

The Week in Review

ON THE ECONOMIC FRONT

Growth: The Economic Activity Index of the Central Bank (considered a preview of the GDP) retracted by 1,4% in May. This is the largest drop since December 2008.

Super Crop: Economists expects that the super crop of grains in 2013 may add at least 0.3% to the country's GDP. It would be the greatest participation of agriculture in GDP in the last decade. According to the Focus Bulletin, released last week by the Central Bank, GDP growth is expected to be of 2,3%.

Pre-Salt Bidding Round: After complaints by oil industry representatives, the National Agency of Oil, Gas and Biofuels (ANP) decided to extend the deadline for comments to the public consultation on the draft of the RFP and contract of pre-salt bidding round. *See more below.*

Budget: Due to lack of quorum, Congress' Joint Commission on Budget did not vote the preliminary report of the Budgetary Guidelines Bill to 2014 (PLN 2/13). The voting was postponed to August 6. Currently, the Brazilian budget is authoritative, meaning that it sets the maximum amount of expenditure for each appropriation, but the government is not obligated to spend the full amount appropriated.

Inflation: During a speech at the 10-year anniversary of Economic and Social Development Council (CDES), President Rousseff stated that she is "certain inflation will be on target" this year.

Industrial Confidence: The National Confederation of Industry (CNI) released on Tuesday the Industry's Businessmen Confidence Index (ICEI), which continued on a downward trend, reaching 49.9 points in July. Last month, the rate was 54.8 points. The Index ranges from 0 to 100, the former representing no confidence.

ON THE POLITICAL FRONT

Congressional Recess: Despite the non-vote of the Budgetary Guidelines Bill by Congress, which is a constitutional requirement for the parliamentarian recess, the presidents of the House, Henrique Eduardo Alves (PMDB), and of the Senate, Renan Calheiros (PMDB), established a "white recess" from July 18 to 31. *See more below.*

Approval Rating: President Rousseff's Administration approval rating dropped to 31,3%, according to a poll released on Tuesday by the National Transportation Confederation. Before the protests, approval reached 54,2. The personal approval of President Rousseff also plummeted from 73,7% to 49,3%. A Ibope poll showed that former President Lula would be 37% stronger than Rousseff as a PT candidate. However, later in the week, Lula reaffirmed he is not running next year.

Mining Code: A Special Committee in charge of analyzing the bill on the new mining code was established on Wednesday. Its president is Gabriel Guimarães of the PT party. Congressman José Priante has requested that the constitutional urgency, demanding a vote in 45 days, be removed from the bill. If it is not removed, the bill will block other matters on the floor starting August 4.

Oil Royalties: The vote of the bill on the destination of Oil Royalties (PL 323/07) to health and education was postponed to the first half of August, due to a lack of consensus between congressmen and the Administration.

Cuts: Due to concerns on reaching the 2,3% primary surplus goal and signaling fiscal commitment to the market, Minister of Finance Guido Mantega cancelled his participation on the G-20 meeting in Moscow, Russia, on July 19. Mantega met with President Rousseff to discuss the cuts which have to be decided by July 22.

World Cup: A request for the establishment of a Joint Commission on Parliamentary Inquiry (CPI) to investigate the 2014 World Cup was presented to Congress. The request includes the signatures of 192 House members and 28 senators—above the minimum required.

Pope Francis in Brazil: The Administration is concerned with possible protests during the visit of Pope Francis to participate in the week-long Catholic World Youth Day, taking place between 23 and 28 of July in Rio de Janeiro. This will be the third visit of a Pope to the country.

Congress Website: On Tuesday, Congress launched its own [website](#) which will gather information on bills under analysis jointly in the House and Senate, such as the Federal Budget, provisional measures and presidential vetoes. The website also provides information on Congress' agenda.

Because of the Congressional recess, the *Policy Monitor* will reduce its activities in the next two weeks.

We will continue to publish *The Week in Review* with all major events until August 1.



Government

Congressional Recess

The Presidents of the House, Henrique Eduardo Alves (PMDB), and the Senate, Renan Calheiros (PMDB), established the congressional recess from July 18 through 31. Initially, due to social protests, there was an expectation that Congress would not have a recess in order to show its commitment to the population. Nonetheless, even without having approved the bill of Budgetary Directives, a constitutional requirement, congressmen established a “white recess”.

Despite the recess, Provisional Measures (MPs) will continue its established deadlines. For instance, the MP 612/2013 which extends payroll tax reliefs to 14 sectors, including journalism and broadcasting, airport services, engineering and architecture, and defense, will have to be voted by August 1, otherwise it loses force.

Data Protection

Allegations of U.S. Espionage

A Commission on Parliamentary Inquiry (CPI) was created to investigate revelations of the existence of an espionage system structured by the U.S. government to monitor e-mails, phone calls, digital data, and other information protected by the Constitution. The CPI will be installed on August 6.

Internet Framework Bill

The revelations of U.S. spying activities triggered a national discussion on the need to speed up the voting process of the internet legal framework – Marco Civil da Internet (Bill 2126/2011) by Congress, as well as to advance the bill on users’ data protection.

As Congress entered into “white recess”, the voting process of the internet legal framework was postponed, at least, until July 31.

The bill on users’ data protection, which has been under preparation by the Ministry of Justice for over two years, has to be sent to the Executive Office of the Presidency for analysis and, then, to Congress. There is no expected deadline yet. The main idea of the bill is that users have the ultimate say on how their data will be used by internet companies.

This week, newspapers reported that the current Deputy Chief of Legal Affairs at the Executive Office of the Presidency, Ivo Correa, who is also member of the government’s Management Committee for the Internet (CGI.br), was the Government Relations Director at Google between 2008 and 2011. As a result, the Administration had to answer to criticisms defending Ivo Correa’s work as public servant.

Lobbying Regulation

Congressman Osmar Serraglio (PMDB) presented a report in favor of the approval of Bill 14/11 which establishes a lobbyist registration system at the House of Representatives. The bill is the most limited among bills on lobbying regulation as it targets only the House and does not comprise the Senate or the Legislative Branch. Still, it is a positive advance towards curbing the illegal defense of interest. The bill must be approved by the Committee on Constitution and Justice and then the Floor.

Foreigners

The House’s Committee on Participative Legislation approved on Tuesday a requirement to promote a seminar debating the entrance, stay and exit of foreigners in the country (Bill 5655/09). The Bill prohibits foreigners of owning a journalistic or broadcasting company, being responsible for journalistic content in social communication means and obtaining licenses to explore and use mineral resources or energy.

Did you know?

Regarding congressional recess, the Brazilian Constitution states that:

“Art. 57. The National Congress shall meet each year on the Capital, from February 2 to July 17 and from August 1 to December 22. (...)”

§ 2. The legislative session shall not be interrupted before the approval of the bill on budgetary directives.”

The “white recess” is a political agreement to not vote and not have sessions. Although the House and the Senate are not officially in recess, Congress does not have a working agenda and is in practice in recess.



It also establishes that temporary work visas might be issued for one year, extendable for the same period but conditioned to a necessity requirement.

Executive-Legislative Cooperation

New rules on veto appreciation published next week (all vetoes after July 2013 must be appreciated within 30 days or will block the vote of any other matter), will require a new attitude, more conciliatory from the Executive Branch. The new mining code and internet framework will be the first examples of how the President and her staff deal with congressional counterparts. On the other hand, the President is struggling with demands, from within her coalition, to reduce the number of Ministries from 39 to 25. Currently, eight parties are represented in the ministries, meaning that reducing could cause ruptures within her own base.

Energy & Environment

Pre-Salt Bidding Round

The National Agency of Oil, Gas and Biofuels (ANP) extended the deadline for receiving comments to the public consultation on the draft of the RFP and contract of pre-salt bidding round, after criticisms made by companies against the strict deadline for comments. The change was published on Tuesday.

The period for receiving comments to the drafts of the RFP and the profit-sharing contract was extended from July 19 to 29 and the public hearing session was rescheduled from July 23 to August 6.

Tax & Investments

Antitrust Legislation

At a Senate's public hearing, Vinícius de Carvalho, President of the Antitrust Council (CADE), showcased the agency's achievements one year after the enforcement of Law 12.529/11, which restructured the Brazilian System of Antitrust, outlining:

- » **Speed in analysis of merger acts:** The average time reduced from 154 to 25 days.
- » **Anticompetitive conducts:** Increase in the number of analysis of anticompetitive acts.
- » **Fines:** The practices of cartel are subjected to higher fines than anticompetitive conducts, because it causes more damage to consumers. CADE's fine can reach up to 20% of investigated company's revenues.
- » **Regulatory agencies:** The body favors the engagement of regulatory agencies in antitrust issues, such as the case of analysis of competition by the Telecommunications National Agency (ANATEL).
- » **International ranking:** After the publication of the Law, CADE's standing rose in the rank of the British specialized magazine Competition Review.

Ports, Terminals and Stations

The National Waterway Transportation Agency (ANTAQ) published Resolution 2.969/13 which classifies public ports, private terminals and cargo transshipment stations as follows:

- » **Seaports** are those able to receive lines of oceanic navigation, both in long-distance navigation (international) and cabotage (domestic), regardless of their geographical location;
- » **River Ports** are those that receive shipping lines originated from and destined to other ports within the same hydrographic region, or inland communication, and;
- » **Lacustres Ports** are those that receive vessels lines within lakes, reservoirs restricted without communication with other basins.

Health

Prescription Drugs

On Tuesday, the National Health Surveillance Agency (ANVISA) published Public Consultation 27/2013 on the National System of Controlled Drugs. The agency is accepting comments from July 23 to August 21.



The Pulse

Protests: What sort of changes did it really trigger?

On-going social protests in Brazil are being heavily debated by political scientists, politicians, the media and the civil society. It is too soon to fully understand the causes and consequences of such complex mobilization with a multi-issue agenda, although some of the reasoning appears to be clear: deep dissatisfaction with the poor quality of public services and lack of ethics in politics. The most immediate consequence of these movements is a 360-shift on the decision-makers' agenda, mainly the legislative branch. The list below shows that public pressure has managed to get politicians up and running. Not entirely, however, as Congress did go into recess despite failing to vote major issues. President Rousseff has already stated that she might veto some of these matters of the "positive agenda" as they are a burden to a government struggling to reach its fiscal targets.

Legislative Branch	
<p>Clean record for civil servants</p> <p><u>PEC 284/13</u></p>	<p>Requires civil public servants of the Executive, Legislative and Judiciary branches to have a clean record. In Brazil, the demand for clean records as a criterion for political candidacy entered into force in 2010 and is considered an important civil society victory, as it was established through a popular initiative bill.</p> <p><i>Last Step: Approved by the Senate</i> <i>Next Step: Debate and vote at the House</i></p>
<p>Corporate liability for companies accused of corruption</p> <p><u>PLC 39/13</u></p>	<p>Establishes corporate liability for companies accused of corruption acts with the public administration. The bill is a step towards developing the required framework for the implementation of the OECD Anti-Bribery Convention that Brazil ratified in 2000. Some of the issues addressed include conditions to investigate Brazilian companies abroad and a national database of sanctioned companies.</p> <p><i>Last Step: Approved by the Senate</i> <i>Next Step: Presidential approval</i></p>
<p>Corruption as a felony</p> <p><u>PL 5900/13</u></p>	<p>Characterizes corruption as felony. Currently, it is considered a misdemeanor.</p> <p><i>Last Step: Approved by the Senate</i> <i>Next Step: Debate and vote at the House</i></p>
<p>Lobbying regulation</p> <p><u>PL 1202/07</u></p>	<p>Regulates the professional activity of lobbying and creates a registry system.</p> <p><i>Next Step: Debate and vote at the House</i></p>
<p>Oil royalties' destination</p> <p><u>PL 323/07</u></p>	<p>Directs oil royalties' revenues to investment in education (75%) and health (25%).</p> <p><i>Next Step: Debate and vote at the House</i></p>
<p>Public prosecutor's office</p> <p><u>PEC 37/11</u></p>	<p>Limits the investigation power of the Public Prosecutor's Office. The bill was rejected due to public scrutiny.</p> <p><i>Next Step: Archive</i></p>
<p>Legislative process</p>	<p>Other advances are regarding procedures within Congress such as easing requirements to the introduction of popular initiative bills, putting an end to secret voting practices and extinguishing congressmen's privilege to have their crimes judged by the Supreme Court, instead of a regular court.</p>
Executive Branch	
<p>Revolving doors</p>	<p>Under discussion is a decree increasing the quarantine period from 4 to 12 months, after the dismissal of a public service into the private sector.</p>
<p>Law on access to information</p>	<p>Federal government, states and municipalities are attempting to make a pact ensuring that the Law on Access to Information embraces all entities of the federation. There is still a lot of resistance from States and Municipalities to provide full transparency.</p>
<p>Health improvement</p>	<p>The Administration launched last week the "More Physicians Program" with the goal of improving the quality of public health.</p>