ADJUSTED GROWTH STRATEGY: BRAZIL

BRAZIL´S ADJUSTED GROWTH STRATEGY, 2015

*The purpose of this document is to highlight changes and new additions to members' **growth** strategies since Brisbane :*

Changes to section A (Economic Objective)

Please discuss changes to the economic objectives, if any.

Between 2003 and 2008, before the global financial crisis erupted, Brazil's economy expanded at 4.2% a year. It has since averaged less than 2%. GDP is expected to contract 2.4% this year and -0,5% in 2016. With the current discontinuation of countercyclical policies of the country's main trade partners and the end of the commodities super-cycle, Brazil needs to reposition itself. The economy is going through a broad adjustment process to improve fiscal accounts and to set the path for a renewed growth cycle.

Although there will be less impetus to growth and job creation in the short run, the economy will benefit from an increase in domestic savings, a lower current account deficit, weaker demand-related inflationary pressures, a revival of manufacture exports and a quicker deleveraging process for households. When the process is complete, this will surely make the Brazilian economy more competitive, generate positive externalities and induce higher private investment from both national and foreign sources whilst protecting the social gains from previous years.

Brazil is reacting to recover macroeconomic stability by pursuing a strong fiscal consolidation program. The country is reverting a number of tax relief measures adopted in the previous years, promoting expenditure cuts and working to tap new revenue sources and to reform existing taxes (such as ICMS and PIS/Cofins), aiming at reverting a projected primary deficit in 2015. Besides, structural measures of a fiscal nature have been recently introduced, such as stricter rules for obtaining benefits such as unemployment insurance and death pensions.

Beyond the period of adjustment, some gains will start to materialise: inflation will likely fall more quickly (together with long-term interest rates), gross public debt will stabilise (as a % of GDP) and growth will eventually pick up when fiscal and monetary policies start to move towards neutrality.

Still, adjusting macro policy is only a 'necessary' but not a 'sufficient' condition to boost long-term prospects. We expect that sound macro policies will lead to an increase in confidence for firms and households, and help introduce structural reforms so as to increase productivity and boost private investment.

Please list the top 5 commitments from your growth strategy. These can be from either Brisbane or the current adjusted growth strategy.

Despite the changes in macroeconomic policy making, most commitments from the latest Growth Strategy since Brisbane have been maintained. Brazil´s seven key Commitments are as follows:

1. Boost youth employment through encouraging SMEs as well as public administration to take on apprentices (*Pronatec Aprendiz*) (pages 21-22);

2. Reduce red tape related to opening and operating businesses (pages 22-24);

3. Improve the business environment for SMEs by increasing the access to capital markets for SMEs (page 24);

4. Advance trade facilitation by implementing the System for Consultation of Tariff Preferences Agreements tool (CAPTA) (pages 24-25);

5. Increase the productivity of the economy through the National Education Plan (NEP), which sets 20 targets to be met over the next ten years. Among the targets are the eradication of illiteracy; increase the number of vacancies 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 (25-26).[1]

6. Infrastructure Working Group. The creation of an infrastructure working group to identify market failures in infrastructure financing and propose solutions through regulatory reform (page 26); and

7. Boost investment in infrastructure with 597 projects under implementation (October/2015, which amount to R$ 136.49 billion (USD 42.65 billion) in total (page 27).

After Brisbane

In addition to the fiscal consolidation program, four additional commitments to enhance our growth potential are hereby included (see details in the box and tables below):

1. Fiscal Consolidation Program for 2015-2017 (pages 13-14)

2. The Second Stage of the Investment in Logistics Program (PIL/2) (pages 14-15);

3. The National Plan for Exports (pages 16-17);

4. The Employment Protection Program (EPP) (pages 17-18); and

5. The University of the Worker (pages 18-19).

Remark: With the adjustments and inclusions made the number of contracted projects increased from 465 to 597, with a total budget of R$ 136.49 billion (US$ 42.65 billion), all of them are now in implementation. In addition to this, 194 new projects with a total budget of R$ 209.19 billion (US$ 65.37) are in the pipeline. Therefore, Brazil has currently a global package of 791 infrastructure projects in the form of concessions to the private sector, with a total budget of R$ 345.68 billion (US$ 108.03 billion). (remark: data compatible with the G20 infrastructure investment working group (IIWG).

[1] Given the budget cuts imposed by the ongoing fiscal consolidation program, the National Platforms of Knowledge Program (PNPC) was removed. In the future, the government intends to resume the program with new scope, budget, objectives and targets.

Brazil: Infrastructure Projects - concessions to the private sector: From September/2013 - October/2015

Sector	Number of Projects	Contracted Investments (BRL billion)	Contracted investments (USD billion)
Investment Projects in the Implementation Stage			
Railways	0	0,00	-
Ports	44	9,30	2.91
Highways	7	34,29	10.72
Power Generation	369	55,57	17.37
Power Transmission	48	8,89	2.78
Oil and Natural Gas Exploration and Production	110	1,33	0.42
Urban Transportation	3	8,81	2.75
Airports	2	9,10	2.84
Telecom	14	9,20	2.88
Subtotal	**597**	**136.49**	**42.65**
Infrastructure Projects in the Pipeline			
Railways - new concessions	5	68.90	21.53
Railways - Investments in existents concessions	-	16.00	5.00
Ports - Early renewals of leases	22	8.73	2.73
Ports - New leases	50	11.90	3.72
Ports - Authorizations for Private Use Terminals (TUPs)	65	9.31	2.91
Highways - New concessions	15	48.95	15.30
Highways - Investments in existents co	11	15	4.78
Power Generation	-	-	-
Power Transmission	12	7.55	2.36
Oil and Natural Gas Exploration and Production	-	-	-
Urban Transportation	3	14.05	4.39
Regional Airports	7	0.10	0.03
International Airports	4	8.40	2.63
Telecom	-	-	-
Subtotal	**194**	**209.19**	**65.37**
Total	**791**	**345.68**	**108.03**

Source: Ministry of Finance of Brazil (MF/SEAE)

Average exchange rate of USD 1.00 (Jan-October 2015)=R$ 3.20

The two following tables below contain more detailed information on the projects being implemented and in the pipeline.

Table 1

Sectors	Infrastructure Projects - Projects Contracted/under Implementation
Railways	-
Ports	41 Private Use Terminals were authorized by SEP; three early renewals of leases.
Highways	BR-101/RJ (bridge); BR-040/DF/GO/MG; BR-050/GO/MG; BR-060/153/262/DF/GO/MG; BR-163/MS; BR-163/MT; BR-153/GO/TO.
Power generation	3rd auction of alternative power sources; 17º, 18º, 19º, 20º, 21º e 22º auctions of new auctions of new power; 6th and 7th auctions of reserve.
Power transmission	Auction 07/2013, auction 13/2013, auction 01/2014, auction 04/2014, auction 07/2014, auction 07/2015, auction 01/2015. (available at L:\cogen\infraestrutura\leiloes)
Oil and natural gas:	The 12th bidding of oil exploration block occurred on November 28th and the 29th. There were 72 blocks sold from the total 240 blocks offered.
Urban transportation	Monorail in São Paulo; Subway in Salvador; Light vehicle over rails in the city of Porto Maravilha.
Airports	Galeão and Confins.
Telecom	Six lots of 700 Mhz band and eight Orbital Positions.

Table 2

Sectors	Infrastructure Projects in the Pipeline
Railways – new concessions	FNS - Palmas - Anápolis e Açailândia - Barcarena; FNA - Anápolis - Estrela D'Oeste - Três Lagoas; Bioceânica; Lucas do Rio Verde - Miritituba; Rio-Vitória.
Ports	Leases – blocks 1 and 2
Ports - Authorizations for Private Use Terminals (TUPs)	
Highways – new concessions	BR-476/153/282/480/PR/SC; BR-163/230/MT/PA; BR-060/364/GO/MT; BR-364/365/GO/MG; BR-101/BA; BR-101/SC; BR-101/116/290/386/RS; BR-101/232/PE; BR-101/193/495/SP/RJ; BR-280/SC; BR-262/MS; BR-262/381/MG/ES; BR-267/MS; BR-282/470/SC; BR-364/MT/ROBR-040/RJ; BR-101/RJ; BR-101/116/376/PR/SC; BR-116/PR/SC; BR-116/RJ/SP; BR- BR-116/324/BA; BR-153/SP; BR-163/MT; BR-290/RS; BR-381/MG/SP; and BR-393/RJ.
Power generation:	-
Power transmission	12 projects (lots) published on October, 06, 2015.
Oil and Natural Gas Exploration and Production	-
Urban Transportation	Subway: Porto Alegre and Curitiba. Monorail: Rio de Janeiro (line 3).
Regional airports:	Amarais, Araras, Bragança Paulista, Caldas Novas, Itanhaém, Jundiaí and Ubatuba.
International airports	Porto Alegre, Fortaleza, Salvador and Florianópolis.
Telecom	-

Changes to section B (Economic Outlook and Challenges to Growth)

Please discuss changes to the economic outlook and challenges, and if desired, highlight any new and existing gaps remaining to be addressed. Add discussion of risk of persistent stagnation, if relevant.

Update table of key indicators as follows:

Brazil's long slowdown between 2011 and 2014 will turn into a negative growth in 2015-2016 due to the impact of tighter fiscal and monetary policies combined with more restrictive liquidity conditions in major economies and less favorable commodity prices As a result, GDP is expected to shrink 2.4% this year, and -0.5% in 2016.

The economic adjustment now underway in the country has affected the labor market, with increased unemployment and fall in employment levels. The unemployment rate in the quarter of May-July 2015 in Brazil was 8.6%, higher that which was registered in the same quarter last year (6.9 %) and in the last quarter of 2014 (6.5%), as reported by the National Survey by Household Sampling (Continuous PNAD). According to the same survey, the participation rate also fell: in the quarter of May-July, 2015, it stood at 56.1%, lower than that registered in the previous quarter (56.8%), and in the same quarter of 2014 (also 56.8%). The average real payroll was estimated at R$ 167,7 million for the quarter of May-July, 2015, a decrease of 1.4% when compared to the last quarter of 2014 (R$170,1 million) and an increase of 2.4% when compared to the same quarter of 2014 (R$ 164,1 million).

In line with domestic and external challenges, the Brazilian currency value is going through a correction process. In the first nine months of 2015, the BRL depreciated close to 33% in nominal terms, while the real effective rate is estimated to be close to 2004 levels, leaving behind the relative appreciation of the last decade. As a result of this adjustment, the external deficit is undergoing a remarkable improvement. In fact, in August, 2015, the current account deficit was 64% below the figure of the same month of 2014, the 8th consecutive monthly improvement. In 12 months, the deficit is 18.4% below the 2014 level. On the one hand, as a share of GDP, so far, there has been an improvemnt from 4.42% in 2014 to 4.34%. On the other hand, the stock of foreign exchange reserves are in very high level and have been virtually unchanged during 2015, ammounting to US$ 370.6 billion in August (down from US$ 374.1 billion in December, 2014). Effects from the ongoing exchange rate correction are yet to be fully materialized on the external accounts. Beyond 2015 the external deficit will need to be funded by capital inflows. The country has a wealth of natural resources, a diversified manufacturing industry and a favorable population growth, but its expansion has been hampered by some constraints that are now being removed, such as the so called "Brazil cost" (outdated infrastructure, high taxes and red tape); insufficient savings and high labor costs.

The main challenge for Brazil in the long term will be to increase the total factor 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. To achieve that, the Brazilian government will speed up structural reforms with measures to upgrade the educational system, improve the business environment, facilitate the access of small and middle enterprises to private capital and invest in infrastructure.

Assessment of Obstacles and Challenges to Growth

Given the fast growth of demand in Brazil, especially from 2003 to 2013, infrastructure bottlenecks constrains the country's productivity, efficiency and trade performance, imposing a major impediment for higher rates of growth. Thus, a top priority for the

Brazilian federal government until 2018 is to proceed with the implementation of an ambitious infrastructure program by means of extensive use of concessions to the private sector. The measures adopted for the infrastructure sector are expected 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 trade and investment channels.

Even though Brazil is currently among the world's main destinations for foreign investments – including in the infrastructure sector – it is clear that financing needs far exceed the actual supply of funding. 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 will also be important to tap into private funds.

The financing of infrastructure in Brazil will benefit from new instruments, such as project bonds and structures based on receivables from old and new projects, in addition to several forms of equity. A larger participation of capital markets will be essential to leverage the role of the National Development Bank (BNDES), which is developing new facilities, less dependent on public funds.

Investment will be incentivized through the acceleration of concession and PPP programs, especially related to infrastructure. Public and private funding are being channeled to the concessions program through a number of actions. In the long term, a balanced budget and a stabilized debt ratio will create more adequate conditions for financing both public and private investments.

Key Indicators

	2014***	2015	2016	2017	2018	2019
Real GDP (% yoy)	0.1	-2.8	-1.0	1.1	2.0	2.0
Nominal GDP (% yoy)	7.1	5.0	6.8	7.5	7.2.	6.8
Output Gap (% of GDP)*	-1.8	-4.3	-2.4	-0.7	-0.5	-0.5
Inflation (%, yoy)	6.4	9.3	5.6	4.5	4,5	4,5
Fiscal (Nominal) Balance (% of GDP)**	-6,5	-9.5	-5,0	-4,0	-2.4	n.a.
Fiscal (Primary) Balance (% of GDP)**	-0.5	-0.9	0.7	1.3	2.0	n.a.
Unemployment (%)	6.8	8.1(****)	9.3 (****)	n.a.	n.a.	n.a.
Savings (% of GDP)	15.8	n.a.	n.a.	n.a.	n.a.	n.a.
Investment (% of GDP)	19.7	18.2	18.0	18.4	19.0	n.a.
Current Account Balance (% of GDP)	-4,4	-3.7	n.a.	n.a.	n.a.	n.a

*A positive (negative) gap indicates an economy above (below) its potential.

**A positive (negative) balance indicates a fiscal surplus (deficit).

*** Indicators can be presented on a fiscal year basis, should they be unavailable for the calendar year.

**** preliminary estimate.

Remark: Compatible with numbers for the Consolidated Public Sector contained in the Draft Bill nº 5/2015, that modified the PLDO-2016 (Budget Guidelines Law). Numbers adjusted for the new GDP methodology.

Changes to section C (Policy Responses to Lift Growth)

Please indicate any adjustments to measures taken in Brisbane Growth Strategies as well as new high impact policy measures taken since Brisbane.

Please include both macroeconomic and structural policy responses.

The Fiscal Consolidation Program to Restore Macroeconomic Stability

The Brazilian federal government emphasizes its strong commitment to sound and effective fiscal and monetary policies that have been put forward for the next years. They provide the necessary foundation for the government's actions to continue improving the quality of living of the population. Challenges for fiscal policy remain broadly in line with the ones that guided the current fiscal framework design. These challenges are:

i) a credible fiscal consolidation reform to increase the primary surplus to 0.7% of GDP in 2016, 1.3% of GDP in 2017 and 2% of GDP in 2018, to expand public savings and to put the gross debt to GDP ratio on a downward path;

ii) improving the balance between current expenditure and investment, thus fostering long term economic growth; and

iii) upgrading the social safety nets, focusing on reducing poverty and social inequality.

For 2015, because of the impacts of the economic growth slowdown on government revenues, primary balance target was reduced to a deficit of 0.85% of GDP (R$48.9 billion). This target can be shortened by 0.19% of GDP (R$11.1 billion) related to revenue frustrations in federal government public concessions and 0.99% of GDP (R$57 billion) related to payments of amounts owed by the Treasury to the Time of Service Guarantee Fund (FGTS), Brazilian Development Bank (BNDES), *Banco do Brasil* (BB) and *Caixa Econômica Federal* (CEF), which could result in a maximum 2015 primary balance deficit of 2.03% of GDP (R$117.08 billion).

To cope with the need for increasing investments and maintaining debt sustainability, an increase in the fiscal primary surplus is required to free resources for investments in order to promote economic growth. Along with that, the ongoing reinvigorated public concessions program, with the revision of its regulatory framework, will continue to encourage expansion of private investment in infrastructure.

Given the new global environment, the government has started to reduce the countercyclical stimulus measures in order to improve the resilience of the economy to external shocks and reinforce the foundations for a new growth cycle in upcoming years. The government has the willingness and the means to make the necessary policy adjustments to respond to this challenge.

Concerning the unwinding of the countercyclical measures, the government has already taken actions for fiscal consolidation. Such actions include:

i) reduce subsidies (e.g. by matching the TJLP rate in BNDES loans to current economic conditions);

ii) decrease regulated prices imbalances (e.g. increase fuel and electric power prices, which will eliminate subsidies to consumers);

iii) streamline some welfare programs, such as unemployment benefits and pensions entitlements, to correct distortions, which will have sustained long-term and structural reform effects;

iv) remove some of the tax exemptions (e.g. *Reintegra* and payroll tax break reduction);

v) increase tariffs for existing regulatory taxes (Contribution on Intervention in the Economic Domain – CIDE, Industrialized Products Tax–IPI, PIS/Cofins on imports; Financial Operations Tax – IOF - on personal credit);

vi) discontinue Treasury loans to the National Development Bank (BNDES) as a policy instrument;

vii) proposal of reestablishing the Temporary Contribution on Financial Transactions (CPMF, the acronym in Portuguese) at a rate of 0.20% (this contribution was abolished in 2007, and adopted a rate of 0.38% at the time) to contribute with fiscal adjustment during the next years;.

viii) cabinet reshuffle with the elimination of eight ministries;

ix) establishment of Tax Litigation Reduction Program (PRORELIT) with estimated collection of R$ 10 billion;

x) postponement of public servants wage adjustment proposal, and restriction to new personal recruitments;

xi) reduction of R$ 79.5 billion in discretionary expenses, resulting in discretionary spending level significantly below those observed in 2014, and

xii) Moreover, legislative proposals have been sent to Congress aimed at increasing tax revenues:

a) the bill nº 863/2015 , which reverses part of the payroll tax relief;

ii) Provisional Executive Order nº 675, which increases the social contribution charged on financial institutions from 15% to 20%;

iii) Provisional Executive Order nº 685, establishing the Tax Litigation Reduction Program - PRORELIT ; and

iv) Senate Bill nº 298/2015, which provides for the Special Regularization of the Foreign Exchange Regime and Tax - RERCT on undeclared goods, of lawful origin, held abroad by resident and domiciled in the country.

The guideline is not just to reduce expenditures in 2015, but to adopt significant structural reforms regarding public outlays, particularly, concerning social security benefits and access rules of social benefits such as unemployment insurance and salary allowance.

It is worth mentioning that, with the objective of controlling the growth of expenses related to former budgets, the federal government has established the blocking and possible cancellation of unprocessed "*Restos a Pagar*" (RAP)[2], whereby it will be conceivable to assess the financial execution and fiscal planning of some actions and projects.

[2] *Restos a Pagar* (disbursement deferrals) are governmental expenses that are not paid during their respective fiscal year because the contracted work, service or product was not delivered yet.

The federal government has also established an Inter-ministerial Working Group (GTAG)[3] to monitor and evaluate the public spending. The goal is to improve the budgetary and financial execution of public expenditures, contributing to the achievement of fiscal targets, the optimization of the efficiency of public spending and the encouragement of the proposition of actions that contribute to the enhancement of public policy and government management programs.

For the fiscal consolidation of the public sector to be complete, it is crucial to recover the subnational governments' fiscal primary balances. This task will be fulfilled by the following actions: (i) greater control of the state and municipal governments' indebtedness process, which will include a review of some regulations, tightening in authorizations for new domestic loan operations and limitations on the warranties granting process for external loans; and (ii) greater VAT (ICMS) revenues collection due to the recent tariff realism regarding energy and fuel prices, since these prices are important elements in the ICMS tax base.

With the implementation of these measures and others outlined by the Executive and under discussion in the Legislative, such as pension reform and CPMF reintroduction, the federal government expects to regain fiscal credibility during the fiscal consolidation process. In this process, Brazil will enhance its public sector primary surplus, with positive impacts on domestic risk spreads and on the government interest bill, contributing to reduce the public sector nominal deficit, and thereby increasing national savings and investment.

The Ministry of Finance is aware of the growing demands from the Brazilian society for better public services, a natural movement due to the country's maturing and vibrant democracy. However, there is only one sustainable way to meet these demands: improve the quality of public spending. This imposes the need to render the government programs more efficient and do more and better with the scarce available resources. Therefore, the strong commitment and engagement of public managers is fundamental to make this fiscal adjustment the effective driver for a boost towards greater quality, efficiency, efficacy and effectiveness in government actions and policies.

It is worth reminding that Brazil is not undergoing a persistent stagnation process as the one that seems to be affecting many advanced economies. As a matter of fact, the following elements show why Brazil is only passing through a period of economic slowdown due to the macroeconomic adjustment in course:

1) the country is now more integrated in the world economy and, at the same time, it has become more resilient to external shocks;

2) the marginal productivity of capital in Brazil is not decreasing as it is in Europe and Japan, since there is still scarcity of capital. Brazil is still catching up with capital ratios similar to those of advanced economies. As regards its human capital, Brazil is improving the quality of its labour force through a series of initiatives, such as the "Sciences without Borders" program, which has granted 101,000 scholarships for university students to study abroad until 2014, and the "Pronatec" program, whose stage II will keep a million workers with access to technical training;

---

[3] According to the decree published in the Federal Register of the 29th January 2015, the Brazilian federal government established the Inter-ministerial Working Group to monitor and evaluate public spending (GTAG), which is composed of representatives of the Ministries of Planning and Budget, Finance and Civil Cabinet, in addition to the Comptroller General of the Union (CGU). The goal is to improve the budgetary and financial implementation of the government, contributing to the achievement of the fiscal targets; optimize the efficiency of public spending; and encourage the proposing of actions that contribute to the improvement of public policy and federal government management programs. (source: **http://www.orcamentofederal.gov.br/noticias/portugues/noticias/2015/grupo-de-trabalho-ira-monitorar-eficiencia-dos-gastos-publicos**.)

3) business investment of capital in Brazil is still responsive to the cost of capital, instead of being responsive mainly to the demand in the economy, as it happens in advanced economies. In this way, the improvement in the business environment, especially for SMEs, is expected to ignite a new cycle of economic growth.

4) the likely reduction of the potential growth of the Brazilian economy is transitory. After the fiscal adjustment and the structural reforms underway are completed, Brazil will certainly lift its potential growth. The population is still growing and the improvement in education and training of the labor force has a long way to go; and finally

5) income distribution policies in Brazil have resulted in significant improvement between 2003 and 2011, since conditional cash transfers, higher minimum wages in real terms and the formalization of employment have had a tremendous effects on the income of the poorest households and have reduced poverty.

The Strategy for Resuming Growth

The Brazilian approach to deal with the challenges of the current economic environment has two basic points: first, swiftly restoring fiscal balance by restraining budget expenditures and putting public debt in a downward trajectory as well as rolling back countercyclical measures, including tax breaks and low-cost official credit; and, second, allowing for market determination of prices so as to realign them to reflect supply and demand, and providing other avenues to stimulate investment, by improving the regulatory framework for concessions and promoting the enhancement of the business environment.

In addition to fiscal consolidation, the Brazilian government is preparing the country for a new investment cycle that will spur growth. Brazil's proposed agenda for the 2015-2018 period is based on four basic ingredients:

i) investment in infrastructure –removal of regulatory obstacles to increase investment, especially in infrastructure, by means of expansion of the private sector participation; concessions of roads, airports, ports and railways; integration of agriculture via logistics improvement and its strenghening by building storage capacity; setting up of a regulatory framework more appropriate for "project financing"; renewal of concessions in power distribution; and more efficient sharing of logistics;

ii) trade and productivity – an articulated set of policy measures for increasing competiveness in order to cope with the effects of the subdued recovery in the advanced economies and the international trade. The priority is to increase the engagement of the country in world trade and financial flows, so as to better integrate Brazil in the global supply chains and lift our people's living standards. In order to boost trade, the Brazilian government has just launched the National Export Plan, which aims to diversify merchandises and destination markets, reduce barriers to trade and promote better inclusion in global value chains. For that to become a reality, it is imperative to advance in trade negotiations and improve the education & innovation systems;

iii) tax and financial reforms – streamline taxation, including on savings and subnational IVA, and boost the domestic capital markets. Regarding the IVA (ICMS tax) reform, notwithstanding support from state governors and the proposed fund for compensation of states' lost revenues with the reform, the government is finding some resistance in the National Congress to approve the new tax legislation, but it is going forward, and finally, but not least

iv) macroeconomic policies consistent with an enhanced competitiveness environment – by which long-term fiscal balance will permit the convergence of inflation to the target, downwards lowering of the long yield curve, extension of loan terms, increased funding for new companies, and smaller geographic concentration of investments.

Monetary Policy and Exchange Rate Policy

Monetary policy in Brazil has aimed at bringing back inflation to the center of the target range, a goal that remains valid in spite of a worsening balance of risks. International and domestic experiences show that high inflation is detrimental to growth and income distribution. Inflation in 2015 will stay at a high level (around 9.5% a year) due to two important and needed relative price adjustments: regulated prices and domestic vs. external prices. In spite of very significant hikes in regulated prices (in particular energy) and the exchange rate (33% nominal devaluation vis-à-vis the USD in the first 9 months of 2015), second round effects are being contained and inflation expectation is well anchored in the medium and long run.

The Central Bank (BCB) has raised the monetary policy rate by 7 p.p. since April 2013, and is committed to keep the rate at 14.25% as long as it remains necessary to make inflation expectations converge to the center of the target range. Such a strong monetary policy stance, in tandem with measures to ensure fiscal consolidation, is crucial for restoring confidence in the macroeconomic framework. Albeit the weak economic activity this year, after the needed period of adjustment, the pace of domestic growth will build up as confidence of households and investors strengthen. In sum, ensuring price stability is key to provide more favorable conditions for growth over the medium term, this being the central contribution of the Central Bank to the G20' s Framework exercise.

Brazil has adopted a floating exchange rate regime, without jeopardizing financial and price stability. The floating exchange regime provides the first line of defense to external shocks and is working well, allowing the BRL to adjust to a new macroeconomic environment. Since August 2013, the Central Bank of Brazil has offered foreign exchange hedge to the market through a program of FX swaps auctions. Notably, the swaps are settled exclusively in domestic currency, therefore they do not affect the level of FX international reserves. The program was successful in preserving financial stability in a context of high exchange rate volatility and strong nominal and real depreciation of the currency.

In addition, rigorous banking supervision and regulation have ensured the soundness of the Brazilian financial system over the period of the crisis and its aftermath. In the past few years, credit growth has decelerated, even as sectors with a still relatively low level of credit and higher impact on the economy, such as housing, have gained ground. Brazilian banks are among the most capitalized, liquid and provisioned in the world, with low reliance on external resources and low exposure to foreign currencies. Furthermore, international FX reserves that add up to USD 370.6 billion have been a key tool to cope with volatility and exogenous shocks.

Fostering Reduction in external and internal imbalances, including income inequality

As above mentioned, the Brazilian government is preparing the country for a new investment cycle that will spur growth. The removal of regulatory obstacles to increase investment, especially in infrastructure, an articulated set of policy measures for increasing competiveness and concentrated efforts to improve the educational levels and skills of the labor force, including an additional measure of distance qualification for unemployed workers and the innovation capacity of our small and middle size firms will boost the productivity of the economy and rise the potential growth of the economy in the long term.

Since these measures will strenghten the economy, i.e., reduce internal and external imbalances, Brazilian economic growth is going to be stronger, more sustainable and balanced. Therefore, the resumption of solid growth will provide the secure basis to restore large-scale social spending policies to help lift more people into the ranks of the middle class and reduce the still high income inequality.

Given the threat of increased unemployment, the federal government has put in place (Provisional Executive order nº 680, from 08 July 2015) the Employment Protection Program (EPP). The aim is stimulate the permanence of 50,000 workers in companies that are in temporary financial difficulties. The proposal provides for the reduction of working hours by up to 30%, with a supplement of 50% of lost wages by the Worker Support Fund (FAT). The EPP encourages the maintenance of formal employment, allows businesses to take time for their recovery, prevents turnover and preserves the expenditures made in training. The validity period for the use of the program is six months and may be extend

to a maximum of 12 months. Six companies have already joined the EPP and 27 others are in acession process, totaling 23,971 workers.

Policy Actions Spillovers and Management of Spillovers Arising from Domestic Policies.

As Brazil is in economic downturn this year, it is likely to exert a drag on the South American region. Brazil is a major market for regional exports, so the main channel of transmission is through net trade.

However, policy actions to reduce infrastructure gaps and enhance competitiveness in Brazil will likely generate positive spillovers abroad in the form of imports of goods and services. Brazilian imports reached USD 229 billion in 2014 (USD 121,1 billion in January-August 2015, a fall of 21.3% YoY), one fifth of which are related to the purchase of capital goods.

The ongoing infrastructure investment package and the second stage of the investment in logistcs program (PIL/2) with a USD 62 billion budget, both in the form of concessions to the private sector (see box above and template below), create good opportunities for both national and foreign investors and companies.

ANNEX 1: NEW AND ADJUSTED POLICY COMMITMENTS FOR 2015

New and Adjusted Commitments since Brisbane

This annex is for describing new measures introduced since Brisbane or Brisbane commitments that have been adjusted or modified.

Please complete a table for each new or adjusted commitment put forward in 2015. We would expect each policy commitment table to be no longer than 1 page.

Fiscal Consolidation Program for 2015-2017	**Reduction of government expenditures and increase of the government tax collection**
Implementation path and expected date of implementation	A credible fiscal consolidation program to increase the primary surplus to 0.7% of GDP in 2016 and 1.3% in 2017, to expand public savings and to put the gross debt to GDP ratio on a downward path. For 2015, because of the impacts of the economic growth slowdown on government revenues, primary balance target was reduced to a deficit of 0.85% of GDP (R$48.9 billion). This target can be shortened by 0.19% of GDP (R$11.1 billion) related to revenue frustrations in federal government public concessions and 0.99% of GDP (R$57 billion) related to payments of amounts owed by the Treasury to the Time of Service Guarantee Fund (FGTS), Brazilian Development Bank (BNDES), *Banco do Brasil* (BB) and *Caixa*

	Econômica Federal (CEF), which could result in a maximum 2015 primary balance deficit of 2.03% of GDP (R$117.0 billion). Actions taken: i) reduce subsidies (e.g. by matching the TJLP rate in BNDES loans to current economic conditions); ii) decrease regulated prices imbalances (e.g. increase of fuel and electric power prices, which will eliminate subsidies to consumers); iii) streamline some welfare programs such as unemployment benefits and pensions entitlements to correct distortions, which will have sustained long-term and structural reform effects; iv) remove some of the tax exemptions (e.g. *Reintegra* and payroll tax break reduction); v) increase tariffs for existing regulatory taxes (Contribution on Intervention in the Economic Domain – CIDE; Industrialized Products Tax–IPI, PIS/Cofins on imports; Financial Operations Tax – IOF - on personal credit); vi) discontinue Treasury loans to the National Development Bank (BNDES) as a policy instrument; vii) proposal of re-establishment of CPMF at a rate of 0.20% (abolhished in 2007 at a rate of 0.38%) to contribute with fiscal adjustment during the next years; viii) cabinet reshuffle, reducing in eight the number of ministries; ix) establishment of the Tax Litigation Reduction Program (PRORELIT) with estimated collection of R$ 10 billion, and x) postponement of public servants wage adjustment proposal, and restriction of new personal recruitments. The government preventively set ceilings for these expenditures based on the level of 2013 expenditure. As the Budget Law was just published on April 22nd, the Financial Programming Decree has to be published no later than May, 22nd. The federal government established the blocking and possible cancellation of unprocessed "*Restos a Pagar*" (RAP)[1], whereby it will be conceivable to assess the financial execution and fiscal planning of some actions and projects. This action should be finished by July. It also established an inter-ministerial working group to monitor and evaluate public spending. For the fiscal consolidation of the public sector to be complete, it is crucial to recover the subnational governments' fiscal primary balances. This task will be fulfilled by the following actions: (i) greater control of the state and municipal governments' indebtedness process, which will include a review of some regulations, tightening in authorizations for new domestic loan operations and limitations on warranties granting process for external loans; and (ii) higher states' VAT (ICMS) revenues collection due to the recent tariff realism to energy and fuel prices, since these prices are important elements in ICMS tax base.

[1] *Restos a Pagar* (disbursement deferrals) are governmental expenses that are not paid during their respective fiscal year because the contracted work, service or product was not delivered yet.

What indicator(s) will be used to measure progress?	Monthly monitoring of the fiscal primary surplus development and the change in the Gross Public Debt/GDP ratio.
Explanation of additionality or adjustment (where relevant)	The expenditure cuts of the fiscal consolidation efforts may affect the short-term implementation path of some past commitments.

Investment in Logistics Program - Second Stage (PIL/2)	**Plans to attract investment of R$ 198.4 billion (USD 62 billion) in roads, railways, ports and airports concessions to the private sector**
Implementation path and expected date of implementation	The federal government has announced on June 9th the new stage of the Program for Investment in Logistics (PIL/2). This is another step in the process of modernizing the country's transportation infrastructure, as part of its growth strategy. Around additional R$ 198.4 billion (USD 62 billion) in investment are estimated, of which R$ 69.2 billion should occur from 2015 to 2018 and R$ 129.2 billion from 2019 onwards. Investments are clustered as follows: • Roads: R$ 66.1 billion; • Railways: R$ 86.4 billion; • Ports: R$ 37.4 billion; • Airports: R$ 8.5 billion. (for more information: http://www.planejamento.gov.br/assuntos/program-of-investment-in-logistics-pil**)**
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 works completed.
Explanation of additionality or adjustment (where relevant)	The PIL first stage (PIL/1) was launched on August 15, 2012, with the announcement of concessions for roads and railways. In December of that year, the PIL was expanded to include Airports and Ports. New road concessions reduced the weighted average toll fare in private sector roads from R$ 10.40, in the period from 1995 to 2002, to R$ 3.50, in the 2011-2014 period. Between 2011 and 2014, concessions for rights to build over 5,350 kilometers were granted in seven roads. Between 2011 and 2014, railways investments (public and private) resulted in the construction of 1,088 kilometers of new railroads. In comparison, only 909 km were built between 2003-2010 and 512 km between 1995-2002. The airport concession program resulted in investments of over R$ 26 billion and in the participation of five international airport operators in Brazil. The airports of São Gonçalo do Amarante (RN), Guarulhos (SP), Viracopos (SP), Brasília (DF), Confins (MG) and Galeão (RJ) were auctioned and are now operated by private companies. (see update in box below)

Infrastructure Investment update: The Brazilian government continues to take important steps to include infrastructure investments in a global asset class. Infrastructure projects targeted at achieving this goal for the period 2015-2018 were presented in May 2015. Between July and August 2015, new measures were adopted to improve aspects related to the attractiveness and profitability of the projects, regulatory risks and governance structure. These measures aim to mobilize private capital and increase the efficiency of public resources in Brazil with the guidance offered by the main actors in the market.

Changes in governance to make infrastructure investments more attractive and secure:

• The federal government has requested institutional support from the World Bank (WB), the Global Infrastructure Facility (GIF) and the Inter-American Development Bank (IDB) in preparing and reviewing infrastructure projects, including in matters related to contracts, the regulatory environment and the financial structuring of projects.

• Between 24 September and 2 October 2015, a mission from the World Bank and the Multilateral Investment Guarantee Agency (MIGA), an agency linked to the WB, has visited Brazil to discuss financial support to infrastructure projects, including aspects related to the remuneration of investors and payment of interest for the construction period of the projects. Measures to increase investment insurance will also be discussed as part of the mission.

• In August 2015, the Ministry of Finance published Ordinance nº. 640 setting up a Working Group (WG) to study, consolidate and propose measures aimed at improving regulatory standards and thus increase legal certainty for investors and enhance Brazil's business environment.

• Negotiations are under way with MIGA so that it can support guarantees for infrastructure projects.

Transport sector:

• On September 1st, the Federal Government published the Concession Plan for BR-476 highway, with estimated investments of R$ 4.2 billion (USD 1.3 billion). The Concession Plan is one of the steps that precede the publication of the bid notice, scheduled for early November.

• New rules have been established for the coming highway auctions, including the lifting of the minimum net equity requirement for companies to qualify for participation.

• Another change is that contracts will now establish specific procedures and deadlines to be followed for the review by the National Land Transportation Agency (ANTT) of requests to re-establish the economic-financial balance (cost adjustment) of projects. Previously, there were no clearly defined deadlines for the Agency to state its opinion on these requests. The change brings greater predictability to investors in economic and financial recovery processes.

Power sector:

• The Federal Government launched the "Electric Power Investment Program" (PEEI) on 11 August 2015. A total of R$ 186 billion (USD 58.1 billion) are to be contracted. Of this amount, R$ 81 billion (USD 25.3 billion) should be invested by 2018, with the remaining R$105 billion (USD 32.8 billion) slated for after 2018.

• New contracts for power generation are expected to total R$116 billion in investments and add from 25,000 to 31,500 MW to the national generating capacity. As for the transmission sector, investments should total R$70 billion and add 37,600 kilometers to the country's electricity transmission grid.

• An auction was held to contract 669.5 MW of power generation from wind, hydro and thermal sources, at an average price of R$188.87/MWh. Estimated investment is R$ 2.5 billion (USD 0.78 billion). • Another auction has been held for contracting of reserve power generation from photovoltaic solar energy. A total of 833.8 MW of power from solar sources were contracted at the time, at an average price of R$ 301.79/MWh and estimated investments of R$ 4.3 billion (USD 1.34 billion).

National Plan for Exports - 2015-2018	**Diversifying further Brazil's exports, reducing barriers and promoting better inclusion in global value chains**
Implementation path and expected date of implementation	The National Exports Plan, announced by the Brazilian government on June 24th, has five pillars: 1. Access to markets (negotiate agreements in bilateral, regional and multilateral fronts to open markets and remove barriers to trade); 2. Trade Promotion (32 target markets; unified trade missions calendar; export culture diffusion and capacity-building for firms to export); 3. Trade facilitation (implementation of the WTO agreement in trade facilitation; elimination of paperwork in all export and import procedures to be implemented in 2015; Reduction of the time span for exporting from 13 to 8 days and for importing from 17 to 10 days, mutual certification of the Authorized Economic Operator/AEO with other countries); 4. Financing and guarantee to exports (Proex Equalization - increase the budgetary appropriations for interest rates equalization by 30% in 2015; and BNDES EXIM - increase of post-shipment export credits from US$ 2 billion to US$ 2.9 billion, wider access to pre-shipment credits, improvement and enhancement of insurance and financing instruments for exporters (incentives for private banks to finance exporters; simplified rules for access to the Export Credit Insurance-SCE; performance insurance by the SCE/FGE; increase the limit for approval of new credit operations by US$ 15 billion in the Export Insurance Fund–FGE; wider access for Small and Medium Enterprises (SMEs) to SCE; reduction of red tape in public financing operations and integration to the The Single Window for Foreign Trade. 5. Improvement of tax regimes and mechanisms of export support: uplift of the tax enviroment for exporting companies through the following measures: - New DRAWBACK: With the the introduction of a positive registry system, benefiting companies with continuous flow of operations; - RECOF: Increased access to the tax regime by modifying the eligibility rules; - Reform of the PIS/COFINS contributions through the simplification in the calculation of credits, the increase of the speed in reimbursements and the reduction of tax residue across export supply chains. These actions will result in more competitiveness for the domestic production); - REINTEGRA: This program allows the recovery and better operation of tax values obtained through exports. The gains from the Plan for Exports are going to be fully effective in 2016.

What indicator(s) will be used to measure progress?	The Ministry of Development, Industry and Foreign Trade (MDIC) will monitor the following indicators: - Volume and value of exports; - Value-added of exports; - Number of new exporters (total and by region), and - Export concentration index.
Explanation of additionality or adjustment (where relevant)	Taking into account the end of the so called commodities super cycle and the need to increase the share of the manufactured goods in total exports, Brazil launched, in June 2015, the National Plan for Exports for the period 2015-2018. The additional measure were negotiated among 80 business enterprises, trade union entities and 27 state governments.,

Employment Protection Program (EPP)	**to stimulate the permanence of workers in companies that are in temporary financial difficulties and also to reduce inequality that may derive from increase in unemployment.**
Implementation path and expected date of implementation	The federal government sent to Congress on Monday (06/July) an Interim Measure (MP) creating the Employment Protection Program (EPP). The aim of the proposal is to stimulate the permanence of workers in companies that are in temporary financial difficulties. The proposal provides for the reduction of working hours by up to 30%, with a supplement of 50% of lost wages by the Worker Support Fund (FAT), limited to 65% of the biggest benefit from unemployment insurance (BRL 1385.91 x 65 = BRL 900.84). For example, in a 30% reduction of the journey, a worker who receives today BRL 2,500.00 (US$ 780) in salary and enters the PPE will receive BRL 2,125.00, of which BRL 1,750.00 are paid by the employer and BRL 375. 00 are paid with FAT resources. The worker keeps his\her job, preserves the balance of FGTS[4] and remains with all employee benefits. This is an emergency and temporary measure adopted following ILO's advice based on international experience. The EPP encourages the maintenance of formal employment, allows businesses to take time for their recovery, prevents turnover and preserves the expenditures made in training. Companies retain skilled workers and reduce dismissal costs, hiring and training, and will have reduced spending on wages by 30%. The federal government keeps part of the revenues with social contributions on wages. Companies and employees should adopt the decision to join the EPP through a specific collective agreement in which the company must prove its economic and financial situation of difficulty. The validity period for the use of the program is six months and may be extended with a maximum of 12 months. Currently in 2015, 46 enterprises requested inclusion in the Employment

[4] The Work Time Guarantee Fund (FGTS) was established in 1966 and is currently regulated by Law nº. 8,036/90 and Decree nº. 99 684/90. It is a source of funds raised from the private sector (businesses in general) and managed by the Federal Savings Bank (*Caixa Econômica Federal*-CEF) with the purpose of supporting workers in some cases of unemployment, in situations of serious illness and even at times of natural disasters. It is also intended for financing investments in housing, sanitation and infrastructure. The main source of FGTS funds are the monthly deposits of employers in workers escrow accounts, opened in the CEF. The FGTS net worth was $ 62 billion (USD 19.4 billion) on 31/12/2014.

	Protection Program (EPP). Up to now 12,036 benefits were granted and 17,755 requests are under analysis. In terms of values, the EPP granted R$ 45.56 million (USD 14.23 million) in benefits and is expected to grant more R$ 40.01 million (USD 12.50 million) in benefits, which are now under analysis.
What indicator(s) will be used to measure progress?	The Ministry of Labor and Employment will monitor the fulfillment of the commitments by companies that have joined the program by means of the CAGED, the General Register of Employed and Unemployed Workers (CAGED) - a managerial database system of the federal government - which records on line the hiring and dismissal of employees under the regime of the Consolidation of Labor Laws (CLT). CAGED serves as a basis for elaboration of analyses, research, projects and programs related to the labor market and provides inputs to the decision-making for government action. It is used also by the Unemployment Insurance Program so as to check the data relating to employment relationships, and other social programs.
Explanation of additionality or adjustment (where relevant)	The PPE is an additional and temporary measure that aims solely to preserve the formal jobs at a time of slow economic activity, and assist in the recovery of the economic and financial health of companies, which is essential for the resumption of economic growth. It also helps mitigate inequality and boost labor productivity by increasing the duration of the employment relationship and foster collective bargaining, improving labor relations.

Program - University of the Worker	**Delivered by Distance Qualification for Unemployed workers**
Implementation path and expected date of implementation	The priority beneficiaries are the workers enrolled in the Unemployment Insurance Program registered by labor intermediation offices. The program includes the development of vocational training or initial and continuing formation courses. The programs employ appropriate methodology, through the internet, performed directly by a specific agency linked to the Ministry of Labor and Employment (MTE), or through partnerships with nonprofit organizations. Via a digital platform set up by University of Brasilia (UnB), the University of the Worker will serve at least 50% of the demand for training and retraining in various regions of the country. BRL 180 million (USD 56.2 million) will be invested in 2015 at the University of the Worker. The FAT Board (Codefat) approved (on July 2, 2015) the release of BRL 607 million (USD 189.6 million) to be invested in vocational training in 2016.
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 workers enrolled in qualification courses. The program is awaiting the cooperation agreement formalization to be implemented.
Explanation of additionality or adjustment (where relevant)	The University of the Worker program is additional to Pronatec program and will focus on the workers enrolled in the Unemployment Insurance system.

Other measures

Anticorruption Law – legal guidelines for more transparency

In Brazil the Federal Law nº. 12,846/2013, also known as Anti-Corruption Law, represents an important step forward by assigning objective responsibility, both in civil and administrative levels, to companies that practice harmful acts against national or foreign public administrations. In addition to meeting international commitments made by Brazil, the new law finally closes a gap in the legal system of the country to deal directly with the conduct of the corrupters. The federal Decree nº. 8,420, of March 18, 2015, that regulates the Law, has as main points the calculation rules for applying fines to companies convicted as corrupt as well as the recognition criteria and assessment by the authorities as regards the effectiveness and depth of compliance programs.

The Decree nº. 8,420 holds the companies accountable for unlawful acts and procedures in relation to government agencies and predicts fines that can reach up to 20% of the gross turnover of the companies involved in corrupt acts and prevent them from receiving government loans for up to five years. The new anti-corruption regulation now places Brazil alongside countries that have turned the fight against corruption into law.

Petrobras – operational normalization

With the publication of the audited financial results of 2014, according to the International Financial Reporting Standards (IFRS), Petrobras demonstrates its ability to overcome challenges in a difficult environment. This exercise brought to the market more confidence that the company will respond efficiently to strategic issues it faces with regards to its business plan, and create value for the company. A methodology for estimating the additional spending stemmed from overpayments scheme unveiled by Car-Wash operation was developed. The write-downs relating to these additional costs imposed by this criminal scheme were recognized in the third quarter 2014.

Petrobras is reviewing its investment plan in order to prioritize the oil and gas exploration and production, its most profitable business. The company aims to build a sustainable plan from the perspective of cash flow, taking into account potential impacts on the supply chain and, therefore, in its production curve. Petrobras is and will remain a profitable and efficient company with significant improvements in its corporate governance and increasingly focused on returns for its shareholders and investors.

The Company established in January 13, 2015, the position of director of governance, risk and compliance, with a mission to ensure procedural compliance and mitigate risks in its activities, including those of fraud and corruption. The matters to be submitted to the deliberation of the board of directors shall necessarily require prior favorable opinion of that director as regards governance, risk management and compliance procedures.

Because of the reorganization measures, improvement in corporate governance and combat to malpractices, there has been increased market confidence in the soundness and credibility of the company, which was evidenced by the strong recovery in the market value of Petrobras in the stock market between 31/12/2014 and 15/05/2015: 46.6% in local currency and 29.8% in dollars (from USD 49.3 billion to USD 64.1 billion).

ANNEX 2: PAST COMMITMENTS – ST. PETERSBURG FISCAL TEMPLATE – UPDATE

Please update as necessary. In particular, please update tables as follows:

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

Estimate Projections **

	2014*	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Gross Debt	58.9	66.9	69.3	69.8	69.0	n.a.	n.a.
*ppt change****	-0.2	4.4	7.4	8.9	8.6	n.a.	n.a.
Net Debt	34.1	35.6	38.1	39.4	39.5	n.a.	n.a.
ppt change	n.a.	-0.6	0.3	1.0	1.5	n.a.	n.a.
Deficit	6.5	7.9	4.4	3.6	2.4	n.a.	n.a.
*ppt change****	0.0	3.5	1.5	0.9	0.1	n.a.	n.a.
Primary Balance	-0.5	0.15	0.7	1.3	2.0	n.a.	n.a.
ppt change	0.0	-0.9	-1.3	-0.7	0.0	n.a.	n.a.
CAPB	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ppt change	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

** General Government including social security, and excluding state owned companies and Central Bank; compatible with numbers for the Consolidated Public Sector contained in PLDO-2016 (Budget Guidelines Law).

*** Figures adjusted for the new GDP methodology.

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

Estimate Projections

	2014*	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Real GDP growth	0.1	-2.8	-1.0	1.1	2.0	n.a.	n.a.
*ppt change****	-0.1	-1.9	-2.3	0.0	0.4	n.a.	n.a.
Nominal GDP growth	7.1	5.0	6.8	7.5	7.2	n.a.	n.a.
ppt change	+0.4	-0.8	-1.7	-0.4	0.2	n.a.	n.a.
ST interest rate	12.2	13.7	13.3	11.6	10.2	n.a.	n.a.
ppt change	0.0	0.3	1.2	0.6	0.1	n.a.	n.a.
LT interest rate	12.4	12.2	11.7	11.2	10.9	n.a.	n.a.

Estimate Projections

	2014*	2015	2016	2017	2018	2019	2020
ppt change	0.0	0.0	0.0	-0,20.1	-0.3	n.a.	n.a.

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

** Compatible with numbers contained in the PLDO-2016 (Budget Guidelines Law).

*** Figures adjusted for the new GDP methodology.

ANNEX 3: PAST COMMITMENTS – BRISBANE COMMITMENTS

The purpose of these tables is to monitor the implementation of commitments from members' Brisbane growth strategies.

Key Commitments for Monitoring Purposes

The detailed table below is for the monitoring of key commitments, as identified by members. Please complete a table for each key commitment.

• The policy action:	1. PRONATEC Aprentice: Boost youth employment through encouraging SMEs as well as public administration to take on apprentices		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1 – In 2014 was performed a pilot project in order to verify the program's methodology. 2 – From the pilot project, the Ministry of Education, along with the Ministry of Labour and Employment, are leading an initiative to assess the program implementation strategy, considering the national legal apprenticeship framework and the available training structure. 3 – Restructuring of the Program's methodology. 4 – After the restructuring of the program, officially, the expectation of the Ministry of Labour and Employment is to promote 150,000	1 – Dec/2014. 2 – Without term. 3 –Without term. 4 – 2018.	1 – Concluded. 2 – Ongoing. 3. The restructuring of the Program is currently underway.

	apprenticeship contracts with small and/or non-contributing employers of the **S System**[5] as agreed with the Ministry of Education in a cooperation term. However, it is important to note that this target will depend on budget availability throughout the year and the revision of the specific ordinance of the Ministry of Education, still in progress.		
Impact of Measure	The Pronatec Apprentice Program aims to benefit adolescents over 15 years, focusing on those living in vulnerable situations or rescued from child labor. In that sense, the measures have the goal of facilitating the transition from school to work and the promotion of youth employment. In addition, the program allows small and micro firms to have access to the capacity-building of its employees. Through Pronatec Apprentice thousands of young people are expected to be trained and to enter into the formal labor market, contributing to the reduction of unemployment, raising productivity and promoting a stronger economic growth. After restructuring the program, it is expected to offer 150,000 vacancies in courses though Pronatec Apprentice by 2018.		

• **The policy action:**	**2.Reduce red tape related to opening and operating business**		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1 –New legislation to unify nationally the process to start a business and to allow more enterprises to adopt the unified system of taxes, and 2 - The Secretariat for	1 - Finished. 2 - pilot project was launched in the Federal District in 06/Oct/2015.	Please describe in detail the implementation status of each component of the policy - Law enacted in August 2014 increases to 142 the number of

5 **S System -** It is a term in Brazil that defines the set of private sector organizations focused on professional training, social assistance, consultancy, research and technical assistance. Besides that, they have its names started with the letter S, have common roots and similar organizational characteristics. The following entities are part of the S system: National Service of Industrial Education (Senai); Social Service of Commerce (SESC); Social Service for Industry (Sesi); and National Service of Commercial Learning (Senac). There are also the following others: National Service of Rural Learning (Senar); National Service Cooperative Learning (Sescoop); and Social Transport Service (SEST).

	Small and Middle Enterprises (SMPE/PR) is in the stage of nationwide implementation of the simplified and integrated process of opening and registration of firms through an on line portal that will integrate all public agencies information systems at the federal, state and municipal levels, pursuant to Law Complementary no 123/2006. The Portal also includes solutions in the following areas: • Credit: reducing information asymmetry by disseminating to the SMEs the credit terms offered by different financial institutions; • Innovation: easier access to innovation mechanisms provided by different institutions; • Capacity-building: information on tools offered by different institutions to inform entrepreneurs and employees of issues related to entrepreneurship and management; • Certification: access to information provided by different institutions on technical standards, stamps and labelling for enabling certification of products and processes; • Public Procurement: disclosure of public procurement opportunities and streamlining of procedures and documentation needed for participation of the SMEs in the public procurement processes. • Foreign Trade:		eligibilities that can opt for the National Simples. 2- After completion of the pilot-project in the Federal District the system specifications and business rules for national application will be improved.

	simplifying export and import procedures for SMEs.		
Impact of Measure	This measure reduces the cost to start up a business in Brazil. With the reduction of red tape and transaction costs, it is expected to encourage entrepreneurship with positive effects on employment and GDP, as well as general improvement in the business environment. The features offered in other areas seek to deal with difficulties that impact more strongly the smaller companies. Thus, it is expected that the SMEs become more innovative, have more access to bank credit, capacity-building and certification and, therefore, more prepared to expand their own markets.		

• **The policy action:**	**3. Improve the business environment for SMEs by increasing the access to capital markets**		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1 - Preparation of legislative proposal to enable and make attractive investments in SMEs, currently affected by barriers to the corporate capital composition and red tape c difficulties in opening the capital of enterprises not incorporated in the form of joint-stock company 2 – Development of legal provision that does not exclude the National *Simples* regime[6] to SMEs which have received investment (there is prohibition to that in the current legislation).	1 - Finished 2- Proposal under discussion in the National Congress. 3 - Topic contained in the bill under discussion in the National Congress.	2 - Bill with similar content was submitted at the House of Representatives in early May 2015. 3- Under examination by the Special Committee at the House of Representatives.
Impact of Measure	This measure aims to increase investment in Micro and Small Enterprises (SMEs). If approved, it is expected to favour such enterprises with more access to bank credit. This will contribute to generate more jobs and higher economic growth.		

[6] The *National Simples* is a differentiated, simplified and favored tax regime for small and middle enterprises (SMEs), provided by Complementary Law No. 123/2006. It covers the participation of all government entities (federal, state and municipalities). It is managed by a steering committee composed of eight members: four from the Federal Revenue of Brazil (RFB), two of the states and two of municipalities.

• The policy action:	**4. Advance trade facilitation by implementing the System for Consultation of Tariff Preferences Agreements tool (CAPTA)**		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	The second version of CAPTA broadened the scope of the first version, supplemented the system with new information (applied tariff, rules of origin and services) and released the tool in English and Spanish.	The CAPTA is in its last phase of implementation to be completed by the end of 2015.	It is not possible to estimate a precise number of beneficiaries. Any person or company, domestic or foreign, who/which acts or intends to act in foreign trade, or seek information on tariff preferences, rules of origin and services, will benefit from this system. - Agencies involved: The CAPTA is the result of a partnership between the Ministry of Development, Industry and Trade, the British Embassy in Brazil and the National Confederation of Industries (CNI).
Impact of Measure	Given that trade is fostered mainly by the easiness that agents can engage in business, many international commercial transactions end up not being undertaken due to bureaucracy and lack of information. Therefore, making information readily available about the topics aforementioned will help to boost trade. Since international commerce makes the economy more dynamic, rendering the country more competitive, the CAPTA will somehow contribute to a strong, sustained and balanced growth.		

• The policy action:	**5. Increase the productivity of the economy**		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	The Brazilian Chamber of Deputies concluded on June 3rd, 2014, the passing of the National Education Plan (NEP) for the next ten years. The bill was signed into law by the president of Republic on July 25th 2014.	These NEP policy measures are to be started in 2015 and completed in 2024. The implementation details of each one of the 20 targets will be	The Ministry of Education is providing the subnational governments (states and municipalities) with technical support to develop their own education plans aligned to the

	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 children 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.	provided later on.	strategies and guidelines of the PNE. The Ministry of Education (MEC) has mobilized in coordination with other federal agencies and representative bodies of the educational sector, directing their work around the plane in an unprecedented move. MEC has referenced its Strategic and Institutional Planning and its Operating Tactical Plan to every PNE goal. It has also involved all the agencies concerned in laying the actions of those responsible and the budget resources. The development of the federal government´s Multi-Year Plan (PPA) 2016-2019 was also guided by the PNE.
Impact of Measure	Given that education quality and the schooling rate in Brazil are still way below OCDE countries, Brazil cannot become a truly dynamic economy if it does not tackle its educational gap. In order to solve this important bottleneck, which prevents either innovation to flourish or productivity and income to rise faster, Brazil has decided to pursue ambitious targets to put the country in the frontline among the emerging markets with the best prepared workforce in the next decade.		

• **The policy action:**	**6. The creation of a working group to identify market failures in infrastructure financing and propose solutions through regulatory reform.**		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	The group was launched on May 7, 2014, with a term of one year to present final recommendations.	The conclusions of this working group will be analysed by each regulatory agency in their	The report with recommendations is scheduled for disclosure next November 2015.

		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 and the implementation of its proposals.	
Impact of Measure	The main impact of the measure is to improve the efficiency, efficacy and effectiveness of project finance. By identifying the main failure in infrastructure financing, the government can take the measures necessary to unleash long term funds for infrastructure. Apart from that, in many cases, investments are not channelled to infrastructure due to inadequate regulation. Thus the working group´s recommendations will be of utmost importance for both channelling and optimizing investments in infrastructure in Brazil. The budgetary impact of this initiative is negligible.		

• **The policy action:**	**7. Boost investment with 597 projects under implementation and more in the pipeline**		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	The number of projects regarding concessions and permits with federal government participation awarded **from November 2013 until September 2015** is now 597, all of which in the implementation stage and with a budget of R$ 136.49 billion (USD 42.65 billion) in total. There are 194 new projects in the pipeline, with a budget of R$ 209.19 billion (USD 65.37 billion).		The 597 engineering projects are in variable stages of implementation and different schedules for completion.
Impact of Measure	The 597 projects in the implementation stage are contracted with private undertakers and investors by means of concessions. Most projects receive loans from public-owned banks to cover part of the total cost. The economic impact of each project in the form of change in GDP and employment has to be assessed one by one.		

Other Brisbane Commitments

This table is for the monitoring of other Brisbane commitments (non key commitments). Please complete a table for each commitment.

• The policy action:	8. National Plan of Integrated Logistics (PNLI)
Implementation path and expected date of implementation	The PNLI is being prepared by the National Logistics Planning State-Owned Enterprise (EPL – *Empresa de Planejamento e Logística*) created on December 2012. (EPL website: **http://www.epl.gov.br/**) 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. EPL finished the first round of PNLI in June 2015, which is published in the EPL website. For this first round, the activities 1 and 2 were completed and the activities 3 and 4 are being executed.
Status of Implementation and Impact	The PNLI has been in preparation since 2013 and its first round was finished on June 2015. PNLI will produce a detailed and comprehensive Action Plan and project pipeline for the modernization of infrastructure in the country, with a horizon of 20 years. 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).

• The policy action:	9. 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 3.66 billion)
Status of Implementation and Impact	Ongoing budget cuts have postponed the government financial contribution to capitalize the fund. Presently, the internal statutes and regulations are approved. ABGF is holding discussions on the operational procedures and risk assessment. Also, a wide negotiation on the structure and guarantees is being held with banks and government officials. The product is ready to cover post-shipment export credits, and the pre-shipment product is expected to be fully operational until the end of 2015. The Ministry of Finance expects that this guarantee will foster both public and private export financing.

• The policy action:	**10. The National Export Culture Plan for Small and Middle Enterprises (SMEs) (PNCE)**
Implementation path and expected date of implementation	The main objective of PNCE is to increase the Brazilian exportable base. To this end, the Ministry of Development, Industry and Trade (MDIC) intends to support the internationalization of SMEs through various actions such as training, workshops, business rounds, trade missions etc. Management Comittees established on each of the 26 participant states are responsible for planning and organizing such actions and also setting goals, for example, the number of internationalized companies each year. The plan has a Management Committee on each of the 26 participant states which has the responsibility to plan actions and set up the goal of how many companies will be internationalized each year..
Status of Implementation and Impact	Since 2012, year of the first module of PNCE, there has been progress in two aspects: number of institutions and participating states, which increased; and the degree of coordination among the stakeholders, which has become more complex. However, the initiative has not yet resulted in a significant increase in export earnings of the firms involved. For this reason some improvements are being implemented, e.g.: i) studies about which sectors in which regions throughout the country have the greatest export potential will guide the organization of actions in each state; ii) the implementation of an "internationalization path" will allow for SMEs to receive training in a logical order, following the stages a company needs to go through in order to export;; iii) individualized assistance for SMEs; iv) establishing and monitoring indicators throughout the stages of the "internationalization path"; v) creating action plans for the 26 participant states considering the level of maturity of the SMEs. The PNCE brings together, in one hand, federal, state institutions, and trade associations, which are identified as partner institutions; and on the other, subnational governments. Currently, 17 partner institutions and 25 states take part at the program. Since the PNCE aims to gradually increase Brazilian export base, it is also expected a middle–term positive impact on GDP and employment, as meeting the external demand for Brazilian products tends to raise the domestic production and create more jobs.

• The policy action:	**11.The National Program for Access to Technical Education and Employment – Pronatec Worker**
Implementation path and expected date of implementation	The Pronatec was created in 2011, but the modality Pronatec Worker started only in 2014. Every semester a number of courses are defined together with the education institutions.
Status of Implementation and Impact	Thousands of people were already qualified though the Program, including Young People and Unemployed, among other. The impact of the Program has not been fully evaluated yet, but it is expected to increase employability, decrease the job search, and also increase the productivity of those already employed. In 2014 20.116 people were covered.

• The policy action:	12. The National Plan for Combating Informality
Implementation path and expected date of implementation	Although informality rates in Brazil have decreased over the past years as a result of many public policies (there was a reduction of 57% in 2002 to 39% in 2013), it is still an issue to be addressed. It is understood that the speed of the reduction observed in informal market may be limited by the lack of integration of policies. In this sense, the government intends to transform this reality by integrating and the creating new policies to accelerate the process of formalization of work. The National Plan for Combating Informality was planned in four pillars: I – Increase of fiscal presence through the improvement of labour inspection; II - Policy Integration with other government areas; III - Encouraging social dialogue; IV - Dissemination and awareness of social actors. Thus, in addition to new policies created from the plan, the number of Brazilian policies that generate positive impact on formalization are being integrated to expand the results.
Status of Implementation and Impact	First phase: from May to December 2014. It involved the mapping of informality, publication of normative, development of systems of information, training of managers and auditors, definition of action strategies and setting goals. Second phase: from January to December 2015. It involves the use of tax intelligence, conducting planned inspection actions, communication campaign and raising awareness among actors through the media, signing of agreements with other bodies and agencies, exchange of information between the decentralized units, tripartite sectoral meetings. First Stage: • Conducting training for planners auditors; • Improvement of the System that issues notices of violation; • Development of the System for emitting reports for registry regulation; • Inclusion of targets in the 2015 Planning; • Publication of normative related to combating informality. Second Stage (01 to 07/2015): • 127 011 Inspections of informality performed; • 159,137 workers registered; • Impact on tax collection was approximately one billion dollars; • A cooperation agreement with the Brazilian Service of Support for Micro and Small Enterprises and the Department of Micro and Small Companies for guidance of employers and entrepreneurs was signed; • Discussions in the tripartite sectoral chambers were promoted; • Quarterly meetings with Regional Coordinators of the Plan for

	exchange of experiences; • Implementation of communication actions and raising awareness of society by the Ministry of Labour and Employment. 159,137 workers were directly recorded during the fiscal actions in 27 states of the federation. In addition, the whole society benefits from increased tax collection. The budgetary resources come from the Ministry of Labour and Employment and other agencies, as regards them, when participating shares.

• **The policy action:**	**13. E-Social System.** [7]
Implementation path and expected date of implementation	Unify the information about employees, which is sent to the government by the employers. Integrate the information about employees, under the umbrella of a single electronic system, managed by all agencies that need to receive information from employers about their employees.
Status of Implementation and Impact	The E-Social was established on December, 2014. Its implementation follows this schedule: I - The conveyance of information from companies with revenues above R$ 78 million in 2014 will occur. II - The conveyance of information for the other companies should occur. The project is still being implemented, but it is expected to bring more security to information, lower costs for companies and higher warranty rights for workers. All the workers employed on the formal market in Brazil. So far around R$ 7 million (US 2.18 million) were allocated in the project implementation.

• **The policy action:**	**14. Support to Trade Facilitation (I) - The Single Window for Foreign Trade**
Implementation path and expected date of implementation	The Single Window (Portal) program consists of a number of projects with several deliverables made available as they are designed and developed. Therefore, there is not a single schedule of implementation. The first deliverables under the Portal were made available in the first year of the program, as follows: - Siscomex Portal: Is a web platform which will integrate all Brazilian commerce systems and provide a unique interface between private and public stakeholders in the Brazilian foreign trade; - Integrated Vision System: allows the importer, the exporter and their legal representatives access to the Siscomex system so as to conduct consultations on their import and export operations, both

[7] 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.

	in progress and already completed, indicating the current status of each operation and full displaing all the steps without the need to check other systems; - Drawback Web Exemption: Is a systematized and automated processes for granting the Integrated Drawback regime Exemption, allowing the replacement, free of taxes, of inputs used in the production of exported goods; - New Web DE System: Conveyance though web of customs export declarations (DEs); - System of Electronic Document Attachment: Allows sending scanned documents to the agencies involved in foreign trade.
Status of Implementation and Impact	The program is jointly funded by the Federal Revenue Agency of Brazil (RFB) and by the MDIC´s Foreign Trade Secretariat (SECEX). The amount of funds relies on approval of budget disbursements. For the year 2015, there are R$ 15 million (US$ 3 million) set aside in the budget of SECEX and R$ 9 million (US$ 2.25 million) in the RFB´s budget. Deliverables are taking place within the time limits provided in the program schedule.

ANNEX 4: PRE-BRISBANE COMMITMENTS

Please include a maximum of 5 important structural reform commitments from Action Plans prior to Brisbane. Please also include all relevant monetary and exchange rate commitments. Fiscal commitments will be accounted for in the St. Petersburg Fiscal Template in Annex 2.

Fiscal Policy	
Fiscal Policy	**Action Plan** Expand public savings and put the gross debt to GDP ratio on a downward trajectory through primary surplus targets: In **2014**, according to the Budget Guidelines Law (Law n. 12.919/2014, altered by Law n. 13.053/2014), the primary surplus target for the federal government was R$ 116.1 billion (2.15% of GDP), with allowed deductions of all PAC[1] and tax exemptions expenditures[2]. For **2015**, the target for the consolidated public sector is R$ 8.7 billion (0.15% of GDP), R$ 5.8 billion for the federal government, including state-owned companies, with allowed deductions of R$ 26.4 billion due to revenue frustration related to concessions and programs of tax regularization (PRORELIT and RERCT); and R$

[1] PAC: Growth Acceleration Program.

[2] Since 2005, the Brazilian budget legislation allows infrastructure expenses to be deducted from the primary result target established by the LDO (Budget Guidelines Law). For 2014, in accordance with the LDO, the Government could adjust the fiscal policy by reducing, from the fiscal target, all the priority investments and the amount of the tax cuts implemented.

	2.9 billion for subnational governments. For 2015, the federal government and subnational governments may compensate for each other fiscal balance should they not reach their estimated surplus. For **2016 and 2017**, according to PLN nº5/2015[3], public sector primary surplus target is 0.7% of GDP and 1.3% of GDP respectively, with no deductions.
Rationale for carrying forward	Brazil will enhance its primary surplus and promote a lasting fiscal adjustment, with positive impacts on the domestic risk spreads and on the public sector interest account, contributing to reduce public sector nominal deficit, and thereby increasing national savings and investment.
Update on Progress	**2014** The federal government posted a primary deficit of R$ 22.5 billion (0.4% of GDP), in accordance with the Budget Guidelines Law (Law n. 12.919/2014, altered by Law n. 13.053/2014), considering allowed deductions [2] which amounted to R$ 161.7 billion. Consolidated Public Sector primary deficit added up to R$ 32.5 (0.6% of GDP). General government gross debt rose from 53.3% of GDP in 2013 to 58.9% in 2014. **2015** The Consolidated public sector achieved a year-to-date (until August) a primary fiscal deficit of R$ 1.1 billion (0.03% of year to date GDP). **2016-2018** With primary surpluses of 0.7% of GDP in 2016, 1.3% of GDP in 2017 and 2.0% of GDP from 2018 onwards, the general government gross debt should reach 69.0% of GDP in 2018, down from the 69.3% of GDP forecast for 2016, according to recent economic projections [4] and fiscal targets of PLDO-2016 [5].

[3] Draft Bill nº5/2015 proposing to change the 2015 Budget Guidelines Law to alter fiscal targets for 2015, 2016 and 2017 respectively to 0.15%, 0.7% and 1.3%.

[4] Economic scenario according to 4th Primary Revenues and Expenses Revaluation Report of 2015.

[5] 2016 Bill of Budget Guidelines Law.

Monetary and Exchange Rate Policy	
Structural reform/monetary & exchange rate policies ***[Select area]***	The Central Bank has set the path to implement Basel III during the period 2013-2019. Brazil has a flexible exchange rate. Macro prudential tools may be used as necessary, in line with the G20's Coherent Conclusions on Capital Flow Management.

[3] PLDO: Bill of Budget Guidelines Law.

Rationale for carrying forward	The floating exchange rate allows for currency flexibility and better alignment with fundamentals and global market conditions, helping adjustments in the external sector; while a stable financial system is a prerequisite for sustainable economic growth. The aftermath of the global crisis underscores the importance of building a resilient financial system, not only capable to provide credit to households and business throughout the business cycle, but also to avoid the accumulation of imbalances during times of prosperity.
Update on Progress	Regulation consistent with Basel III tenets on capital definition, capital requirements and capital buffers was issued by the National Monetary Council in March 1st, 2013. Implementation began in October 2013 and is on schedule to be completed by December 2019. In addition, regulation was also issued by the central bank updating the procedures to calculate risk weighted assets for credit risk, market risk and operational risk both in the standardized and in the advanced approaches. Other regulations, in line with Basel III recommendations and schedule of implementation, cover, among other issues: short term liquidity indicator; leverage indicator; and collection of data for determining the systemic importance of financial institutions. Introduction of a long-term liquidity indicator and the methodology to establish the value of the countercyclical capital buffer are under discussion. Brazil is committed to revise regulation on prudential treatment of concentration risk in accordance with the supervisory framework for measuring and controlling large exposures, published by the Basel Committee in April 2014. The floating exchange rate regime has allowed the Real to adjust to domestic and global conditions. The Central Bank of Brazil provided foreign exchange hedge to the market through an FX swaps auction program. The program was successful in preserving financial stability in a context of high exchange rate volatility.

Structural Reforms	
Structural reform	**Action Plan** **The Logistics Investment Program**, based on Public Private Partnership schemes (PPP) in transportation sector: i) concession auctions for large projects for highways (6.886 km), totaling R$ 49.00 billion (USD 15.31 billion), railways (7,537 km); and ii) 4 international airports; (iii) 7 regional airports; (iv) ports, being 65 Authorizations for Private Use Terminals – TUPS, 50 New leases and 22 early renewals of leases. Total investment budget R$ 517 billion (USD 188.00), over the next 30 year, with support from the government: tax benefits, less red tape, innovative financing. Between November/2013 and September/2015 there were 369 auctioned projects to generate

	15,548.76 MW of energy, totaling an investment of R$ 55.57 billion (US$ 17.36 billion). Regarding power generation, Brazil is hiring R$ 116 billion (USD 36.25 billion) to install a generating power capacity between 25,000 and 31,000 MW. As power transmission is concerned, Brazil is hiring R$ 70 billion (USD 21.87 billion) to build 37,600 km of transmission lines.
Rationale for carrying forward	The Brazilian infrastructure is subpar compared to what the country demands and can afford. That has harmed the country's competitiveness, mainly in the exports of products from its dynamic agribusiness. By unleashing investments in logistics infrastructure, Brazil tackles one of its biggest bottlenecks that has prevented strong, sustained and balanced growth.
Update on Progress	From September/2013 up to September 2015, there were seven Public Private Partnership (PPP) awards for the concession of 4,885 km of highways for the term of 30 years, with an investment package totalizing R$ 34.292 billion (USD 11.43 billion). Relatively to airports, it was awarded the concession of the airports of Galeão (RJ) and Cofins (MG), for the term, respectively, of 25 and 30 years, totalizing an investment amount of R$ 9,05 billion (USD 3.02 billion). In the port area, 45 Private Use Terminals – TUPS were authorized, totalizing an investment amount of R$ 11.32 billion (USD 3.53 billion). Moreover: i) there will be bidding rounds in oil and gas (already taking place); and ii) electricity auctions have been carried out from 2013 up to 2017 to generate 33,000 MW and expand transmission lines (23,200 km). From September/2013 up to now (September/2015), for the oil and gas sector there were 2 bid auctions for the terms of 32 to 35 years, totaling R$ 1.11 billion of minimum investment commitment (USD 370 million). Regarding the electricity transmission, there were bid auctions for 9,721 km of transmission lines and 38 substations, with concession for the next 30 years, totaling the investment amount of R$ 8.89 billion (USD 2.96 billion). Concerning the electricity generation, there were bid auctions carried out for 310 projects (14,045 MW), adding up R$ 48.72 billion (USD 16.24 billion) of investments in this sector.

Improve quality of human capital and increase labor productivity nationwide	
Structural reform	**Action Plan** Improve quality of human capital and increase labor productivity nationwide through progress in education, research and innovation, particularly in universities and technical and vocational training centers. The specific programs are: i) **The "Science Without Borders" Initiative** - the target to send 101,000 students abroad by 2015; ii) the **"National Program for Access to Technical Education and Employment" (Pronatec I)** will enable 8 million students and workers to

	attend technical courses and professional capacity-building by 2014; iii) The "**University for all Program" (PROUNI**) will continue to provide scholarships for low-income students to attend private higher education institutions; **iv) Establishment of New Higher Education institutions** - four new public-owned universities are scheduled public-owned universities are scheduled to offer 38,000 vacancies for students in 145 majors by 2018. Furthermore, 208 technical and vocational training centers are expected to be operating by the end of 2014.
Rationale for carrying forward	All those programs improve the quality of human capital and increase labor productivity nationwide and thus contribute to strong, sustainable and balanced growth.
Update on Progress	**The Science without Borders Initiative**: 101,446 scholarships were granted from 2011 up to 2014, exceeding the target of 101,000. The federal government paid for 75,000 thousand scholarships and the remainder was paid by the private sector. In 2014, 42,000 scholarships were granted (including the stipends for Visiting Professor, Young Talents and foreigners in Brazilian university institutions). For 2014-2018 the target is 100,000 more scholarships for studying abroad. Due to budget constraints, the Program in 2016 will have funds only to support the students who are already enrolled in academic courses abroad. ii) **Pronatec I:** From 2011 up to 2014, the target of 8.1 million enrolments for Pronatec I in technical courses and vocational qualifications was exceeded (8.1 million enrolments). The total disbursement was R$ 15 billion (US$ 4.68 billion). In 2014, 128 thousands enrolments were made. In 2015, the government started Pronatec II whose target is to provide 1.3 million enrolments. Brazil was ranked in the first position in the last World Skills, the most important professional education championship in the world (84% of the Brazilian team was from Pronatec). The target is to supply 5 million enrolments in Pronatec courses for 2015-2019. iii) **Prouni**: since 2005, 1.5 million scholarships were granted, of which 205,616 full tuition scholarships and 101,489 partial tuition scholarships were granted in 2014. In 2015, overall, 1,142 private academic institutions are currently engaged in the program. Each of them offers a number of scholarships that corresponds to approximately 10% of the number of its regular students. The total exemption of federal taxes amounts to approximately R$ 700 million (USD 218.75 million) per year and, in the last ten years, about 1.7 million scholarships have been awarded. iv) **Expansion of Federal Higher Education Network:** the four new universities created in 2013 (*Universidade Federal do Oeste da Bahia-UFOB; Universidade Federal do Sul da Bahia-UFESBA; Universidade Federal do Cariri -UFCA and Universidade Federal do Sul e Sudeste do Pará –UNIFESSPA*) all entered in operation in 2014. The target for 2011-2014 of putting 47 new university campuses and 208 technical and vocational training centers in operation was achieved. There are not yet new targets for 2015 -2018.