COMPREHENSIVE GROWTH STRATEGY: BRAZIL

OCTOBER 2014

1. ECONOMIC CONDITIONS AND MEDIUM TERM OUTLOOK

1.1. Economic Objective

Brazil´s real GDP grew by an annual average of 4.2% from 2003-2008 before the global financial crisis erupted. After solid 7.5% of growth rebound in 2010, real GDP growth moderated to 2.1% per year, in the last three years. This slowdown was induced by the weak global demand and internal factors, but Brazil is now ready to grow more and better in upcoming years.

The Brazilian economic fundamentals are solid: high international reserves (USD 376 billion or 16.6% of GDP); low external debt (5.0% of the total public debt); manageable current account deficit (-3.7% of GDP) and substantial FDI inflows of 4.4% of overall world FDI flows (USD 65 billion on average in the last three years). The public sector posted a primary balance of 1.9% of GDP in 2013, is estimated to reach 2.5% in 2015 and will be likely balanced in nominal terms by 2021.

The labour market has generated net 20.2 million new jobs from 2003-2013, reducing informality, increasing the number of people in the middle classes. Brazil is close to the full employment level (5.4% unemployment in 2013). This has brought sustained increases in wages and strengthened household´s income and thereby higher private consumption (which was 62.6% of GDP in 2013).

The Policy objective in Brazil is to induce GDP growth. Domestic demand will pick up with strengthened investment in infrastructure in the coming years and the maintenance of low unemployment and household´s income. In fact, the gross fixed capital formation rate grew by robust 5.2% in 2013. In 2014, however, the subdued recovery in the advanced economies and in international trade is bringing down GDP estimates worldwide, and Brazil is no exception. The Government responded to this challenging environment by adopting a set of measures aiming at boosting the economy which, together with the new PPP and concessions infrastructure investments, will bring about strong multipliers and a steady increase in the rate of investment over GDP.

Thus Brazil will lift GDP by around at least 0.4 pp. per year above the current trend trajectory by closing investment gaps and reinforcing its potential growth By means of the strategy of removing bottlenecks in infrastructure and increasing the education and innovation skills of its population Brazil aims to grow by 4% from 2016 to 2019, thus doubling its average trajectory growth of the 2011-2013 time span and thereby lifting the real living standards of its population.

Key Commitments

The Brazilian government is preparing the country for a new investment cycle that will spur growth. Brazil's proposed agenda is based on three basic ingredients: (i) the removal of regulatory obstacles to increase investment, especially in infrastructure; (ii) an articulated set of industrial policy measures for increasing competiveness in order to cope with the effects of subdued recovery in the advanced economies on the international trade; and (iii) concentrated efforts to improve the education and skills of our labor force and the innovation capacity of our enterprises so as to boost the productivity of the economy and lift the growth potential in the long term.

This set of measures has been planned specifically to address Brazil's policy gaps and challenges on the medium term and include:

1. Infrastructure Investment Package. Policy actions in this area aim at reducing the infrastructure gaps and to enhance competitiveness both at home and abroad. In the package, USD 44.47 billion are contracted in the form of concessions and PPPs, of which USD 32.37 billion are already under implementation.

2. Further Access to Technical Education and Employment, through measures aimed at providing vocational training at no cost to the students to 12 million persons until 2018;

3. Put in Place New Regulatory Frameworks to Small and Medium Enterprises (SMEs). The government is committed to reduce red tape costs for opening and operating businesses, improving the SMEs access to capital markets and to export credit;

4. Support to Trade Facilitation. The government is planning to implement a new single window system to integrate all the foreign trade procedures so as to assure greater transparency, reduction of time and costs for exporters and importers, process simplification, optimization of infrastructure and logistics as well as greater involvement of SMEs in foreign trade. In addition, there will be the implementation of a system of consultation of tariff preferences agreements, which includes information on rules of origin, services and margins of preference, and

5. Education and Innovation to Increase the Productivity of the Economy. The government will implement two major programs: i) the National Education Plan (NEP) which sets 20 targets to be met over the next ten years (eradication of illiteracy; increasing the number of places in childcare facilities, in high school, in vocational education and public universities; the availability of 100% of school care for children from 4 to 5 years; and the provision of full-time teaching for at least 25% of students in elementary education). Under the new NEP, the public sector expenditure in education will grow steadily until 2024, reaching the equivalent of 10% of GDP per year - nearly doubling the current level (6.1%); and ii) The National Platforms of Knowledge Program (PNPC), which aims to encourage research and innovation in 23 areas of knowledge for a period of 10 years, with focus on: health (particularly in medications, vaccines, equipment and services), energy, aeronautics, advanced manufacturing, information technology and communications, and development of the Amazon Rainforest.

Additional investments in infrastructure

In addition to the above mentioned investments in infrastructure, Brazil has 43 new projects in the pipeline. These projects cover the following areas: power generation, railways, ports, transmission lines, pipelines and highways. They amount altogether to an estimated investment of USD 50.51 billion (see chart below), and are to be auctioned for the private sector in the coming months. Adding these projects to the Brazilian Growth Strategy should impact growth estimates upwards, beyond the level calculated by the IOs, which was quantified to be 1.8% of additional growth for the Brazilian economy in the next five years above the implied trend at the St. Petersburg Summit.

Brazil: Infrastructure Investments Projects in the Pipeline (*)

Sector	Number of Projects*	Estimated Investment (BRL Billion)	Estimated Investment (USD billion)
Power Generation	8	27,57	12,53
Railways	4	22,62	10,28
Power Transmission (**)	1	14,53	6,60
Ports	21	13,75	6,25
Gas Pipeline	1	0,11	0,05
Highways	8	32,55	14,80
Total	43	111,13	50,51

Source: Ministry of Finance of Brazil (MF/SEAE). Average exchange rate of BRL 2.20 per USD 1.00.

(*) These projects are new and not included in the Growth Strategy version of August / 2014. Therefore they are not computed in the calculation of the impact made by the IOs.

(**) The number of lots is not defined. It is expected to auction 11.298 km of transmission lines and 29 substations.

1.2. Current and Future Growth Prospects

Brazil has robust financial and economic fundamentals which make the country resistant and resilient to external shocks as proved by the 2008 crisis. Brazil has huge international reserves, a strong financial system and low public debt. Brazil's response to the crisis has been (and intends to be) in a classic and robust manner. Thus, Brazil is well positioned for the transition of the global economy back to a post-crisis mode.

As members of G20 agreed to make reforms in order to accelerate economic growth in the next five years, the biggest challenge in Brazil is to improve investment. To fund these investment projects, long term savings must be increased through partnerships with institutional investors, pension funds and so on.

The Brazilian economy is going into a period of moderate consumption together with higher investment keeping the current level of absorption of labour force. Nowadays, Brazil is close to the full employment threshold and the lowest unemployment rate was reported in 2013.

Thus, the main challenge for Brazil in the long term will be to increase labour productivity and the capital stock as the country will not be able to add as many workers to the labour force as it did in the previous decade. However, as the country changes its economic policy direction again and pushes for reforms that improve the working of the economy, productivity growth (and potential GDP growth) could be boosted significantly.

Current and Future Growth Prospects

Describe current growth and projections based on your current policy framework. In particular, are growth projections above or below potential growth and to what extent?

	Key Indicators					
	2013	2014	2015	2016	2017	2018
Real GDP (% yoy)	2.5	0.9	3.0	4.0	4.0	
Nominal GDP (% yoy) (***)	10.3	7.5	9.2	9.6	9.1	
Output Gap (% of GDP)*	0.1	-1.4	-1.1	0.0	1.0	
Inflation (%, yoy)	5.9	6.2	5.0	4.5	4.5	
Fiscal Primary Balance (% of GDP)**	1.9	1.9	2.5	2.5	2.5	
Unemployment (%)	5.4	5.1	4.9	4.8	4.8	
Savings (% of GDP)	13.8	-	-	-	-	
Investment (% of GDP)	18.2	17.7	18.8	19.4	19.9	

	Key Indicators					
	2013	2014	2015	2016	2017	2018
Current Account Balance (% of GDP)	- 3.6	- 3.7	-	-	-	

*A positive (negative) gap indicates an economy above (below) its potential. **A positive (negative) balance indicates a fiscal surplus (deficit). ** General Government including social security, and excluding state owned companies and Central Bank; compatible with numbers for the Consolidated Public Sector present at PLDO-2015 (Budget Guidelines Law).

Note - IOs may be asked to provide output gap estimates to ensure consistency across members.

1.3. The Key Drivers

The Brazilian growth strategy followed so far has focused on the expansion of domestic consumption as a way to increase living standards and reduce historically high income inequality. As the middle class has grown and the number of poor Brazilians is shrinking, the Gini coefficient has fallen sharply. The focus now will be to make investment grow more than consumption. With the new regulatory measures put in place in 2013, private consumption grew 2.6% while investment increased by 5.2% in real terms.

With the new PPP and concessions model in infrastructure, Brazil will increase private investments in a sustainable way, build an integrated and modern infrastructure and address significant supply bottlenecks that hinder productivity and resources allocation efficiency. As fixed gross capital grows throughout the next years more than the GDP, investment will be the main driver of growth.

The net contribution of foreign trade is likely to reduce or stabilize compared to the last ten years to 2013, when Brazil’s terms of trade improved by a 27% on the back of an unprecedented rise in commodity prices. But this is unlikely to continue as the Chinese economy, a key commodity importer, rebalances away from investment-led growth. Thus Brazil’s terms of trade are expected to remain broadly stable in the next decade.

1.4. Macroeconomic Policy Settings

Fiscal policy in Brazil is guided by fiscal responsibility principles embedded in the Fiscal Responsibility Law (enacted in 2000) and aims at: i) fiscal consolidation, enabling economic growth sustainability and contributing to inflation control; ii) fiscal sustainability, with net debt reduction trajectory in relation to GDP, iii) rebalancing expenditures from concurrent expenses towards investment, thus fostering growth, and iv) expansion of social safety nets so as to reduce poverty and income inequality.

Brazil’s monetary policy framework consists of an inflation targeting regime combined with a floating exchange rate. Monetary policy has been successful in keeping inflation within the target band at year-end over the last 10 years. In order to deal with domestic inflationary pressures and to secure the convergence of inflation to the target, the policy rate was hiked 400 basis points from March 2013 to October 2014.

The Monetary Policy Committee (Copom) believes that monetary policy should help to consolidate a favorable macroeconomic position over a longer time horizon. Therefore, given the inflation targeting regime in place, its decisions are based on the expected inflation and on the analysis of alternative scenarios for the evolution of the main variables responsible for price dynamics. Although the Copom understands that other macroeconomic policies also influence prices, it is ultimately up to the monetary policy to guarantee that short term pressures are not disseminated over longer time periods. Ensuring such degree of stability is key to enhance confidence of consumers and investors, and provide a more favourable environment for growth over the longer run.

The floating exchange regime remains a first line of defense to external shocks and a critical mechanism for macroeconomic adjustment. In spite of this, as a response to the bout of volatility that started last year, the Central Bank of Brazil committed to an exchange rate intervention program based on derivative instruments in order to provide hedge and liquidity to the domestic foreign exchange market, while safeguarding the international reserves. This approach proved very successful in curbing volatility in the second half of 2013 and was extended in June 2014 until the end of the year. Currently, the strategy is comprised of daily FX-Interest rate swap auctions of up to USD 200 million, as well as FX Repo auctions when needed. No spot interventions have been necessary.

With respect to the financial system, Brazil has proved to be resilient to external and domestic shocks; rigorous banking supervision and regulation has ensured that the system remained sound over the period of the crisis and its aftermath. The Brazilian financial system is among the most capitalized, liquid and with higher provision levels, having a low dependency on external resources and a low exposure to foreign currencies. In addition, there are buffers and instruments in place to cope with volatility and external shocks. International reserves are at USD 380 billion balance. Credit growth has decelerated and its quality has improved, as sectors with still relatively low level of credit and higher impact on the economy, such as housing, have gained space. Following this moderation in credit growth and in order to improve the distribution of liquidity in the economy, the Central Bank announced at the end of July 2014 a decrease in banks' reserve requirements that should inject up to R$ 45 billion (USD 20 billion) in credit in the economy. This increase in credit should be especially beneficial to small and medium enterprises (SMEs).

1.5. Assessment of Obstacles and Challenges to Growth

Challenges for fiscal policy remain broadly in line with the ones that guided the current fiscal framework design. These are: i) keeping the downward trend in net and gross debt to GDP ratios; ii) improving the balance between current expenditure and investment by making the latter increase more than GDP, fostering long term economic growth; and iii) maintaining and/or expanding the social safety nets, focusing on reducing poverty and social inequality.

To cope with the need for increasing investments, while maintaining debt sustainability, Brazilian law allows the Government to use extraordinary countercyclical fiscal policies and instruments (such as tax breaks/cuts, fiscal stimulus) to promote growth. These mechanisms have been successfully used, especially since the 2008 crisis. Along with that, the public concessions program will continue, contributing to private investment growth in infrastructure.

The inflation headline was hit by a temporary supply shock early this year; naturally, headline inflation impacts expectations. Inflation has been high and resistant; reflecting services inflation inertia and the realignment of administered prices. Brazil has acted to secure the convergence of inflation to the target starting very early at the beginning of 2013, since monetary policy effects on inflation are cumulative and take place with lags. In this sense, a significant part of prices response to the tightening cycle has yet to materialize.

Since Brazil is next to the full employment threshold, it is quite straightforward that in order to grow faster, there is the need to increase capital ratios and to increase productivity. More physical and human capital combined will yield higher total factor productivity.

2. POLICY RESPONSES TO LIFT GROWTH

2.1. New Macroeconomic Policy Responses

There are a number of investment projects in Brazil that are bankable, profitable with relatively low costs and high returns. When these initiatives are put together, this will make the Brazilian economy more competitive, produce positive externalities and induce higher private investment from both national and foreign sources.

Brazil is still catching-up with capital ratios similar to those of advanced economies and narrowing the differences of labour productivity among sectors. Brazil aims to improve the quality of its labour force through a series of initiatives, such as the *Sciences without Borders* program, which aims to grant one hundred thousand scholarships for university students to study abroad, and the *Pronatec* program which has provided eight million courses in technical schools. These are recent concrete examples that Brazil is implementing a set of textbook supply-side structural reforms that will certainly boost Brazilian productivity.

The Brazilian economy is at the onset of a new investment cycle. Brazil has a large program for PPPs and concessions which, since the second semester of 2013, awarded lots of concessions and contracts with high investments. It is part of the largest concession program in infrastructure in recent decades which are expected to result in significant multiplier effects throughout the economy.

2.2. New Structural Policy Responses

2.2.1. Investment and Infrastructure

There is a consensus in Brazil about the bottlenecks in logistics and the need to speed up implementation of investment packages in infrastructure. It is undoubtedly the main gap to be closed and it addresses other gaps in competition, employment and productivity.

In terms of concrete reforms, the Brazilian Federal Government´s top priority for the next five years is implementing an ambitious (and already started) infrastructure program by means of extensive use of PPPs and concessions to private sector.

The measures adopted for the infrastructure sector will reinforce one another to raise the potential output and improve the competitiveness of the Brazilian economy. The resulting higher GDP growth and job creation will close the gaps and create positive spillovers across G20 members through the channels of international trade.

Challenges

Given the fast pace in which demand grew in Brazil in the last years, infrastructure bottlenecks are increasingly impacting the country´s productivity, competition and trade performance, imposing a major impediment for higher rates of growth. Even though Brazil is one of the world's top destinations of foreign investments – including in infrastructure – it is clear that financing needs far exceed the actual supply of funding.

Besides putting in place massive investment programs and initiatives – which the Government already did through the Federal Government´s Acceleration Program, PPPs and concessions programs – there are also regulatory, risk and capacity issues to be addressed in order to leverage financing.

After decades of high inflation and economic volatility, restructuring the country´s long term planning capacity and reintroducing a culture of long term thinking became essential. In that sense, the Government sees the need for not only implementing the current investment program, but also building capacity to maintain a steady and systematically updated pipeline of projects, in order to keep the market active and help attract investors.

Identifying and proposing solutions for regulatory issues will be essential to channel private sector funds to infrastructure. Issues to be addressed may include long term hedging, credit enhancement instruments, structured finance, standardization and liquidity of capital markets instruments, development of secondary market, attraction of pension funds and insurance companies, reserve requirement exemptions, etc. Addressing risks that the market does not cover or covers partially, such as acts of God, political and regulatory risks will also be important to tap private funds.

2.2.2. Employment

The Brazilian economy has been showing a strong labor market performance. In April 2014, the unemployment rate hit a historical minimum (4.9%). In the first half of 2014, 493.118 net formal jobs were created according to the General Registry of Employed and Unemployed Workers of the Ministry of Labour and Employment (CAGED).

In 2013, the country hit a historical minimum (15.3%) in the Informal Economy Index, and also hit a minimum in the Informal Employment Rate (25.6% in metropolitan areas), the smallest value for this indicator in the past 20 years according to the Monthly Employment Survey (PME/IBGE). Furthermore, in April 2014, Brazil registered a historical maximum in average monthly real income (R$2,028.00 or USD 921.82) according to the Monthly Employment Survey (PME/IBGE).

Between 2011 and 2013, more than 5.6 million new formal jobs were created. The country had, according to the administrative register of the Ministry of Labour and Employment (*Relação Anual de Informações Sociais/* RAIS 2012), a stock of formal employees of 47.459 million workers, which represents relative growth of 2.49% in relation to 2011.

Special attention should be paid to the following characteristics of current economic growth process in Brazil: 1) Development - differently from the past, it has not been concentrated in the most developed areas. According to the administrative registers of the Ministry of Labour and Employment, in 2012, relative to 2011, most of the real gains in income were concentrated in small business (up to 19 employees), which showed an average real gain of 5.07% and was focused in less developed regions of the country such as the North (3.80%) and Northeast (3.65%). In addition, less educated workers, whose wages are determined by the minimum wage, had the largest real gains (5.02% on average for the workers with schooling complete up to elementary school, excluding the illiterate); 2) Most of the new jobs are concentrated at the base of the occupational pyramid (up to 1.5 minimum wages); 3) Informality has decreased every year since 2003 and has hit a historical minimum in 2014 (25% for Metropolitan Areas), according to IBGE; 4) Unemployment has been kept low and has reached 4.9% in April, a historical minimum for that month.

A set of policies should be taken into account when assessing the results exhibited by the Brazilian labour market indicators, such as the Minimum Wage Policy and the expansion of social benefits coverage. Both, combined with the expansion of credit and conditional transfers programs, have made the labour market a key element of inclusive growth. These policies were able to induce growth and job creation in virtually all the sectors of the economy, including in less developed areas, and also promoted a revival in industrial jobs, which have been showing a trajectory of formal job growth within this sector since 1998 (IPEA, 2013). The result of this set of policies has been a decline in informality, a severe reduction of the working poor population, the reversion of a spatially concentrated development pattern, along with better regional distribution of monetary income and a consistent fall in income inequality, through which workers at the base of the occupational pyramid have been seeing the largest real gains.

As regards the policies to increase productivity in Brazil, it is worth noting that investments in education in 2012 reached 6.1% of GDP. Still on this subject, it is worthwhile highlight the approval of the Federal law that sets aside 75% of the resources of oil royalties for investment in education and 25% to health; the same law also sets aside 50% of the Social Fund for education until the goals set in the National Education Plan are met. According to the Ministry of Mines and Energy (MME), considering only the proceeds of the new oil field of Libra, approximately R$ 638 billion (USD 290 billion) will be invested in education and health in the next 35 years, plus R$ 368 billion (USD 167.27 billion) which will be accrued in the Social Fund.

As a result of the efforts to improve the educational skills of population, the proportion of the people employed with 11 years or more of schooling jumped from 21.7 % to 36.1 % from 2001 to 2012, which means greater availability of skilled manpower in the labour market.

Moreover, it is noteworthy that the increase in per capita household income has allowed the postponement of the employability of the young so that they can focus on studying more, which is reflected by decreased activity rate among the age groups between 10 to 17 years, whose rate decreased from 23.3 % of the working age population, in 2001, to 15.7 % in 2012.

Thus, it is apparent that the increased schooling of the younger has allowed them access into jobs with greater possibilities for professional progress. According to data from the the Ministry of Labour and Employment, 17.2% of the people that entered the formal labour market had completed at least secondary level in 1996, while, this proportion reached 55.2% in 2013.

Until the end of 2014, the “Science Without Borders Program” is expected to grant 101,000 scholarships to young Brazilians to study in foreign universities with high academic standards. More than 83,000 scholarships were awarded until June 2014. The new target is to grant 100,000 additional scholarships for students and researchers to study abroad by the final of 2018.

Further, the Brazilian government has launched the national program for access to technical education and employment (Pronatec), through which access to vocational training has been made feasible in all regions of the country at no cost to the students, and has offered financial aid in order to reduce dropout rates and guarantee course completion by students with lower household income. In 2002, Brazil had 140 federal professional, vocational and technological educational centers; in the 2003-2010 period, that number more than doubled, reaching 354 and, by the end of 2014, there will be 562 federal professional, vocational and technological educational centers that will be able to admit 600 thousand students throughout the country. In 2014, the Pronatec Program was extended, aiming at benefiting 12 million students enrolled by the end of 2018.

2.2.3. Competition and Small and Medium Enterprises

The Brazilian Federal Government competition reforms are aimed at new regulatory frameworks to reduce bureaucratic costs, to facilitate access of small and medium enterprises (SMEs) to capital markets and establish a new facility to provide funding for SMEs engaged in export.

In addition, Brazil has just adopted (June 2014) a package of measures of microeconomic competition reforms in order to cope with the effects of the subdued recovery in the advanced economies and in international trade on the domestic economy. Among these measures, it is worth mentioning the following: permanent payroll tax exemptions; permanent tax devolution in exports; permanent tax exemptions in some sectors; tax debts payment in instalments; incentives for mid-sized companies´ IPOs; extension of tax incentives for issuance of infrastructure debentures; reduction of bureaucracy and so on.

Given the importance of the SMEs for employment and economic growth, it is really necessary to address the challenges for starting and operating a business. Small businesses suffer from the excess and bureaucratic requirements that must be satisfied before the registration and intricate regulations affecting operation. A large number of procedures elevates the cost to formalize the company and, consequently, leads many to informality. Accessing capital markets and credit (including export credit) is also challenging for SMEs, equally creating barriers to or preventing the start of new businesses.

2.2.4. Trade

Brazil's response to the global economic crisis was predicated on sustaining demand and maintaining sound macroeconomic policies. Economic growth and active income policies have allowed Brazil to make progress towards reducing poverty, unemployment, and income inequality. In this process, Brazil also gave a major contribution to global economic recovery by substantially increasing imports. Brazil will continue to play its part in the G20 growth strategy by actively pursuing policies that stimulate growth in all areas.

On trade, it is worth recalling, as the G20 ponders its collective strategy for growth, that, at the WTO Ministerial Conference last December, members reaffirmed their "commitment to the WTO as the pre-eminent global forum for trade, including negotiating and implementing trade rules, settling disputes and supporting development through the integration of developing countries into the global trading system". Strengthening the multilateral trading system must be an indispensable component of any G20 plan on trade. As pointed out by the Chair in its "Trade Guidance" document, credibility is of the essence if a document is to be endorsed by the Leaders in Brisbane. And credibility is currently staked on the definition of the Post-Bali Work Programme.

Brazil is fully committed to the implementation of all Bali outcomes within the agreed timeframes. Regarding the Trade Facilitation Agreement, Brazil has duly notified the Preparatory Committee, on July 25, of its Category A Commitments. With respect to the Post-Bali Work Program, Brazil is ready to take part in the efforts to design a roadmap that leads the WTO to a positive and balanced result by the end of the year, contemplating the three core negotiating areas (Agriculture, NAMA and Services), and preserving the importance of development objectives of the Doha mandate.

We are also engaged in bilateral and regional trade negotiations, including the bi-regional negotiations between Mercosur and the European Union. We firmly believe that those negotiations are complementary, and not a substitute for multilateral trade liberalization. Brazil has also launched negotiations on Cooperation and Facilitation Investment Agreements with selected countries in Africa, with a view to encouraging South-South investment flows.

The bulk of international trade remains concentrated in a relatively small number of large companies and one of our priorities is to increase the participation of SMEs. While this involves actions in many areas – improvements in the business environment, workforce training, innovation, infrastructure -, experience has shown that, in a large country, SMEs are reluctant to incorporate foreign trade as a central element of their business plans.

In addition to a wide range of regulatory and procedural changes, in the spirit of the recently concluded WTO Agreement on Trade Facilitation, a top priority for Brazil is the development of its Foreign Trade Single Window ("*Portal Único de Comércio Exterior*").

Brazil's current electronic trade processing system (Siscomex) was established in 1992 for exports and in 1997 for imports. It was designed to be the IT platform to allow the integration, in a single data flow, of all governmental procedures for registration and control of imports and exports. At the time, it was a major trade facilitation initiative, which replaced paper-based procedures and allowed data integration among the most important agencies involved in trade controls, including Customs.

A number of gradual improvements were made to Siscomex over time. Those improvements, however, did not keep pace with the increase in volume and complexity of Brazil's foreign trade. In particular, the growing participation of Agencies responsible for technical and scientific controls (health, safety, environment, nuclear, security, etc.) highlighted the limitations of the original system. In response, each agency developed its own in-house solutions, both in terms of independent IT systems and new paper-based procedures. Lack of harmonization generated inefficiencies and replication of data and document requirements. Over time, this situation led to increasing compliance costs and time delays. The Foreign Trade Single Window shall solve all the problems above mentioned.

Further, the experience, including that of the global financial crisis, has highlighted the need for well-functioning mechanisms to finance trade. Developing countries, in particular, have been hard hit in the past by reductions in liquidity in international markets. As monetary policies become less accommodating in the developed countries in the coming years, there will a need to preserve the amount of resources available for trade finance in developing countries.

Even under normal circumstances, firms in developing countries are hampered by the lack of long term finance, underdeveloped capital markets and by lack of access to export credit instruments. Addressing these issues will enable exploiting economies of scale and thereby promote trade and economic growth.

On the domestic front, Brazil is currently engaged across a range of trade actions to improve processes on trade, as detailed on Annex 2.

ANNEX 1: St. Petersburg Fiscal Template — Update

1. Medium-term projections, and change since last submission *(required for all members)*:

		Estimate	Projections[1]			
	2013	2014	2015	2016	2017	2018
Gross Debt	56.7	57.7	56.4	53.4	51.5	n.a.
ppt change	0.0	+0.9	+1.2	0.0	0.0	n.a.
Deficit[2 3]	3.8	3.1	2.6	2.0	1.5	n.a.
ppt change	0.0	+0.4	+0.6	0.0	0.0	n.a.

1- **Figures based on PLDO 2015 and PLOA 2015.**

2- General government balance without social security funds ** General Government including social security, and excluding state owned companies and Central Bank; compatible with numbers for the Consolidated Public Sector present at PLDO-2015 (Budget Guidelines Law) and PLOA 2015.

3- These figure will be reviewed by end of November 2014.

2. Economic Assumptions, and change since last submission *(required for all members)*:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for inflation and growth:

		Estimate	Projections*			
	2013	2014	2015	2016	2017	2018
Real GDP growth	2.5	0.9	3.0	4.0	4.0	n.a.
ppt change	0.2	-0.9	0.0	0.0	0.0	n.a
Nominal GDP growth	10.3	7.5	9.2	9.6	9.1	n.a.
ppt change	0.2	-1.0	0.0	0.0	0.0	n.a
ST interest rate***	8.5	11.1	11.1	11.1	11.1	n.a.
ppt change	0.0	0.0	0.0	0.0	0.0	n.a
LT interest rate****	11.0	12.4	11.6	11.2	10.9	n.a.
ppt change	0.0	0.0	0.0	0.0	0.0	n.a

*** GDP figures based on the 3rd Revenues and Expenses Assessment Report.**
**** Figures based on PLDO 2015.**
***** Forecast for 3-month bill interest, considering official Selic projections and a risk premium.**
****** Forecast for 10-year bond interest, considering official Selic projections and a risk premium.**

ANNEX 2: NEW POLICY COMMITMENTS

1. Investment and infrastructure

The New Policy Action	**Infrastructure Investment per Private Partnership with the Federal Government**
Implementation path and expected date of implementation	The number of projects regarding concessions and permits with Federal Government participation awarded from November 2013 until October 2014 is 289, from which 283 are under implementation. However, the conclusion of each of those projects is variable, since they have different periods of maturation.

Contracted Infrastructure Investment Projects

Sector	Number of Projects*	Contracted Investments (BRL	Contracted Investments (USD
Railways	2	7,03	3,19
Ports	2	3,45	1,57
Highways	5	29,55	13,43
Power Generation	180	19,90	9,05
Power Transmission	20	6,88	3,13
Oil and Natural Gas Exploration and Production	73	1,11	0,50
Urban Transportation	4	18,06	8,21
Airports(***)	2	9,06	4,12
Telecom	1	2,80	1,27
Total	289	97,83	44,47
Projects under Implementation			
Railways	1	0,73	0,33
Ports	0	0,00	0,00
Highways	5	29,55	13,43
Power Generation	180	19,90	9,05
Power Transmission	20	6,88	3,13
Oil and Natural Gas Exploration and Production	73	1,00	0,45
Urban Transportation	1	1,30	0,59
Airports(***)	2	9,06	4,12
Telecom	1	2,80	1,27
Total	283	71,22	32,37

Source: Ministry of Finance of Brazil (MF/SEAE). Average exchange rate of BRL 2.20 per USD 1.00.
* Projects could be appropriately detailed as requested.
(**) 72 blocks werw auctioned in November 2013 (concessions) and the block of Libra (sharing contract) awarded in October 2013.
(***) bidders awarded on November/2013.

What indicator(s) will be used to measure progress?	Progress will be measured by the percentage of each project's financial budget disbursement that has been executed as well as the percentages of the physical units of the public works completed.
Explanation of additionality (where relevant)	Those 19 infrastructure projects under implementation, which started from November 2013 onwards, are additional capital expenditure (capex) and, as such, will impact significantly the investment rate in Brazil in the short and medium terms.

The New Policy Action	**Infrastructure Working Group**

Implementation path and expected date of implementation	The main regulatory authorities (BCB - Central Bank; CVM - Brazil Securities Commission; SUSEP - Superintendency of Private Insurance, and Previc - Superintendency of Complementary Pensions) are committed to **analysing potential regulatory issues that can hinder long-term financing and address them through new regulations**. Since some recommendations may require coordinated measures among the regulatory agencies, the Coremec (Committee of Regulation and Supervision of Financial, Securities, Insurance, and Complementary Pension) **created an infrastructure working group in order to study issues related to infrastructure financing and propose solutions through regulations.** Issues to be studied by the group may include: long term hedging, credit enhancement instruments, structured finance, standardization and liquidity of capital markets instruments, development of secondary market, attraction of pension funds and insurance companies, reserve requirement exemptions, and the role of development banks. The group was launched on May 7, 2014, with a term of one year to present final recommendations (May, 2015). The conclusions of this working group, subject to the approval of the Coremec, will be analysed by each regulatory agency in their respective field of responsibility and by other government institutions (Ministry of Finance and the National Development Bank-BNDES) in order to prepare specific measures to tackle the problems identified.
What indicator(s) will be used to measure progress?	(i) The progress can be tracked during **Coremec's quarterly meetings and by the final report and its recommendations**. (ii) Conditional on the conclusions of the report, each regulator will assess how to prioritize the recommendations and define indicators to track their implementation, according to its own mandate. (iii) Measures taken by the regulatory agencies to promote long term investments are also an important indicator.
Explanation of additionality (where relevant)	Each regulatory agency is individually committed with the improvement of the conditions for long term/infrastructure financing and may propose regulatory measures, and the Coremec's infrastructure working group is an additional effort in that direction. The Coremec invited the BNDES (National Bank for Economic and Social Development) and the Ministry of Finance to be part of the working group.

The New Policy Action	**National Plan of Integrated Logistics (PNLI - *Plano Nacional de Logística Integrada)***
Implementation path and expected date of implementation	The National Plan of Integrated Logistics (PNLI) is an innovative instrument that will put together a single, systematized transport planning framework for all transportation modes. This will promote intermodal efficiency and synergies that are possibly lost in the current model, in which three different agencies (the Ministry of Transportation, the Secretariat for Civil Aviation and the Secretariat for Ports) develop separately their own transport plans. The

	objectives of PNLI are: a) identifying bottlenecks and investment opportunities in the short, medium and long term, in order to provide an efficient transportation logistics matrix; and b) proposing key infrastructure and services projects (roads, rail roads, ports, airports, waterways and logistic platforms) to remove the current and projected logistic bottlenecks so as to conciliate public needs and private/commercial objectives. The PNLI will be prepared by the National Logistics Planning State-Owned Enterprise (EPL – *Empresa de Planejamento e Logística*) created on December 2012. The preparation pathway encompasses the following activities: (1) consolidation of a database composed by traffic volume, origin and destination matrix and service standards of the current and future infrastructure; (2) implementation of a simulation system; (3) identification of existing and projected bottlenecks; and the final product (4) ranking of projects that shall generate efficiencies in the system. Based on the first evaluation made for the PNLI, the portfolio includes 1,901 projects, adding up to R$ 660 billion (USD 300 billion) of investment budget. Of these 1,901 projects, 698 were already committed to the PAC and PIL plans. Therefore, 1,203 projects totaling R$ 370 billion (USD 168.18 billion), would be added to the projects pipeline already structured by the Government so as to eliminate current and future bottlenecks in the Brazilian transport infrastructure. The ranking of infrastructure and service projects selected by EPL will be submitted and validated by Transportation Ministry and CONIT (National Council of Transportation Policy Integration).
What indicator(s) will be used to measure progress?	The macro-simulation shall be implemented as a dynamic planning instrument to capture the constant changes of the relevant variables. Currently, the data is being collected across the entire country. Also, secondary data from existing governmental and non-governmental organizations is being collected to form an historical database. Inspired by tools used by developed economies, whose macro-simulation models evolved during long periods (ex.: GBMF – UK and SAMGODS - Sweden), EPL`s macro-simulation model shall be constantly perfected to incorporate state of the art simulation techniques.
Explanation of additionality (where relevant)	The PNLI has been in preparation during the year of 2014 and is scheduled to be ready on the first quarter of 2015, working out with a horizon of the next 20 years and producing a detailed and comprehensive Action Plan and a projects database for the modernization of the infrastructure in the country.

The New Policy Action	Implementation of the Infrastructure Guarantee Fund (FGIE) and of the Brazilian Agency for Management of Guarantee Funds (ABGF)
Implementation path and expected date of implementation	**ABGF was created in August 2013 with the purpose, among other things, to manage an Infrastructure Guarantee Fund (FGIE**). The Federal Government is authorized to buy quotas of FGIE up to the total value of R$ 11 billion (USD 5 billion).[1] **The main objective is to complement private insurance companies in order to directly offer guarantees to risks that are partially or totally uncovered by the market**, mostly non-manageable risks such as acts of God, political and regulatory risks. At the macro level, it also intends to promote the development of the insurance market. **The focus of the FGIE will be large scale projects** of the Growth Acceleration Program - PAC (a massive investment program that involve all three levels of the Federation), other strategic projects defined by the government and PPPs (including at the state level). With the full implementation of its operations, FGIE will be able to offer guarantees to structural projects, minimizing non-manageable risks accountable to the grantor authority in the construction phase. It will help structure the financial package for new projects and, consequently, an improvement of the national infrastructure and of the potential GDP. Furthermore, the FGIE is designed to foster Brazil´s output growth by supporting the implementation of projects that will improve the logistics infrastructure, reduce transportation costs and generate employment and income. **The establishment of the FGIE is scheduled to take place in the second half of 2014**. Presently, the internal statutes and regulations are being written. ABGF is holding discussions on the operational procedures. Also, a wide negotiation on the structure and guarantees is being held with banks and government officials.
What indicator(s) will be used to measure progress?	The main determinants of the success of FGIE's operations are the **level of exposure** to the provided guarantees and the total **value and number of projects**.
Explanation of additionality (where relevant)	The new Fund will cover risks that market and other existing funds do not cover or cover partially. **The entry into operation of the FGIE is estimated for the first half of 2015, when the fund should be ready to issue guarantees for contracted loans by banks**.

2. Employment

[1] The ABGF is designed to manage all guarantees previously in charge of the Export Guarantee Fund (EGF), Social Housing Guarantee Fund (Hab FG), Guarantee Fund (IGF), Operations Guarantee Fund (FGO), Guarantee Fund Public-Private Partnerships (FGP), Shipbuilding Guarantee Fund (FGCN) and Guarantee Fund Loan Education (FGEDUC), Rural Investment Guarantee Fund (FGIR- not deployed) and Guarantee Fund of the Electrical Energy Ventures (FGEE- not deployed).

The New Policy Action	**National Program for Access to Technical Education and Employment - Pronatec** [2]
Implementation path and expected date of implementation	Pronatec is a national program designed to provide access to technical education and employment, through which access to vocational training has been made feasible in all regions of the country at no cost to the students. It also offers financial aid in order to reduce dropout rates and guarantee course completion by students with lower household income. The Pronatec Program involves a total budget of R$ 14 billion (USD 6.36 billion) and its target is enrolling 8 million students by the end of 2014.
What indicator(s) will be used to measure progress?	Progress will be measured by the percentage of the program's financial budget that has been executed, as well as the number of enrolment in the professional education system. Both Ministries of Education and Labor and Employment will integrate their databases, in order to monitor the workers who completed the training courses and to make it easier for the trained workers to find a job through the Labour Intermediation System. The databases which will be integrated are the National Information System of Professional and Technical Education (SISTEC), of the Ministry of Education and the Labor Intermediation System of the Ministry of Labour and Employment (*Sistema Mais Emprego*).
Explanation of additionality (where relevant)	In 2014, the Pronatec Program was extended to the end of 2018, aiming at benefiting a total of 12 million students.

The New Policy Action	**Pronatec Apprentice** [3]
Implementation path and expected date of implementation	The definite timeline of implementation currently depends on the conclusion of an agreement with the Ministry of Education regarding the number of qualification openings to be offered. Its implementation is expected to begin in the second half of 2014.
What indicator(s) will be used to measure progress?	Progress will be measured by the number of apprentices enrolled and by the number of apprentices that stay on as full time workers after the apprenticeship period is over. This shall be compared to firms' potential for admitting apprentices, estimated using data from the General Registry of Employed and Unemployed Workers (CAGED).

[2] Pronatec Worker program provides professional training to unemployed workers and will be mandatory for all workers who have applied for the unemployment benefit more than twice in the past 10 years. The Ministry of Labour and Employment will shape the demand for the program so as to match the demands for professional training made by the local tripartite councils of labour and employment. The program will be carried out as a partnership between the Ministries of Labour and Education by the local tripartite councils of labour and employment. The policy will be carried out as a partnership between the Ministries of Labour and Employment and Education.

[3] Pronatec Apprentice ("*Pronatec Aprendiz*") is a supplement for the Pronatec program, aimed at improving the apprenticeship programs set out by the Apprenticeship Law of 2000. It provides federal funding so that micro and small firms, as well as public administration can also take on apprentices, despite not contributing into the professional education system (S System). The main difference with regards to Pronatec Worker is that it qualifies young workers who are already in employment.

Explanation of additionality (where relevant)	Pronatec funding allows for the expansion of previous apprenticeship programs to firms that would otherwise not be able to afford the cost of the qualification programs. Additionally, it focuses on vulnerable demographic groups such as young people, especially those in shelters, rescued from child labour. The goal of the program is to promote job for the youth through the Apprenticeship Law by which all the companies of medium and large size are required to contract apprentices aged between 14 and 24 years old through a special work contract by a limited period of time (maximum length of two years). The minimum share of apprentices is 5% of all the employees and up to 15%; the percentage is determined by the employer.

The New policy Action	**National Plan for Combating Informality**
Implementation path and expected date of implementation	The Plan supports current Active Labour Market policies by providing a new, integrated approach for labour inspections to tackle informality. The plan focuses on regions where the informality index is highest and will include the participation of the Ministries of Finance, Social Security and Human Rights. The plan will be launched on May 22nd 2014. The first activities shall begin to be implemented during the second semester of 2014 and major results are expected to be reached during 2015.
What indicator(s) will be used to measure progress?	Three main indicators will be used. The central indicator is the informality index as calculated by the Brazilian Institute for Geography and Statistics (IBGE). Secondly, the program shall take into account the number of workers formalized per labour inspection action, as registered by the Federal System of Labour Inspection (SFIT). Lastly, the Plan will measure the effect of formalization upon the area under inspection, by using econometric analysis based on the General Registry of Employed and Unemployed Workers (CAGED).
Explanation of additionality (where relevant)	The commitment provides a new framework for labour inspection by integrating different inspection policies, improving procedures and using new, precise mapping of the areas with highest informality. Stronger inspection will contribute to increase compliance and improve the effectiveness of current ALM policies for reducing informality. The program also breaks new ground by working more closely with relevant government Ministries and organizations.

The New Policy Action	**E-Social System.** [4]
Implementation path and expected date of implementation	The E-Social is a project of the federal government which will unify the conveyance of information by the employers in relation to their employees. When it is in full operation, E-Social will be extended to other employers, individuals and companies, bringing several advantages over the current

[4] E-social is an integrated information collection system which aims to simplify the compliance of labour and social security obligations by firms. It will create a single channel for relaying information to the federal government and will help guarantee worker rights as well as improve the quality of the information conveyed.

	system, such as: • Assistance to various government agencies with a single source of information for the fulfillment of several currently existing labor, social security and tax obligations; • Integration of computer systems of private companies with the TI environment of the government agencies, enabling automatic conveyance of information from the employers; • Standardization and integration of records of individuals and companies within the agencies involved in the project. The E-Social project is a joint effort of several agencies of the federal government. The Ministry of Planning advises other agencies and manages the operation of the program through its Office Project. The timeline for implementation is currently being finalized in consultations with the Ministry of Labour's social partners. Once concluded, there will be a six month period for testing the new system, and then another six months for the first group of firms to begin implementation. Implementation is expected to begin during 2015, starting with large sized firms.
What indicator(s) will be used to measure progress?	Progress with rollout of the system will be measured by the number of firms and workers included in e-social. Since the first group for implementation is expected to be firms with over 80 workers, it is estimated that up to 70% of workers may be included by the end of 2015.
Explanation of additionality (where relevant)	E-social eliminates redundancy in information collection. It also improves the quality of information by altering the registry in two ways: first, information is collected in a shorter time span; second, it is collected only once, reducing errors and streamlining the process.

3. Competition and Small and Medium Enterprises

The New policy action	**New Regulatory Frameworks to Small and Medium Enterprises (SMEs)**
Implementation path and expected date of implementation	**Bureaucratic costs**: the new regulatory framework will integrate tools in different levels of government (federal, state and municipal) and in different agencies in order to reduce bureaucratic costs for starting and operating a business, especially the cost of complying with tax regulations. The implementation will be in two steps, firstly, to pass a new legislation to unify nationally the process to start a business and to allow more enterprises to adopt the unified system of taxes (*SIMPLES*). Secondly, a new web based system will be created in order to facilitate the obtainment of permits and licenses to operate (*Portal Empresa Simples*). **Capital markets**: the new regulatory framework aims to improve the SMEs access to capital markets by: (i) removing some mandatory newspaper disclosures related to public offerings; (ii) creating a special stock investment fund named *Fundo de Investimento em Ações – Mercado de Acesso* (FIA-MA) allowed to buy higher risk and less liquid equities; and (iii) raising from 20% to 35% the threshold for private equity funds to invest in companies in which they don´t have

	managerial influence. The investees must be listed on a special segment that requires certain corporate governance criteria. The new regulation was released for public hearing to receive comments and suggestions. It is expected to be implemented by 2015. **Export credit**: the Ministry of Finance will implement a new product to guarantee financing to exports by SMEs with revenues up to R$ 90 million (USD 41 millions) and exports limited to USD 1 million per year.

The New Policy Action	Microeconomic Competition Reforms Package
Implementation path and expected date of implementation	The Brazilian Competition Reforms Package aims to strengthen manufacturing industrial sectors in the new cycle of development and foster Brazilian exports of manufactured goods. To attain these objectives, six pillars are going to be worked out: 1. Innovation (National Platforms of Knowledge Program). 2. Permanent payroll tax exemption for the enterprises of 56 sectors; 3. Cost reduction of capital invested. 4. New rules for government procurement. 5. Reimbursement of the tax paid on exported manufactured goods (Reintegra). 6. Provision of credit for investment, with reduced interest rates. Among the measures to be implemented it is worth mentioning: i) permanent tax exemptions in construction materials and capital goods sectors; ii) tax debts payment in instalments (New Refis); iii) extension of the Program of Investment Support (PSI)[5] until December 31, 2015; iv) incentives for mid-sized enterprises´ IPOs until 2015; v) extension of tax incentives for issuance of infrastructure debentures until December 31, 2020; and the Brazil Without Bureaucracy Program.
What indicator(s) will be used to measure progress?	Progress will be measured by indicators of gains in: productivity of the manufacturing industry; competitiveness of the exports of manufactured goods; innovation by the enterprises; the market share in the global exports of manufactured goods; and wages and employment in the manufacturing industry.
Explanation of additionality (where relevant)	. The measures contained herein were announced by the Brazilian government on last June, 18th, 2014. (source: http://www.fazenda.gov.br/divulgacao/apresentacoes/apresentacao-do-ministro-guido-mantega-sobre-as-medidas-de-politica-industrial-18.06.14).

4. Trade

[5] PSI is the program of the Brazilian Development Bank (BNDES), which aims to sustain the level of investment in the country.

The New Policy Action	National Export Culture Plan for Small and Middle Enterprises (SMEs)
Implementation path and expected date of implementation	The objective is to spread knowledge about the challenges and opportunities of foreign trade, as well as to improve the ability of SMEs to engage in trade by means of training courses, workshops, business consultancy and technical assistance throughout the country. For 2014, the aim is to conclude 498 actions.
What indicator(s) will be used to measure progress?	Progress will be measured by the number of actions carried out as well by the change in export earnings of the enterprises involved in the process.
Explanation of additionality (where relevant)	The Plan is currently programmed to operate until 2015.

The New Policy Action	Support to Trade Facilitation (I)
Implementation path and expected date of implementation	The new Single Window Model ("Portal Único") shall allow an integrated and comprehensive view of the importation, exportation and transit processes, from licensing, authorization and certifications to customs clearance. Documents will be available in digital form, leading to major reductions in the volume of paper documents and in physical documentation checks. The Single Window Model to be adopted is the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) Recommendation No. 33 on establishing a Single Window. Once the Single Window is fully operational, Brazil expects: • Greater transparency; • Reduction of time and costs for importers and exporters; • Elimination of information redundancies, • Process simplification through better risk management and coordination; • Optimization of infrastructure and logistics; • Greater participation of small and medium enterprises in foreign trade; • Improvement in statistical information. It is expected that, by 2017, the time required for export operations in Brazil will be reduced to 8 days for exports (in line with the best international practices) and to 10 days for imports. This amounts to an improvement of 40% over the current situation (today the average time for exports are 13 days, and for imports, 17 days). The New Single Window Model shall provide a contribution estimated in USD 25 billion/year from gains with time efficiency. In addition to the gains in the private sector, the Single Window would also enable more efficiency in the public sector by optimizing the use of human and physical resources in foreign trade operations.
What indicator(s) will be used to measure progress?	Based on information organized by the New Single Window Model, new indexes and performance indicators of foreign trade will be created to enable the system

	users to evaluate the performance of each agent involved in the process. Eventual bottlenecks will be revealed, allowing timely corrective actions. The Doing Business Project (World Bank) may be also used to monitor results that allow for the comparison of business regulations among different countries.
Explanation of additionality (where relevant)	The New Single Window Mode shall be fully operational during the next two years. With its implementation, it is expected that (by 2017) Brazil be ranked among the top 70 countries to undertake cross-border trade according to the Doing Business (today, Brazil is ranked in the 124th position).

The New Policy Action (II)	**Support to Trade Facilitation (II)** [6]
Implementation path and expected date of implementation	Implementation of the System for Consultation of Tariff Preferences Agreements tool (CAPTA), which includes information on rules of origin, services and margins of preference. The tool will be launched this year and should facilitate exports activity. The CAPTA aims to make available all the tariff preferences that Brazil receives or grants in the various trade agreements to all agents related to foreign trade. The system will enable the sharing of information, benefiting the performance of all the actors involved in trade since it will optimize the use of information and reduce time-associated costs in foreign trade operations. Brazilian authorities are also prepared to issue certificates of origin with digital signature (Digital Certification of Origin – DCO), according to Latin American Integration Association (LAIA) rules. In the coming months, the *modus operandi* to begin DCO exchange tests will be negotiated with Argentina, Chile and Colombia. The first stage of CAPTA was implemented in 2012 (http://capta.mdic.gov.br/) and displays information about margins of preference on tariffs in regional and extra-regional trade agreements.
What indicator(s) will be used to measure progress?	Progress will be measured by the change in export earnings of a sample of the enterprises involved in the process.
Explanation of additionality (where relevant)	The second stage of CAPTA will be implemented by the end of 2014 and will contain additional information concerning i) foreign trade topics such as rules of origin for regional and extra-regional agreements, as well as for the Generalized System of Preferences (GSP) and the Global System of Trade Preferences (GSTP); ii) applied tariffs of thirty-two trading partners and iii) services agreements related to the GATS, Montevideo Protocol (Mercosur) and Mercosur-Chile agreements.

[6] Brazil will develop public information systems related to foreign trade.

2.1.5. Other measures

Brazil has managed to increase the schooling rate from 5.8 years, in 1995, to 8.6 years in 2012. Public spending with education has increased from 4.7% of GDP, in 2000, to 6.1% of GDP in 2011 reaching the average levels of OECD countries.

In order to effectively face the challenge to improve the quality of education and to fully meet the country's needs for a better educated and more innovative workforce, education expenditures shall increase step by step in the next ten years. Together with the higher investment rate in infrastructure, those measures will reinforce the potential output and competitiveness, both inside and abroad, of the Brazilian economy.

The New Policy Action	**Education (NEP) and Innovation (PNPC) Programs to Increase the Productivity of the Economy**
Implementation path and expected date of implementation	The Brazilian Chamber of Deputies concluded on June 3rd, 2014, the passing of the National Education Plan (NEP). The plenary agreed that private institutions will benefit from public sector education´s gradual increase in expenditure over the next ten years up to reach the equivalent of 10% of Gross Domestic Product (GDP) by 2024. The bill now goes to presidential sanction and publication. The funds will be assured by earmarking part of the future pre-salt layer oil and gas exploration royalties. The NEP sets 20 targets to be met over the next ten years. Among the targets are the eradication of illiteracy; increasing the number of places in childcare facilities, in high school, in vocational education and public universities; the availability of 100% of school care for children from 4 to 5 years; and the provision of full-time teaching for at least 25% of students in elementary education. Under the new NEP, the public sector expenditure in education will grow steadily until 2024, reaching the equivalent of 10% of GDP per year - nearly double the currently practiced (6.1%). The National Platforms of Knowledge Program (PNPC) was announced on June 25, 2014, and aims to encourage research and innovation in 23 areas of knowledge for a period of 10 years. Sectors focused: Health (particularly in medications, vaccines, equipment and services), Energy, Aeronautics, Advanced Manufacturing, Information Technology and Communications, and development of the Amazon Rainforest. The PNPC is based on international experiences to develop key points of intersection between the production of knowledge and economic competitiveness, such as the European Technology Platforms and innovation hubs in the USA. The PNPC funding will come from the National Council for Scientific and Technological Development (CNPq), the Coordination for the Improvement of Higher Education Personnel (CAPES), the National Bank for Economic and Social Development (BNDES) and the Financier of Studies and Projects (FINEP). The set of companies and centers of public research, along with other private institutions to be selected, will aim to increase investments in research and development (R & D) up to 2% of GDP by 2020. The Program will include measures to attract skilled professionals from abroad and access to cutting-edge equipment, through special arrangements for procuring goods and hiring people.
What indicator(s) will be used to measure progress?	To evaluate the progress standard educational indicators will be reviewed on a regular basis and the results will be made open to the public. Each knowledge platform will bring together lead scientists to organize

	resources and develop products with the support of companies to launch them on the market. The framework of the platforms will be defined by public edicts, so that researchers and companies apply for project development.
Explanation of additionality (where relevant)	These are new policy measures to be started in 2015 and completed in 2024.