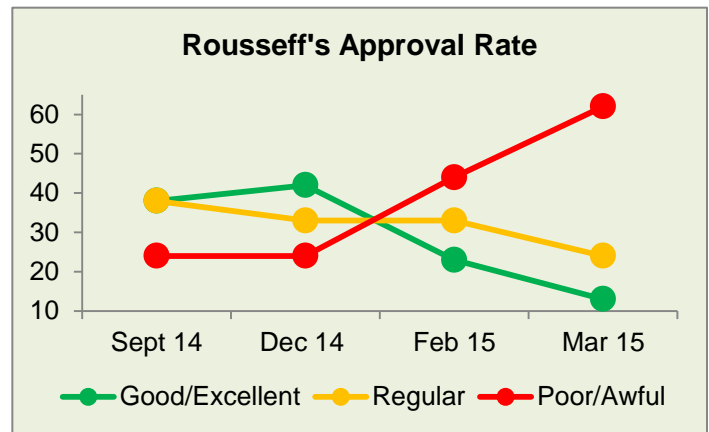


The Week in Review

On the Political Front

Datafolha Poll

On Wednesday following last Sunday's demonstrations, DataFolha released a survey showing that 62% of respondents now classify President Rousseff's administration as 'poor or awful,' up from 44% just last month. This is the worst approval rating for a Brazilian president since September 1992 when Fernando Collor de Mello had a 68% disapproval rating shortly before being impeached. The poll also shows Rousseff's popularity has fallen in all income groups, including her working class base. However, apart from Collor, other Brazilian leaders have recovered from similar declines in their approval ratings by pushing through necessary reforms.



Anti-Corruption Measures

On Wednesday in response to Sunday's protests, the president officially announced the government's anti-corruption package. The package will be sent to Congress for approval through either a bill with legislative urgency or an amendment to the Constitution. On Thursday, the executive branch published the regulation of the Anti-Corruption Act, by decree, encouraging the adoption of compliance programs by private companies, with codes of ethics and conduct, policies, and guidelines to detect deviations and irregularities against the government. The text establishes and regulates the right of the administrative processes of accountability and also disciplines leniency agreements.

President Rousseff's proposed measures include:

- » **Classifying Slush Fund creation (*Caixa Dois*) as a crime.** Would legally classify as a crime attempts to circumvent election monitoring mechanisms through the omission of information or inclusion of false information that would obfuscate the origin or destination of securities, goods, and services rendered to political parties or election campaigns. Punishment would be extended to donors—including corporations—and political parties. The proposal establishes a fine of between five and ten times the amount donated but undeclared, proportional to the crime committed by an individual, business, or political party that commits illegal acts.
- » **Extend the enforcement of the 'Clean Slate Law' (*Ficha Limpa*)** to all government employees serving in the Executive, Legislative, and Judicial branches.
- » **Enable the confiscation of property derived from criminal activity, misconduct and/or embezzlement,** by introducing a proposed amendment to the Constitution (*Proposta de Emenda à Constituição - PEC*). Also according to the proposal, those convicted of creating a slush fund could be sentenced from three to six years in prison.



U.S.-Brazil Bilateral Relations

On Wednesday in Washington, Brazilian Minister of Foreign Affairs Mauro Vieira met with U.S. National Security Advisor Susan Rice to purportedly discuss the agenda for President Rousseff's visit, in the second half of the year. The date for a visit, however, is still being discussed.

Also on Wednesday, Finance Minister Joaquim Levy met with U.S. Treasury Undersecretary for International Affairs Nathan Sheets in Brasilia, during the fifth round of the Brazil-U.S. Economic Dialogue. Various topics regarding bilateral interests were discussed with emphasis on macroeconomic conditions, challenges, and prospects for Brazilian and U.S. economic policies and trade issues. In addition, Levy renewed Brazil's commitment to move forward with these discussions and further deepen cooperation.

Education Minister Resigns

On Wednesday, after a chaotic hearing in the House of Representatives, Speaker of the House Eduardo Cunha announced that Minister of Education Cid Gomes was stepping down. The hearing was marked by harsh words between members of congress and Gomes, who called members "opportunists" and said that many were attempting to profit from the country's poor economic situation and the lack of governability. On Thursday, the executive branch confirmed Gomes' resignation through the official Gazette. There has still not been any mention of who will replace Gomes as Minister for Education.

Task Forces

Innovation

Public Comment Period on Patents: On Monday, the Brazilian National Institute of Industrial Property (*Instituto Nacional de Propriedade Industrial* - INPI) announced the opening of a public comment period on the guidelines for examination of patent applications, aiming at a more uniform and predictable process, increased transparency, and more participation from civil society. The new guidelines for patents, proposed by the INPI, can be found [here](#). The deadline for comment is May 14, 2015, and any contributions must be sent to saesp@inpi.gov.br.

Healthcare

Drug Importation Regulation: This week, Bill 677/15 (*Projeto de Lei - PL*), which would allow the importation of non-commercial drugs to be made without registration with the Ministry of Health, was introduced in the House of Representatives. The National Health Surveillance Agency (*Agência Nacional de Vigilância Sanitária* - ANVISA) would authorize a simplified process for the import of such drugs, where the applicant must present:

- » Prescription and report attesting to the indispensability of the drug;
- » Term of free and informed consent signed by the patient or legal guardian; and
- » Documentation proving that the drug is registered in the country of origin.

For this new import procedure, indispensability must be proved, which means that the interested party must prove that there is no alternative proven therapeutic medicine for the disease available in the country or that the patient has no clinical response to medications available in the domestic market. The bill will be analyzed by the various House committees and then sent to the Senate.

Trade

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Public Procurement: On Wednesday, a select committee was installed to debate the public procurement process in Brazil and to create a new procurement law proposal. The procurement process in Brazil is now regulated by Law 8666/93. Currently, there are a number of bills in Congress that would amend the Public Bidding and Contracts Law of 1993, as well as Law 10,520/2002, which establishes electronic bidding as the main Brazilian procurement process (adopted in an attempt to keep up with technological developments and ensure greater transparency in the process). The implementation of a new procurement framework is considered one of the priorities of Senate President Renan Calheiros.

New Civil Proceedings Code: On Monday, President Rousseff signed into law the new Brazilian Civil Proceedings Code (*Novo Código de Processo Civil*), which will take effect March 2016. The new code would:

- » Expedite judicial proceedings;
- » Increase the number of conflicts solved through mediation systems (by including the application of fines of up to 2% of the value of the legal case to individuals who do not attend a reconciliation meeting);
- » Increase binding decisions, in which judges must follow the decisions already made in similar cases.

Animal Testing Bill: On Tuesday, Senator Cristovam Buarque (PDT/DF) was appointed rapporteur of [Bill 70/14 \(Projeto de Lei da Câmara - PLC\)](#), which would prohibit the use of animals in teaching and research activities, as well as in laboratory tests for substances in cosmetics intended for human use (prohibiting such tests when the ingredients used in cosmetics, perfumes, or personal hygiene products are already proven to be safe for human use or for finished cosmetic products, if in accordance with the rules of the National Agency of Health Surveillance (*Agência Nacional de Vigilância Sanitária - Anvisa*). For substances with unknown effect, the ban on animal testing still will be applied if alternative testing methods are available. The bill also includes the increase of fines applied in such cases, ranging from BRL\$50,000 to BRL\$500,000. The proposal is being analyzed by the Senate Committee on Science and Technology. If the Senate makes any changes in the text, the bill must return to the House of Representatives. If the Senate approves the text without change, the bill will proceed directly for presidential approval.

CADE Consultation System: The Administrative Council for Economic Defense (*Conselho Administrativo de Defesa Econômica - CADE*) published its consulting system regulation. With this, companies that want to ask questions and avoid punishment may consult the system before performing an action that may, in the future, be considered anti-competitive. In practice, if a company that intends to provide discounts on products from a supplier, for example, without knowing if this could lead to unfair competition can now consult CADE in advance. The agency has a 120-day deadline to respond to the company's consultation starting from the trial session that designates the rapporteur to the case. In addition, the response given by CADE will be valid for five years, unless there is a decision against it from the plenary body. **Most importantly, if the query is about an act already performed and CADE decides for its illegality, CADE can convert the query into an administrative proceeding.**

Budget for Administrative Appropriations: On Tuesday, Senate President Renan Calheiros promulgated a proposed amendment to the Constitution on a budget for administrative appropriations (*Orçamento Impositivo*), which requires the government to pay the amounts in the budget allocated by parliamentarians to their states, called individual parliamentary amendments. The text was approved by the Senate and the House. With the enactment of the amendment, the federal government will be obliged to pay the amendments on a limit of up to 1.2% of the current net revenue, which is the sum of government revenue from taxes, excluding constitutional transfers to states and municipalities. The text also states that half of the amendments will be applied towards healthcare. The amendment also changes the health financing rules by the federal government. The text establishes the minimum percentage of net current revenue that the federal government will have to allocate to health in four years at 15%. The government will apply the funds incrementally, starting with 13.2% in the first year and increasing gradually to 15%.

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The Pulse

President Rousseff's Political Situation Continues To Deteriorate

The political situation of President Rousseff has deteriorated significantly. This week, her public approval rating plummeted into the low teens, the number of people who took to the streets nationwide to protest her government on Sunday was much higher than anyone had expected, and even the smaller protestors supporting the president expressed dissatisfaction with the new economic measures being taken.

The president was also forced to accept her education minister's resignation after he clashed with Speaker of the House, Eduardo Cunha. In addition, an internal document from her communications minister laying out the government's communication strategies was leaked and has provoked uproar both within and outside the Administration. The communications minister may also be dismissed upon his return from vacation.

These two incidents, a setback for Rousseff's already weak position, may force her to do something that some of her closest advisers (including former President Lula) have been pushing her to do for some weeks: to reshuffle her cabinet in order to increase her political support and ability to govern, particularly with an eye towards giving a larger role to other parties within her coalition.

One of the tactics of such a strategy could be to oust Aloisio Mercadante, the powerful chief of staff, from his present job and put him back in the education ministry, the position he held in President Rousseff's first term. Mercadante has been blamed for many of the political troubles the president has been facing. He may be replaced by Jacques Wagner, currently the defense minister, who is very close to Lula and considered a much better political coordinator. However, this change could imply even less real power for the president, who appears to be resisting this move.

Another minister who will very likely be ousted from his current job is Minister of Institutional Relations Pepe Vargas, who has been blamed for the poor performance of the executive/legislative dialogue. He may be replaced by Minister of Science and Technology Aldo Rebelo.

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