

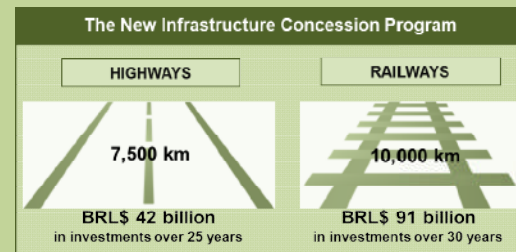
POLICY MONITOR

August 13 – 17, 2012

THE WEEK IN REVIEW

As anticipated, President Dilma Rousseff unveiled a bold BRL\$ 133 billion (US\$ 66 billion) package aimed at improving Brazil's poor road and rail systems. The administration will award concessions for construction, maintenance and operation of 10,000 kilometers (6,200 miles) of train tracks and 7,500 kilometers (4,660 miles) of highways. The bidding process is expected to start in March 2013. "Brazil will finally have an infrastructure that is compatible with its size", said Rousseff. Similar concessions for ports and airports are expected in the coming weeks. In PATRI's view, as opposed to the previous stimulus packages that favored specific sectors temporarily, the new steps are in the right direction and should attract both domestic and foreign private capital. However, as Brazil gears up to host the 2014 World Cup and the 2016 Olympic Games, it will face significant challenges to meet deadlines. "The main risk lies in the public administration's ability to deliver what was planned at the planned time," says Robson Andrade, president of CNI (National Confederation of Industry), citing Brazil's complex permit system. Also on the economic side, the administration announced it will raise 17 states' debt limits for infrastructure projects, benefiting states such as São Paulo, Bahia and Espírito Santo. According to Finance Minister Guido Mantega, while the measure should not harm the states' fiscal balance, it will allow them to invest in sanitation, housing and urban mobility.

Meanwhile, negotiations with federal employees that have been on strike since July advanced as the government signaled annual wage increases of up to 5.5% from 2013 through 2015. The administration expects the stoppage to end by next week. Also, the Ministry of Labor reported the creation of over 142,000 new jobs in July. The net job creation amounts to 1.2 million from January to July. CNI reported that ICEI (Index of Industrial Confidence) rose 1.2 points in August to 54.5 points. The increase comes after a sharp fall in July. And interestingly, Datafolha published a new poll indicating a 2% drop in Rousseff's popularity, from 64% to 62% among those who approve of her administration. Despite the recent economic slowdown and increasing political tensions, the president continues to enjoy high approval ratings.



Below, key policies that were tracked by PATRI during the week.

Tax & Investment

Investment in Infrastructure Program: Highways and Railways

Overview

The focus of the Rousseff administration's economic policy shifted from an emphasis on consumption to one on investment with the announcement of the first part of the [Investment in Infrastructure Program centered on road and rail systems](#). The second part of the program will apply to ports and airports, and will be announced in the coming weeks. With this BRL\$ 133 billion program, of which the largest portion is expected to be used in the next five years, the administrations plans to:

- Integrate and re-establish national infrastructure planning with projects that connect ports, railways and roads, benefiting the entire production chain in the country
- Attract more private investment in these sectors to reduce bottlenecks
- Unlock and complement the PAC (Program of Accelerated Growth), as well as make it more efficient
- Promote the growth of domestic economy and make infrastructure more efficient
- Stimulate domestic and international investment in infrastructure
- Provide better conditions for product distribution

The program also determined that concessions would be granted to the companies that offered the lowest toll price and would be allowed to begin charging fees after completing 10% of the project. There will be 9 auctions for highways in the new round of concessions. Public hearings will be held in the next months for works that are already in progress and by March 2013 for the remaining. The government will also offer 12 ventures for railways. These 10,000 kilometers will be conducted under a public-private partnership and will be subsidized by BNDES (Brazilian Development Bank).

Transportation Minister Paulo Sérgio Passos, also said the government does not intend to renew some of the first highways transferred to the private sector during former President Fernando Henrique Cardoso's administration, in the 1990s.

The government decided to slash its package of incentive measures to generate positive media coverage over the next 30 days.

Click [here](#) for the full presentation on the Investment in Infrastructure Program.

Immigration

Overview

Rep. Rubens Bueno (PPS/PR) requested a public hearing to discuss [PL 5655/09](#) on the rules of entry and permanence of foreigners in Brazil, within CTD (House Committee on Tourism and Sport). The objective is to establish regulations regarding visa issuance, naturalization, deportation, and other related issues. Recently, the Rapporteur for this bill favored its approval at a CTD meeting. This bill prohibits foreigners from:

- Owning a news and radio broadcasting company
- Obtaining authorization or concession to explore and develop mines and other mineral resources
- Being responsible for editorial content, as well as directing a programming broadcast in any media outlet
- Working as a customs official or shipbroker and other related activities

PL 5655/09 also establishes that temporary work visas are valid for one year and can be renewed for another one year.

Next Steps

The request for a public hearing has to be approved by the CTD.

New CADE Counselors

Overview

Eduardo Pontual Ribeiro and Ana de Oliveira Frazão were nominated as counselors for CADE (Brazilian antitrust authority). They took office this Thursday, August 16, and will serve mandates of two and three years, respectively, in order to implement the transition to a system of mandates that do not coincide.

Mr. Ribeiro earned his PhD in Economics from the University of Illinois at Urbana-Champaign. Ms. Frazão has an M.A. in Economic Law from UnB (Universidade de Brasília) and a PhD in Commercial Law from PUC-SP (Pontifícia Universidade Católica).

Energy & Environment

National Forum on Energy and Environment

Overview

The Senate held its 12th National Forum on Energy and Environment in Brazil. The goal of this event was to discuss energy production in Brazil and the impacts that it has on the environment.

Participants included:

- Gilberto Hollauer – MME (Ministry of Mines and Energy)
- Luiz Eduardo B. Ferreira – CCEE (Council on the Commercialization of Electric Energy)
- Ana Lucia Dolabella – MMA (Ministry of Environment)
- Marcelo Prais – ONS (National Electric System Operator)

Gilberto Hollauer projected that domestic supply of energy will be 439.7 million TEP (tons of equivalent petroleum) by 2020. He also emphasized that 47% of the energy used will come from renewable energies. MMA added that 27% of greenhouse gas emissions will come from energy production.

The representative of ONS pointed out that the main challenges that the energy sector would face were:

- Assessment of the impacts of intermittency related to the normal operation of large amounts of wind generation
- Additional reserve power at hydroelectric plants
- New structural solutions robust enough to allow exchange of large amounts of generation with minimal impact on the frequency and voltage of the network
- Assessment of the impacts arising from contingencies in the network, especially at the interface, and trying to stop them from spreading

To access the presentations used at the Forum, [click here](#).

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Embrapa

Overview

Pedro Antonio Arraes Pereira was [reappointed as the president of Embrapa](#) (Brazilian Agricultural Research Company), who will serve a four-year mandate.

A researcher with Embrapa since 1977, Arraes has been president for three years (1st mandate, since 2009). During this period, he concluded the activities of the PAC Embrapa (Program for Strengthening and Growth of Embrapa), with the launching of five new Research Centers (Embrapa agrosilvopasture, Embrapa Fisheries and Aquaculture, Cocais Embrapa, Embrapa Agroenergy and Embrapa Studies and Training), and the inauguration of laboratories (laboratory of Chemistry of Natural Products, in Fortaleza, and Bioinformatics Laboratory, in Campinas, SP).

Extra

House and Senate Voting Schedule

Overview

Due to the election calendar, this week no deliberative sessions were scheduled at the House or Senate, nor for its permanent committees. Please find below the schedule of voting sessions for both Chambers for the next weeks:

- August 20 – 24th: House
- August 27 – 31st: Senate
- September 3rd – 7th: House
- September 10th – 14th: Senate
- September 17th – 21st: House

THE PULSE

LEGISLATIVE PRODUCTION IN THE FIRST SEMESTER

During the first half of 2012, Brazilian Congressmen worked diligently to approve as many bills as possible before the October Mayoral Elections. This first semester was especially prolific because there will be a drop in legislative proceedings in the second semester due to the campaigns of so many current congressmen. **Within the first six months of this year, Congress has already approved 82 bills (draft bills, supplementary bills, constitutional amendment bills) and 22 MPs (Provisionary Measures).** This number is equivalent to about 70% of the total bills Congress approved in all of 2011. When looking at each Chamber individually, we see that during the first semester the Senate approved 56 measures, while the House approved 68 measures. Both Chambers have, in six months, approved 50% and 90%, respectively, of the total number of bills approved in 2011.

Some highlights of the legislative production for the first semester of 2012 are:

- [MP 567/12](#) – Lower yields for new savings accounts
- PL 1992/02 – FUNPRESP (Social Security for Public Employees)
- [PL 3443/08](#) – New regulation against money laundering
- [PL 2330/11](#) – General World Cup Law
- [PL 1876/99](#) – Forest Code
- [PRS 72/10](#) – (*Guerra dos Portos*) – the states' war over fiscal incentives for imports

Projects that may appear on the legislative agenda in the second semester include:

Oil Royalties ([PL 2565/11](#)): The bill is expected to be included in this year's agenda, but there is no urgency for consideration before the October Mayoral Elections.

Internet Regulatory Framework ([PL 2126/11](#)): A Special Commission (CESP), which was created to discuss the topic, has still not managed to adopt a final agenda. The Rapporteur, Alessandro Molon (PT/RJ) finds it difficult to reach a consensus around the report that makes it improbable to achieve a quorum for deliberation.

