

DOING BUSINESS IN BRAZIL: TRANSFORMATION UNDER THE RADAR

**SEPEC - DEPUTY MINISTRY OF
PRODUCTIVITY AND COMPETITIVENESS**

**Ministry of Economy
Federal Government of Brazil**

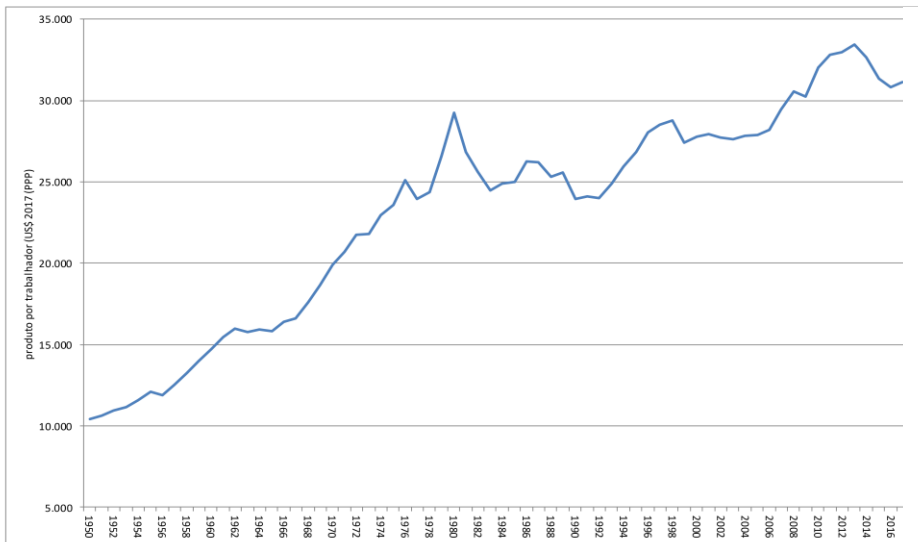
<http://gov.br/sepec>

SECRETARIA ESPECIAL DE
PRODUTIVIDADE, EMPREGO E
COMPETITIVIDADE

MINISTÉRIO DA
ECONOMIA

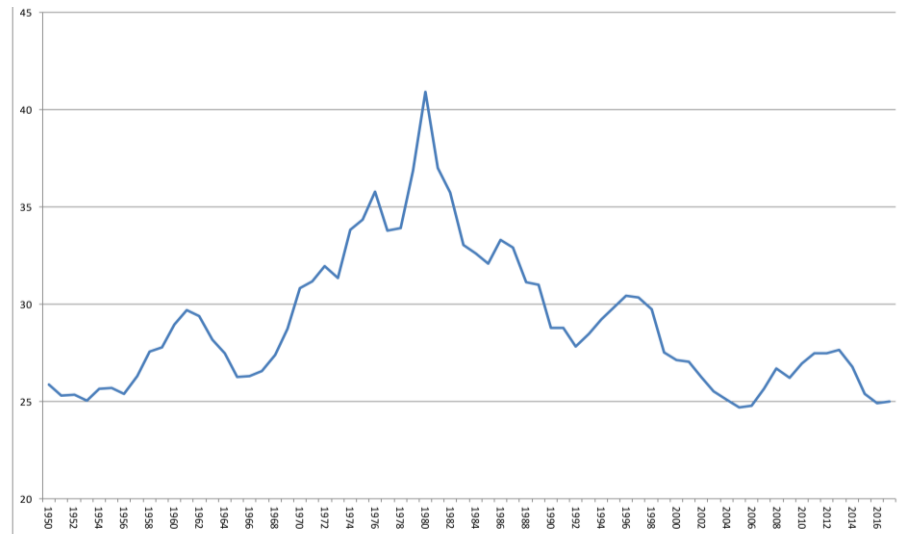


GDP per Worker (Real Terms)



Fonte: Conference Board

GDP per Worker (% of US)

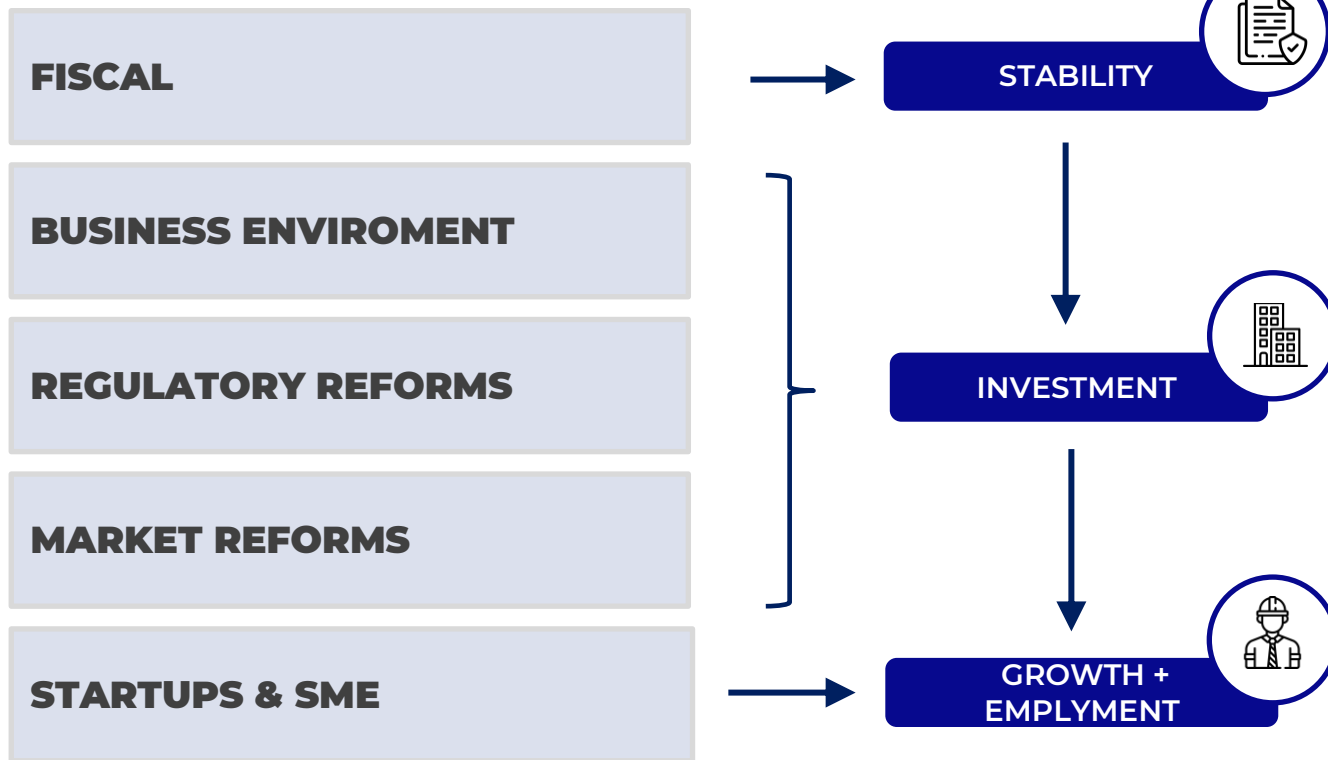


OBS: Em %

Fonte: Conference Board

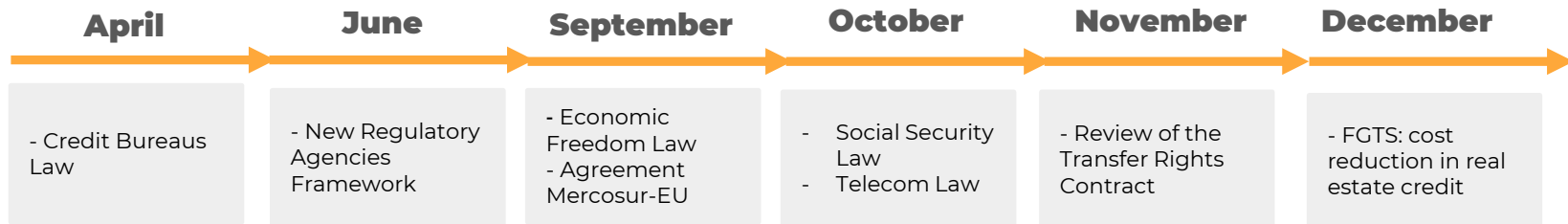


THE SOLUTION



3 YEARS OF REFORMS

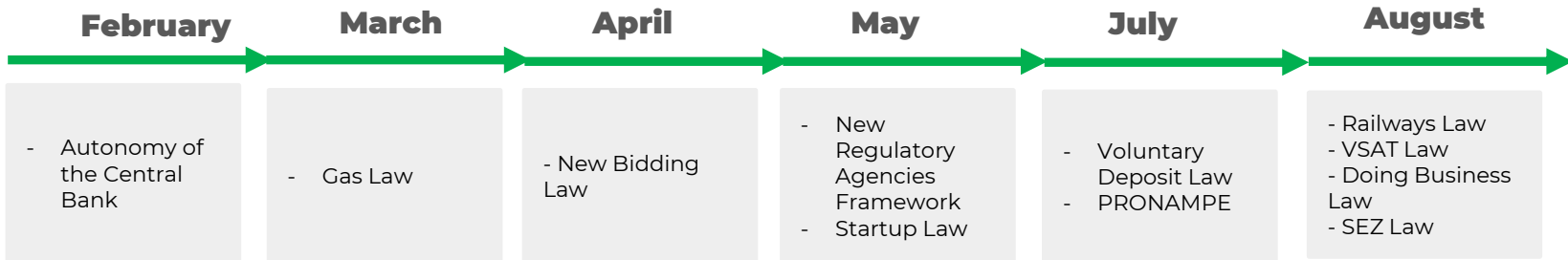
2019



2020



2021





CABOTAGE LAW



**CONCESSIONS AND PPP
LAW**



**NATIONAL GUARANTEES
SYSTEM**



BANCKUPCY LAW FOR MSE



MICROCREDIT LAW



FUEL COMPETITION



LAND OWNERSHIP



**ENVIRONMENTAL
LICENSING LAW**



CIVIL CONSTRUCTION LAW



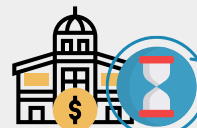
PRIVATE HEALTH LAW



CAPITAL MARKETS LAW

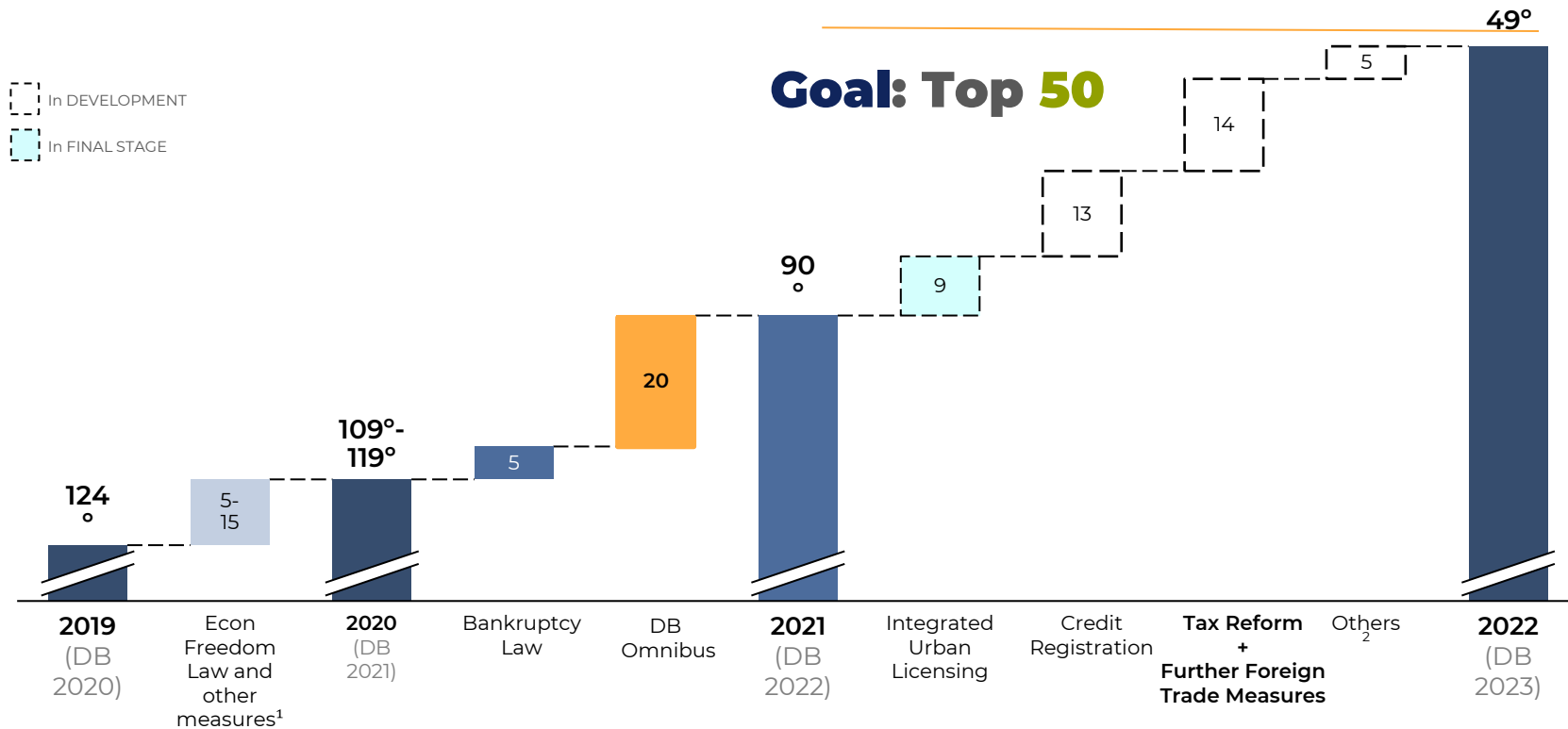


NEW "LEI DO BEM"



QUALITY INFRA LAW





BRAZIL'S COMMITMENT TO IMPROVING THE BUSINESS ENVIRONMENT

- Reduction of necessary procedures for starting a business from 10 to 3 - **opening a business in 1 day**
- **Automatic permits for low and medium risk companies**



- **Maximum period for obtaining electricity - 45 days** (OECD average is 75 days)
- **~50% reduction in the time** to obtain the construction permit
- **~30% reduction in the cost** of licensing works

- **~30% reduction in the time of execution process**
- Introduction of "**Dip Financing**" in Brazilian law

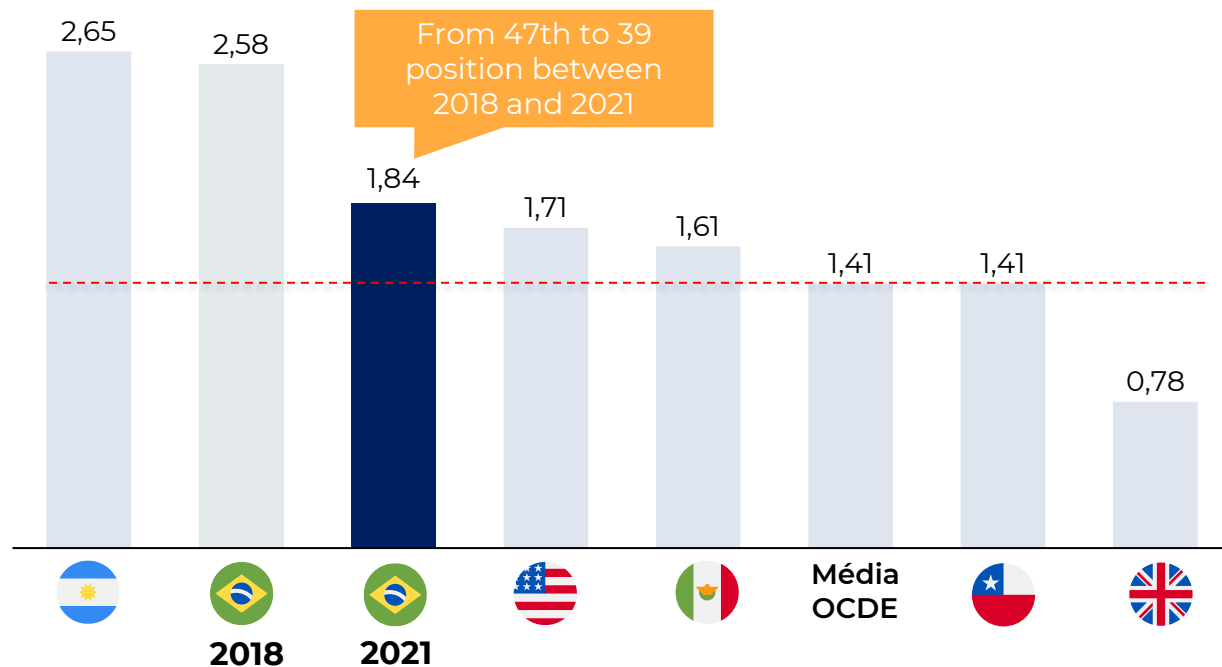
- Reform of the guarantee system capable of **impacting the volume of private credit by ~30% of GDP**, according to comparative studies by the World Bank



PRODUCT MARKET REGULATION IMPROVEMENT

Brazil's projected score in the PMR Ranking

Estimate based on SEPEC analysis



From 47th to 39 position between 2018 and 2021

To measure countries' regulatory stance and to track reform progress over time, since 1998 the OECD has been producing a set of indicators of product market regulation (PMR).

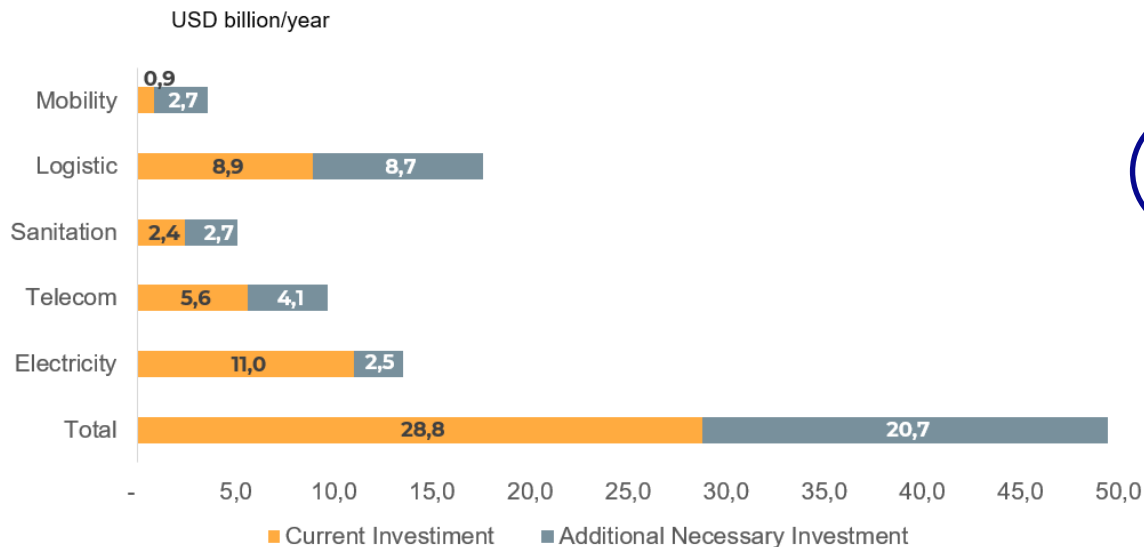
Regulatory Overview - PMR

- ✓ Rationalizing regulations for O&G (Law 14,134/2021)
- ✓ End of restriction on foreign capital in the airline industry (Law 13,842/2019)
- ✓ End of restriction on foreign capital in the Telecommunications sector (Law 14,195/2021)
- ✓ New broadband law, with enhanced legal certainty for investments (Law 13,879/2019)
- ✓ Incentives to carry out cost-benefit analyses (Regulatory Burden Calculator – CalReg)
- ✓ Reduction of red tape and regulatory burden (Decree 10,411/2020)

Implemented regulatory improvements (September 2021)



+ US\$ 20,9 BI YR IN PRIVATE INFRASTRUCTURE INVESTMENT



SANITATION LAW

- End of restriction on private sector participation.
- Forecast **\$ 135 billion in investments** for universal access.



TELECOM LAW

- Federal Government promoted reforms for Telecom (only 5G **expected investment of \$31 billion**)





RAILWAYS LAW

- Liberalization Act attracting **\$ 20 billion in new railway** lines.



Integrated Urban Licensing (MURIN)

- **~50% reduction in the time** to obtain the construction permit
- **~30% reduction in the cost** of licensing works



HIGHWAYS

- New Concession design with better risk sharing and incentives framework, allowing the private operation of **more than 30 thousand km** of federal highways.





PPP LAW

- Adoption of international best practices for PPP contracts (e.g. risk sharing, incentives, bidding process), **fostering further wave of private investments in infrastructure**



CABOTAGE LAW

- **Reduction of cabotage costs by more than 15%**
- **Up to 40% expansion on vessels** for use in cabotage




ELECTRICITY LAW

- Deregulation of the sector, with the **full access to free energy market**, and improvement of price signals for capacity expansion.



ENABLING COMPETITION

 Work in progress

 In execution

13



DEREGULATION DECREE

Obligation to review the merits of existing regulations, with a reduction in regulatory burdens and convergence to global technical standards.

 CURRENT STATUS



HEALTH

Supply shock in the health sector, through the removal of bureaucratic restrictions on the provision of services and the sale of medicines.

 CURRENT STATUS



REGULATORY EVALUATION

Identify and analyze the negative effects of restrictions arising from regulations imposed by public rules.

 CURRENT STATUS



FOREST CONCESSIONS

Reduced bureaucracy and improved incentives for forest concessions, a relevant way to encourage sustainable development in the Amazon region.

 CURRENT STATUS



PROFESSIONAL FREEDOM

Removal of undue restrictions on professional services, such as price fixing and advertising ban.

 CURRENT STATUS



ENGINEERING

Removal of undue restrictions that make it difficult for foreign companies and professionals in the engineering field to operate in Brazil.

 CURRENT STATUS



PHARMA PRICES

Free prices for over-the-counter medications.

 CURRENT STATUS



CONSTRUCTION

Great reduction in bureaucratic requirements for construction and rationalization of urban rules

 CURRENT STATUS



INTEGRATED RESORTS

End of the prohibition of the gaming activity in Brazil.

 CURRENT STATUS



STARTUP LAW



Greater access to capital market;



Making management flexible and **reducing S/A bureaucracy**;



Increased supply capital for investments in startups;



Strengthening legal security for all actors involved;



Expanding contractual freedom for angel investment;



Regulatory environment for **testing different innovations**;



New procedure for the public sector to hire innovative solutions



BRASIL +



15K INNOVATIVE

... BRAZIL HAS THE LARGEST STARTUP ACCELERATION PROGRAM IN LATIN AMERICA **+2200 COMPANIES ACCELERATED ... 15K INNOVATIVE**

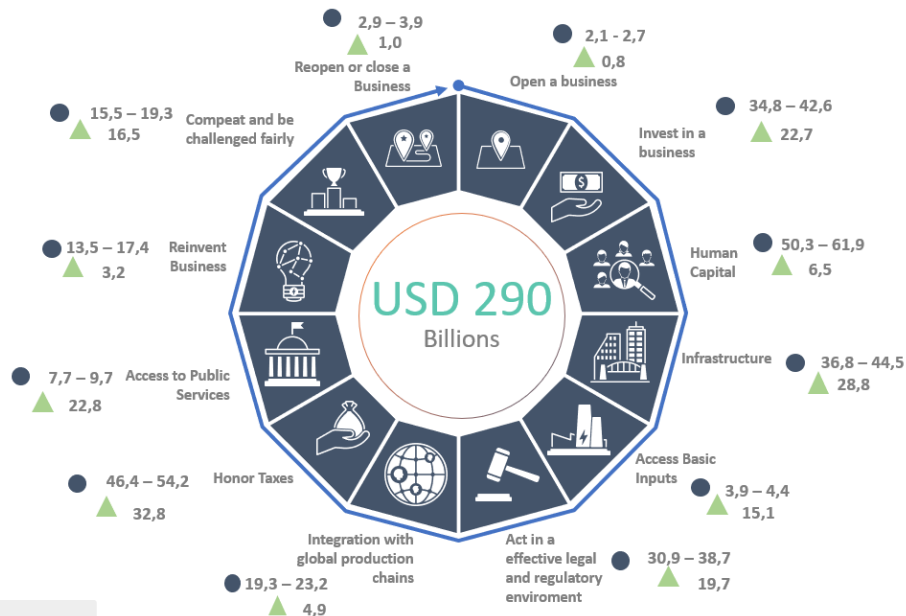
... AND THE **2ND** LARGEST DIGITAL TRANSFORMATION PROGRAM FOR SMES IN THE WORLD, **50 THOUSAND COMPANIES SINCE 2020 ... BRASIL +**

... BRAZIL WAS THE **3rd** COUNTRY IN THE WORLD THAT LAUNCHED THE MOST UNICORNS IN 2019 ...

... **US\$ 5.2** BILLIONS WERE INVESTED IN BRAZILIAN STARTUPS 1Q2021. RECORD! SURPASSING BY **45%** THE TOTAL AMOUNT INVESTED IN 2020



WITH THE REFORMS ALREADY IMPLEMENTED, THE COST OF DOING BUSINESS IN BRAZIL HAS ALREADY DECREASED **USD 77,3 BILLION**



REFORM & IMPACT

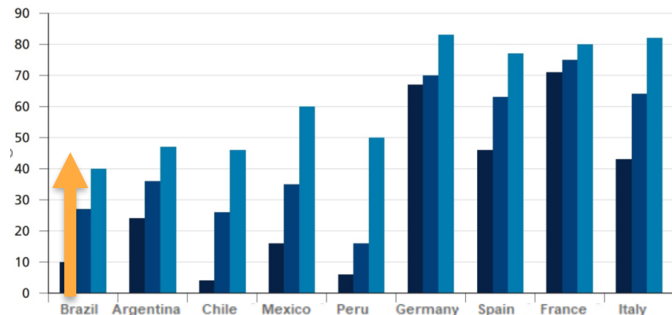
Tax Reform	- US\$ 24,30 B
Administrative Reform	- US\$ 13,01 B
Sanitation Law	- US\$ 10,88 B
Electricity Law	- US\$ 8,27 B
Doing Business Law	- US\$ 3,88 B
Telecom Law	- US\$ 3, 79 B
Startups Law	- US\$ 2,47 B
Natural Gas Law	- US\$ 2,41 B
Privatization of Eletrobrás	- US\$ 0,77 B
Economic Freedom Act	- US\$ 0,73 B
Digital Government Strategy	- US\$ 0,65 B

● Impact
▲ Reduction Goal



SMALL BUSINESS

Relative Productivity in selected Latin America countries and OECD
(In %, large companies productivity = 100%)



Digital Competitiveness and Commitment to Innovation and Entrepreneurship G20 (CECD) 2021



ENABLE

- > Brasil +
- > New Sebrae

Results:

- Total hires: **+ 3 MM**
- Productivity: **52%+**
- ROI: **10,9 times.**



SIMPLIFY

- > Doing Business
- > Advocacy

Results:

- **+ u\$ 61 b – u\$ 122,6 b** in generated wealth



INCLUDE

- > Credit (Pronampe + PEAC):
- > Guarantees (SNGC):

Results:

- More than **US\$30 billion** in credit loans and **more than 968,000** operations¹



ADVANCES

- > Going Digital:
- > Going Abroad:

Results:

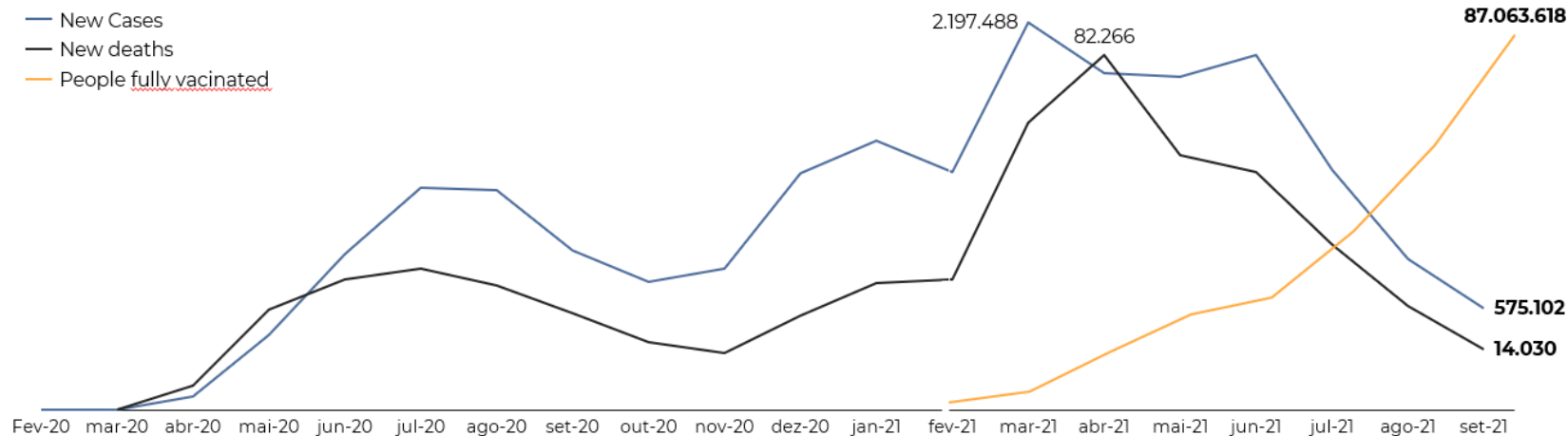
- 66% of small Brazilian companies have started the digitalization process;



AS VACCINATION ADVANCES IN BRAZIL, THE NUMBER OF CASES AND NEW DEATHS HAS DECREASED...

COVID-19: Brazil Status

(Total per month)



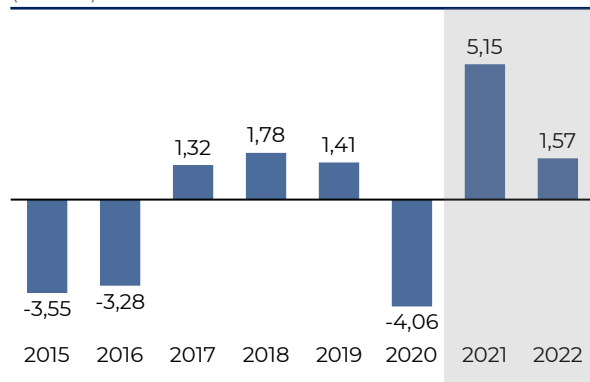
With more than 280 million doses distributed, and 230 million already applied, Brazil has passed the mark of 40% of the population fully immunized



HOW WE ARE TODAY (Cont.)

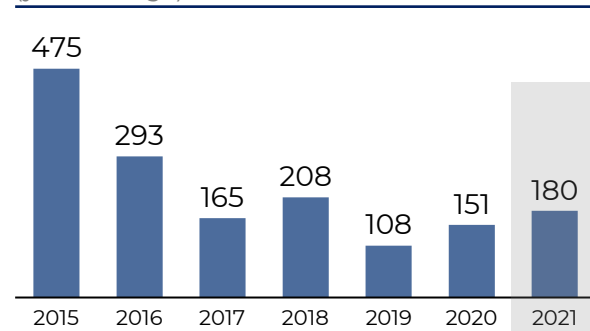
Gross Domestic Product (GDP)

(% YoY)



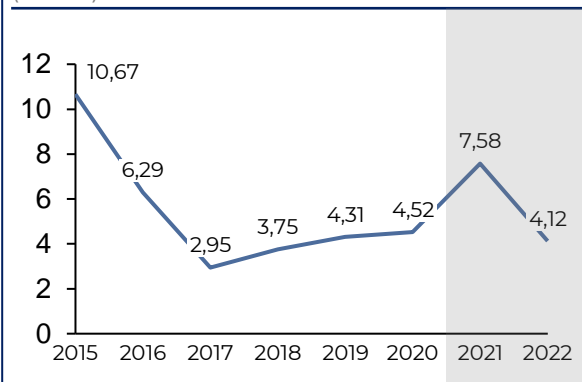
Credit default swap (CDS)

(year average)



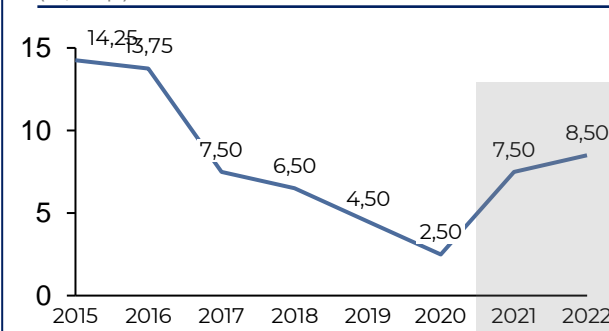
Consumer Inflation (IPCA)

(% YoY)



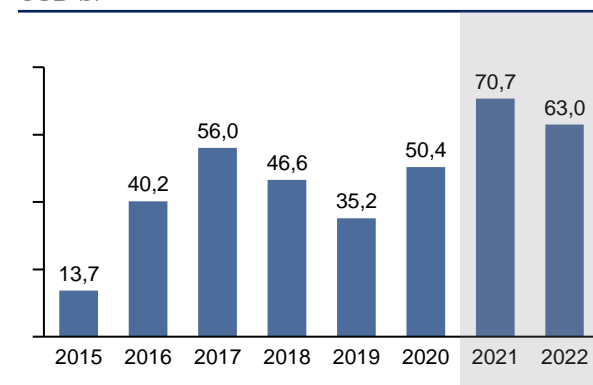
Interest rate (Selic target)

(%, eop)



Trade Balance

USD bi



Projection

... CONTRIBUTING TO THE IMPROVEMENT OF ECONOMIC INDICATORS AND MARKET PROSPECTS FOR BRAZIL



Ministério da Economia

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