finances – Finances	16,046	14.37%
2. Government and Politics – Public Administration	11,243	10.07%
3. Science, Information and Communication - Information – Management, Preservation and Access	7,085	6.34%
4. Education – High Education	6,678	5.98%
5. People, Family and Society – Social Security	6,335	5.67%
6. Economy and Finances – Economy	4,116	3.69%
7. Economy and Finances – Public Finances	2,928	2.62%
8. People, Family and Society – People	2,875	2.57%
9. Transportation and Traffic – Waterway Transportation	2,827	2.53%
10. Health – Social Control	2,523	2.26%
TOTAL – REQUESTS TOPICS – TOP 10	62,656	56.1%

OPEN DATA INFRASTRUCTURE

Global Open Data Index – Ranking – Best 10 Countries (2016)

Rank	Place	Government Budget	National Statistics	Procurement	National Laws	Administrative Boundaries	Draft Legislation	Air Quality	National Maps	Weather Forecast	Company Register	Government Spending	Election Results	Locations	Water Quality	Land Ownership	Score
1	Australia	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	79%
1	Taiwan	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	79%
3	France	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	73%
3	Great Britain	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	73%
5	Canada	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	69%
6	Denmark	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	67%
7	New Zealand	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	65%
8	Brazil	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	64%
8	United States	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	64%
8	Latvia	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	64%



PIPELINE PROJECTS: PUBLIC MANAGEMENT

To ensure the effectiveness of public policies

- **Public Procurement Modernization**

- Process agility: reversal of trial and qualification phases
- Improved transparency, effectiveness and innovation: establishment of the progressive Competitive Selection (competitive dialogue)
- Better planning: fence to the execution of Works and Engineering Services without an executive project

- **Standardization of contracts: basic services**

- **Creation of reference price database to streamline bidding processes:**

- Large database with information on bids approved between 2015 and 2017
- Ensures that the government pays market prices

PIPELINE PROJECTS: PUBLIC MANAGEMENT

To increase the efficiency of public expenditure

- **Public Policies Evaluation Committee (CMAP)**

- Appraisal and evaluation public policies' costs, efficacy and efficiency aiming to improve the quality of spending

- **Administrative Reform**

- Reduction of 4,689 positions in 2016;
- 10,462 positions exclusively destined to career officers
- Reduction in the number of Ministries

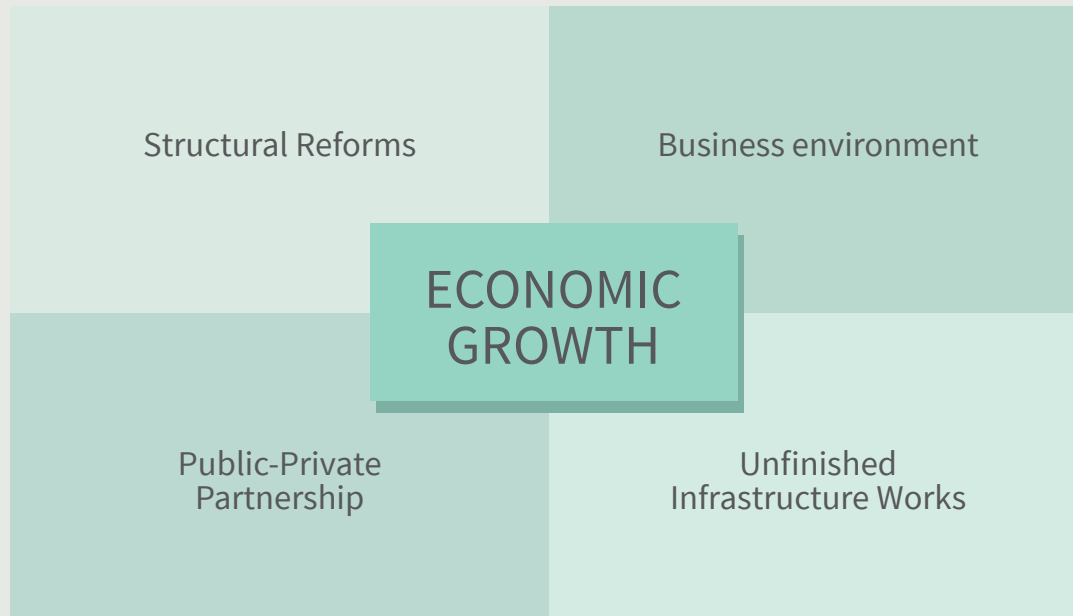


Governmental Reforms

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ECONOMIC RECOVERY



CONTEXT AND OPPORTUNITY

- Economic crisis;
- New Government, new mindset (May, 2016):
 - better public policy choices and better resources allocation;
 - Focus on attracting private investment and partnerships;
 - Strengthening the business environment;
 - Improvement of regulatory policy

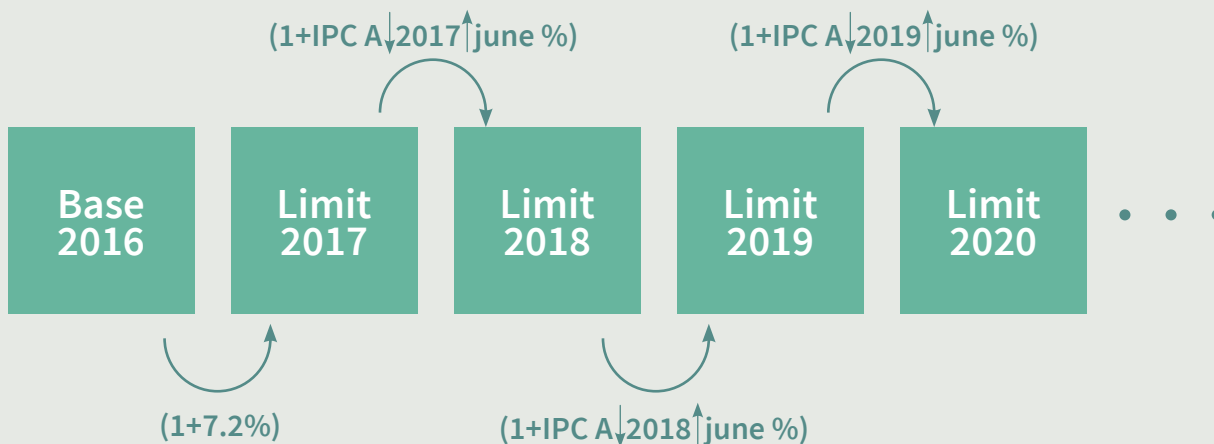


Clear opportunity to structural reforms in **Brazil**

SPENDING CAP

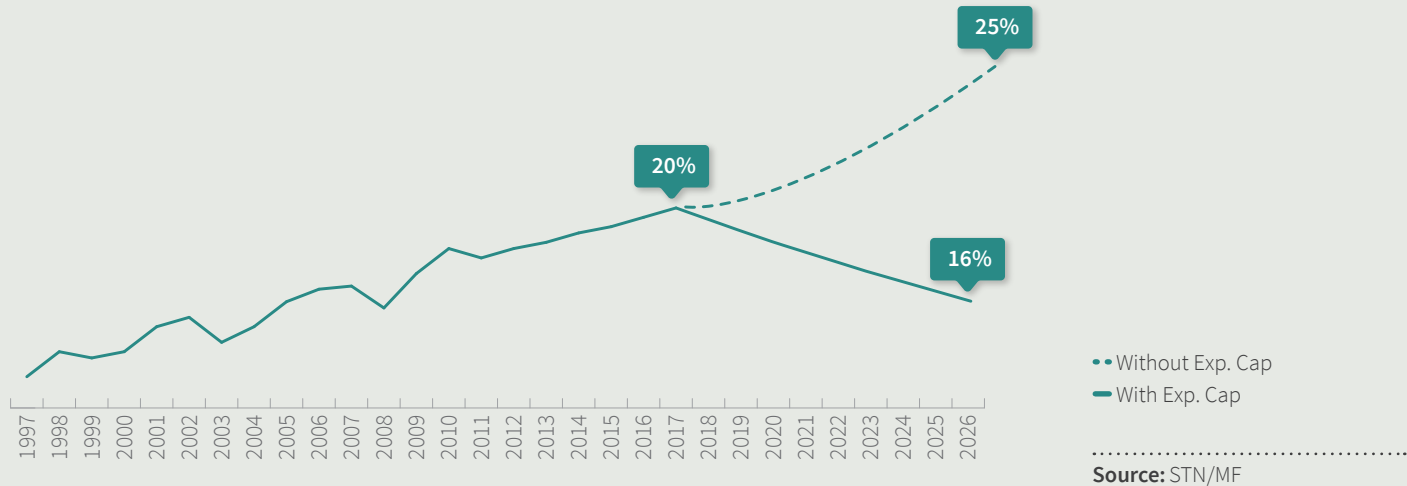
Constitutional Amendment (EC 95/2016)

limits public spending growth to the inflation rate for the next 20 years



THE SPENDING CAP SHOULD ANCHOR THE FISCAL POLICY

Projection of Primary Expenditures with and without Expenditures Cap (% GDP)



THE SPENDING CAP

- Ensures that federal public expenditures will return to 2008 levels
- Reduces the tax burden
- Reduces the level of public debt and interest payment
- Represents a reference to medium-term fiscal planning
- Increases transparency in budget discussions
- Broadens discussion about budget allocation
- Fosters debate on further structural reforms

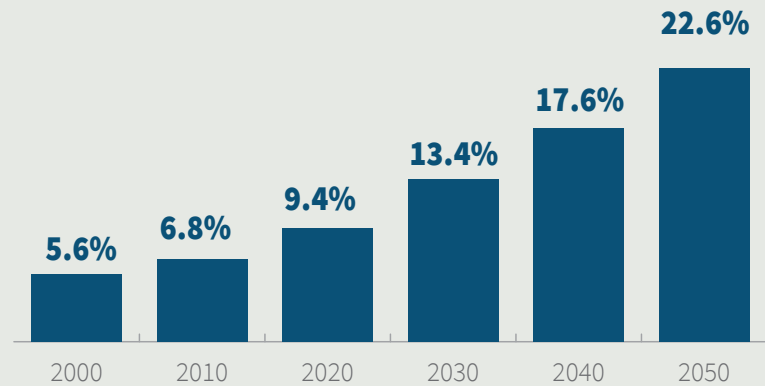
SOCIAL SECURITY REFORM - REASONS

- Fertility rate reduction
- Survival expectation increased beyond the age of 65
- Elderly population share increase



Brazilian demographic transition indicates unsustainability of social security spending under current rules

Population aged 65 and above (% of total)



Source: STN/MF



SOCIAL SECURITY REFORM - BACKGROUND

In 2015,

8 people worked for every person aged 65 years or over

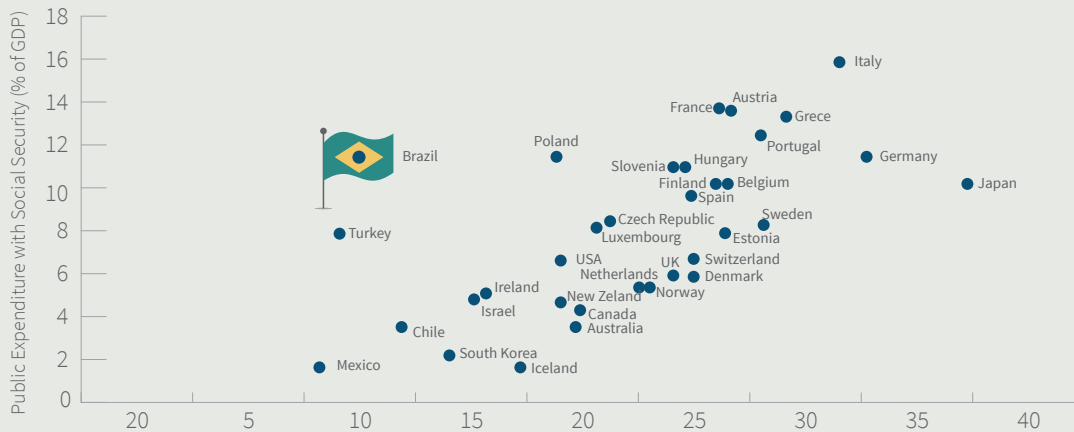


In 2040,

4 people will work for each person aged 65 years or over



WELFARE EXPENDITURES – INTERNATIONAL COMPARISON



Source: OECD and MF. Data for 2009.

SOCIAL SECURITY REFORM

MAIN PROBLEMS OF THE CURRENT PENSION SYSTEM

- Pensions by time of contribution without minimum retirement age
- High replacement rates
- Special programs (rural, teachers, military, hazardous work and policemen)
- Social benefits linked to a minimum wage

SOCIAL SECURITY REFORM

Constitutional Amendment (PEC 287/2016)

Proposals of Social Security Regime for the Private Sector (RGPS) - Substitutive Bill:

- **Minimum retirement age and time of contribution**
 - 65 years for men and 62 years for women;
 - Minimum of 25 years of contribution for both;
 - Law will establish rule for minimum age adjustment.
- **Transition rule**
 - No minimum age for transition rule;
 - Increase by 30% of the remaining years of contribution for retirement under current rules;
 - Minimum age of 55 years for men and 53 years for women, which will be increased by 1 year of contribution for each 2 years as of January, 1st, 2020.

SOCIAL SECURITY REFORM

Constitutional Amendment (PEC 287/2016)

Proposals of Social Security Regime for the Private Sector (RGPS) - Substitutive Bill

- Pensions

- General rule: Individuals cannot receive two survivors pensions at the same time
- Pension calculated as 50% of the benefit plus 10 pps per dependent. The maximum benefit amount is subject to the maximum benefit allowed under the RGPS and the minimum benefit is linked to minimum wage;

- Continuous Cash Benefit Program (BPC)

- People with impairment may receive BPC at any age. Elderly will be entitled to the benefit at the age of 68.

- States and Municipalities (local governments)

- They will have 6 months from the date of publication of the constitutional amendment to change their own social security systems. After this period, the rules of PEC 287/2016 will prevail.

SOCIAL SECURITY REFORM

Constitutional Amendment (PEC 287/2016)

Proposals of Social Security Regime for the Public Sector (RPPS) - Substitutive Bill:

• General Rule

- Minimum age: (i) Men, from 60 years to 65 years (as of 2028); (ii) Women, from 55 years to 62 years (as of 2032) ;
- minimum of 25 years of contribution for men and women.

• For Civil Servants that have joined before 2003

- 100% of the average of all salaries since 1994, once fulfilled the transition minimum age; or
- Full salary and parity for those who retire with more than 65 years (men) and 62 years (women)

SOCIAL SECURITY REFORM

Constitutional amendment (PEC 287/2016)

New calculation rules for both Private (RGPS) and Public Sectors (RPPS) - Substitutive Bill:

- 70% of the average of all salaries plus 1.5pps for each year above 25 years of contribution, plus 2pps for each year above 30 years of contribution, and another 2.5pps for each year after 35 years, until 100% at 40 years of contribution;
- Value limited to the maximum social security benefit (of BRL 5,531/month)

LABOR REFORM

Objectives

- Reduce informality; (ii) promote judicial security; (iii) create new formal jobs; (iv) empower workers by strengthening collective bargaining; (v) modernize work relations (vi) create new hiring contracts; (vii) and preserve rights.
- **Proposals**
 - **Promotes collective bargaining – agreements shall prevail over law on selected subjects;**
 - Establishes 29 rights that cannot be reduced or eliminated on collective agreements, e.g.: minimum wage, Severance Pay Fund (FGTS), weekly remunerated rest (...);
 - Union dues no longer mandatory;
 - Establishes a representation of employees at companies with more than 200 workers, to resolve conflicts, improve problem solving and avoid judicial actions.

LABOR REFORM

Proposals

- Overtime may be offset via **compensation of hours** or time bank, which may be established under an individual agreement;
- Compensation may be changed via written agreement, collective bargaining or labor agreement;
- Two possibilities of part-time work: **30 hours per week (no overtime)** or **26 hours with possibility of 6 overtime hours** per week.
- Vacations may be divided in up to three periods. **One period must be of 14 days at minimum (ILO requirement).**

LABOR REFORM

Proposals

- Creates the possibility of different forms of work such as home office and intermittent work (when an employee is engaged on a non-continuous basis). Intermittent contract allowances must not be lower than the minimum hourly wage or that paid to the others employees performing the same job, under permanent contracts;
- Multiplies fines for unregistered employees;
- Contract termination: No obligatory ratification of labor unions. Such terminations are ratified at the company level. Termination terms may be ratified on court, with judicial and union support.
- Expressly establishes that any activity of the company may be outsourced, including its core activity. Outsourced workers are entitled to the same rights as those of the employees of the contracting company.

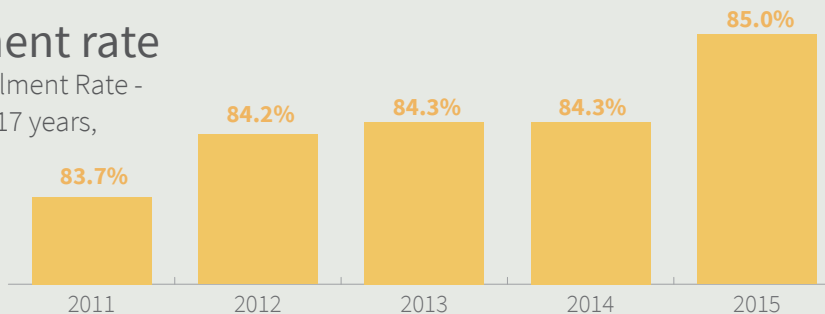
HIGH SCHOOL REFORM - BACKGROUND

Low quality: The targets for the evolution of the Basic Education Development Index (Ideb) were not achieved.

Basic Education Development Index - High School		
Year	Result	Target
2011	3.7	3.7
2012	3.7	3.9
2013	3.7	4.3

Low enrollment rate

Middle School Enrollment Rate -
Population Aged 15-17 years,
2011-2015



Only 62.5% of the people aged between 15 to 17 years old were enrolled in high school in 2015

Source: IBGE

HIGH SCHOOL REFORM

Law 13,415/2017:

- Extension of the high school day;
- Curriculum based on the National Curriculum Parameters;
- Emphasis in Portuguese, English, and Mathematics;
- Flexible curriculum divided into five different paths, to be chosen by the students: languages, mathematics, sciences, humanities, or technical education;
- Allows the student to choose a more professional path.

STRENGTHENING THE BUSINESS ENVIRONMENT

- Labor Cost Reduction
- Tax Reform to simplify Tax System
- Reducing the Red Tape
- Improving Financial Market Efficiency and Instruments
- Improving the Regulatory Framework on Oil Sector
- Program of Investment Partnerships (PPI)
- A Bill on the Governance and Accountability of Federal Regulatory Agencies

STRENGTHENING THE BUSINESS ENVIRONMENT

Labor Cost Reduction

- Gradual Reduction of the Additional Fine of FGTS (10%), reducing the employment cost for business
- Improvements in the Job Protection Program (PPE), renamed Job Insurance Program (PSE)
 - New admission criteria, and Maximum annual cost
 - Fines and punitive measures in case of fraud

Tax Reform: Simplify Tax System

- Expected to be submitted to Congress still in 2017
- Focus: PIS and Cofins (federal) , ICMS (state)
- Announced measures in the subject includes a series of system to reduce red-tape costs
- Tax Debt Repayment Program (PRT).
Expected impact: BRL 10 bn

STRENGTHENING THE BUSINESS ENVIRONMENT

Reducing the Red Tape

- Cut time to open new companies
- New BNDES Policy:
 - Working capital credit line (BRL 5 bn to direct operations and BRL 8 bn to indirect ones)
 - SME classification change: from BRL 90 to BRL 300 mi in gross operating revenue/year
 - SME classification change: from BRL 90 to BRL 300 mi in gross operating revenue/year
- Government Severance Indemnity Fund for Employees - FGTS
 - FGTS investment fund new selection rule based on strict project finance

Improvement of Financial Market Efficiency and Instruments

- Measures to support the reduction of margin on bank loans
 - Streamline credit worthiness list (Cadastro Positivo)
 - System for Electronic Receivables
 - Creation of Central Bank work force to investigate spread reduction
- Creation of a new Long Term Interest Rate (TLP), fostering long term credit concessions, increasing the monetary policy effectiveness and reducing public expenditure with interest equalization policies

STRENGTHENING THE BUSINESS ENVIRONMENT

Improvement of Financial Market Efficiency and Instruments

- Real-estate market
 - Enhance the credit market with creation a mortgage-back security (LIG)
 - Use of FGTS for real estate debts on delay up to 12 months and to Purchase Real Estate up to R\$ 1.5 million, fostering the real estate market

Improvement of the Regulatory Framework on Oil Sector

- Regulation improvements in the Natural Gas Industry, cutting down Petrobras Market Share
- Law on Land Regularization, legalizing land appropriation
- Unitization of Oil Fields, ruling oil fields that are found beyond auctioned boundaries
- Revision of Local Content for Oil Fields Policy, rationalizing requirements for the next auctions
- Law for Investments in Existing Concessions in infrastructure, authorizing for renewing concessions before expiration

STRENGTHENING THE BUSINESS ENVIRONMENT

Bill on the Governance and Accountability of Federal Regulatory Agencies

- Bill 6,621/2016 - approved by the Senate (PLS 52/2013) and being processed by the Chamber of Deputies;
- Mandatory Regulatory Impact Analysis (RIA) prior to the enactment of “general interest” regulation;
- Effective budgetary and financial autonomy;
- Technical requirements for appointment to the board of directors, standardization of terms of office (5 years, no reappointment), loss of mandate, prohibitions during mandate and right after, for 6 months;
- Transparency, accountability, public consultation; public hearings, autonomous Ombudsman;
- Institutional coordination with antitrust bodies, consumer protection bodies, environment and subnational regulatory bodies.

Opportunities Ahead

MINISTÉRIO DA
FAZENDA



ECONOMIC RECOVERY

Economic growth

- Reduction of logistic costs
- Reduction of service gap
- Productivity increase

Poverty alleviation

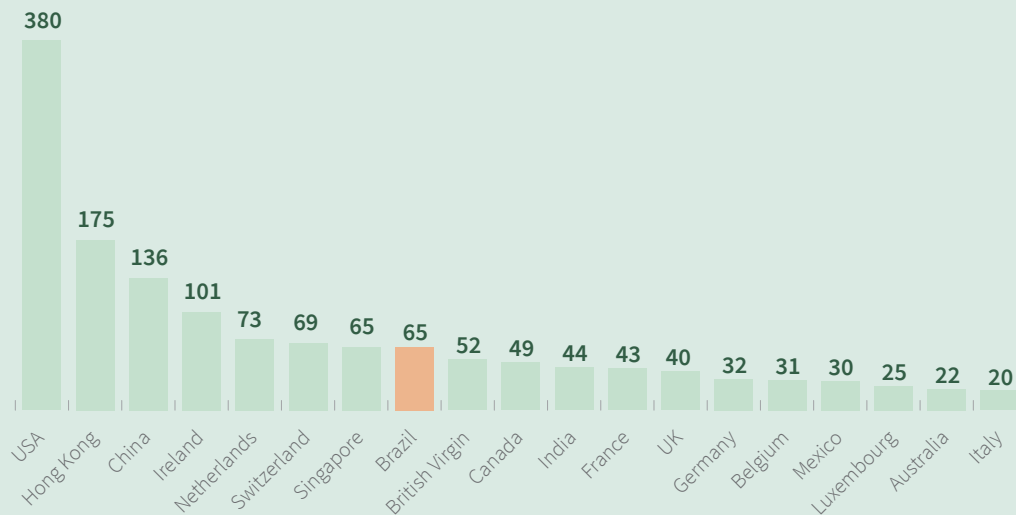
- Demand expansion
- Reduction of unemployment rate

Regional development

- Value added to local economy
- Spatial and economic integration
- Promote manufacture and services integration

BRAZIL RANKS 8th MOST IMPORTANT FDI DESTINATION WITH THE RETURN OF GROWTH, THERE IS ROOM FOR EXPANSION

TOP FDI Destinations in 2015 (US\$ Billion)



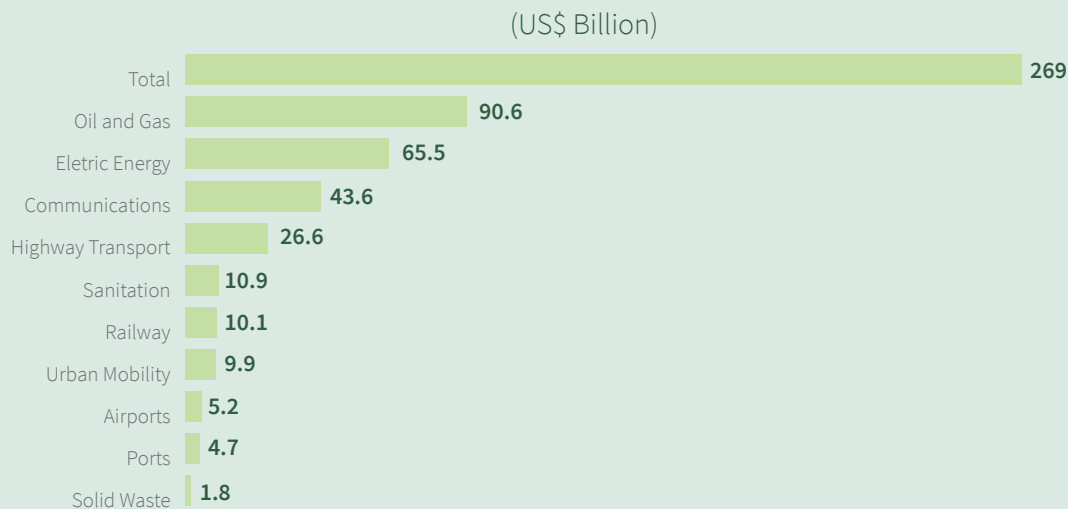
Source: Unctad (World Investment Report 2016)

Opportunities Ahead

89

INVESTMENTS PROSPECTS IN INFRASTRUCTURE 2016 - 2019

(US\$ Billion)



Source: Ministry of Finance

Opportunities Ahead

90

HIGHLIGHTS – PROJETO CRESCER



AIRPORTS

Auction of 4 airports:
Fortaleza, Salvador, Porto
Alegre and Florianópolis



HIGHWAYS

Concession of the road section BR 101-RS.
Auction scheduled for November 2017.
BR-364/365 auction scheduled for
December 2017



OIL AND GAS

4th round of marginal oil
fields scheduled for
May 2017.
14th round of exploratory
oil and gas blocks.



PORTS

Auction of 3 port leases scheduled for
March and April 2017 (two fuel terminals
in Santarém and one grain terminal in Rio
de Janeiro)

DISTRIBUTION OF INVESTMENTS - R\$ 45 BILLION IN 55 PROJECTS



ENERGY = 12.7 BILLION

35 of electric power transmission lines



HIGHWAYS = 6.0 BILLION

Concession of BR-101, in Santa Catarina, and studies with a view to conducting new bids for three highways: Nova Dutra, CRT and Concer.



RAILROADS = 25.0 BILLION

5 railroads already granted enter the process of early renewal of the contract in exchange for investments: MRS grid (which passes through Minas Gerais, Rio de Janeiro and São Paulo), Carajás Railroad (Pará and Maranhão), Vitória-Minas Railroad and FCA (Midwest and Southeast), as well as ALL - Malha Paulista.



PORTS = 1.3 BILLION

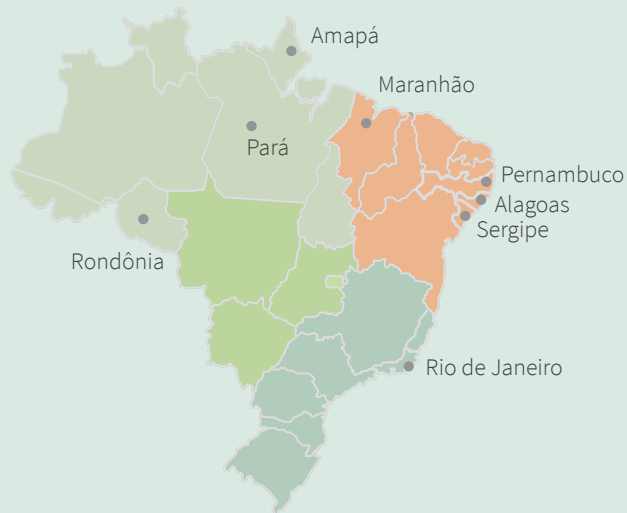
Public port terminals - extensions of existing contracts and concessions of new areas in Santana (PA), Itaqui (MA) and Paranaguá (PR) ports. In addition to the extensions of contracts in the ports of Santos (SP), Vila do Conde (PA) and Niterói (RJ).

DISTRIBUTION OF INVESTMENTS - R\$ 45 BILLION IN 55 PROJECTS

Sanitation Investments

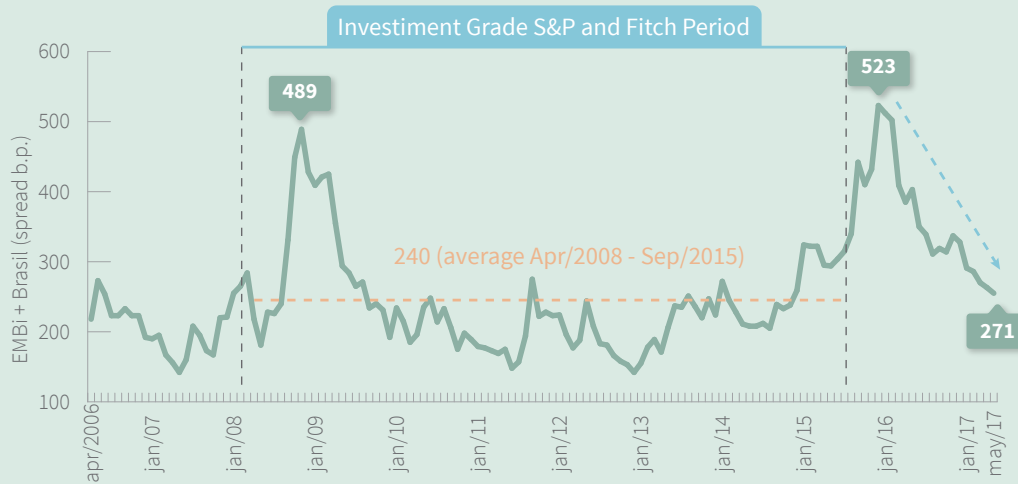
3 projects for the concession of water distribution, sewage collection and treatment services were approved by the PPI for qualification;

BNDES has launched 6 procedures for the contracting of specialized technical services for the structuring of partnership contracts.



FOREIGN CONFIDENCE ABOUT BRAZILIAN FUNDAMENTALS HAS RISEN

Investment Grade S&P and Fitch Period

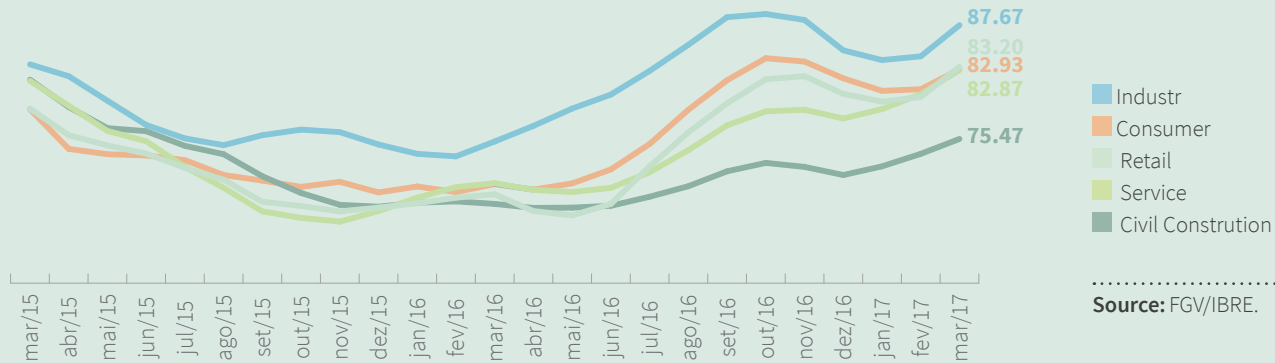


*Position 04/17/2017

Source: Bloomberg, JPMorgan

Opportunities Ahead

DOMESTIC CONFIDENCE ALSO RECOVERED BROADLY

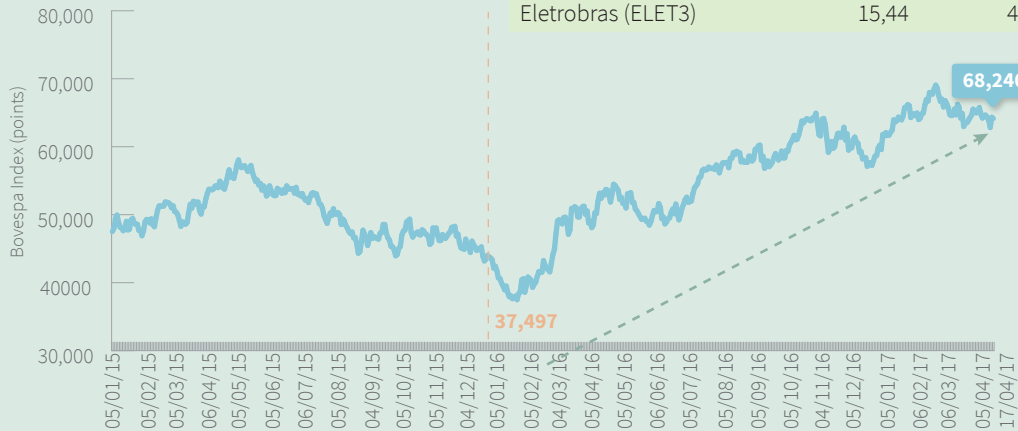


Source: FGV/IBRE.

Opportunities Ahead

VALUE OF BRAZILIAN COMPANIES PRECEDES THE ECONOMIC RECOVERY

	04/17/2017	01/26/2016	Var. %
Ibovespa (IBOV)	63,100	37,497	68,3%
Petrobras (PETR3)	14,39	5,96	141,4%
Vale do Rio Doce (VALE3)	26,94	8,90	202,8%
Banco do Brasil (BBAS3)	31,05	12,28	152,8%
Eletrobras (ELET3)	15,44	4,88	216,4%



Source: Bloomberg - April 17, 2017 - 11:00 AM

Opportunities Ahead

MARKET EXPECTATIONS FOR 2017 - 2020

Market Expectations - Central Bank pool of forecasts (median)

05/05/2017	2017	2018	2019	2020
Primary Balance (% of GDP)	-2.20	-1.80	-1.00	-0.5
Net Public Sector Debt (% of GDP)	51.50	55.00	57.00	58.74
Current Account Balance (US\$ Billion)	-25.62	-36.59	-41.85	-44.5
FDI (US\$ Billion)	76.00	75.00	75.52	80
Exchange Rate Year End (R\$/US\$)	3.23	3.40	3.45	3.51
Consumer Inflation (IPCA in %)	4.01	4.39	4.25	4.25
CB Year End Interest Rate (Selic - %)	8.50	8.50	8.50	8.5
GDP Growth (%)	0.47	2.50	2.50	2.5

Source: BCB

Opportunities Ahead

CHALLENGES AHEAD

Paving the way for a sustainable growth:

- **Infrastructure:**

- Energy: hydropower plants, oil (Sub-Salt layer);
- Transportation;
- Housing and sanitation (sewer systems, wastewater treatment);

- **Education:**

- Improve the quality of public education and the labor force skills.

- **Demographic issues:**

- Social security - pension system;
- Population ageing will pressure the health expenditure;

- **Tax Reform:**

- Simplify the System
- Reduce rigidity

.....
Source: BCB

Brazil and OECD

MINISTÉRIO DA
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UNIVERSAL FOREIGN RELATIONS

- **Brazil is undertaking important steps to increase its ties with different countries around the globe, endeavoring to diversify its trade and investment partners:**

- Ongoing negotiations for trade agreements with the European Union, Mexico and India.
- Conclusion of 7 Cooperation and Investment Facilitation Agreements (Mexico, Chile, Colombia, Peru, Angola, Malawi and Mozambique)
- Discussion of investment treaties with India and Jordania.

- **It is also negotiating new aspects and clauses to its current international agreements:**

- Measures to increase Mercosur´s governance structure.
- Widening the scope of agreements with member countries of the Pacific Alliance (Chile, Colombia, Mexico and Peru)
- Greater integration of the regional infrastructure.

- **The country is permanent and continuously contributing towards the improvement of multilateral negotiations (WTO and UN).**

- **It is specifically striving to advance further on WTO´s negotiations, promoting increasing discipline to distortive economic trade measures.**

BRAZIL AND OECD

- Brazil shares with OECD members a commitment to a pluralist democracy and also to an open and transparent market economy, conducive to worldwide sustainable development.
- The country is the Organization 's most engaged partner country with:
 - participation in most OECD Committees;
 - adherence to most of its normative instruments (26).
- Brazil is an active member of G-20, constantly addressing collective and coordinated actions in a number of global economic issues.
- It has a historical tradition as a country that values, contributes and intensively participates in multilateral institutions.

.....
Source: Brazilian Central Bank.



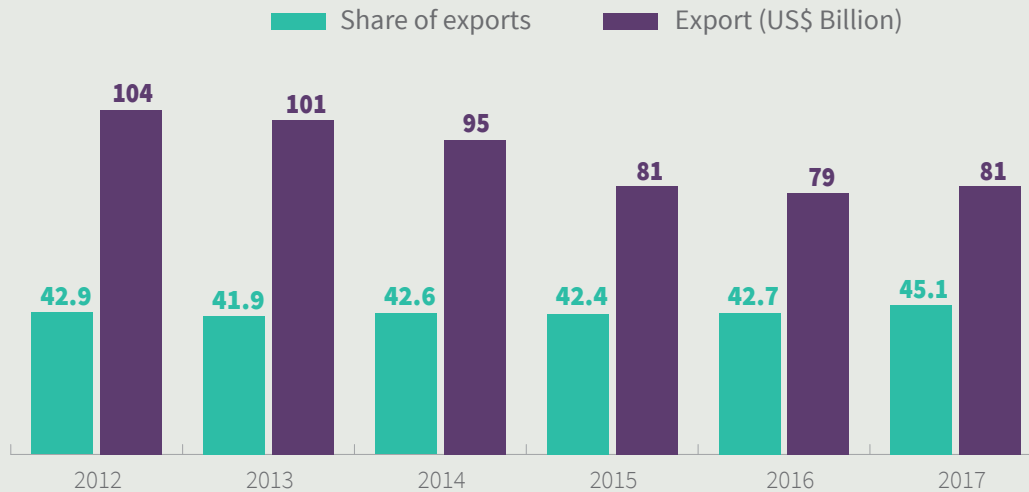
BRAZIL AND OECD

Why is the OECD important for Brazil?

- The Organization has an important role in the global governance agenda.
- It has a fundamental function in standard-setting in essential economic and social areas.
- Access and integration to detailed statistical databases and publications will enable policy-makers, researchers and the business community to benchmark their performance as compared to peers.
- Its policy recommendations and instruments tend to become mainstream, sometimes even evolving towards international norms.
- A closer relationship would signal strong commitment to an open, transparent market economy underpinned by responsive and accountable public policies.

BRAZIL AND OECD

Exports from Brazil to OECD Countries (US\$ Billion, and % of total)



Source: BCB.

Brazil and OECD



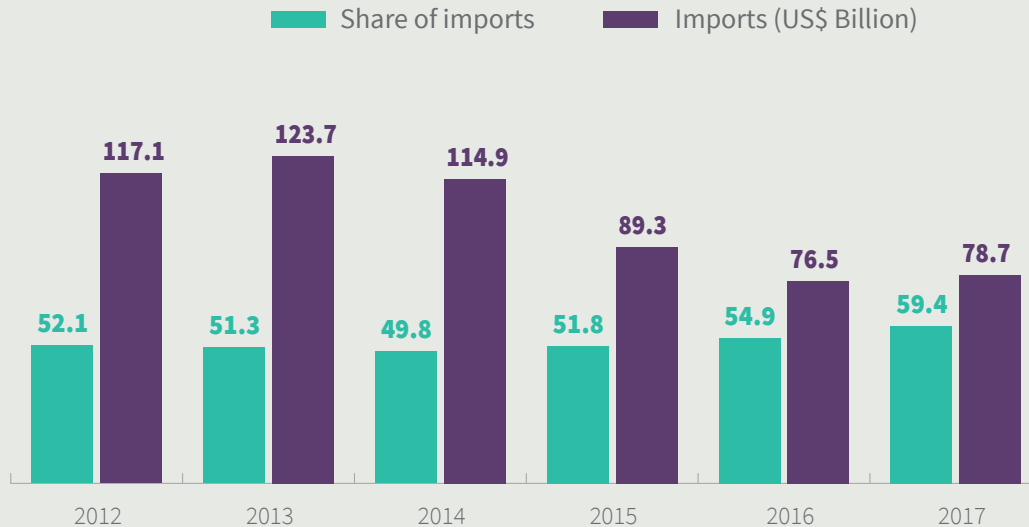
BRAZIL AND OECD

Why is Brazil important for the OECD?

- One of the largest market economies and democracies of the world.
- One of the largest world economies not yet OECD member.
- Multicultural democratic country with cultural and economic ties with most countries of the world, holding effective conditions to dialogue and negotiate with all nations and regions around the globe.
- Important FDI destination, with a diversified foreign investment inflow (94% originating from OECD countries).
- A closer relationship would give greater legitimacy to the organization's recommendations and policies in view of the wider global representativeness.

BRAZIL AND OECD

Imports from OECD Countries to Brazil (US\$ Billion, and % of total)



Source: BCB.

Presidency of the Republic
Ministry of Finance

Technical Support

Presidency of the Republic of Brazil

Office of the Chief of Staff:

Office for Public Policies

Office for Monitoring and Government Coordination

Special Advisory to the Minister



EXECUTION

Ministry of Finance:

Social Communication Advisory - ACS

International Affairs Secretariat - SAIN

ART

Visual Project and Final Art: Letícia Lopes

Cover: Letícia Lopes

Chapter cover: Murilo Lima

Layout Development: João Vítor Bachilli, Letícia Lopes and Murilo Lima

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