



 INVESTMENT GUIDE TO
BRASIL2019



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TABLE OF CONTENTS

WELCOME TO BRAZIL

10 Key Reasons for Investing in Brazil	11
Foreign Direct Investment in Brazil	15

DISCOVER BRAZIL

Introduction	21
Overview of Brazil's Territory, States, and Population	22
Political System	28
Economy	30
Financial System	36
Infrastructure in Brazil	42
Brazil: Your Gateway to Latin America and Beyond	45
Labor Force	46
Business Etiquette	48
Public Holidays	50

BUSINESS OPPORTUNITIES, SECTOR PROFILES

Agribusiness	54
Automotive Sector	60
Aerospace Sector	64
Renewable Energy and Environmental Solutions	70
Oil and Gas	78
Infrastructure	83
Transport Infrastructure and Services	86
Health and Life Sciences	90
Private Equity and Venture Capital	94
Innovation and R&D	98

SUPPORT MECHANISMS FOR BUSINESS IN BRAZIL

Financing	102
Tax Incentives: Federal, Regional, State-level, and Industrial	107
Federal	107
Regional	108
State-level	109
Industry-Related	109
Export Processing Zones (EPZs)	110
Small Business Support	112

LEGAL FRAMEWORK FOR INVESTMENT IN BRAZIL

Foreign Capital	117
Contract Enforcement and Investor Protection	122
Cooperation and Facilitation Investment Agreements (CFIAs)	126
The Direct Investment Ombudsman (DIO) and the Brazilian National Contact Point for Responsible Business Conduct	128
Apex-Brasil – Services for Investors	130
Intellectual Property	133
Taxation	136
Property and Land	145
Rural Land Acquisition / Leasing	147
Environmental Policy, Regulation, and Licenses	151
Visas	156

ESTABLISHING A BUSINESS IN BRAZIL

Main Types of Companies	161
Hiring Employees	165
Step-by-Step	170

GOVERNMENT AND SUPPORT PARTNERS IN BRAZIL

173

PREFACE

Welcome to our comprehensive guide to investing in Brazil. The main goal of this publication is to provide insight into Brazil's economy, to present the different opportunities it offers and to highlight the essential items that need to be considered to successfully invest in the country.

Brazil has an open and diversified economy and a wide array of opportunities across multiple productive sectors. Although Brazil is home to a competitive industrial sector, leading a number of industries in Latin America, there are still numerous opportunities for business development in areas such as energy, oil and gas, health care, agribusiness, infrastructure and innovation, among many others.

Brazil is one of the largest FDI recipients and preferred investment destinations in Latin America. One of the main reasons Brazil continuously receives foreign direct investment and attracts leading and innovative international businesses is the country's robust investment protection legislation, enforced by an independent judiciary and a stable regulatory environment, which provides security for investors.

For many investors, these things make growing a business in a market as vast and dynamic as Brazil an exciting prospect.

The Government of Brazil is making a coordinated effort to support international investors throughout the different stages of their business projects. Brazil is open for business, and we are here to help.

ABOUT THIS GUIDE

This guide combines essential information from various government sources with the objective of facilitating your understanding of Brazil, its economy, productive sectors, business climate and investment framework. This guide is designed to meet the needs of investors in different degrees of maturity when it comes to investing in Brazil. First, for potential investors, who may be unfamiliar with Brazil, the guide can be the perfect gateway to the myriad of investment opportunities currently available. It contains useful, fact-filled information, profiling Brazil's economy and providing snapshots of major business opportunities in different productive sectors. Second, for investors ready to do business in Brazil and for existing investors seeking to expand their Brazilian operations, the guide also serves as a reference companion to Brazil's investment framework, including guidelines on how to establish and run a business in the country and on government incentive programs to help expand businesses in selected industries.

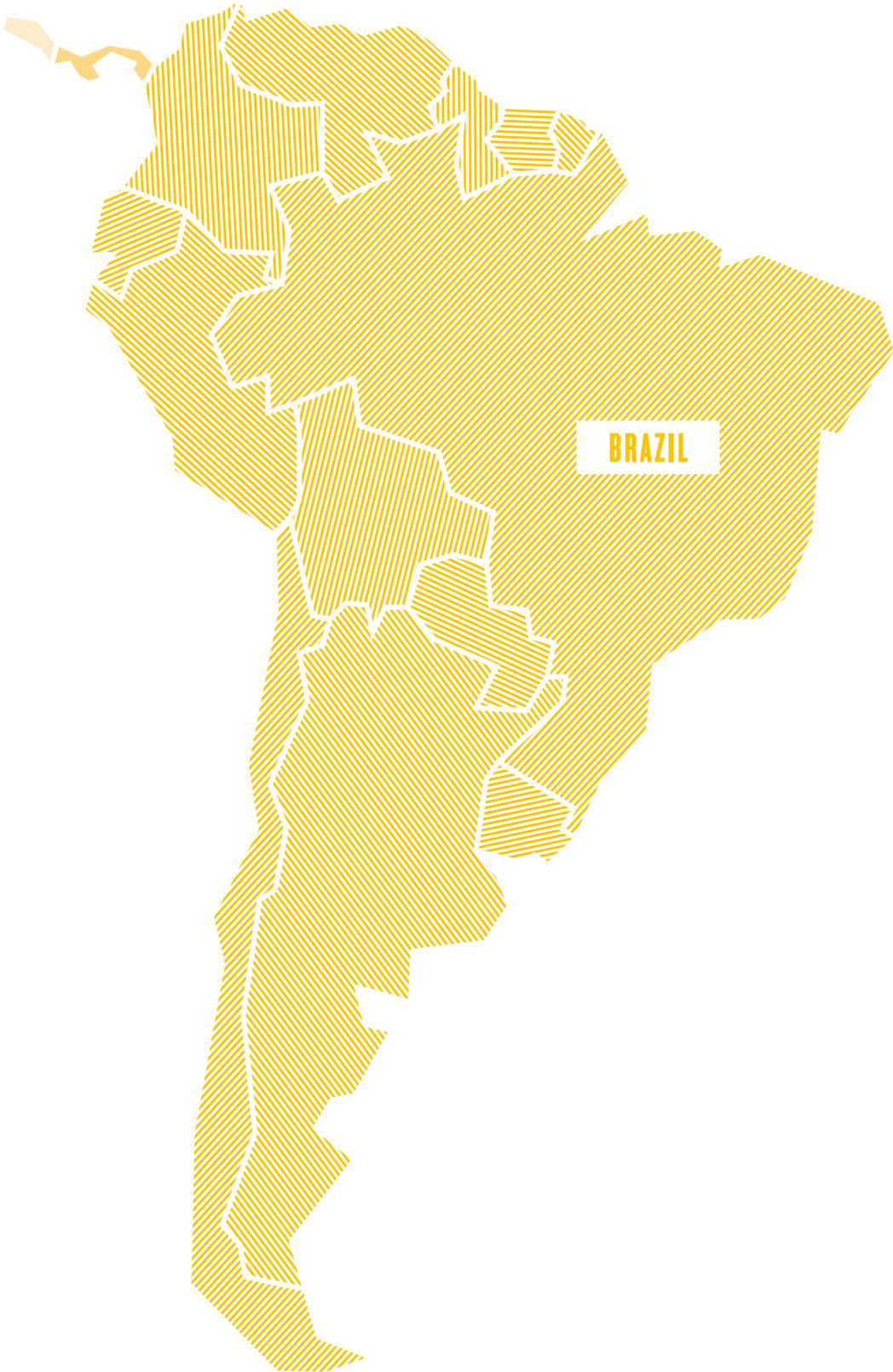
For simplification and standardization purposes, this guide has converted all amounts originally stated in the Brazilian currency, the real (BRL), into US dollars (USD). **The exchange rate used was the average for the year of 2018.**

1 USD = 3.66 BRL

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WELCOME TO





10 KEY REASONS FOR INVESTING IN BRAZIL

1 LEADING REGIONAL ECONOMY

- ▶ Brazil is a global powerhouse, ranking among the top 10 economies in the world, with a GDP of USD 1.88 trillion in 2018.

2 GLOBAL DESTINATION FOR INVESTMENT

- ▶ According to UNCTAD, Brazil remains among the top 10 recipients of FDI in the world and is the only Latin American country on that list. Inward FDI flows in Brazil totaled over USD 1 trillion from 2010 to 2018, averaging USD 122 billion per year, according to data from the Central Bank of Brazil.

- ▶ Brazil is open to foreign direct investment and continues to attract leading and innovative international businesses resulting of profitable opportunities underpinned by robust domestic investor protection rules which are enforced by an independent, credible judiciary and a fair regulatory environment, providing security for investors.

3 RESILIENT DOMESTIC MARKET

- ▶ Brazil has one of the largest consumer markets in the world, with more than 210 million people and a strong and steady domestic demand for services, goods and agricultural products.
- ▶ Per capita GDP of USD 8,959.02 in 2018, above major emerging players such as India and South Africa.
- ▶ Household consumption is about 64.3% of GDP (2018).

4 DIVERSIFIED ECONOMY: WE HAVE IT ALL

- ▶ Rather than relying on a small number of key industries, the Brazilian economy is structured on a wide range of economic sectors. The country is home to a competitive industrial sector, including, for instance, Latin America's largest aerospace, automotive, oil and gas, mining, capital goods, medical equipment, chemical and technology industrial complexes, among others.

5 ENERGY POWERHOUSE

- ▶ Brazil has one of the largest petroleum reserves in the world and is home to one of the biggest oil discoveries made in the Western Hemisphere in the past 30 years: the ultra-deep-water oil found off Brazil's Southeast coast pre-salt layer. Globally, Brazil is the 10th largest oil producer, the largest in Latin America.
- ▶ Brazil is one of the top producers and exporters of ethanol biofuel in the world.
- ▶ Renewable sources are responsible for over 80% of Brazil's electricity generation, one of the highest levels in the world, and way above the OECD average (23,8%). Due to its large water supply, hydroelectric power provides over 60% of Brazil's electricity needs. Wind, biomass and solar energy shares are growing on a fast pace, already representing over 16% by 2018.

6 LARGE POOL OF WORKERS

- ▶ With an active working age population (15- 64 years old) of around 69% in 2018, which is above world average, Brazil's domestic market offers good opportunities for companies seeking to hire.
- ▶ It also has a young, dynamic workforce, supported by government professional training programs that can be implemented in partnership with the private sector.

7 EXTENSIVE RAW MATERIALS

- ▶ Brazil's natural resources are abundant, making the country a major supplier of raw materials. It is one of the biggest producers and exporters of agricultural and mining products (especially iron ore), to name but a few. Its biodiversity is also a vast source of wealth.
- ▶ The country is also water-rich, estimated to hold the world's largest freshwater reserves.



8 CAPACITY TO ENDURE

- ▶ Brazil is resilient and steadfast, capable of withstanding an adverse international economic scenario.
- ▶ In 2010, Brazil became a net external creditor, paying off its debt to the International Monetary Fund, and has accumulated international reserves ever since, totaling over USD 374.7 billion by the end of 2018.

9 GLOBAL PLAYER, THE B IN BRICS

- ▶ Brazil is an established global player, deeply engaged in international politics, as a major stakeholder in global negotiations in trade, environmental policies and human rights advocacy. With a large economy, well established political and judicial systems and active engagement in international affairs, Brazil plays an important role in the international community.

10 GATEWAY TO LATIN AMERICA

- ▶ Brazil's largest cities are global investment destinations on the rise, not only for Brazil but also for the entire Latin American region.
- ▶ Brazil shares land borders with Argentina, Bolivia, Colombia, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela, as well as the French Overseas Region of French Guiana.
- ▶ Brazil has free trade agreements with the largest markets in Latin America and is a founding member of the Southern Common Market (Mercosur).
- ▶ As a member of Mercosur, Brazil has recently announced a big FTA agreement with the European Union. Brazil is also part of the trade agreements already signed by Mercosur, as well as others still under negotiation with partners in different continents. Brazil has also signed more than a dozen Investment Facilitation Agreements with countries in Latin America, Africa and Asia.

FOREIGN DIRECT INVESTMENT in BRAZIL

Brazil is the eighth-largest economy in the world. In 2018, Brazil's GDP grew 1.1%, with an inflation rate of 3.7%. Since 2016, the Central Bank of Brazil (BCB) has lowered the benchmark interest rates from 13.75% to 5.5% in 2019.

Data from the Central Bank of Brazil (BCB) shows that in 2018, foreign direct investment into Brazil grew by 7.7% compared to 2017 levels (not considering inflation), totaling USD 149.3 billion. These solid figures are a proof of the attractiveness of the Brazilian market for foreign companies, even during the difficult times the country, along with most of the global economy, went through in recent years.

► **Net FDI grew by 25.7%, reaching USD 88.3 billion.**

**FDI IN BRAZIL, IN USD MILLION
(NOT ADJUSTED FOR INFLATION)**

YEAR	NET	INWARD	OUTWARD
2008	50,716	76,110	25,393
2009	31,481	58,214	26,733
2010	88,452	118,235	29,783
2011	101,158	136,512	35,354
2012	86,607	107,299	20,693
2013	69,686	95,599	25,913
2014	97,180	130,935	33,755
2015	74,718	123,236	48,518
2016	78,248	125,135	46,886
2017	70,332	131,605	61,273
2018	88,319	149,335	61,016

Source: BCB

The stock of foreign direct investment in the Brazilian economy at the end of 2017 reached USD 767.7 billion (27.2% of its GDP) – an all-time record – a strong indicator of the degree of openness of the Brazilian economy to foreign capital.

According to UNCTAD's World Investment Report 2019 ranks Brazil seventh in worldwide FDI inflows, reaffirming the country's position as a top investment destination for global investors.

Global FDI inflows summed up to USD 1.3 trillion in 2018¹. The United States alone concentrated one fifth of global FDI inflows.

China and Hong Kong, together, represent a similar share. Brazil received nearly 5% of global FDI inflows and was the major destination for FDI in Latin America.

Since regulatory reforms came into force in recent years allowing foreign investment in sectors such as health care and the airline industry, investors have been able to further explore important new markets in the country. The IT sector has also been a hotbed of investments, amounting to USD 47 billion in 2018, a growth of 9.8% compared to 2017.

The energy sector has also attracted significant investment. Energy auctions gathered dozens of billions of BRL in investments in 2018, as was the case with new energy generation (BRL 13 billion/ +/-USD 3.5 billion) and transmission lines (BRL 13.2 billion/ +/-USD 3.6 billion) tenders. In March

2018, auctions for oil exploration blocks raised over BRL 8 billion (USD 2.2 billion), boosted by new regulations, as partnering obligations with the state-owned oil company Petrobras are no longer mandatory in the promising pre-salt layer fields.

In addition to new regulations regarding certain industries, the Central Bank of Brazil issued new guidelines, by the end of 2016, to enhance procedure efficiency in the registration of foreign investments. One of the main changes establishes that the recipient company is the only responsible for registering the investment, making it simpler to update and to verify information. Most significantly, the process for opening foreign companies in Brazil has been simplified, reducing the authorization period from 45 days to 3 days through an online process.

Endnotes

¹ It should be noted that Brazil, along with other major countries, reports FDI statistics using a different methodology than that applied by UNCTAD. Since 2015, the Central Bank of Brazil publishes the Balance of Payments and International Investment Position statistics in accordance with the sixth edition of IMF's Balance of Payments and International Investment Position Manual (BPM6), published in 2009. UNCTAD, on the other hand, publishes FDI statistics in accordance with the previous edition, BPM5. The main distinction is that BPM6 recommends the presentation of FDI statistics on an asset/liability basis, instead of the directional principle that had been recommended by the previous editions of those international guidelines.

▶ Estimated FDI inflows: top 10 host economies, Jun/2019 report

COUNTRY	2018 (SHARE OF WORLD TOTAL)
UNITED STATES	19.4%
CHINA	10.7%
HONG KONG	8.9%
SINGAPORE	6.0%
NETHERLANDS	5.4%
UNITED KINGDOM	5.0%
BRAZIL	4.7%
AUSTRALIA	4.7%
SPAIN	3.4%
INDIA	3.3%

Source: BCB

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DISCOVER





INTRODUCTION

Brazil is the largest economy in Latin America and one of the top 10 countries in the world in population, landmass and gross domestic product (GDP).

A major player in international trade, Brazil has proven to be an open and vibrant country with a diversified economy, and one of the largest consumer markets in the world. It also has a highly productive agriculture sector, a broad and sophisticated industrial base, one of the most solid and prudently regulated financial sectors in the G20, the largest stock market in Latin America and abundant natural resources.

Brazil is the world's largest exporter of beef, orange juice, sugar, coffee and iron ore and competes with the US to be the world's biggest soya bean exporter. Agriculture employs 13.1% of the Brazilian workforce.

Manufacturing accounts for 11.8% of GDP and employs 11.1% of the workforce. Brazil's biggest industrial sectors include automobiles, consumer electronics, computers and software, and heavy industries. The world's third-largest commercial aircraft manufacturer by revenue also has headquarters in the country. Brazil's automotive industry exported over 620,000 units in 2018.

Brazil's service sector makes up for 73.3% of GDP. Brazil's tourism market is one of the largest in the region. It has a variety of tourist attractions, such as the Iguazu waterfalls, the Pantanal wetlands and the Amazon rainforest. In addition, its stunning beaches attract visitors from across the world. The number of inbound arrivals increased by 5% in 2018, reaching 7 million visitors. This thriving sector is expected to be at record highs in the following years.

Brazil has an abundance of mineral deposits (for example, bauxite, iron ore, manganese, chrome, lead, zinc, tungsten and nickel) and is the world's largest exporter of iron.

The next section provides an overview of Brazil, including a profile of the country, its economy, institutions, financial system, infrastructure, international trade participation, and openness to foreign investment.

OVERVIEW OF BRAZIL'S TERRITORY, STATES, AND POPULATION

Brazil is the world's fifth largest country and has a wide range of climates, biomes, and cultures across its 8,510,820.62 million sq. km of land². The country is home to 210.1million inhabitants and is one of the five most populous in the world.

The vast country has five climate regions: equatorial, tropical, semi-arid, oceanic, and subtropical. For the most part, Brazil has mild temperatures, although it varies from one region to another: southern regions tend to be mildly cold during the Southern Hemisphere's winter, while northern areas tend to be warm even during winter time. Being almost completely in the Southern Hemisphere, Brazil's summer begins in December and runs until March, while winter starts in June and lasts until September.

The Amazon Rainforest covers most of the Northern region and has a humid, hot climate throughout most of the year. As it is an equatorial region, it has two seasons: a dry season, from June to September, and a wet season, from October through May.

The Northeast region has a mix of dry weather inland and humid weather in coastal areas. High temperatures and severe droughts are common in the countryside, where the main biome is a type of scrubland called the Caatinga. The coastal area of the region is sunny and warm throughout most of the year.

The Midwest is also somewhat dry, but unlike the Northeast it has a more fertile soil, suitable for growing large crops. Its main biome, known as Cerrado, a vast tropical savannah. The southern part of the region is home to a unique wetland called the Pantanal.

The Southeast is covered by the Atlantic Forest and some of its states have more defined seasons. The forest is also extraordinarily lush in biodiversity. The region's mountainous areas can experience proper low temperatures during winter, while they stay warm in the summer.

The South is the coldest region in the country, being also covered by the Atlantic Forest. The countryside in the region's south is home to natural pastures called the *Pampas*.

THE PEOPLE OF BRAZIL

Brazil has a highly diverse population, being a melting pot of ethnic backgrounds and cultures. Regional migration and extensive miscegenation have made it one of the most ethnically diverse nations on earth. Indigenous people and their varied descendants have had a profound effect on the nation's culture, in which is most apparent in the Brazilian cuisine, traditional medicine, festivities, popular beliefs, artisanal handicraft and language.

The culture was also impacted by the European colonization. The most noteworthy contribution made by Europeans is the Portuguese language, which is the official language of Brazil. Catholicism, the religion of 64.6% of the population, brought to the country several traditions, including processions, festivals, celebrations, and holidays.

The African people who came to Brazil during the colonial period have also significantly contributed to the local culture. They brought many customs that were prevalent in their country of origin, especially religious traditions such as Umbanda, Candomblé, Catimbó and Quimbanda. To this date, Brazilian cuisine benefits from ingredients introduced by Africans, such as palm oil, chili peppers and black beans.

Immigrants from the Middle East and Japan are also an important part of the country's cultural diversity. The Syrian-Lebanese came as traveling merchants and ended up becoming major retailers. They live in various regions of the country, especially in the southeast region, and play an important role in the economy. On the other hand, an estimated 1.5 million Brazilians descend from Japanese immigrants.

All these different influences result in a modern-day Brazilian culture that is unique, diverse and complex. According to IBGE estimates, Brazil currently consists of 46.8% of mixed ancestry, 43.6% of whites and 8.6% of blacks.



TERRITORIAL ORGANIZATION OF BRAZIL

SINCE THE 1970S, BRAZIL HAS BEEN DIVIDED INTO FIVE REGIONS: NORTH, NORTHEAST, MIDWEST, SOUTHEAST, AND SOUTH. THERE ARE 26 STATES AND THE FEDERAL DISTRICT (WHERE THE CAPITAL, BRASÍLIA, IS SITUATED), ALL WITH AUTONOMOUS ELECTED GOVERNMENTS.

THE NORTH

STATES: AMAZONAS, PARÁ, ACRE, RONDÔNIA, RORAIMA, AMAPÁ, TOCANTINS

Estimated share of Brazil's GDP: 5.3%

The North is the largest region in the country, with some 3.8 million km² — or 45% of the entire Brazilian territory — and seven states. Despite its vastness, it is the region with the lowest population density in the country, being mostly covered by the Amazon Rainforest. It is home to immensely important drainage basins, such as the Amazon River basin. It is estimated to contain one-fifth of the entire planet's freshwater reserves.

Economically, the southern border of the region has well-developed agribusiness, mostly focused on soy and cattle. Manaus, the capital of the state of Amazonas, is the largest Free Trade Zone in the country with 600 industries, such as technological goods, motorcycles, thermoplastic products and naval output, among many others. The state of Pará is also an important trade center in the region, in part because of the major port in the state capital of Belém. It also has enormous mining potential — the Carajás Iron Ore Mine is the second largest of its kind in the world.

THE SOUTH

STATES: PARANÁ, RIO GRANDE DO SUL, SANTA CATARINA

Estimated share of Brazil's GDP: 17%

The South has the second largest industrial park in the country and modern agriculture. Highlights include pig farming, cattle, tobacco, soya and also the food, textile, metallurgy, and automobile industries. In recent years, a large part of rural properties in the South entered a new productive stage, which is linked directly to the advancement of technologies in animal husbandry and cultivation of different crops.

Curitiba, the capital of the state of Paraná, is the region's largest city. Paraná is home to some important infrastructure activities, such as the Itaipu hydroelectric power plant and the port of Paranaguá, a major hub for grain exports. The city of Porto Alegre has one of the largest GDPs in the country, ranking sixth place with BRL 68.1 billion (USD 18.6 billion).



THE NORTHEAST

STATES: MARANHÃO, PIAUÍ,
CEARÁ, RIO GRANDE DO NORTE,
PARAÍBA, PERNAMBUCO, BAHIA,
ALAGOAS, SERGIPE

Estimated share of Brazil's GDP: 13,9%

The Northeast region has an important place in Brazilian culture and history, dating back to colonial times. The region is renowned for its music, dance, and cuisine, which have spread across the country due to the internal migration of a significant portion of the Northeastern population throughout the 20th century.

The coastal areas are famous for their unique landscapes and beaches, making tourism one of the region's main economic activities. Due to its climate, the countryside is frequently exposed to droughts, making the coastal regions home to the bulk of the Northeastern population. The São Francisco River is the most important drainage basin in the region and its irrigation projects are crucial for the economy of its inland population.

Salvador and Recife are the main urban areas, with the former being an important local industrial center and the latter hosting the Suape Industrial Complex and the Recife Digital Port, an ICT innovation hub.

THE MIDWEST

STATES: DISTRITO FEDERAL,
GOIÁS, MATO GROSSO,
MATO GROSSO DO SUL

Estimated share of Brazil's GDP: 9,4%

Brazil's Midwest is home to vast agricultural areas and is the largest soy producer in the country. It also has deep roots in cattle raising, consisting of two of Brazil's most important biomes: the Cerrado grasslands and the wetlands of the Pantanal.

Once one of the more isolated areas of the country, the Midwest has seen the rapid expansion of its rural production and has established new industries. Brazil's capital, Brasília, is an important center of development, being home to major universities and government agencies. Its construction in the 1950s was a crucial moment for the region's development. Goiânia, the capital of Goiás state, is another important commercial center in the Midwest.

THE SOUTHEAST

STATES: ESPÍRITO SANTO,
MINAS GERAIS, RIO DE
JANEIRO, SÃO PAULO

Estimated share of Brazil's GDP: 53,1%

The Southeast is the wealthiest region in the country and the most populous, with some 86.9 million people (2017 estimate). It is home to Brazil's two largest cities, São Paulo and Rio de Janeiro, both with their own well-diversified economies, with strong industries, services, and agriculture, as well as being the country's most famous tourist destinations.

With more than 12 million inhabitants (2017 estimate), the city of São Paulo is the main gateway for foreign travelers entering the country: it receives 32.5% of all international tourists coming to Brazil, followed by Rio de Janeiro, with 20.5%. It is also the largest city in Latin America and the financial center of Brazil. It is the capital of the state of São Paulo, which is the most populous state in the federation and generates the largest industrial output in the country, with a much-diversified economy. The State of São Paulo is also famous for being the largest producer of sugar cane and oranges in Brazil. Campinas, one of São Paulo's largest cities, is a regional ICT hub and an important industrial center.

Rio de Janeiro is the second wealthiest city in Brazil and home to the headquarters of two of the country's biggest companies: Petrobras and Vale. The city also has a prosperous tourism sector, populated by world-renowned events such as the Carnival festivities and the Copacabana New Year's Eve parties. The city also hosted the 2016 Olympic and Paralympic Games.

Belo Horizonte is another important industrial center, famous for its textile, automobile and mining industries. In agricultural terms, Minas Gerais is an important producer of Arabica coffee, while Espírito Santo is known for growing Robusta coffee.

The Southeast is also an important producer of energy. Minas Gerais has plenty of potential for producing energy and already has large hydroelectric power stations, such as the Furnas hydroelectric power plant. São Paulo is a major producer of ethanol and shares large reserves of oil and gas with Rio de Janeiro, such as the pre-salt layer oilfields. The State of Espírito Santo also has oil and gas reserves and exploration, but on a smaller scale.

BRAZIL IN NUMBERS

TERRITORY

- ▶ Brazil is the fifth-largest country in the world by total area and occupies almost half of the entire continent of South America
 - ▶ At the heart of South America: Brazil shares land borders with Argentina, Bolivia, Colombia, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela as well as the French Overseas Region of French Guiana.
 - ▶ Most of the Amazon Rainforest is situated within Brazil's borders (60%)
 - ▶ Arable land (% of land area): 9.57%³
 - ▶ Administrative divisions: Brazil is divided into 26 states and a Federal District, which have their own directly elected governments
 - ▶ Population distribution per Region: Southeast (42.13%), Northeast (27.83%), South (14.36%), North (8.32%) and Midwest (7.37%)
- 3 - Arable land (in hectares) includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded.
- Brazil is the fifth most populous country in the world
 - ▶ Total population: 209.9 million (2018)
 - ▶ Around 86.3% of the population lives in urban areas
 - ▶ Language: Portuguese
 - ▶ Largest cities: São Paulo (12 million inhabitants), Rio de Janeiro (7 million), Brasília (3 million), Salvador (3 million), Fortaleza (3 million), Belo Horizonte (2.5 million), Manaus (2.1 million), Curitiba (2 million), Recife (1.6 million), Goiânia (1.5 million).
 - ▶ Ethnicity: white 48.2%, mixed ancestry 44.2%, black 6.9%, Asian 0.7%, indigenous peoples of Brazil 0.7%
 - ▶ Religion: no state religion exists in Brazil and the Constitution guarantees freedom of belief and expression. Most of the population self-define as Christians 64.6% Roman Catholic and 22.2% Protestant). 8% declare themselves to have no religion, while 2% are Spiritist. (2010 Census)



POLITICAL SYSTEM

Since its return to democracy in 1985, Brazil has sought to improve accountability and ensure a strict separation of powers. In 1988, Brazil adopted a new Constitution, which enshrines liberal democracy in the country.

Brazil is a constitutional democracy with a presidential system divided into three branches: Executive, Legislative, and Judiciary. The Brazilian Constitution of 1988 provides for the Executive power to be exercised by a President, who is both Head of State and Head of Government.

The Legislative branch comprises the bicameral National Congress, divided into the Chamber of Deputies – whose members are elected every four years by proportional representation and composed according to the relative populations of the states they represent – and the Senate, whose members are elected every eight years using the first-past-the-post voting system (the candidate who receives the most votes wins). The electoral system ensures equal representation among all 26 states and the Federal District, with three seats per state. Elections for members of the Legislative are held along with the Presidential election.

Brazil's Judiciary branch is independent of the Legislative and Executive branches. The highest court in the country is the Federal Supreme Court (STF), whose judges are appointed by the President as vacancies arise.

AT A GLANCE

- ▶ Brazil is a federative presidential republic and a constitutional democracy. Brazil's Constitution (enacted in 1988) ensures the independence and autonomy of each government branch: the executive, legislative and judiciary.
- ▶ Full name: Federative Republic of Brazil
- ▶ Capital: Brasília
- ▶ There are three levels of government in Brazil: federal, state and municipal.
- ▶ Executive authority: the President of Brazil is both the Head of State and Government, elected by universal adult suffrage in a two-round system, for a term of four years (with the possibility of one reelection). The President is advised by his Cabinet, composed of Ministers entrusted with a specific portfolio of duties.
- ▶ President Jair Bolsonaro, of the Social Liberal Party (PSL), took office on January 1st 2019.
- ▶ As of January 2019, there were 22 ministries or ministry-level bodies in the Brazilian federal government.

- ▶ Legislative authority: The Congress of Brazil is divided into the Chamber of Deputies and the Federal Senate. Both houses are elected by universal adult suffrage. The current President of the Senate is Senator Davi Alcolumbre, and the current President of the Chamber of Deputies Rodrigo Maia. The President of the Senate is also the President of the Congress.
- ▶ Judiciary authority: The country's highest court is the Federal Supreme Court. Supreme Court Judges are appointed by the President as vacancies arise, following the retirement or death of an incumbent. Since September 2018, the President of the Supreme Court is Mr. José Antonio Dias Toffoli.



ECONOMY

In 2017, after roughly two years of recession, Brazil's economy resumed its trajectory of growth. Nominal GDP in 2018 was BRL 6.8 trillion (USD 1.86 trillion), maintaining the country's position among the 10 largest economies in the world.

After an economic recession hit the country in 2015 and 2016, Brazil has made a comeback towards an upward trajectory, bolstered mainly by strong agricultural activity and a stable services sector.

The domestic market and economic diversification proved to be a solid foundation for Brazil, helping the country to endure harsh economic headwinds. New laws and reforms in the past year allowed the federal government to address public spending issues, control inflation, and promote a better environment for businesses and job creation, leading Brazil on a higher path of GDP growth. Moreover, Mr. Bolsonaro's presidency has good prospects for fiscal and market-friendly reforms.

A constitutional amendment approved by Congress in late 2016 to restrain public spending for 20 years, which came into effect in 2017, allowed the government to control its fiscal deficit. In 2017, Congress approved a new labor reform, allowing greater flexibility in labor contracts. The law went into effect that same year. The deficit of the central government – which encompasses Brazil's Treasury, Central Bank and Social Security – amounts to BRL 120.3 billion last year (USD 32.9 billion), 3.2% below the previous year, and well within the fiscal limit of up to BRL 159 billion (USD 43.5 billion) set for the period.



BRAZILIAN ECONOMIC DEVELOPMENT

Brazil in the 21st century is very different from the Brazil of the early 1980s, when the country experienced a series of international debt crises. Backed by strong macroeconomic and market fundamentals, as well as the development of its manufacturing, agriculture and service sectors, Brazil became, in 2010, a net external creditor, paying off its debt to the International Monetary Fund. Since then, it has accumulated international reserves totaling USD 374.7 billion (by the end of 2018), which helped the country to endure economic headwinds.

At the same time, welfare programs for families have contributed to lift millions of Brazilians out of poverty and into an emerging middle class, substantially lowering poverty indicators in the country. Since the early 1980s, Brazil has reduced its share of extreme poverty from almost 30% of the population to 4.8% in 2017, improving the domestic market and offering investors a significant potential client base.

AN INDUSTRIAL AND RESOURCE POWERHOUSE

As one of the 10 largest economies in the world, Brazil has it all: a huge domestic market, natural resources, developed industries and vast amounts of land. It is the world's fifth-largest country by population and landmass.

In advanced manufacturing, Brazil hosts multiple foreign original equipment manufacturers, as well as home-based companies in aerospace, automotive, capital goods, chemicals, construction, electronics, engineering, ICT, life sciences, and oil and gas. Brazil is also home to excellent service industries, including construction, engineering, financial and professional business services.

Agriculture and Mining play a major role in Brazil's economy. It was the third largest food exporting country in 2016, according to the most recent study from the Food and Agriculture Organization (FAO). The country is among the top producers and exporters of a wide range of commodities, including biofuels (ethanol and biodiesel), iron ore, soybeans, coffee, oranges, poultry, beef, pork, aluminum and forest products.

TOP 20 COMMODITIES PRODUCED IN BRAZIL IN 2017 (MILLION TONNES)

SUGAR CANE	758.5
SOYBEANS	114.6
MAIZE	97.7
MILK, WHOLE FRESH COW	33.5
CASSAVA	18.9
ORANGES	17.5
MEAT, CHICKEN	13.6
RICE, PADDY	12.5
MEAT, CATTLE	9.6
BANANAS	6.7
WHEAT	4.3
TOMATOES	4.2
SEED COTTON	3.8
MEAT, PIG	3.8
POTATOES	3.7
VEGETABLES, FRESH NES	3.1
BEANS, DRY	3.0
COFFEE, GREEN	2.7
EGGS, HEN, IN SHELL	2.5
COCONUTS	2.3

Source: FAOSTAT

Oil and gas discoveries in the past ten years, as well as abundant renewable energy resources, including hydro, wind and solar power, all contribute to increasing Brazil's status as a major international energy player, currently holding the 15th largest crude oil reserve on the planet, with over 12 million barrels.



AT A GLANCE

- ▶ Nominal GDP of USD 1.868 trillion in 2018
- ▶ GDP per capita: USD 8,959.02 in 2018
- ▶ GDP composition per sector in 2018:
 - 73.3% services
 - 20.3% industry
 - 6.4% agriculture/farming
- ▶ International reserves: USD 374.7 billion (End of 2018)
- ▶ GDP

Year	GDP growth (%)
2004	5.80
2005	3.20
2006	4.00
2007	6.10
2008	5.10
2009	-0.10
2010	7.50
2011	4.00
2012	1.90
2013	3.00
2014	0.50
2015	-3.80
2016	-3.60
2017	1
2018	1.1
2019	0.8*

Sources: IBGE and IMF (*for 2019 forecast)

BRAZIL IN NUMBERS: ECONOMY

► Unemployment rate (average)

Year	Rate in % of labor force
2012	7.3
2013	7.2
2014	6.8
2015	8.3
2016	11.3
2017	12.7
2018	12.3
2019*	11.4

Source: IBGE and IMF (*for 2019 forecast)
Note: New statistical series started in 2012

► Gross public debt (% of GDP)

Year	Percent of GDP
2008	55.8
2009	59.2
2010	51.8
2011	51.3
2012	53.7
2013	51.5
2014	56.3
2015	65.5
2016	70
2017	74
2018	77.2
2019	78.2

Source: National Treasury

► Exports:

Year	Billion USD FOB
2008	197.9
2009	152.9
2010	201.9
2011	256.0
2012	242.5
2013	242.0
2014	225.1
2015	191.1
2016	185.2
2017	217.7
2018	239.9

Source: Ministry of Economy

► Imports:

Year	Billion USD FOB
2008	173.1
2009	127.8
2010	181.8
2011	226.2
2012	223.4
2013	239.7
2014	229.1
2015	171.5
2016	137.6
2017	150.8
2018	181.2

Source: Ministry of Economy

FINANCIAL SYSTEM

The Brazilian Financial System (SFN) is a stable and mature environment, with a strong and independent supervisory body on the one side, backed by robust commercial institutions on the other. Its origins date back to the 19th century, but its current constitution is in part a result of the structural reforms established in the 1990s, immediately after the "Real Plan", which introduced a new currency and managed to control the hyperinflation. Tighter rules on solvency and liquidity were applied for the banking system; inflation and interest rate controls were systematized, and new branches were created, such as the Central Bank's Monetary Policy Committee (Copom), responsible for defining the monetary policy, the short-term interest rate, and the Deposit Insurance Fund (FGC), a non-profit private fund managed by financial institutions as a basic form of protection for account holders and investors.

The system comprises more than 1,700 public, private, Brazilian and foreign banks, brokerages, credit unions and other operators. They are all regulated by the Central Bank of Brazil (BCB),



an autonomous regulatory institution and the monetary policy guardian. Commitment to price stability through an inflation-targeting regime and a floating exchange rate are core targets of the BCB's work. Along with fiscal responsibility in government expenditures, these three pillars form the "macroeconomic tripod", which has been driving Brazilian economic policies for the past two decades and ensuring public commitment with a responsible and sustainable management.

After two years of recession, Brazil's main indicators have shown relevant improvement in recent years. The Broad Consumer Price Index (IPCA) finished 2018 with an increase of only 3.75%. Well-behaved inflation has allowed the Selic rate, Brazil's annual benchmark interest rate, to be reduced to 5.5% in September 2019, its lowest historical level. This creates a very friendly scenario to stimulate consumption, investments and, therefore, economic growth.

12-Month Inflation Rate (% measured in December)

<i>Year</i>	<i>Percent change</i>
2008	5.9
2009	4.31
2010	5.91
2011	6.5
2012	5.84
2013	5.91
2014	6.41
2015	10.67
2016	6.29
2017	2.95
2018	3.75

Source: IBGE

AT A GLANCE

The Brazilian financial system is comprised of three types of institutions: ruling bodies (such as the National Monetary Council – CMN), supervisors (such as the Central Bank of Brazil and the Brazilian Securities and Exchange Commission) and operators (such as commercial banks and the Brazilian Stock Exchange). Here are some of its most important institutions:

MINISTRY OF ECONOMY

www.economia.gov.br

The Ministry of Economy is the federal government body responsible for framing and implementing Brazil's economic policy. The Ministry has a broad mandate covering currency, credit, financial institutions, tax policy, public debt, international economic dialogue, and coordinating Brazil's participation in international economic bodies. Furthermore, the Ministry is responsible for formulating, implementing and evaluating public policies, in order to promote competitiveness, foreign trade, investment, business innovation, consumer welfare, labor and employment.

CENTRAL BANK OF BRAZIL (BCB)

www.bcb.gov.br

The Central Bank is primarily responsible for maintaining price stability in the economy. It has a dual role, both as the executor of monetary policy and regulator of the financial system. Liquidity, credit, interest rate, international capital flows, and exchange rates are some of the elements it must monitor and balance. The monetary authority is also responsible for overseeing the functioning of banks and financial institutions and to enforce compliance of rules.

SECURITIES AND EXCHANGE COMMISSION OF BRAZIL (CVM)

www.cvm.gov.br

The duty of the Securities and Exchange Commission of Brazil is to inspect and develop the securities market in Brazil. It is an independent agency linked to the Ministry of Finance, but not under hierarchical subordination. It has a mandate to ensure the proper functioning of the stock exchange and over-the-counter markets; protect securities holders against fraud; ensure public access to relevant information about Brazil's securities market and the companies that issue securities; ensure fair trading practices; and promote the expansion and efficiency of the securities market in Brazil to benefit the capitalization of Brazil-based companies.

ADMINISTRATIVE COUNCIL FOR ECONOMIC DEFENSE (CADE)

www.cade.gov.br

The Administrative Council for Economic Defense (CADE) is the Brazilian antitrust authority is an independent agency that reports to the Ministry of Justice and is responsible for enforcing competition rules in Brazil. It analyses, investigates, and ultimately decides on competition issues. Concerning mergers and acquisitions, CADE has the final decision to approve or not a given case. Regarding anticompetitive conducts, such as cartels and unilateral conducts, it may decide on the competitive outcome imposing penalties, if applicable. CADE is a part of the Brazilian Competition Defense System (SBDC), which also comprises the Economic Supervision Office (SEAE), a branch of the Ministry of Economy responsible for competition and regulatory policies.

B3

www.b3.com.br

"Brasil, Bolsa, Balcão" ("Brazil, Stock Exchange, Over-The-Counter"), or simply B3, is the only securities, commodities and futures exchange operating in Brazil. It was established in March 2017 when the securities, commodities and futures exchange BM&FBOVESPA (www.bmfbovespa.com.br) merged with CETIP (www.cetip.com.br), a provider of financial services for the organized over-the-counter (OTC) market. This union made B3 the world's fifth largest exchange in terms of market value - USD 13 billion by the time the merger was concluded. It is the country's leading clearinghouse for private assets and the leading depository for fixed-income securities in Latin America.

YOU MAY ALSO WANT TO KNOW ABOUT:

BRAZILIAN DEVELOPMENT BANK (BNDES)

www.bndes.gov.br/SiteBNDES/bndes/bndes_en/Institucional/The_BNDES/

BNDES is the main financing agent for development in Brazil. Since its foundation, in 1952, the BNDES has played a fundamental role in stimulating the expansion of industry and infrastructure in the country. Its operations include support for exports, technological innovation, sustainable socio-environmental development and the modernization of public administration. The bank offers several financial support mechanisms to Brazilian companies of all sizes, as well as government bodies and projects.

FEDERAL SAVINGS BANK (CEF)

www.caixa.gov.br

The “Caixa Econômica Federal”, also referred to as CEF or simply “Caixa”, is a public bank that operates as both a commercial bank, providing accounts and loans, as well as an agent for public policies. It is through Caixa that several state benefits are managed and paid, such as FGTS - a labor fund, unemployment allowances and cash transfer programs aimed at reducing inequality.

35	-2.00	2,136,200	
	-2.21	4,174,500	
25			
	-1.46	10,964,100	
0.3			
	-2.01	7,750,900	
0.9			
	+2.10	1,721,400	
5			
	0.00	4,881,700	
5			
	+0.88	69,600	
	-1.49	1,013,700	
		599,000	
	2.96	41,318,900	
	61		

INFRASTRUCTURE IN BRAZIL

In a vast territory such as the Brazilian one, infrastructure is an especially relevant matter. Transportation, logistics, power generation, sanitation, and housing are core issues regarding Brazil's development, as well as great business opportunities themselves.

A promising scenario for investments, a clean and diversified energy matrix and some of Latin America's largest ports and hubs are among the most relevant assets that make Brazil stand out.

Furthermore, investments in infrastructure have been top priorities for the Brazilian government since the 2000s, supported by programs mainly in the areas of energy, homebuilding, and infrastructure.

Currently, Brazil's main state program for concessions and public-private partnerships (PPPs) is called the Investment Partnership Program (PPI), and its management is directly linked to the Presidency.

It was announced by the government at the end of 2016 to foster the relationship between the state and private companies in order to bolster a new cycle of investment in infrastructure.

By December 2018, 124 projects were successfully concluded, while 69 others were still ongoing. By then, investment had reached BRL 253.2 billion (USD 69.3 billion). Port terminals, railroads, power plants, lotteries and mining areas are some of the assets listed to be auctioned soon, all of which are detailed on the program's website.

In addition to those areas, the program also focuses on the Oil and Gas sector. In the next few years, Brazil will join the world's largest oil-producing countries as it advances in the exploration of the pre-salt layer oil. The huge maritime oil layer discovered off the Brazilian coast in 2007 produced an annual average of 1.88 million bpd (barrels per day) in 2018.

AT A GLANCE

- ▶ 65,370 km of federal, paved highways (2019)
- ▶ 213,208 km of paved roads (2019)
- ▶ 30,485 km of railroads (2019)
- ▶ 2,040 airdromes, with 62 national and international airports (2019)
- ▶ 35 public ports and 163 private port terminals (2019)
- ▶ 3.3 million bpd of oil output (2019)
- ▶ 112 million m³ of daily gas output (2018)
- ▶ Brazilian freight transportation matrix (2019):
 - ▶ 61.1% road
 - ▶ 20.7% rail
 - ▶ 13.6% water (maritime and inland waterways)
 - ▶ 4.2% pipelines
 - ▶ 0.4% air
- ▶ Electricity consumption: 535,403 GWh/Year 2018
 - ▶ Hydroelectric power plants: 1,342
 - ▶ Thermal power plants: 3,007
 - ▶ Nuclear power plants: 2
 - ▶ Wind farms: 607
 - ▶ Solar plants: 2,469



An aerial photograph of Brazil is shown against a dark blue background. A complex network of thin, glowing yellow lines is overlaid on the map, connecting various points across the country and extending to the edges of the frame. The lines create a dense web of connections, suggesting a global or regional network. The text is positioned in the lower right quadrant, partially overlapping the map and the dark background.

**BRAZIL: YOUR
GATEWAY TO
LATIN AMERICA
AND BEYOND**

Brazil is a founding member of Mercosur, the Southern Common Market. MERCOSUR is a regional integration initiative, established initially by Argentina, Brazil, Paraguay and Uruguay, and subsequently joined by **Venezuela⁴** and Bolivia, which is still complying with the adhesion procedure. It establishes a free trade zone among its members, as well as a customs union composed of its four founding members.

Mercosur would be the fifth largest economy in the world by GDP, when compared to the richest countries separately, with a gross domestic product of over USD 2.9 trillion and a population of some 300 million people.

Furthermore, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname are Associated States of the block. The Associated States are members of the Latin American Integration Association (LAIA) with whom MERCOSUR subscribes free trade agreements, and which subsequently request to be considered as such. The Associated States are authorized to participate in meetings of MERCOSUR bodies that deal with issues of common interest.

Mercosur has signed free trade agreements with Israel in 2007, with Egypt in 2011 (in force since 2017), with Palestine (in process of ratification), as well as preferential trade agreements signed with India and the Southern African Customs Union (SACU).

Brazil is also a member of the Latin American Integration Association (LAIA), which aims to establish a pan-Latin American free trade area. At present, LAIA members extend tariff preferences to one another in specific sectors, with a view to progressively removing tariff barriers among LAIA members.

Brazil has also signed agreements in the field of government procurement with Peru and the other members of Mercosur, and is currently negotiating with Chile, Mexico and Colombia.

Mercosur has just recently concluded an agreement with the European Union, which will create one of the main free trade areas in the world. The agreement comprises not only the trade of goods, which will benefit from lower tariffs, but also tackles deep integration rules such as public procurement, investments, trade in services and sanitary-standards.

In the context of modern investment agreements, Brazil proposed a new model - the Cooperation and Facilitation Investment Agreement (CFIA), aimed at facilitating bilateral investments and improving institutional cooperation. Since 2016, the country has signed CFIA's with eleven countries, namely Angola, Chile, Colombia, Ethiopia, Guyana, Malawi, Mexico, Mozambique, Peru, Suriname, and the United Arab Emirates. An Investment Cooperation and Facilitation Protocol was also signed with the founding countries of Mercosur – Argentina, Paraguay, and Uruguay.

Endnotes

4 - Venezuela is suspended in all the rights and obligations inherent to its status as a Member State of MERCOSUR since August 5, 2017.

LABOR FORCE

Brazil is a populous country with a workforce of 104.5 million people in 2018.

As of February, some 91.2 million were active workers.

The unemployment rate stood at 12.4% in February. As an effect of a two-year recession, unemployment figures increased over the past couple years, but this scenario has seen steady improvement since the first quarter of 2017, when it reached 13.7%.

The sectors that gather the largest number of Brazilian workers in February, according to IBGE's statistic report (PNAD), are retail and mechanic workshops, industry, public administration, defense, education, health, social services, information and communications services, financial activities, realty, and administration.

In 2017, the Congress approved a reform in Brazil's work legislation, known as the Consolidation of Labor Laws (CLT). The main goal was to make the laws more flexible, focused on negotiations between employers and employees.

Among its main changes are new rules allowing for outsourcing of labor in a company's main activity, home-office regulation, and more accountability for employees in lawsuits against employers. Now, collective bargaining agreements between employers and unions may offset some points written in the law, adjusting the terms to the necessities of the workers. Some of these topics include working hours, profit sharing and sanitary standards (previously established only by the employer).

But this does not mean that workers are left unprotected, as their fundamental rights cannot be negotiated. These include maternity and paternity leave, holidays, minimum wage, 13th salary, retirement and the Guarantee Fund for Continuing Service (FGTS), a form of savings account taken directly from workers' salaries, that aims to protect the workers subsistence in case of dismissal but can also be used to buy residential properties.



BUSINESS ETIQUETTE

Business etiquette in Brazil is not particularly different from North America or Europe, but there are a few aspects worth highlighting.

Brazilians tend to be very communicative and warm hosts, which extends to business relations. Brazilian culture is often informal outside the workplace, with kindness and good humor usually considered signs of good manners. In Brazil, business relations also depend heavily on interpersonal relations, so being communicative can be productive.

LANGUAGE

The official language in Brazil is Portuguese. Though it might sound similar to Spanish, both languages bear considerable differences, so keep that in mind in order to avoid misunderstandings. Brazilians particularly appreciate when their guests make an effort to speak some words in Portuguese, such as “obrigado” (“thank you”).

Do not assume that Brazilians will be able to speak English or even Spanish, especially if you are outside major cities. According to a report by the British Council, only 5% of Brazilians over 16 years-old claim to have some knowledge of the English language, but it is quite likely to find capable people within companies that can help. If you do not speak Portuguese, make sure to tell your host.

It is also important to remember that Brazil can be very different from one region to another, with impacts on culture as well as language, and many common words having different meanings. It is recommended to be accompanied by a local guide or to do previous research on the culture of the specific region you will be visiting.

GREETINGS

It is customary for friendly business ties to lead to some detached physical contact, and it is common to shake hands with both women and men. Hugs are also common if the interlocutors already have some level of familiarity, but this is not likely to happen during introductions. International business attire is the normal dress code throughout Brazil in business meetings. Exchanging business cards is also standard practice.

Brazilians usually adopt first names right from the beginning of contact. Addressing people by their first name is not a sign of familiarity. In fact, family names are not used as much as in other countries. Titles such as "Mr." ("Senhor" in Portuguese) and "Doctor" ("Doutor") can be used before first names. For women, "Mrs." ("Senhora") is used to precede the first name. Although, even with such titles first names are used a lot more commonly than family names.

REQUEST FOR A MEETING

When you first contact a company, it is acceptable to send an e-mail, particularly if you are talking to a medium-sized or large company. However, it is better to make at least one phone call before the meeting to make sure everything is arranged and to get to know your contacts. It is better to let your business contacts choose the meeting place, but if the choice is up to you, bear in mind that it is quite common in Brazil to hold meetings in less formal environments, such as restaurants or cafes.

PUNCTUALITY

It is worth considering leaving ahead of time for a meeting or destination. Traffic jams in cities such as São Paulo and Rio de Janeiro can be quite extensive, especially during rush hour (between 7-10 am and 5-8 pm) so try to avoid commutes around those times if possible. Do not interpret lateness on the part of your Brazilian contacts as a sign of disinterest or bad manners. Remember that meetings can last long in Brazil, extending beyond their allotted time, so it might be worth considering not scheduling two meetings in sequence.

TIME OF YEAR

Bear in mind that during special holidays, such as Christmas, New Year's and Carnival, things can run slower in companies. Due to the fact that many make use of these holidays to go on vacation or spend time with their families, some services are interrupted, and some businesses even remain closed for up to an entire week. It is advisable to schedule important business before those occasions or, if possible, to wait until they have passed.



PUBLIC HOLIDAYS

NATIONAL PUBLIC HOLIDAYS

These are official celebrations scheduled by the federal government. Most businesses remain closed on these days.

- ▶ **January 1st:** New Year's Day
- ▶ **April 21:** Tiradentes Day (Brazilian national hero)
- ▶ **May 1st:** Labor Day
- ▶ **September 7:** Independence Day (celebrates Brazil's independence from Portugal in 1822)
- ▶ **October 12:** Our Lady of Aparecida (patron saint of Brazil)
- ▶ **November 2:** All Souls' Day
- ▶ **November 15:** Republic Day (celebrates the proclamation of Brazil as a republic in 1889)
- ▶ **December 25:** Christmas Day

** General Elections are also national public holidays, but they take place on Sundays and only every two years, on the first and last weekends of October.*

MOVEABLE RELIGIOUS HOLIDAYS

Celebrated like national holidays, these are regularly observed by most of the population and are National Public Holidays. Most businesses stay closed on those dates.

- ▶ February or early March: Carnival and Ash Wednesday (Carnival falls on the Monday and Tuesday before Ash Wednesday, which in turn falls 46 days before Easter. Celebrated nationwide.)
- ▶ Late March or April: Good Friday and Easter Sunday
- ▶ May or June: Corpus Christi (falls on Thursday and Friday)



TRADITIONAL HOLIDAYS

Although not official, these are considered holidays by much of the population. Therefore, some businesses may close on these days. In doubt, it is advisable to reach out to your contact beforehand to check availability during those dates.

- ▶ December 24: Christmas Eve
- ▶ December 31: New Year's Eve

OTHER BREAKS

States and cities may have their own locally-observed holidays. For example, Rio de Janeiro's patron Saint Sebastian's day, celebrated on January 20, is a municipal holiday. In São Paulo, the city's birthday is celebrated on January 25.

SOURCES:

Total GDP 2018: IBGE

GDP per capita 2018: IBGE

Family Consumption (% do PIB): Economist Intelligence Unit

FDI Inflow: Central Bank's Annual Balance of Payments

Oil Production Ranking: U.S. Energy Information Administration (EIA)

Active working age population (15- 64 years old): IBGE

IT Investment Data: <http://www.abesoftware.com.br/dados-do-setor/estudo-2019--dados-2018>

Energy Auction (Values): http://epe.gov.br/sites-pt/sala-de-imprensa/noticias/Documents/Informe%20Leilões%202018_Final.pdf

Power Transmission Auction (Values):

<https://g1.globo.com/economia/noticia/2018/12/20/leilao-de-linhas-de-transmissao-de-energia.ghtml>

Tourists: Euromonitor

Ore Production: Euromonitor

GDP shares by Region: IBGE

Share of the Population in Extreme Poverty: World Bank

3rd Largest Food Exporter: World Food and Agriculture Statistical Pocketbook, 2018.

Proven Petroleum Reserves: U.S. Energy Information Administration (EIA)

Inflation: IBGE

Highways, Railways, Waterways, etc.: CNT

Gas Production: ANP

Electric Power Consumption: EPE

Number of Hydroelectric, Thermoelectric, Nuclear Power Plants, etc.: ANEEL

BRWA

BUSINESS OPPORTUNITIES, SECTOR PROFILES



AGRIBUSINESS

WITH A MODERN, EFFICIENT AND COMPETITIVE AGRICULTURE, BRAZIL HAS BECOME ONE OF THE WORLD'S LARGEST AGRICULTURAL PRODUCERS AND EXPORTERS OVER THE LAST TWO DECADES. PRODUCTIVITY GAINS, MANAGEMENT EFFICIENCY, RESEARCH, INNOVATION, AND TECHNOLOGICAL DEVELOPMENT HAVE REVOLUTIONIZED THE COUNTRY'S AGRIBUSINESS SECTOR.

LAND USE

Brazil has a suitable environment and conditions to increase its food production, combining 12% of the world's water supply and one of the largest arable land areas in the world. Agricultural production is based on conservation practices and the rational use of resources. Native vegetation covers 66.3% of the territory, while only 30.2% of the territory is used for farming (257 million hectares), of which 9% (76.6 million ha) are used for crops and planted forests and 21.2% for pastures (112.4 million ha planted and 68.1 million ha native).

Brazilian agricultural production has been steadily rising over the last decades, due to the intensive use of technology in machinery, equipment and genetics. These factors have pushed up the productivity of farms, especially for commodities.

Despite all achievements made by Brazilian agriculture, there is still considerable margin for growth in agriculture sectors. In the last 40 years, the yield of the main crops increased 266%, while the expansion of planted area along the same period was only 33%, according to the Ministry of Agriculture, Livestock and Food Supply (MAPA). The Food and Agriculture Organization (FAO) expects that global demand for food will increase by 50% until 2050, and that Brazil alone will account for 40% of the food production growth necessary to meet the demand.

Because of such technological advances, the total production of grains is expected to reach 301.8 million tons by the 2027/2028 season, up from the current 248.3 million for the 2018/2019 season.

The country is expected to take on a larger role in global agricultural trade. FAO and OECD rank Brazil as the second largest global supplier of food and agricultural products, on the path to become the foremost supplier in meeting additional global demand, mostly originating from Asia.

Its influence is even larger for specific products: Brazil will be responsible for more than 45% of global sugar exports, while becoming the world leader for beef and poultry, with export shares of 18% and 36%, respectively.

Land occupation in Brazil

Type	Percentage
NATIVE VEGETATION IN UNDEVELOPED PUBLIC LANDS AND OTHERS	16.5%
PASTURES	21.2%
NATIVE VEGETATION IN CONSERVATION UNITS	10.4%
NATIVE VEGETATION IN INDIGENOUS LANDS	13.8%
NATIVE VEGETATION IN PRIVATE RURAL PROPERTIES, INTERNAL WATERS AND TOPOGRAPHICAL RELIEFS	25.6%
OTHERS (MINING, ENERGY, INFRASTRUCTURE ETC.)	3.5%
CROPS AND PLANTED FORESTS	9%

Source: Embrapa





FARMING MODEL

Brazil has a very dynamic agriculture sector, including both huge agribusiness properties and family farming, which has a key role within the Brazilian farming model. According to the Special Secretariat for Family Agriculture and Agrarian Development, there were 4.4 million family-farming properties in Brazil in 2017 - around 84.4% of all farming properties in the country.

However, large international groups such as ADM, Agrium, Bunge, Cargill, Louis Dreyfus, Syngenta, COFCO, and Bayer, among others, have a firm foothold in Brazil.

According to a ranking published by Brazilian business magazine Exame, of the 20 largest companies by net revenue that operate in Brazil, four are in agribusiness. Furthermore, the magazine showed that the 400 largest companies in the sector in Brazil amassed USD 221 billion in revenue in 2017.

In addition, agricultural production chains are truly integrated, creating enough space for large, medium and small companies, not only in agricultural products but also in processed foods, agricultural equipment, agrochemicals, and biotech solutions.

ENVIRONMENT

Over 66% of Brazil is covered by native vegetation, and the Ministry of the Environment's rigorous implementation of the Rural Environmental Registry (CAR) seeks to prevent farms and other rural private properties from increasing deforestation.

Preserved areas inside farms correspond to 25.6% of the country. As required by environmental laws, in some regions it gets to reach 80% of certain rural properties. In other words, Brazilian producers preserve – within their properties – an area the size of 1/5 (20%) of Europe (excluding Russia).

In 2010, the 'ABC Plan' was adopted by the federal government to implement the consolidation of low carbon emissions in Brazilian agriculture, while sustaining economic growth in the sector. Since 2010, more than BRL 17 billion (USD 4.6 billion) has been invested through ABC Plan's funding line, particularly in the form of credit for producers, according to the Ministry of Agriculture, Livestock, and Food Supply.

The plan consists of seven programs, six of which are related to the development of sustainable production and mitigation technologies, and one for climate change adaptation.

In total, the Brazilian government aims to reduce CO₂ equivalent emissions between 1.17 billion to 1.26 billion metric tons over the next few years, based on the total emissions forecast for the year 2020, which are expected to reach a total of 3.24 billion metric tons of CO₂ equivalent. Under the ABC Plan, agriculture greenhouse gases emissions are expected to account for 22.5% of the targeted reduction. Several intermediate commitments established for the 2010-2020 period, related to the overall CO₂ reduction target by agricultural activities, had already been reached by 2018 – for example, commitments regarding planted forests, animal waste management, and biological nitrogen fixation.

INCENTIVES

The Brazilian government, through the Ministry of Agriculture, Livestock and Supply, has several incentive programs for agriculture and livestock, from credit lines to the enhancement of best practices and procedures.

Government financing for the 2019/2020 crop cycle (*Plano Safra*) will reach BRL 222.74 billion (USD 60.9 billion), with controlled interest rates to facilitate loan conditions. Pronamp, a government program intended to support medium-sized producers, will receive a total of BRL 23.8 billion (USD 6.5 billion) for the 2019/2020 cycle, for both investments, costs and commercialization, while Inovagro, a program aimed at technological innovation, will receive an investment of BRL 1.5 billion (USD 410.4 million).

Brazil is also working on efforts to reduce bureaucracy in the sector. The Agro+ Plan is a program that seeks to modernize the agribusiness industry and generate productivity gains over the next few years. It comprises a range of measures intended primarily to increase Brazil's share in the international market. Some of the most significant improvements include the standardization of procedures, improved access to information and the updating of registries, as well as the simplification of export/import processes.

The Ministry of Agriculture, Livestock, and Supply (MAPA), in partnership with the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), is implementing the Agro+ Investments Program, which aims to encourage local authorities and market agents to work together in identifying investment opportunities in the Brazilian agribusiness. Agro+ Investments will consolidate all the investment opportunities in a portfolio, to present to potential foreign investors in fairs, missions, investment rounds, conferences and other events, both in Brazil and abroad.

The gross value of Brazilian agriculture and livestock (VPB)

Year	BRL billion	USD billion
2012	467.26	127.84
2013	512.78	140.30
2014	530.33	145.10
2015	535.07	146.39
2016	533.14	145.87
2017	540.27	147.82
2018	569.84	155.91
2019*	581.57	159.12

Source: Ministry of Agriculture, Livestock, and Food Supply
*Forecast

SOURCES

- ▶ National Water Agency (ANA)
- ▶ Ministry of Agriculture, Livestock and Food Supply (MAPA)
- ▶ Food and Agriculture Organization (FAO)
- ▶ Brazilian Agricultural Research Corporation (Embrapa)
- ▶ Rural Environmental Registry (CAR)



AUTOMOTIVE SECTOR

Brazil is one of the top 10 automotive domestic markets in the world, as well as a vehicle producer. The automotive production chain accounts for 4% of Brazil's GDP and 22% of its industrial production.

The automotive industry is showing consistent recovery despite recent crisis, with a 6.7% growth in production, reaching 2.8 mi vehicles in 2018. Sales also increased by 14.6%, with 2.57 million vehicles sold in the year, according to the Brazilian Association of Automotive Vehicle Manufacturers (Anfavea).

In the past years, Brazil has signed free trade agreements with Latin American countries (Mercosur, Colombia and Mexico) and, most recently, with the European Union. Also, Brazil has made efforts to negotiate free trade agreements with other potential partners, such as Japan, Canada, and South Korea. Automakers and auto parts manufacturers are becoming less dependent on the Brazilian domestic market, with exports reaching an all-time high of more than 629 thousand units in 2018.

Brazil has a highly developed auto market, including the participation of the world's leading motor vehicle manufacturers across a wide range of segments, such as automobiles, light commercial vehicles, buses, trucks, and agricultural machinery.

The following manufacturers are represented by Anfavea: AGCO (Massey Ferguson), Agrale, Audi, BMW, Caoa, Caterpillar, CNH - Iveco, DAF, Fiat Chrysler Automotive, Ford, General Motors, Honda, HPE, Hyundai, Jaguar Land Rover, John Deere, Komatsu, Mahindra, MAN (Volkswagen Trucks and Buses), Mercedes-Benz, Nissan, PSA, Renault, Scania, Toyota, Volkswagen, and Volvo.



▶ **NUMBER OF COMPANIES**

- MANUFACTURERS OF VEHICLES OR AGRICULTURAL AND HIGHWAY CONSTRUCTION MACHINERY: 26
- AUTO PARTS: 582
- CAR DEALERS: 5,226

▶ **NUMBER OF PLANTS**

- INDUSTRIAL UNITS: 67
- PRODUCING STATES: 10
- PRODUCING CITIES: 44

▶ **PRODUCTION CAPACITY**

- VEHICLES: 5.05 MILLION
- AGRICULTURAL AND HIGHWAY CONSTRUCTION MACHINERY: 109,000

▶ **REVENUE 2017***

- USD 59.2 BILLION
- * MOST RECENT FIGURE AVAILABLE. INCLUDES AUTO PARTS.

▶ **ASSEMBLED VEHICLES IN 2018**

- 2.9 MILLION UNITS

▶ **AGRICULTURAL AND HIGHWAY CONSTRUCTION MACHINERY IN 2018**

- 65.5 THOUSAND UNITS

▶ **FOREIGN MARKET 2018***

- EXPORTS: USD 20.4 BILLION
- IMPORTS: USD 23.8 BILLION
- * INCLUDES AUTO PARTS.

▶ **EMPLOYMENT (DIRECT AND INDIRECT)**

- 1.3 MILLION PEOPLE

▶ **GDP SHARE 2015*, AUTOMOTIVE CHAIN**

- INDUSTRIAL: 22.0%
- TOTAL: 4.0%
- * MOST RECENT FIGURE AVAILABLE

▶ **WORLD RANKING 2017**

- VEHICLES: 9TH LARGEST PRODUCER / 8TH LARGEST DOMESTIC MARKET

SOURCE

- ▶ Brazilian Automotive Industry Year Book 2019/Anfavea



AUTO PARTS

Brazil has a strong automotive supply chain, with local producers encompassing an extensive list of products, such as car bodies and cables, electric and electronic components, suspension and steering systems, brakes, engines, transmission systems, and so on. Brazil has several industrial units specialized in producing such parts. The revenue composition of the auto parts industry splits between Original Equipment Manufacturers (OEMs) (63.1%), Aftermarket (19.2%), Exports (13.9%) and Intra-sector (3.8%). Production is concentrated in the Southeast and South regions, and, mostly recently, in the Northeast of Brazil.

More than half of the 472 member companies of Sindipeças (National Automotive Vehicle Components Industry) have foreign capital in their stock composition, which reflects the country's openness to foreign investments, mainly from the United States, Germany, Italy, Japan and Spain.

E-MOBILITY

EPE (Energy Research Company) projects that light electric vehicles in Brazil will triple till 2050, reaching 130 mi units, out of which 11.9 mi being fully electric vehicles. Although electric vehicle (EV) adoption is still incipient, there are increasing incentives and initiatives to develop electric mobility in the country and a great potential for public and inter-city transportation.

At the federal level, in 2015 the Brazilian government has conceded a 100% import tax exemption for fully electric models with a range of at least 80 km and an aliquot between 0% and 7% out of a total of 35% for hybrid models depending on their size and efficiency. Additionally, in 2018, it reduced the IPI (tax on industrialized products) for hybrid and electric vehicles according to energy efficiency and differences in the mass in running order.

OEMs have also started to develop products and solutions for electric vehicles with Brazilian technologies. In 2017, MAN Volkswagen launched the first 100% electric urban truck in the world, developed in partnership with local companies WEG and Eletra. Also, Japanese automaker Toyota started manufacturing the first bi-fuel hybrid car that will run on electricity, ethanol and gas. Ethanol is one of the cleanest technologies available for light vehicles. Brazil has a long history developing technologies that allow vehicles with an ethanol-ready engine and a single fuel tank for both fuels. Almost 90% of new vehicles sold in the country are "flex-fueled".

ROTA 2030 – MOBILITY AND LOGISTICS PROGRAM

In November 2018, the government approved the Decree-Law Rota 2030 - Mobility and Logistics Program, which establishes the requirements for the commercialization of vehicles in Brazil, setting goals for energy efficiency and vehicle safety. The program also provides incentives for R&D investments in priority activities (connectivity, industry 4.0, electrification, etc.). The goal is to integrate the Brazilian automotive industry in global value chains, increasing its competitiveness in the production of the main automotive systems and global project development capacity. The Ministry of Economy is currently working to launch ordinances that will regulate the functioning of the regime. Below are the main points of Rota 2030 program:

1. MANDATORY REQUIREMENTS FOR THE COMMERCIALIZATION OF NEW VEHICLES PRODUCED IN BRAZIL OR VEHICLES IMPORTED TO THE COUNTRY

- ▶ Energy efficiency goals expected to reduce fuel consumption of new vehicles in at least 11% up to 2022;
- ▶ Adoption of assistive driving technologies and structural performance;
- ▶ Vehicles that exceed the requirements will be granted a reduction in the IPI tax.

2. FISCAL INCENTIVES FOR R&D EXPENDITURES IN BRAZIL

- ▶ Registered companies in Rota 2030 Program (OEMs and auto parts companies) must carry out minimum expenditures that will vary from 0.25% to 1.20% of gross annual sales related to automotive products;
- ▶ As a benefit, companies can access a deduction in the due amount of IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Profits) taxes.

3. REGIME FOR AUTO PARTS NOT PRODUCED IN THE COUNTRY

- ▶ A special regime exempts the import tax for auto parts that do not have a domestically-produced similar or equivalent;
- ▶ As a counterpart, importers need to expand an amount corresponding to 2% of the customs value in research, development and innovation and in priority programs of industrial and technological development.

SOURCES

- ▶ **National Association of Vehicle Manufacturers (ANFAVEA)**
- ▶ **PROMOB-e: Electric Mobility and Efficient Propulsion Program** (Ministry of Economy and GIZ)
- ▶ **National Association of Brazilian Auto Parts Manufacturers (Sindipeças)**

Ministry of Economy - Secretariat for the Development of Industry, Trade, Services and Innovation.

AEROSPACE SECTOR

Brazil remains Latin America's top performer in the aerospace industry, according to Fitch's report (2018), developing complex and advanced technologies and employing a highly qualified workforce. It has a key role in national security, economy and technological development, among others.

Brazilian companies are involved in all stages of aeronautic, space and defense activities, including design & development, manufacturing, production, technology, sales, customer support, and aerospace services in the aeronautical sector. Products such as airplanes, helicopters, structural segments, engines, aircraft/engine parts, onboard systems and equipment, and air traffic control systems are developed locally and exported globally.

At the heart of the aeronautical cluster is Embraer, which has grown to be one of the world's largest commercial airplane manufacturer and leader in the regional aviation segment. The cluster related to Embraer, located in São José dos Campos, in the state of São Paulo, comprises more than 130 companies

and is responsible for more than 18 thousand direct jobs (2017).

The Technology Park of São José dos Campos (PqTec) is focused on applied scientific and technological production. It hosts technology-based companies, the School of Technology (Fatec) and the Light Structures Laboratory of the Institute of Technological Research (IPT). The Park offers companies space and basic infrastructure to house their facilities and personnel. It also offers management training services and opportunities to promote networking with other companies, research institutions, and funding agencies. Among these companies are Ambra Solutions, A.S. Avionics Services, BrasCopter, Giovanni Passarella, Friuli, Finetornos, Flight Solutions, Flight technologies Iacit, Gyrofly, Lanmar, INBRA AEROSPACE, Rastreal, Vectra Technology, Globo Usinagem and Winnstal. Also, some foreign companies are installed, such as Latecoere (France), Aernnova (Spain), Sobraer (Sonaca Group-Belgium), Pilkington Aerospace (UK) and Gamesa (Spain).





AEROSPACE INDUSTRY

CIVIL AVIATION

Commercial and executive aviation in Brazil currently faces a turning point, driven by the recent strategic partnership between **Embraer⁵** and Boeing. On July 2018, US aerospace manufacturer Boeing took an 80% stake in the commercial aircraft arm of Embraer under a new USD 4.75 bn joint venture. Embraer will own the remaining 20% stake and will retain its military and private jet businesses.

Brazil also hosts other companies in the segment, such as Novaer, based in São José dos Campos. Focusing on the supply of advanced design and engineering solutions and technology for the aviation industry, NOVAER develops and manufactures military and civil aircraft, and is also one of the largest exporters of landing gear systems for the Super Tucano aircraft. The company maintains partnerships with companies such as Dassault Systemes, Enovia, Catia, Ige-Xao Group, MSC Software, Patran, MSC Nastran, Marc, MSC Apex, Adams and Altair HyperWorks. There are other minor aircraft manufacturers in Brasil, such as Scoda Aeronautica, Volato, Inpaer, Seamax, ACS Aviation, DESAER and Aeromot.

Regarding the commercial aviation market, it is worth mentioning that in 2017 air transportation in Brazil presented a 2.0% growth in terms of revenue passenger kilometers (RPK), after a downturn of 4.4% in 2016. Before such retraction, the domestic passenger market had spent more than 10 years with an average growth of 10% per year, between 2004 and 2015. The regulatory body for passengers' transport is the National Civil Aviation Agency (ANAC).

According to Embraer's MARKET OUTLOOK 2018-2037, world passenger traffic is expected to maintain 4.5% annual growth over the next two decades. Furthermore, following new legislation approved in 2019, foreign companies can now own up to 100% of the capital of a Brazilian domestic airline. ANAC already authorized the operation of foreign companies interested in the market and new investments are expected in the upcoming years.

MILITARY AVIATION

Military aviation is divided in two main segments. The defense segment offers aircraft designed to meet specific requirements as well as weapon systems, equipment, non-guided and guided weapons, and systems integration. The space segment develops small satellites, satellite structures, payloads, satellite equipment, ground systems, propulsion, sounding rockets and launchers, also offering services related to the use of satellite images, consulting and other specialized services. In Brazil, both segments have a strong presence of Embraer. Embraer's main subsidiaries in the Defense and Security sector are Atech SA, Bradar Indústria SA, Harpia Sistemas SA, OGMA – Indústria Aeronáutica de Portugal; Savis Tecnologia e Sistemas AS e Visiona Brasil.

According to **SIPRI⁶**, the number of Brazilian military aircraft exported jumped from 20 in 2014 to 103 in 2018. The accumulated figure for the period was 283 aircraft. Among the main military projects currently under development in Brazil, three should be emphasized: the JAS Gripen fighter, the Embraer A-29 Super Tucano light attack aircraft, and the Embraer KC-390 tactical freighter.

- ▶ The Gripen Design and Development Network (GDDN) was launched in 2016. It was opened at the Embraer production plant in Gavião Peixoto, São Paulo, as Gripen's technological development hub in the country. In late 2017, 110 development engineers were working at GDDN, approximately 90 of them Brazilian and the rest **Swedish⁷**.

As Embraer, Akaer, AEL Sistemas, Atmos, DCTA and other companies benefit from the program JAS Gripen, Brazil will develop capabilities and generate knowledge for the development and maintenance of the most advanced multi-mission fighting aircraft in the world.

- ▶ The Embraer EMB 314 Super Tucano (A-29) is already operated by more than 17 Air Forces worldwide. The model is in the final stages of a bid for the purchase of a new US Air Force (USAF) light-attack aircraft.
- ▶ The KC-390 tactical freighter is the largest aircraft produced in the Southern Hemisphere. It was developed to replace the Lockheed C-130 Hercules of the Brazilian Air Force (FAB) with greater commercial performance.

It is also worth mentioning, in consonance with the Institute for Applied Economic Research

(IPEA), the undergoing efforts for the development of a project of an Unmanned Combat Aerial Vehicle (UCAV), which will replace the current fighter jets in the future. The ARP Caçador is a Brazilian version of the Heron-1 UAV, developed by Israel Aerospace Industries (IAI) and operated globally by more than 20 customers.

Since the signature of a cooperation agreement, in 2014, the companies IAI and Avionics Services have worked together to establish a strong Brazilian industrial base in the field of Unmanned Systems (ARP). The process included significant efforts of technology and knowledge transfer to ensure enhanced independence of the Brazilian Industry in the complex proficiency of advanced unmanned systems (ARP's). Avionics Services has established at the Botucatu airfield the required infrastructure to professionally produce and maintain ARP's, being a center of excellence for (ARP's) unmanned aerial systems.

Endnotes

5 - The deal follows an October 2017 agreement between Airbus (France) and Bombardier (Canada), in which Airbus acquired a majority stake in Bombardier's C-Series commercial jet business. Bombardier and Embraer compete directly in the market for producing aircraft with no more than 150 seats (EIU, 2019).

6 - The Stockholm International Peace Research Institute (SIPRI) is an independent international institute dedicated to research into conflict, armaments, arms control and disarmament. Established in 1966, SIPRI provides data, analyses and recommendations, based on open sources.

7 - In October 2015 about 50 Brazilian engineers and technicians joined the first team sent to Sweden to learn about their roles in the program. They were the first of over 350 Brazilians who will participate in the technology transfer program by the end of the fighter aircraft's production (Gripen). This technology transfer is now contributing to positive and advanced changes in the industrial base for Brazilian defense.



SPACE SECTOR

Brazil holds the Alcântara Base, the closest launch center to the equator in the world (2.3 degrees south of the equator), making it attractive for launches of geostationary satellites. The proximity provides a 25 percent fuel savings compared with Cape Kennedy, also allowing rapid orbit entry. The strategic position reflects in great potential for scientific and technological cooperation with foreign governments and companies. In 2019, Brazil and United States have signed a technology safeguards agreement (TSA) to allow US companies to carry out space launches from the South American country.

The Alcântara base has great potential for the growing market of small satellites. The NanosatC-Br is the first Brazilian nanosatellite to be developed with Brazilian Space Agency (AEB)⁸ resources. The objective of the program is to monitor the intensity and map the magnetic field over South America. The information sent is received by the Nanosat Satellite Tracking and Control Station of the NanosatC-BR Program of the Federal University of Santa Maria and the Instituto Tecnológico de Aeronáutica (ITA) /Instituto Nacional de Pesquisas Espaciais (INPE)⁹.

The Brazilian space companies are concentrated in the Southeast region, mainly in the state of São Paulo, in São José dos Campos. This concentration stems from the historical process of constituting space activities around the former ATA (Technical Aeronautics Center) and ITA, the initial hubs of specialized human resources

Endnotes

8 - The Brazilian Space Agency is the civilian authority in Brazil responsible for the country's space program. It operates a spaceport at Alcântara, MA and a rocket launch site at Barreira do Inferno, RN.

9 - The Instituto Tecnológico de Aeronáutica is an institution of higher education and advanced research with emphasis in aerospace science and technology maintained by the Brazilian Air Force. It is located in São José dos Campos, SP. ITA is rated as one of the top and most prestigious engineering schools in Brazil.

ROTARY-WING AIRCRAFT

Helibras, Brazil's wholly-owned subsidiary of Airbus Helicopters, is directly linked to the consolidation of the use of aircraft with rotating wings in the country. The company has its ownership structure divided into Minas Gerais' MGI Participações Industriais, Grupo Bueninvest and Eurocopter. Helibras' industrial site at Itajubá in the Brazilian state of Minas Gerais has become a world-class rotary-wing center of excellence for the production, assembly and maintenance of EC725 helicopters being acquired by Brazil's three armed forces. Helibras' models are exported to countries like Argentina, Bolivia, Chile, Paraguay and Venezuela.

By 2013, considering the fleet and number of operations performed by helicopters in cities all over the world, a data collection organized by the Brazilian Association of Helicopter Pilots (Abraphe) put São Paulo as the city with the largest fleet worldwide. In May 2018, the number of units by Brazilian regions were: 95 in the North, 187 in the Northeast, 176 in the center West, 1,346 in the Southeast and 281 in the South.

INVESTMENTS

The aerospace industry experienced significant mergers and acquisitions activity over the last two years, including Boeing and Embraer's strategic partnership. Nonetheless, the aerospace productive chain in Brazil has been the destination of greenfield and expansion investments from companies such as Advantech Wireless Technologies, Rockwell Collins, Rolls-Royce Holdings plc, Vertolety Rossii, Nauchno-proizvodstvennaya korporatsiya Irkut PAO and AgustaWestland, which are part of LEONARDO S.P.A. One of the most important projects engendered in Brazil comes from AgustaWestland, which opened a factory in São Paulo - SP with an expected generation of 278 direct jobs and an investment of USD 57.2 million. Saab also announced a factory in São Bernardo dos Campos city, which aims to generate 28 direct jobs and have an investment of USD 51 million. Pratt & Whitney Canada opened facilities in São José da Lapa - MG and invested 68.4 million dollars and Thales Ale Space SAS installed a Development and Research Center in São José dos Campos.

SOURCE

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- ▶ Global Security. Helibras, 2019 <<https://www.globalsecurity.org/military/world/brazil/helibras.htm>> Access 10/07/2019
- ▶ **The Economist Intelligence Unit, 2019.** Access 10/07/2019
- ▶ **Governo de São Paulo, Aerospace and Defenses, 2018** <<https://www.en.investe.sp.gov.br/business-sectors/aerospace-and-defenses/>>
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- ▶ **NOVAER, LIVING THE DREAM EVERY DAY, 2019** <<http://www.novaer.ind.br/the-company/#>> Access 10/07/2019
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RENEWABLE ENERGY &

ENVIRONMENTAL SOLUTIONS

A third of global power capacity is now based on renewable energy, confirming the decade-long trend of strong growth in renewable energy capacity that continued in 2018 with global additions of 171 gigawatts (GW), according to data released by the International Renewable Energy Agency (IRENA) in April 2019. The annual increase of 7.9 per cent was bolstered by new additions from solar and wind energy, which accounted for 84 per cent of the growth.

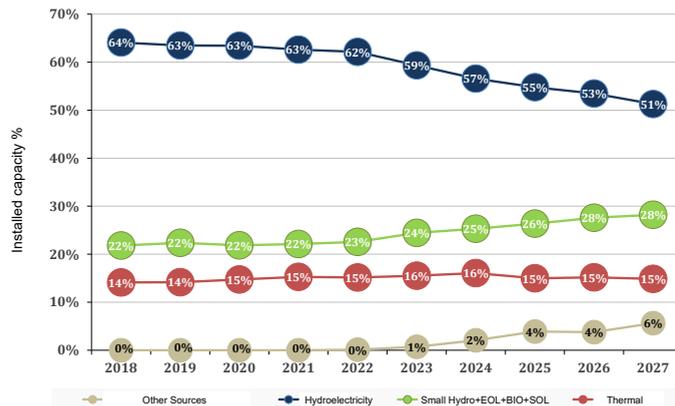
Brazil has even a more impressive number, favored by the country's size, plentiful resources, conducive policies, a vast and water-rich territory, 82% of the country's power generation capacity comes from renewable sources, making the country the largest power market in Latin America and one of the top 10 in the world.

Hydropower alone comprises 65.2% of Brazil's entire electricity generation. But some alternative renewable sources have a growing share in Brazil's electric matrix, such as Biomass and Wind. These sources are the target of several government

policies, including infrastructure programs, BNDES' special credit lines, and the National Energy Plan (PNE) — the guideline for energy expansion drafted by EPE, the state-owned energy research company that provides support to the Brazilian Ministry of Mines and Energy (MME).

EPE's plan forecasts that, by 2027, renewable sources will account for close to 85% of the Brazilian electric matrix, with alternative energy sources hitting around 30%, rising from 22% in 2018. These targets are based on several public tenders that the government has already announced. A calendar for the next three years, and requests for proposals can be found at www.aneel.gov.br/leiloes (information in Portuguese only).

Brazilian Electricity Matrix by Source





MAIN PROGRAMS AND OPPORTUNITIES

BNDES (BRAZILIAN DEVELOPMENT BANK)

Brazil attracted almost \$57 billion in new asset finance for clean energy plants in 2010-17, by far the largest amount in Latin America over the period. Wind alone accounts for 56% of the total, while solar attracted just 6%. However, this is due to increase as solar developers have secured almost 2GW in contracts in the 2017-18 auctions. Brazilian National Development Bank (BNDES) has played a major role in the development of the country's renewable energy market. The bank is the top global lender to clean energy, having disbursed

\$ 27 billion for renewable energy (excluding large hydro) projects between 2008 and 2017. In addition, BNDES applies a strict local content requirement in granting wind and PV project loans, spurring equipment manufacturers to build factories in the country. (Source Bloomberg BNEF Climatescope 2018)

PUBLICLY-TRADED ENERGY

The Brazilian government hires renewable energy and renewable capacity through reverse auctions. Contracted renewable energy and renewable capacity will supply the regulated market, known as 'mercado de contratação regulada' (ACR). The Ministry of Mines and Energy (MME) is responsible for planning and holding the renewable reverse auctions.

There are two auctions confirmed for 2019 that will contemplate wind, solar photovoltaic, biomass, thermoelectric and hydroelectric sources. The government has also announced two auctions for 2020 and two for 2021.

DISTRIBUTED GENERATION

The favorable regulatory framework associated with the cost reduction of the technologies allowed that customers started looking for their own generation systems. Customers are also looking for reducing their electricity costs and investing their capital.

EPE forecasts that up to 2027, there will be 1.35 million micro and small generation systems in Brazil, generating 11.9 GW, which will require investments of around BRL 60 billion (USD 16.4 billion) throughout this period.

RENOVABIO

RenovaBio is an initiative of the Ministry of Mines and Energy (MME), launched in December 2016, which aims to expand biofuel production, based on predictability and environmental, economic and social sustainability.

This program aims at improving the policies and regulatory aspects of biofuels. Its guidelines are based on four strategic axes: the role of biofuels in the energy matrix, the economic and financial equilibrium of the market, the definition of marketing rules, and the new biofuels.

WIND ENERGY

Brazil continues to be the most promising onshore market for wind energy in Latin America. In recent years, wind power has become an increasingly essential component of Brazil's power grid. During the 2015 energy shortage, for example, 10% of the energy came from wind farms, helping defray the cost of switching on thermal plants. Its efficient local manufacturing chain can produce most of the equipment and machinery used by wind farms in Brazil.

2018 was another strong year for the global wind industry, with annual installations in excess of 50 GW. Brazil once again took the lead in Latin American markets, installing 1.93 GW last year, compared to 929 MW in Mexico.

By the end of 2017, only ten countries had more than 10 GW of cumulative installed capacity and Brazil is among them. In February 2019, the installed capacity achieved 15 GW, which corresponds to 8.7% of the Brazilian electric matrix and became the second energy source in the Brazilian matrix, only behind hydraulic. The sector employs more than 150,000 people, supplies electricity to about 22 million homes monthly and reduces CO₂ emissions by about 28 million tons per year.

With almost 8,000 kilometers of coastline, Brazil has a huge potential for generating wind energy, especially on the Northeastern coast, where there is wind all year round and many wind farms were already built.

Installed wind power capacity in Brazil, in megawatts

Year	Total MW
2005	27.1
2006	235.4
2007	245.6
2008	341.4
2009	600.8
2010	932.4
2011	1,528.8
2012	2,522.7
2013	3,477.8
2014	5,973.3
2015	8,727.1
2016	10,741.0
2017	12,763.1
2018	14,563.5
2019*	15,854.6
2020*	16,377.2
2021*	16,441.2

* Forecast
Source: ABEEólica



SOLAR ENERGY

Solar power is a very young industry in Brazil, starting only after the source was included in the electricity auctions (the first one was held in 2013). The volume contracted since then is 3.2 MW.

The installed capacity in photovoltaic plants was only 1 GW at the beginning of 2019, but it should reach 3.3 GW by the end of the year. Reaching this mark may position Brazil among the top 30 globally.

Until 2020, selected emerging markets will surge, but the bulk of the growth will be carried out by a few markets. According to Solar Power Europe report, Brazil ranks 14th in solar addition in the period from 2018 to 2022. The best scenario points to 9.3 GW of additional volume.

The proportion of photovoltaic power stations in Brazil's energy capacity is expected to grow significantly over the coming years, as incentives stimulate investments and technology prices to go down. By 2027, the government plans to increase the solar energy output to 3.2 megawatts. The federal program "Luz para Todos" ("Electricity for All") was created to grant universal access to electricity in Brazil and has benefited more than 16 million people over a decade. The program has provided the installation of 3,500 photovoltaic Individual Systems, mainly in isolated communities, and is a major buyer of this technology.

BIOFUELS

With rich natural resources and a strong agricultural industry, Brazil is an ideal market for biofuels and a world leader in the sector: it is the second largest producer of this kind of clean fuel in the world, only behind the United States. According to the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP), responsible for fuel regulation, 18% of all fuel consumed in Brazil today comes from renewable sources, mainly ethanol and biodiesel. As the demand for green gas emissions control toughens worldwide, Brazil has also consolidated its potential as a major exporter.

Sugarcane (for ethanol) and vegetable oil (for biodiesel) are the main sources of Brazilian biofuels. Ethanol output grew 17% from 2017, reaching 32.3 billion liters in 2018, a new production record.

Biodiesel, incipient in Brazilian refineries at the turn of the 21st century, increased production threefold in 10 years, ending 2018 with 34.7 billion liters produced.

Some specific characteristics of the domestic market have allowed for this biofuel expansion, starting with the country's automotive industry: Brazil is a world leader in flexible-fuel vehicles, with some 90,1% of cars produced in the country being able to run on both gasoline, ethanol, or any mixed proportion (directly at the pump).

Public policies also had a major role, providing incentives and special programs beyond production, as well as stipulating a minimum market consumption. The minimum required ethanol dilution in gasoline was raised to 27% in 2015 by ANP. Biodiesel mixture in standard diesel became a requirement in 2008 with a share of 2%, with a policy of gradual increase over time. At the beginning of 2018, the minimum biodiesel mixture required throughout Brazil was 10%, with a gradual one percent point increase through 2019, as determined by ANP, with possible further increases in the near future.

Brazil's biofuel production is concentrated in the Southeast and Northeast regions, with the majority of sugarcane farms and mills located in São Paulo.

SOURCES

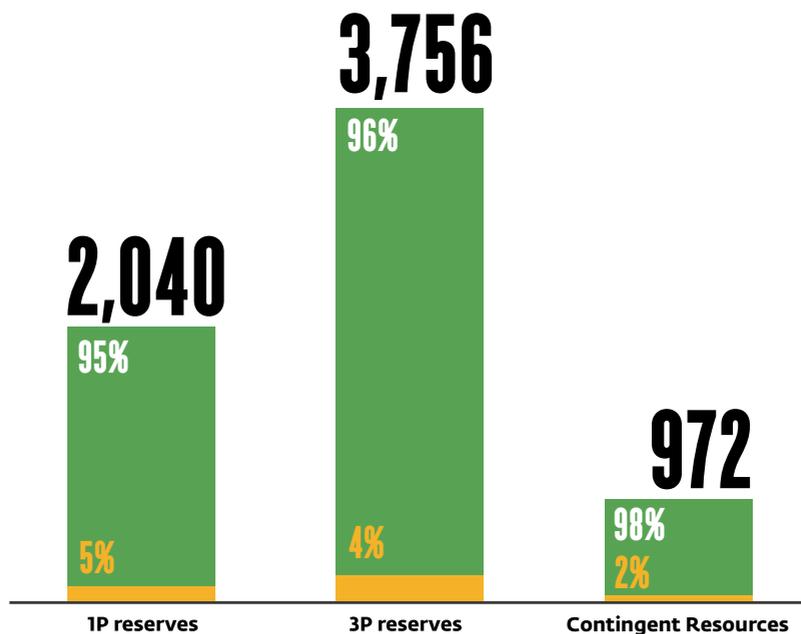
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- ▶ International Energy Agency (IEA)
- ▶ Brazilian Electricity Regulatory Agency (ANEEL)
- ▶ Brazilian Development Bank (BNDES)
- ▶ Electric Energy Trading Chamber (CCEE)
- ▶ Brazilian Wind Energy Association (ABEEOLICA)
- ▶ ELETROBRAS
- ▶ National Agency of Petroleum, Natural Gas and Biofuels (ANP)
- ▶ Brazilian Sugarcane Industry Association (UNICA)
- ▶ National Association of Vehicles Manufacturers (ANFAVEA)
- ▶ Ministry of the Environment (MMA)
- ▶ Brazilian Association of Companies for Public Cleaning and Special Residues (ABRELPE)
- ▶ Bloomberg BNEF

OIL & GAS

Brazil is the 10th largest Oil & Gas producer in the world and the first producer in Latin America, with 2.15 million barrels produced per day in 2017. The industry is one of the most important sectors in Brazilian economy, accounting for 13% of the country's GDP, according to the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP), the regulatory body of the sector. Its economic role has increased even more after important oil discoveries, such as that of the offshore pre-salt layer, in 2007.

Brazil currently has the 14th largest proven oil reserves in the world, with a total of 12.63 billion barrels, most of which offshore, especially in deep waters. Brazil stands out in the deep-water subsector. Not only 95% of Brazilian reserves are offshore, but 99% of that total are concentrated in only two basins, Campos and Santos. Meanwhile, onshore oil reserves are scattered over more than six basins.

Offshore and onshore oil reserves in Brazil in million barrels

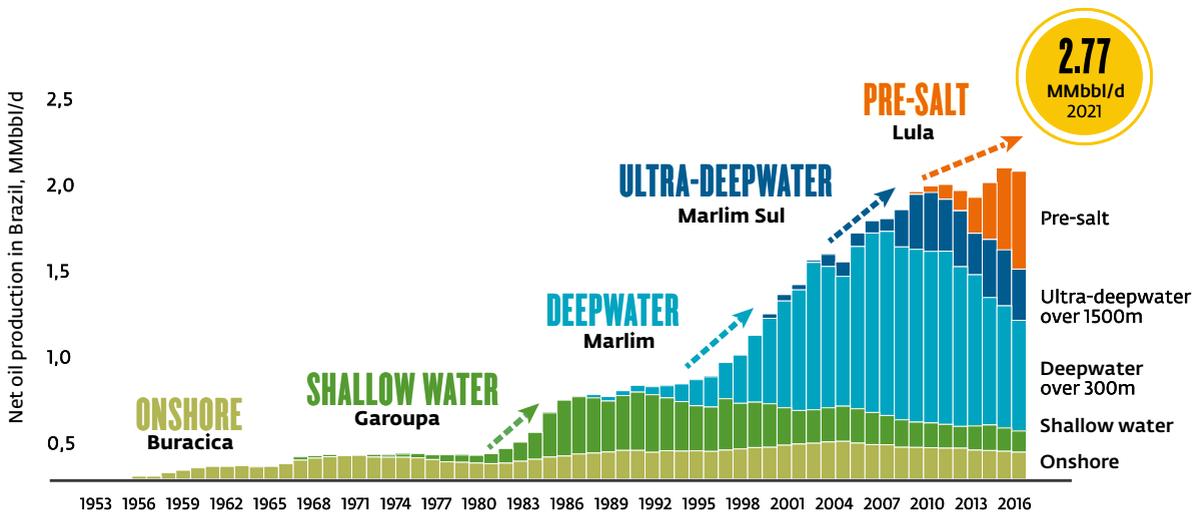


Source: 2016 ANP reserves and resources bulletin

Offshore Onshore

In terms of production, Brazil has been increasingly digging into deeper waters, especially in the pre-salt layer. The pre-salt oil layer already originates more than half of the barrels produced nationwide (1,408 thousand bpd). By investing in this segment, Brazil is renowned for the development of deep-water innovation, earning international recognition, such as the OTC Distinguished Achievement Award for Companies, Organizations, and Institutions, awarded to Petrobras on a few occasions.

Historical production of Petrobras



Source: Petrobras

► Oil production - onshore, offshore, pre-salt, post-salt

Year	x1000 barrels of oil equivalent
2000	465,974
2001	487,063
2002	548,684
2003	565,283
2004	559,730
2005	617,221
2006	650,908
2007	660,453
2008	686,598
2009	736,915
2010	776,325
2011	795,493
2012	780,936
2013	764,690
2014	851,867
2015	920,951
2016	951,039
2017	990,578
2018	944,100

As global demand is expected to grow to 102.3 million bpd by 2022, according to the Organization of Petroleum Exporting Countries (OPEC), exploring those reserves is crucial for the country, which is working to increase its production, modernize its laws and attract foreign investment to the sector.

This outlook is filled with announcements of large investments, important macroeconomic reforms and the fast-growing exploration of the pre-salt layer. Petrobras' business plan for 2019-2023 foresees USD 68.8 billion in investments in areas such as exploration and production, refining, and natural gas. Around 56% of the USD 48.4 billion destined to Exploration & Production are going to the pre-salt layer areas, which are expected to be more profitable than the post-salt layer ones.

Source: ANP

NEW REGULATIONS

Between 2016 and 2017, the government changed important regulations for Oil & Gas activities in order to increase the private sector's presence in domestic oil fields and to attract new investments from players beyond state-owned oil company Petrobras.

In 2010, when the new "Oil Law" came into effect, the state-owned company was entitled to at least a 30% stake in consortia for any new pre-salt field concessions. It also established a minimum of local content on acquisitions of operating companies. There is an increasing reduction on Petrobras dependence as other players grow quickly in Brazil – today, there are 98 economic groups engaged in E&P activities in Brazil, from which 47 are foreign companies.

Now, other companies have the possibility of owning the entirety of the fields. Regulatory changes removed the obligation of Petrobras to participate in the pre-salt bidding rounds. However, Petrobras maintains its preference in the bidding processes and can claim its 30% share in the first 30 days. Oil & Gas bidding processes in Brazil are intermediated by ANP, according to the guidelines of the National Energy Policy Council (CNPE).

Nevertheless, if Petrobras declines its preference, the block is entirely procured to other companies in a competitive auction. As a result, private companies increased its share to 33% of total production in pre-salt fields. Regarding the policy of local content, requirements were reduced by half, on average, to a margin between 18% and 50% of input.



BIDDING ROUNDS

Bidding Rounds are auctions through which the federal government grants the right to explore and produce oil and natural gas in Brazil. Since 1999, multiple bidding rounds were carried out: 13 exploratory blocks, four mature fields under the concession regime, and one in the pre-salt layer area, under the production sharing agreement. More than 100 companies, Brazilian and foreign, of different sizes, have participated in the auctions. Currently, most of the Brazilian production comes from blocks offered in the bidding rounds.

Three bidding rounds are planned to take place in 2019, creating opportunities for all types of exploration and production companies. That includes the 6th pre-salt production sharing round and the 16th bidding round for blocks. The 15th bidding round for blocks, carried out in 2018, guaranteed a minimum investment of BRL 1.2 billion (USD 328.3 million). For 2020 and 2021, ANP is preparing the 7th and 8th pre-salt layer production sharing rounds. By 2026, over USD 80 billion in new investments are expected in the industry, involving the entire supply chain and an increase of more than two billion barrels in daily production.

ANP makes bidding information available at its website: <http://rodadas.anp.gov.br/en>

Endnotes

i Law 12,351/2010

ii Change implemented by Law 13,364/2016

SOURCES

- ▶ Organization of the Petroleum Exporting Countries (OPEC)
- ▶ National Agency of Petroleum, Natural Gas and Biofuels (ANP)
- ▶ PETROBRAS
- ▶ Ministry of Mines and Energy (MME)







INFRA



STRUCTURE



Brazil is one of the world's largest consumer markets and a major exporter of agricultural products and commodities. Manufactured goods are also an important part of the country's exports. This means that Brazil, with an area of 8.5 million square kilometers (fifth largest country), relies heavily on logistics and transportation networks to guarantee its competitiveness and to keep growing. Other infrastructure assets, such as power generation, mining and sanitation, are key issues for Brazil's development as well.

A promising business scenario, with a diversified energy matrix and some of the most important airports, ports and connections in Latin America, are some of the highlights in the country's infrastructure.

Since the 1990s, with privatization and partnerships between the public and private sectors, major national and international companies have invested in infrastructure through concession contracts in Brazil. Nowadays, the process continues, even more substantial and focused.

The federal government is fully committed to bridging the gap in national infrastructure. It has taken the role of a development inducer, being the public sector responsible for planning, regulating and supervising infrastructure services.

A new regulation on PPP's agreements and a substantial portfolio of assets have been brought to each infrastructure sector. The investments have been showing a long-term trend of growth, supported by solid public programs such as the PPI – Investment Partnership Program, a busy agenda of future concessions, and the huge demands still to be met.

THE INVESTMENT PARTNERSHIPS PROGRAM (PPI)

The Investment Partnerships Program (PPI) was launched in May 2016, aiming to coordinate and supervise concessions and privatizations of Federal Government infrastructure projects. The PPI's Special Department supports Ministries and Regulatory Agencies in planning, modeling and monitoring the portfolio of projects, preserving their political and regulatory competencies.

Projects and services listed to be auctioned include the construction, management or commercial exploration of airports, port terminals, electric power plants, oil & gas fields, mining areas, railways, and highways, among others. Not to mention strategic constructions and environmental licensing. In 2019, the PPI was also assigned to support and fund the development of State and City-level projects.

In three years, the Program presented relevant results for Brazil's infrastructure. It has granted the private sector the concessions of 16 airports, 10 port terminals and a section of the North-South Railroad, with yields that exceeded the best expectations. Only in these projects, the investment forecast may reach USD 1.7 billion. By the end of 2019, there will be at least 15 other projects, with an expected investment that goes up to BRL 35.2 billion (+/- USD 9.6 billion).

In short, after 36 months, the PPI qualified 248 projects, with 147 already accomplished. Out of these accomplished projects, 55 had foreign winning companies or in consortium with Brazilian companies. The results are:

BRL 260.2 BILLION in completed project investments (+/- USD 71.2 BILLION).

BRL 54.1 BILLION (+/- USD 14.8 BILLION) in grants.

BRL 223 BILLION (+/- USD 61 BILLION), or **85.7% OF THE TOTAL AMOUNT**, had foreign winning companies or in consortium with domestic companies.

BRL 186.5 BILLION (+/- USD 51 BILLION), or **71.7% OF TOTAL AMOUNT**, represents the total foreign participation.

More information:

https://www.ppi.gov.br/about_the_program

NATIONAL LOGISTICS PLAN (PNL)

The main objective of the National Logistics Plan - "PNL" - is to identify and propose, based on the diagnosis of transport infrastructure, solutions capable of encouraging cost reduction, the improvement of services, and increased efficiency of the modes used for the handling of loads and for the reduction of pollutants emissions.

Assorted information on cargo handling in Brazil is already available at the EPL homepage¹⁰, such as the panorama of interregional transport for the year 2015, the projection of the origin-destination matrixes for various horizons, methodological reports, and the transport cost simulator.

SPECIAL TAX REGIME FOR INFRASTRUCTURE DEVELOPMENT (REIDI)

Created in 2007 by Law nº 11.488/2007, this tax regime allows companies with infrastructure-approved projects to apply for social tax exemptions (PIS and Cofins) on the acquisition of intermediate goods and services. Projects on transportation, energy, irrigation, and sanitation are eligible. Exemptions are valid for 5 years.

BRAZILIAN ENTERPRISE FOR PLANNING AND LOGISTICS (EPL)

EPL is a state company whose purpose is to structure and qualify, through studies and research, the process of integrated logistics planning in the country, interconnecting highways, railways, ports, airports and waterways.

Endnotes

10 - <https://www.epl.gov.br/plano-nacional-de-logistica-pnl>

TRANSPORT INFRASTRUCTURE AND SERVICES

Brazil has vast networks in all modes of transportation. However, its transportation is still unbalanced, as roadways account for 61.1% of national cargo traffic, leaving other areas, especially rails and ports, in need of improvement.

The government has been revamping its efforts to boost the sector. It has developed programs to address this imbalance: there will be several investment opportunities for the next few years, ranging from supply chain and services, to biddings for construction and operation of new initiatives.

► Current freight transportation matrix in Brazil

Type	Share of total (in %)
ROAD	61.1
RAIL	20.7
WATER	13.6
PIPELINES	4.2
AIR	0.4

Source: CNT/January 2018

AIRPORTS

Brazil has the biggest aviation market in Latin America and one of the largest in the world. About 215 million passengers used Brazilian airports in 2018, at a 4.3% increase on the previous year. National and international airlines operating in Brazil offer flights to more than 120 destinations around the world, and each year there are more than 135,000 international and 805,000 domestic flights. Domestic passenger traffic has continued to grow modestly, in line with the ongoing recovery in domestic economic conditions.

Cargo transportation in Brazilian airports grew by 13.4% in 2018, up to 124.8 thousand tons.

Large international groups are already in Brazil: Fraport (Fortaleza and Porto Alegre), Vinci (Salvador) and Zurich Airports (Florianópolis). In the last auction of concessions - "5th round of Airport Concessions", held in March 2019, the Spanish group Aena bought a block with six airports in the Northeast, and Zurich Airports became the new concessionaire of two airports in Rio de Janeiro and Espírito Santo states.

OPPORTUNITIES TO INVEST IN BRAZILIAN AIRPORTS:

Regarding the airports sector, the current premises are the same of the previous rounds of concessions qualified for the PPI: improving infrastructure and quality of service, fostering competition and attracting experienced operators. The regulatory framework focuses on: (i) adapting the regulation to the airport size; (ii) CAPEX based on demand triggers and (iii) economy regulation (price x revenue cap).

By 2023, all Brazilian airports will be handed over to private enterprise, and the Brazilian Airport Infrastructure Company (Infraero) will cease to exist.

PORTS

Brazilian ports are fundamental to the development of the country, mainly for supporting foreign trade activities and for its potential to generate thousands of jobs. In 2018, 1,120,381,796 tons of cargo were transported in Brazilian ports, including the most diverse products. In this period, there was a 2.7% increase in cargo handling, compared to the previous year. Port's infrastructure in Brazil consists of organized (public) and private ports. There are currently 37 organized ports, with 230 operational leases and 189 private ports.

It should be noted that the sector is expected to receive massive investments in the coming years, mainly due to the expansion of agricultural production and mining products – approximately 95% of the total flow of Brazilian trade in goods passes through ports.

Long-term port infrastructure projects planned by the government are estimated to generate BRL 51 billion (USD 14 billion) in investment by 2042, following the framework established by the National Plan for Ports Logistics (PNLP).

The most important news for the port sector came in 2017, with the publication of Decree No. 9.048/2017, which introduced relevant changes to the sector, especially on issues related to investments in infrastructure.

OPPORTUNITIES TO INVEST IN BRAZILIAN PORTS:

PPI held new auctions in 2017 and 2018, ending a four-year break. The auctioned terminals were intended for the storage of fuels and GLP, in line with Brazil's policy for the oil and gas sector. A new approach focused on efficient project development has improved the pace of auctions in the port sector in 2018. New projects are expected over the next years.



ROADS

As the fifth-largest country in the world by land mass, it is no surprise that Brazil has one of the world's largest road networks, with a total of 1,719,991 kilometers. Currently, however, Brazil only has 213,208 km of paved roads, remaining far below other countries such as the United States (438.1 thousand km) and China (359.9 thousand km). In the first half of 2018 alone, the government invested BRL 3 billion (USD 820.8 million) on road maintenance, improvement, and expansion.

Several investments and highway concessions have been held in the past and will continue to do so for several years to come. The next public sales will resume federal concessions programs for highways and toll operations. Currently, there are 21 road sections granted, totaling 9,960 kilometers.

OPPORTUNITIES TO INVEST IN BRAZILIAN ROADS:

PPI, EPL and IFC (World Bank) have been working together on a new approach for the highway sector regarding project development. The goal is to improve the quality of the studies and to disseminate this new culture throughout the Federal Government. Moreover, additional contributions to structure new concessions are in progress, such as new investments along the concession period, risk sharing and concession contracts extension.

RAILWAYS

Railways were once one of the most important means of transportation in Brazil. Throughout the 20th century, however, many tracks were left abandoned, while roads and the automotive industry became core engines for the economy, following international trends. This is something Brazil wants to address, with several investments planned for expansion.

Though it has the most extensive rail network in Latin America, for a country of Brazil's size, it is not enough: there are only 3.4 kilometers of railway for every 1,000 square kilometers¹¹, way behind many countries such as the United States (29.8 km), India (20.8 km), China (13.2 km), and Argentina (13.3 km).

There are currently 30,129 kilometers of railroads, which comprise 21%¹² of all freight transportation in Brazil, according to CNT. Cargo railways significantly expanded transported volume, reaching a record 538 million useful tons in 2017, representing an increase of 112.5% since 1997 – the start of the concessions, when 253 million useful tons were handled – and a growth of 6.2% over volume transported in 2016 (504 million).

In order to support the expansion of the agricultural frontier, enhance the transport capacity of grains production, reduce freight cost, support the significant increases in Brazil's exports and increase world food security, the Brazilian government prioritizes the increase of railway operations in the country, with strategic opportunities in the sector.

OPPORTUNITIES TO INVEST IN BRAZILIAN RAILROADS:

The railway sector is one of the fastest growing in Brazil, with great increase in its productivity as shown on the National Logistic Plan (PNL). The guidelines were set upon these goals: filling the investment gap in the railway system, supporting the expansion of the agricultural frontier, and reducing freight cost. The early concession renewals will enable the anticipation of new investments, working as a solution for trail network bottlenecks, in addition to construction of new rail stretches and the promotion of new integrated logistics solutions.

Endnotes

11 - Associação Nacional dos Transportadores Ferroviários (ANTF)

12 - Instituto Brasileiro de Geografia e Estatística (IBGE)

SOURCES

- ▶ Ministry of Economy (ME)
- ▶ Ministry of Infrastructure (MI)
- ▶ Investment Partnerships Program (PPI)
- ▶ Brazilian Institute of Geography and Statistics (IBGE)
- ▶ Brazilian National Confederation of Transport (CNT)
- ▶ Brazilian Airport Infrastructure Company (INFRAERO)
- ▶ Internal Revenue Service (Receita Federal)
- ▶ Planning and Logistics Company (EPL)
- ▶ National Association of Rail Carriers (ANTF)

HEALTH & LIFE SCIENCES

Brazil has a great potential for those looking to diversify investments in Life Sciences, with a market that offers both scale and robust growth rates over the medium and long-term. The fundamentals that drive the market in the Life Sciences industry include the size of Brazil's population and consumer market, growing healthcare expenditures in both public and private services, and the gradual shift to an older population. Health expenditure in Brazil is estimated at USD 237 billion in 2018. By 2028, Brazil is expected to remain amid the top 10 markets, with estimated expenditures of USD 333.1 billion.

Being one of the world's largest economies, with the sixth largest population on the planet (over 210 million people), Brazil still has about one-third of its population under the age of 20, while the average life expectancy is **76 years old**. Estimates from the Brazilian Institute of Geography and Statistics (IBGE) indicate that, by 2060, people over **65 years old will account for 25.5%** of the population – a lot more than the 14.3% in 2015 (considering the average for men and women) – with **life expectancy** projected to be 80 to 85 years old.

On the other hand, Brazil is focused on making its regulatory system simpler and more transparent for manufacturers of products in the healthcare market. A series of reforms were recently carried by the Brazilian Health Regulatory Agency (ANVISA) in order to reduce product approval time and reduce bureaucracy and costs. The Agency's staff has been expanded in order to improve the inspection process and to review regulations currently applied in the industry. Both ANVISA and the National Institute of Metrology, Standardization and Industrial Quality (INMETRO) have updated the legislation for medical equipment, converging with the regulatory apparatus used internationally.

HEALTHCARE SYSTEM

Brazil has both public and private healthcare systems. The universal public system, known as SUS (Sistema Único de Saúde), accounts for almost half of total healthcare spending and treats 75% of the population. Brazil is one of the few countries with a population of more than 100 million people that provides universal and free healthcare, and the challenges of operating a universal healthcare system in the world's sixth-largest country by population are immense.

A further market driver was the expansion of the middle class, which grew by more than 30 million people over the past decade. This movement promoted an impressive increase in the private healthcare market, a system that helps to meet demands not covered by the SUS alone.

Brazil has the third largest private health market in the world, with expenditures of USD 102 billion, representing 55.6% of the total spent on health in the country. Even with a slight decrease over the past couple of years, the number of private health insurance beneficiaries is still 14% higher today than it was ten years ago. Almost 47 million Brazilians have private health insurance, a quarter of the total population, making it one of the largest private healthcare markets in the world.

► Private health care beneficiaries, with or without dental care plans

Year	Number of beneficiaries
2007	39,316,313
2008	41,468,019
2009	42,561,398
2010	44,937,350
2011	46,025,814
2012	47,834,152
2013	49,443,377
2014	50,385,086
2015	49,214,437
2016	47,683,530
2017	47,303,952
2018	47,340,503

Source: ANS



► Private health plans – revenue by year

Year	Revenue in BRL	Revenue in USD
2007	51,846,911,653	14,185,201,547
2008	60,433,169,987	16,534,383,033
2009	65,729,181,803	17,983,360,274
2010	74,255,866,012	20,316,242,411
2011	84,367,198,778	23,082,680,924
2012	95,216,079,102	26,050,910,835
2013	109,033,713,525	29,831,385,369
2014	126,562,323,016	34,627,174,560
2015	143,316,979,247	39,211,211,832
2016	161,566,876,053	44,204,343,653
2017	179,303,994,674	49,057,180,485
2018	145,307,846,357	39,755,908,716

Source: ANS

INNOVATION AND GROWTH

The health industry is among the most innovative in the world, and in Brazil it accounts for 35% of the total invested in R&D. Future growth in the life sciences sector will stem from businesses that bring new innovative products to the market, including transferred technology not currently present in Brazil. Industry leaders already operate in Brazil, such as 3M, Baxter, Beckton Dickinson, Dentsply, Fresenius, GE Healthcare, Geratherm, Johnson & Johnson, Philips, Roche, Medtronic and Siemens Healthcare, GSK, Bayer, MSD, Sanofi, Pfizer, Novartis and Novo Nordisk.

Furthermore, since 2015 foreign capital has been allowed to invest in enterprises related to healthcare services in Brazil, including controlling and holding direct and indirect equity interests in hospitals and clinics.

Brazil ranks as the 6th largest pharmaceutical market in the world and is poised to become the 5th largest by 2022, according to pharmaceutical association Interfarma. Market revenue for pharmaceutical companies grew 8% in 2018, to a total of BRL 103.4 billion (USD 28.3 billion), with some 60% of this coming from retail. Brazil is also a leading market for the production and consumption of generic drugs, where these medications have price discounts of up to 65% compared to brand name drugs.

Decree n° 9.245, of December 20, 2017 establishes the National Policy for Technological Innovation in Health. The policy establishes support mechanisms for the development of the sector, including the use of State purchasing power in contracts and acquisitions that involve strategic products and services for the SUS (Unified Health System). The decree represents the strengthening of the industrial health policy, as it provides greater legal certainty regarding tools available for the State to support Brazilian health industry.

PRODUCTIVE DEVELOPMENT PARTNERSHIPS (PDP)

Productive Development Partnerships (PDP) reflect a policy created in 2008 aiming to increase the population's access to strategic products and reducing SUS vulnerabilities and costs in the acquisition of such products. It seeks to substantially reduce Brazil's dependence on imported products, with savings between 15% and 25%, depending on the product. Each PDP is a partnership that involves cooperation between public and private institutions for the development, transfer and absorption of technology and productive capacity for strategic products. The list of strategic products is issued annually by the Ministry of Health, according to the needs of SUS. Between 2011, when purchases within PDPs began, and 2016, PDPs purchases have saved BRL 4.6 billion (USD 1.25 billion) for the Ministry of Health.

SOURCES

- ▶ Ministry of Health
- ▶ Brazilian Institute of Geography and Statistics (IBGE)
- ▶ Brazilian Health Regulatory Agency (Anvisa)
- ▶ National Regulatory Agency for Private Health Insurance and Plans (ANS)
- ▶ National Institute of Metrology, Quality and Technology (INMETRO)
- ▶ The Chamber of Deputies

PRIVATE EQUITY AND VENTURE CAPITAL

Opportunities for Private Equity and Venture Capital in Brazil have picked up since 2011. The dynamism of the segment relates to the growing amount of capital committed for investments in the country, which increased significantly over a 6-year period, as well as an increasing gross payout to investors, according to ABVCAP, the Brazilian Association of Private Equity and Venture Capital.

In 2017, investments in the private equity and venture capital industry in Brazil reached BRL 15.2 billion (USD 4.2 billion), which represented a 35% growth compared to BRL 11.3 billion (USD 3.1 billion) in 2016. The capital distributed to investors showed a significant growth in 2017, of 11.3% in relation to the amount distributed in the previous year.

Considering the local private equity activity, the sectors that received most investments include Education (15%), Infrastructure (21%), and Energy (13%). Moving to the analysis of venture capital activity, the number of VC transactions in Latin America, according to the Latin America Venture Capital Association (LAVCA), reached its record in 2017, since the beginning of data collection in 1993. There were 249 transactions recorded, 52 more than in the previous year. Brazil continues to be the largest VC market in the region, in terms of volume invested: USD 859 million, representing 48.4% of the total invested in the region, through 113 transactions.

From 2016 to the first quarter of 2018, the Brazilian venture capital scene finally produced its first 3 unicorns, technology companies worth a billion dollars. They are 99, Pag Seguro and Nubank. More recently, Loggi, GymPass, Movile, Stone and Ifood have joined the hall. Market experts also have good prospects for others, such as Guia Bolso, Quinto Andar, TruckPad, PSafe, Neoway, Neon, Cargo X, Creditas and Yellow. Corporate venturing

is also increasing its interaction with the Innovation and Investment ecosystems, with Brazilian giant corps such as EMBRAER, Bradesco, BR Malls, BRF, Dasa, Eurofarma, Stefanini, the Albert Einstein Hospital, Algar Group, BMG, Softplan and others, investing more in startups and funds. There are also global corporations doing the same, such as Microsoft, Monsanto, Syngenta, Qualcomm, EDP, UPS, Baidu, just to mention some.

Most recently, Agribusiness, Food and Beverage industries have proven to be one of the most promising sectors for the coming years, especially because of Brazil's global role as a major supplier of food and other farm products. In addition to the improvements in productivity, Brazil is also one of the few countries in the world with the capacity to increase its planted area. Market size, technological advances, and investments in food security have placed the country as a market leader. Specifically, the field of technology in agribusiness has been a notable area of potential for investments, according to the ABVCAP. Entrepreneurial activity is rising on mobility, health and fintech – each segment counting with more than 400 companies developing technology solutions for the market.

In 2009, the Private Equity & Venture Capital in Brazil program was created as a joint initiative between the ABVCAP and the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), in order to connect international investors and Brazilian fund managers and companies. This far, the project's networking tools have helped Brazilian funds raise more than USD 16 billion abroad. The program offers multiple opportunities for both global investors and local fund managers, having connected over 60 fund managers in Brazil with more than 250 global institutional investors seeking the region.

► Total committed per year to PE and VC
(in billions of BRL)

Year	Committed*	Invested**
2011	63.5	39.7
2012	83.1	52.7
2013	100.2	70.7
2014	126.9	84.6
2015	153.2	102.4
2016	142.8	102.2
2017	154.3	-
2018	170.3	117.8

Source: ABVCAP
*as of the end of each year

► Total invested per year in PE and VC in Brazil

Year	BRL billion
2011	11.8
2012	14.9
2013	17.6
2014	13.3
2015	18.5
2016	11.3
2017	15.2
2018	13.5

Source: ABVCAP

► Percent of amount invested by PE/VC per sector in 2017

Sector	2014	2015	2016	2017	2018
AGRIBUSINESS	3%	0%	5%	6%	5%
EDUCATION	1%	12%	4%	15%	11%
ENERGY	4%	11%	9%	13%	4%
FINANCIAL SERVICES	3%	2%	11%	3%	19%
FOOD AND BEVERAGE	1%	2%	11%	9%	15%
HEALTH AND PHARMACY	16%	38%	7%	3%	8%
INDUSTRIAL PRODUCTS AND SERVICES	2%	2%	3%	3%	0%
INFORMATION TECHNOLOGY	12%	3%	6%	4%	8%
INFRASTRUCTURE	0%	0%	0%	21%	3%
OIL AND GAS	29%	10%	0%	4%	0%
REAL ESTATE AND CIVIL CONSTRUCTION	0%	2%	18%	0%	3%
RETAIL	3%	11%	11%	8%	9%
TRANSPORT AND LOGISTICS	21%	4%	3%	1%	7%
OTHERS	5%	3%	12%	10%	8%

Source: ABVCAP

ANGEL INVESTORS

Another big step for the sector came in the form of a 2016 law that introduced the definition of “angel investors” into Brazilian legislation, granting enhanced legal security for over 6,000 investors in a segment that bears significant risk, and aligning local regulations with best international practices.

Among several improvements, the new law determines that angel investors shall not be partners of, or answer for liabilities from, the companies they invest. Maximum investment span is 7 years, and investors’ payout may not exceed 50% of the startup’s profits.

More information about the PE/VC sector in Brazil can be found at: <http://www.abvcap.com.br/>

REGULATION

Regulations have also kept up with the increase in opportunities for private equity and venture capital in Brazil. In 2016, the Brazilian Securities Commission (CVM) issued two new rules (CVM 578 and CVM 579), drafted in public hearings with industry players, to replace previous, outdated regulations, to facilitate new investment, and to mimic modern regulations and practices.

Among the main changes, subscribed capital has become the reference limit for equity investment funds (FIPs) instead of net worth. The new rule also includes simple corporate debt bonds (debentures) among the assets available for investment by FIPs — limited to 33% of subscribed capital. This greatly increases the range of financial investments available to investors.

The recent regulations also created new categories of funds, divided into *seed capital*, *emerging companies* and *multi-strategy* — the last one being eligible to invest abroad.

Accounting is also more transparent, as a new CVM rule seeks to coordinate Brazilian systems with international guidelines followed by the International Accounting Standards Board (IASB). CVM rule 579 changes the criteria for recognizing, classifying and measuring assets and liabilities, as well as revenue, appropriation of expenses and the disclosure of information regarding the funds' balance sheets. In 2018, the Ministry of Science, Technology and Innovation adapted its development tools to allow part of the investment directed at fostering new IT solutions (R&D) to be committed to FIPs and startups. This move boosted market potential for the venture capital scene, adding 8 more genuine Brazilian unicorns, since December 2016.

SOURCES

- ▶ **Brazilian Association of Private Equity and Venture Capital (ABVCAP)**
- ▶ **Brazilian Trade and Investment Promotion Agency (Apex-Brasil)**
- ▶ **Securities and Exchange Commission of Brazil (CVM)**
- ▶ **Private Equity & Venture Capital in Brazil Program**



INNOVATION AND R&D

Brazil has been very successful in attracting Research, Development & Innovation projects and centers to the country. According to Orbis Cross Border Investment, Brazil was the tenth largest destination of foreign research and development centers projects between 2013-2018, with over USD 5 billion in estimated investment and over 8,400 jobs created.

In order to accelerate this trend, in December 2017 the Brazilian Government created the Innovation Room ("Sala de Inovação"), a fast-track mechanism for foreign companies interested in establishing new RD&I centers in Brazil, or expanding existing ones. Among its goals, is the coordination of policies, incentives and efforts among different government agencies, towards attracting, maintaining and expanding RD&I centers of multinational companies. Gathering the most important institutions regarding innovation in Brazil – such as the Ministry of Economy, the Ministry of Science, Technology, Innovation and Communications, and the National Development Bank, among others – the Innovation Room establishes Apex-Brasil as the focal point for supporting companies interested in investing in the sector.

Additionally, in order to attract private investment to the sector, in the beginning of 2018 the government issued the Legal Landmark for Science,

Technology, and Innovation (Law No. 13,243/2016), seeking to facilitate the internationalization of technological institutions and to increase the interaction between universities and companies by reducing bureaucracy.

The Brazilian government is currently one of the biggest sponsors of innovation in the country, doing so primarily through the Funding Authority for Studies and Projects (FINEP). Launched in 2013, FINEP seeks to promote innovation in research institutions and companies operating in sectors such as Defense, Agriculture, Energy, Health, Sustainability, and Telecom, using several market instruments – such as credit, economic subventions, and non-refundable resources, as well as direct investments. Among its many initiatives, the funding authority also has an equity investment program with BRL 500 million (USD 136.8 million) available for investment through minor stake acquisitions in companies that promote innovation.

The country also excels in RD&I in the field of agriculture. The Brazilian Agricultural Research Corporation (Embrapa) is a pioneer institution and considered a reference in research and development in agricultural technologies, particularly for food production in tropical climates.



LEGAL LANDMARK FOR SCIENCE, TECHNOLOGY, AND INNOVATION

The regulation of the Legal Landmark of the sector is an important step of the public-private partnership. The new rules create mechanisms to integrate scientific and technological institutions and encourage investment in research.

LAW N^o. 13.243/16, complemented by Decree 9.283/18 allows the use of university laboratories, equipment, tools, and materials by companies related to research activities. The new regulation also simplifies procedures for importing goods and inputs for research, as well as including new incentives to carry out orders and technological flexibility between budget resources.

INNOVATION LAW

Designed around three main axes, this law benefits companies investing in technological innovation, especially micro and small companies. The axes are: the creation of strategic partnerships between universities, technological institutes and companies; stimulating the participation of institutes of science and technology in the innovation process; encouraging innovation within companies.

R&D INCENTIVES (“LEI DO BEM”)

Enacted in 2005, Law 11,196, also known as “Lei do Bem”, was created to encourage companies in Brazil to invest in research and development. It provides income tax (IRPJ) deductions of up to 60% for investments in R&D and reduces IPI by 50% on machinery and equipment purchased for technological research, among other benefits.

LINKS

- ▶ **Brazilian Innovation Agency (FINEP)**
www.finep.gov.br
- ▶ **Brazilian Trade and Investment Promotion Agency (Apex-Brasil)**
<https://portal.apexbrasil.com.br>

BRWA

SUPPORT MECHANISMS FOR BUSINESS IN



FINANCING

The National Economic and Social Development Bank (BNDES) is the Brazilian government's main instrument for long-term financing. The state bank was founded in 1952 in order to create and execute national policies regarding economic development. At first, the state bank was focused on infrastructure, but in the years that followed it created several other goals in different fields.

BNDES is one of the main financial support instruments in Brazil for investments in all economic sectors. The bank allocates special resources, preferably in the form of long-term funding and shareholdings, in addition to supporting undertakings that contribute to economic and social development. To be eligible for financing, companies must comply with fiscal, tax and social obligations, be able to pay the bank, not be under financial reorganization, and obey environmental legislation.

Disbursements totaled BRL 69.3 billion (USD 19 billion) in 2018: BRL 30.4 billion (USD 8.3 billion), 43.9% of the total disbursed, went to infrastructure investments, a 13% growth compared to 2017. The agricultural sector follows it, with BRL 14.7 billion (USD 4 billion), 21.2% of the total disbursed, and growth of 2% when compared to the previous year. The segment of micro, small and medium-sized enterprises grew 4% and reached BRL 30.1 billion (USD 8.2 billion), or 44.7% of the total disbursed by BNDES in 2018, highest recorded in the Bank's historical series.

According to the bank, the decrease in spreads (or the fee through which BNDES remunerates itself) will be focused on the sectors it may consider a priority.

In early 2018, BNDES presented a set of new operative guidelines. The most important one was the gradual change from the TJLP interest rate (determined quarterly by the Central Bank) to TLP, a rate defined by the Broad Consumer Price Index

(IPCA) and the real interest rate of government bond NTN-B. In the long run, this measure may reduce the gap between the interest rates of BNDES and the National Treasury, which are themselves expected to be significantly lower by that time.

Currently, the bank's participation in financing for large companies is limited to 80% of the TLP for projects related to its priority areas, and 60% for standard areas. For small and medium companies, participation is around 100%.

BNDES has also reduced its banking spread for priority sectors and increased the limit to establish deadlines for grace period and amortization. The idea is to prioritize subsidized credit and benefit small businesses and strategic social areas, namely innovation, environment, sanitation, renewable energy, urban mobility, infrastructure, education, health, and others.

Since April 2018, BNDES offers fixed-rate financing for the BNDES Giro program. The fixed rate is an additional alternative to TLP, and worthwhile for micro, small and medium-sized enterprises with a revenue up to BRL 300 million (USD 82.1 million) per year.



MAIN BNDES FINANCIAL SUPPORT MECHANISMS

FINANCING

Earmarked for investment projects, one-off purchases of new machinery and equipment, exports of Brazilian machinery, equipment and services, and the acquisition of goods and production inputs. According to rules presented in 2017, financing modalities are defined by the features and potential benefits of applicant projects (called "horizontal action"), rather than by industries, as in the past. The Bank also manages funds used to support specific activity sectors.

BNDES SUPPORT METHODS	
DIRECT	<ul style="list-style-type: none"> ▶ Clients get in contact directly with BNDES ▶ Operations must be over BRL 10 million (USD 2.7 million), with few exceptions ▶ To find out how to ask for credit, see Financial Solicitation Script
INDIRECT – AUTOMATIC (UP TO BRL 20 MILLION)	<ul style="list-style-type: none"> ▶ The operation is completed through an accredited financial institution, which negotiates conditions and takes the credit risk ▶ The institution may accept or deny credit without BNDES' approval ▶ Only for operations up to BRL 20 million (USD 5.5 million)
INDIRECT - NON-AUTOMATIC	<ul style="list-style-type: none"> ▶ Clients must deliver a previous consultation to the accredited institution, which submits it to BNDES ▶ BNDES analyzes it and accepts or denies credit ▶ Only for operations over BRL 10 million (USD 2.7 million)
MIXED	<ul style="list-style-type: none"> ▶ BNDES and the accredited financial institution share the operation's risks ▶ Clients cannot ask for this modality - it is an exclusive request from one bank to another

Source: BNDES

NON-REPAYABLE FUNDS

Investments of social, cultural (educational and research), environmental, scientific or technological nature, which need not be repaid to BNDES.

SUBSCRIPTION OF SECURITIES

BNDES, through BNDESPar (its private equity division), may participate as a holder of securities, i.e. shares, simple bonds (called debentures), convertible bonds, subscription warrants, options and other derivative products, in addition to participation in asset-backed (receivables) investment funds (FIDC) - in publicly-listed companies, in public or private issuances, or in companies that may join the capital market in the short or medium term, through a private issuance.

Most investments are eligible for support from BNDES – innovation, infrastructure, exports of Brazilian machinery, among others. Exceptions apply, such as banking/financial activities. **For further information, check the BNDES website.**

IN ADDITION TO BNDES, SEVERAL INTERNATIONAL, NATIONAL AND REGIONAL COMMERCIAL BANKS OPERATE IN BRAZIL, PROVIDING LINES OF CREDIT TO COMPANIES AND INVESTORS. MOST OF THOSE BANKS ARE ORGANIZED BY THE BRAZILIAN FEDERATION OF BANKS (FEBRABAN).
WWW.FEBRABAN.ORG.BR



Tax Incentives: FEDERAL, REGIONAL, STATE & INDUSTRIAL

There are several tax-related incentives and special regimes to support and promote investments offered in Brazil. These may be issued by federal, state or municipal governments for several reasons and by different means. On the federal level, the taxes most commonly eased by the government's incentive programs are Corporate Income Tax (IRPJ), social contributions levied on gross revenue (PIS/Pasep, Cofins, CSLL) and the tax on manufactured products (IPI). Export and import tariffs may also be reviewed to spur shipments and reduce the costs of raw material imports to the industry.

These mechanisms are generally used to promote strategic sectors that the government is interested in developing. Capital goods, infrastructure, clean energy, innovation, ICTs and high value-added industries (such as automotive and aerospace) are some of the sectors continually regarded as priorities. Micro and small businesses also have their own special tax regime, under the "Simples Nacional" and MEI ("Individual Micro-Entrepreneur") programs.

FEDERAL

"EX-TARIFÁRIO"

(EXEMPTIONS TO IMPORT TARIFFS ON CAPITAL AND TELECOMMUNICATION GOODS)

- ▶ This incentive allows for temporary reductions on import tariffs, often to very low levels (between 0% and 2%), to facilitate investment in capital goods (BK) and IT and telecommunications goods (BIT) for industrial development and key investment projects (acronyms follow the Mercosur Harmonized Tariff Schedule - TEC).
- ▶ The so-called "ex-tariff" system is available only for machinery and equipment not produced in Brazil. Companies can request inclusion in the ex-tarifário through the Electronic System of Information (SEI) at the Ministry of Economy.

"REINTEGRA" PROGRAM

- ▶ Law nº13.043/2014 reintroduced and made the Reintegra Program permanent, which was originally introduced in 2011 to allow exporters to recover residual tax costs incurred in the export production chain. Currently, the Reintegra Program allows companies that export goods manufactured in Brazil to request a marginal credit of 0.1% to 3% of their total export revenue, which may be refunded or used to offset other federal taxes.

SMALL COMPANIES' REGIME (SIMPLES NACIONAL)

- ▶ The "Simples Nacional" tax regime offers differentiated and simplified treatment for micro and small companies, with unified conditions for the verification and payment of federal taxes and contributions (CSLL, PIS, COFINS, IPI, payroll tax), state tax (ICMS) and municipal tax (ISS).



REGIONAL

Willing to foster growth in the country's less developed regions, Brazil also has incentive packages and local development agencies to attract and stimulate investments in those areas. Packages include federal, state and municipal benefits. Investors willing to establish operations in the regions below may receive significant corporate tax reductions, among other benefits. Regional development bodies coordinate these specific regional packages, such as:

- ▶ **SUDAM** (AMAZON REGION DEVELOPMENT AGENCY)
– Federal agency responsible for the states of Acre, Amapá, Amazonas, part of western Maranhão, Mato Grosso, Pará, Rondônia, Roraima, and Tocantins.
- ▶ **SUDENE** (NORTHEASTERN BRAZIL DEVELOPMENT AGENCY)
– Federal Agency responsible for all states in the Northeast, as well as some municipalities in Minas Gerais and Espírito Santo.
- ▶ **SUDECO** (MIDWEST BRAZIL DEVELOPMENT AGENCY)
– Federal Agency responsible for all states in the Midwest – Goiás, Mato Grosso, Mato Grosso do Sul and Federal District.

STATE-LEVEL

ICMS (State Goods and Services Tax) is the central state-level tax and a tool for local investment incentives. It is charged on operations relating to the movement of goods and the provision of interstate and inter-municipal transport and communication services. It is collected by each state individually. States usually employ ICMS reductions to attract greenfield projects.

Creating a unified national ICMS rate is one of the goals that has been under discussion for many years. So far, state governments continue to grant investment incentives based on their ICMS tax.

Some states also have their investment promotion agencies, such as Investe SP (www.en.investe.sp.gov.br), the investment agency of the São Paulo state, and AgeRio (www.agerio.com.br) in Rio de Janeiro.

The appropriate departments at the local state governments are available to provide investors with information on their state's incentive program upon request.

Worth noticing, two main taxes under municipal jurisdiction exist in Brazil: Municipal Services Tax (ISS) and Urban Real Estate Tax (IPTU). Municipal authorities may concede tax reductions on those, according to the amount invested and jobs created by an investment project. Local authorities may also give land grants, depending on the importance of the project in terms of the impact on local economic and social growth.

LINKS

- ▶ **SUDAM**
<http://www.sudam.gov.br/index.php/incentivos-fiscais>
- ▶ **SUDENE**
<http://www.sudene.gov.br/incentivos-fiscais>
- ▶ **SUDECO**
<http://www.sudeco.gov.br/>
- ▶ **Investe SP**
www.en.investe.sp.gov.br
- ▶ **Agerio**
www.agerio.com.br

INDUSTRY-RELATED

- ▶ **RECAP** – Special Tax Regime for Capital Goods Acquisition by Export Companies and Shipyards
- ▶ **REIDI** – Special Tax Regime for Infrastructure Development
- ▶ **REPENEC** – Special Incentive Regime for the Development of the Oil Industry Infrastructure in the North, Northeast and Midwest Regions
- ▶ **REPES** – Special Tax Regime for IT Services Export
- ▶ **REPORTO** – Special Tax Regime for Port Infrastructure Modernization
- ▶ **REPETRO** – Special Import and Export Customs Regime Intended for the Exploration and Production of Oil and Gas
- ▶ **RETAERO** – Special Regime for the Brazilian Aeronautics Industry

Updated information about these and other programs can be consulted at the "Legislation by Type" page of the Federal Revenue Service's official website, under the tag "Special tax regimes" (in Portuguese):

<http://idg.receita.fazenda.gov.br/acesso-rapido/legislacao/legislacao-por-assunto>.

EXPORT PROCESSING ZONES (EPZS)

Introduced in Brazil in 1988, Export Processing Zones (EPZs) are free trade industrial districts aimed at attracting companies engaged in the production of goods to be traded worldwide, bringing new investments, employment and technological innovation.

The EPZ Regime provides manifold federal and state-level incentives. At the federal level, there are administrative benefits in export and import operations, granting the exemption of licenses or authorizations to import raw material and capital goods. Federal incentives are given for 20 (twenty) years and can be extended for an equal period.

Some states in Brazil have offered incentives based on the ICMS Tax (State Goods and Services Tax). Additionally, these companies may also access other regional tax incentives, such as the 75% reduction in income tax for new ventures in North and Northeast regions.

In return for the incentives provided, companies located in an EPZ should obtain at least 80% of the company's total gross revenue sales originated by exports. Products sold to the domestic market will be subject to the payment of all taxes usually granted by the EPZ regime.

The National Council of Export Processing Zones is responsible for policy-making and analyzing the creation of new EPZs. After being revamped in 2019, the Executive Secretariat of the Council simplified the procedures for the implementation of Export Processing Zones (EPZs), rationalizing the customs process of those zones in the areas of movement and clearance of goods, without prejudice to the customs control of their operations.

MAIN BENEFITS

- ▶ For purchases of goods and services in the domestic market, the government grants the suspension of:
 - IPI (Tax on Manufactured Products)
 - COFINS (Social Contribution – Tax Presumptive Profit)
 - PIS/PASEP (Social Contribution on Gross Revenue)
- ▶ For purchases of goods and services in the foreign market, the government grants the suspension of:
 - II (Import Tax)
 - AFRMM (Additional Freight Charge for the Renovation of the Merchant Navy)
 - IPI
 - COFINS - Import
 - PIS/PASEP – Import

It is worth noting that the tax suspensions of the EPZ regime apply only to purchases of capital goods, raw materials, intermediate products and packaging materials.

EPZs are considered primary zones for purposes of Customs control.

OTHER BENEFITS

- ▶ Regional tax incentives in the North and Northeast regions
- Free import tariffs on used capital goods
- Possible exemption from state goods and services tax (ICMS)
- Certain IT and R&D incentives
- Exemption of licenses and permissions for certain import and export operations – except for sanitary, national security, and environmental measures

IMPORTANT: Companies authorized to operate in EPZs are subject to the same legal and regulatory provisions applicable in the country.

LOCATIONS

Brazil has 25 authorized ZPEs, of which 19 are in effective implementation, distributed in 17 States, as follows:

- North Region: Senador Guiomard (Acre), Barcarena (Pará), Porto Velho (Rondônia), Boa Vista (Roraima), Araguaína (Tocantins);
- Northeast Region: Ilhéus (Bahia), São Gonçalo (Ceará), Jaboatão dos Guararapes (Pernambuco), Parnaíba (Piauí), Sertão/Assu (Rio Grande do Norte), Macaíba (Rio Grande do Norte), Barra dos Coqueiros (Sergipe), São Luís (Maranhão), João Pessoa (Paraíba);
- Midwest Region: - Cáceres (Mato Grosso), Bataguassu (Mato Grosso do Sul), Corumbá (Mato Grosso do Sul);
- Southeast Region: Aracruz (Espírito Santo), Vila Velha (Espírito Santo), Teófilo Otoni (Minas Gerais), Uberaba (Minas Gerais), Itaguaí (Rio de Janeiro), Fernandópolis (São Paulo);
- South Region: Imbituba (Santa Catarina), Rio Grande (Rio Grande do Sul).

LINKS

► EPZs in Brazil - basic information

<http://www.mdic.gov.br/index.php/zpe/epz>

► Legislation on EPZs in Brazil

http://www.mdic.gov.br/images/REPOSITARIO/czpe/Como_Investir_em_ZPE/ZPE_CZPE_INV_Como_Investir__versao_2.pdf

http://www.planalto.gov.br/ccivil_03/_ato20072010/2007/Lei/L11508compilado.htm



Small BUSINESS SUPPORT

Micro and small enterprises are an important source of wealth and employment in Brazil. Those companies represent 98.5% of entrepreneurs in the country, accounting for 27% of GDP and generating over half of the jobs in the country.

Non-Brazilian citizens can also run micro or small companies if they have a permanent visa.

INDIVIDUAL MICRO- ENTREPRENEUR

The "MEI" (Individual Micro-entrepreneur) was introduced in 2008, with

Law nº 128. With the legislation in force since 2009, over 7 million people have formalized themselves as individual micro-entrepreneurs. The "MEI" receives the benefits of retirement, sickness assistance, maternity assistance, incentives for credit facility and loans, as well as tax exemptions.

MEIs, however, have a revenue cap and can only report turnover of up to BRL 81,000 as of 2019 (USD 22,160).

SMALL COMPANIES TAXATION

To simplify Brazilian tax contributions for small companies, a special regime was created in 2006. The so-called "Simples Nacional" allows businesses to pay several taxes by means of one monthly payment, called DAS, besides receiving tax incentives.

The system was recently reviewed by the Brazilian government, and new rules were fully implemented in 2018.

Simples Nacional is available for companies with gross revenues up to BRL 4.8 million (USD 1.31 million). The tax is charged progressively, with different rates. Before this change, the companies that exceeded BRL 3.6 million (USD 985 thousand) in gross revenue were forced to switch to more complex tax regimes.

BNDES CREDIT LINES

In 2018, the Brazilian Development Bank (BNDES) disbursed BRL 69.3 billion, (USD 19 billion) to support businesses in the country. With a new approach by the bank towards smaller enterprises, micro, small and medium-sized enterprises accounted for 44.7% (BRL 30.1 billion, or USD 8.2 billion) of this total.

While large companies are only eligible to receive up to 80% of a project's financing from BNDES (even for priority sectors), micro, small and medium-sized can reach up to 100% in all lines of financing.

In 2018, BNDES started to offer fixed-rate financing for the BNDES Giro program. The policy will be worthwhile for micro, small and medium-sized enterprises, with a revenue of up to BRL 300 million (USD 82.1 million) per year.

BRAZILIAN SUPPORT SERVICE FOR MICRO AND SMALL ENTERPRISES (SEBRAE)

Sebrae is a private institution of public interest whose mission is to support micro and small businesses through partnerships with the private sector, education, and mentorship. It is part of Brazil's network of professional training agencies (the 'S-System) and is present in every state. Its regional units act according to the national coordinator but adapt themselves to local conditions.

Sebrae has 700 onsite service centers throughout the country. They have more than 5,000 small business experts, and a large pool of external consultants working towards transferring

knowledge and expertise to those who own or intend to start a company.

One of Sebrae's main occupations is to provide advice and information to entrepreneurs, so it often organizes courses, lectures, training sessions and fairs to foster access to the formal economy. It is also a reliable source of data and information about the micro and small enterprise market in the country, with more than 45 years of work.

Find more information about Sebrae: http://www.sebrae.com.br/sites/PortalSebrae/canais_adicionais/sebrae_english

BRWA

LEGAL FRAMEWORK FOR INVESTMENT IN





FOREIGN CAPITAL

THE FOLLOWING SECTION RELATES TO THE ENTRY OF CAPITAL IN BRAZIL FOR PRODUCTIVE INVESTMENT ONLY. FOR INVESTORS SEEKING INFORMATION ON HOW TO INVEST IN BRAZIL'S FINANCIAL MARKET, PLEASE VISIT WWW.INVESTIDOR.GOV.BR, AS WELL AS THE FOLLOWING GUIDANCE MATERIAL PRODUCED BY THE BRAZILIAN STOCK EXCHANGE, WWW.B3.COM.BR

LEGAL DEFINITION

Foreign capital is defined by Brazilian law as being an asset, machinery or equipment which enters Brazil, as well as financial or monetary resources, intended to produce goods and services or to be used in economic activities in the country. In all cases, it must belong to individuals or legal entities residing, domiciled, or with headquarters outside Brazil. The law also guarantees that foreign capital in Brazil will be treated on an equal footing with domestic capital, unless the investment falls within one of the few exceptions detailed below.

Law n. 4.131 of 1962 is the primary law that regulates foreign capital in Brazil.

Importantly, since 1995, Brazilian law considers that companies incorporated in the country are national companies, regardless of national or foreign control.

FOREIGN DIRECT INVESTMENT (FDI)

The United Nations defines FDI as a permanent ownership interest in companies in a country, held by a non-resident investor (an individual or legal entity) residing, domiciled, or with headquarters abroad. In Brazil, there are two types of transactions recognized as FDI: equity capital and intercompany loans.

- ▶ **Equity capital** is foreign capital that enters the country for the purchase, subscription, or capital increase for all or a part of the shares of companies established in Brazil. Privatizations, acquisitions (in the form of a joint venture, venture capital or private equity) and greenfield projects led by foreign investors are examples of operations classified as equity capital investments. Reinvested earnings (profits not remitted to the direct investor or parent company overseas and reinvested in the business or any other economic sector within the country) are also regarded as such.
- ▶ **Intercompany loans** consist of credit granted by parent companies with headquarters abroad and their affiliated enterprises. It comprises the entry of resources related to the acquisition, subscription, and full or partial capital increase from companies based in Brazil. Examples of this type of FDI inflow are loans received by enterprises in Brazil, as well as amortization paid back to a Brazilian company by a related company abroad.

MERGERS & ACQUISITIONS

Brazilian law allows for mergers and acquisitions (M&A) by foreign investors. No special rules apply, although FDI remains restricted in certain sensitive and strategic sectors listed below.

The Brazilian antitrust system, structured by Law n. 12.529 of 2011, entails an official competition and antitrust regulator: the Brazilian Antitrust Authority (CADE), a federal body related to the Ministry of Justice and responsible for preventing, judging, and punishing acts of abuse of market power. For M&A operations involving financial institutions, it is required that both CADE and the Central Bank of Brazil approve it, as stated by the Regulatory Joint Act n. 1, signed in December 1st, 2018. Just in the first quarter of 2019, the watchdog institution judged 103 merger acts.

To improve M&A regulations in Brazil, the Brazilian Mergers and Acquisitions Committee (CAF) was created in June 2012. CAF brings together participants of the financial market and the São Paulo Stock Exchange (B3), aiming to ensure equal conditions between shareholders in public stock acquisition offers, incorporations, mergers, and spin-offs involving corporations. The Brazilian M&A Committee oversees a monitoring framework based almost entirely on self-regulation by publicly traded companies and has become a corporate governance quality seal for M&A transactions involving companies that have voluntarily adhered to its rules.

NO RESTRICTIONS ON MOST FDI

Foreign capital may enter freely into Brazil and is not subject to prior approval by the government. There are no conditions regarding the total amount of investment that can be made in Brazil.

A small number of exceptions exist in accordance with the Brazilian Constitution and federal laws, prohibiting or limiting FDI in specific sectors:

PROHIBITIONS

- ▶ Activities involving nuclear energy;
- ▶ Mail and telegraph services, except parcel delivery;
- ▶ Aerospace (**launch and deployment of satellites, vehicles, aircraft – but the prohibition does not apply to the manufacturing or trading of these goods**).

RESTRICTIONS/LIMITATIONS

Foreign capital may be subject to limitations, or prior authorization from public authorities may be required

- ▶ Acquisition or rental of rural property (**permissions may be requested from INCRA or the National Congress**);
- ▶ Financial institutions (**permission may be requested from Cade and the BCB**);
- ▶ Media, including television networks, magazines, newspapers and radio broadcasting stations (**the government prevents foreign investment in the ownership and administration of media – the Brazilian Constitution of 1988 stipulates that at least 70% of the total capital of media companies must be owned directly or indirectly by Brazilians born in Brazil or Brazilians naturalized for a period of at least ten years**);
- ▶ Mining sector;
- ▶ Health assistance

It is worth noticing that restrictions to foreign capital on air transportation companies were totally wiped out by Law n. 13.842 of 2019.



REGISTERING FOREIGN CAPITAL

Investors are required to register all inflows of foreign capital into Brazil with the Brazilian Central Bank (BCB), which can only be done online through the e-registration tool RDE-IED (Electronic Declaration Registry) — part of the Brazilian Central Bank's Computerized Information System (SISBACEN). The FDI recipient company or legal agent is responsible for the registration.

Distribution of profits, dividends, and interest on stockholders' equity — paid either through International Transfers in Reais (TIR) or the exchange market — do not need to be registered in the system. Any exchange contract or transfer to a foreign bank account will be automatically linked to the profile registered by the system. However, payments made directly abroad, without currency exchange, or within the country, without any international bank transfer, must be registered on the RDE-IED profile.

More information on registering foreign capital can be found on the Brazilian Central Bank's website (in English): <http://www.bcb.gov.br/?RMCCINORMS>

LINKS

▶ **Investor Portal**

<http://www.investidor.gov.br/index.html>

▶ **B3**

www.b3.com.br

▶ **Law of Foreign Capital (Law n. 4.131/1962)**

http://www.planalto.gov.br/ccivil_03/leis/L4131.htm

▶ **FDI Definitions**

https://unctad.org/en/Docs/wir2007p4_en.pdf

▶ **Investor Portal**

<http://www.investidor.gov.br/index.html>

▶ **Investment Trends Monitor - UNCTAD**

https://unctad.org/en/PublicationsLibrary/diaeiainf2019d1_en.pdf

▶ **CADE: Institutional Information**

<http://www.cade.gov.br/acesso-a-informacao/institucional>

▶ **Ministry of Justice**

<https://www.justica.gov.br/>

▶ **Regulatory Joint Act n° 1**

http://www.in.gov.br/materia/-/asset_publisher/KujrwoTZC2Mb/content/id/54520650

- ▶ **Competition Law (Law n. 12.529 of 2011)**
http://www.planalto.gov.br/ccivil_03/_ato2011-2014/2011/Lei/L12529.htm
- ▶ **Brazilian Mergers and Acquisitions Committee (CAF)**
<http://cafbrasil.org.br/site/>
- ▶ **Law of Activities involving nuclear energy (Law n. 4.118 of 1962)**
http://www.planalto.gov.br/ccivil_03/Leis/L4118.htm
- ▶ **Law of Mail and telegraph services (Law n. 6.538 of 1978)**
http://www.planalto.gov.br/ccivil_03/leis/L6538.htm
- ▶ **Brazilian Aerospace Agency (AEB)**
<http://www.aeb.gov.br/programa-especial-brasileiro/investimentos/>
- ▶ **Law of Rural Property (Law n. 5.709 of 1971)**
http://www.planalto.gov.br/ccivil_03/leis/L5709.htm
- ▶ **National Institute of Colonization and agrarian reform (INCRA)**
<http://www.incra.gov.br/estrutura-fundiaria/regularizacao-fundiaria/aquisicao-e-arrendamento-de-terras-por-estrangeiro>
- ▶ **Changes in the Foreign Capital in Air transportation companies**
http://www.planalto.gov.br/ccivil_03/_ato2019-2022/2019/Lei/L13842.htm
- ▶ **Radio and Television**
<http://www.senado.gov.br/noticias/jornal/cidadania/radiotv/noto5.htm>
- ▶ **Mining Sector Law (Law n. 6.634 of 1979)**
http://www.planalto.gov.br/Ccivil_03/leis/L6634.htm
- ▶ **Health Assistance Law (Law n. 8.080 of 1990)**
http://www.planalto.gov.br/ccivil_03/leis/L8080.htm
- ▶ **Central Bank – International Capital and Foreign Exchange Market Regulation – RMCCI**
https://www.bcb.gov.br/Rex/LegCE/Ingl/rmcci_ingl.asp
- ▶ **BCB: Current legislation about foreign capital in Brazil**
<http://www.bcb.gov.br/rex/legce/port/capitaisinternacionais.asp>
- ▶ **Regulations of National Monetary Council and BCB for foreign capital in Brazil (in English)**
<http://www.bcb.gov.br/rex/legce/Ingl/regulation.asp>
- ▶ **Resolution n. 3.844 of 2010 (in English)**
<http://www.bcb.gov.br/rex/legce/Ingl/Ftp/Resolution3844.pdf>
- ▶ **Circular n. 3.689 of 2014 (in English)**
<http://www.bcb.gov.br/rex/legce/Ingl/Circular3689Index.asp?idpai=EXCHANGEREGL>
- ▶ **Ombudsman**
http://www.planalto.gov.br/ccivil_03/_ato2019-2022/2019/decreto/D9770.htm



CONTRACT ENFORCEMENT and INVESTOR PROTECTION

The Brazilian Judiciary is an independent power, ruled by law, with administrative and financial autonomy granted by the Federal Constitution. Its primary function is to resolve conflicts and enforce individual, collective, and social rights. It is formed by several ruling bodies distributed among the federal and state levels. The Supreme Federal Court (STF) is the country's highest court, and is composed of eleven Justices.

The STF is the ultimate body responsible for the interpretation and enforcement of the Constitution. It is followed by the Superior Court of Justice (STJ), which is responsible for making a cohesive interpretation of federal legislation, as well as the regional, state, and specialized courts.

Brazil's Judiciary has three specialized courts dealing with matters outside general jurisdiction: Labor, Electoral, and Military, each of them with their own regional and superior courts. They are headed, respectively, by the Superior Labor Court (TST), the Superior Electoral Court (TSE), and the Superior Military Court (STM).



OVERVIEW OF THE BRAZILIAN LEGAL SYSTEM'S INSTITUTIONAL FRAMEWORK

Brazil adopts the civil law system. The Brazilian Constitution is the backbone of all the country's legislation that safeguards the rights and duties of all of Brazil's citizens, governments, and entities. Enacted in 1988, it granted Brazilians a wide range of civil rights strongly built on principles of democracy, freedom, and welfare. For this reason, it became known as the Citizens' Constitution.

Below the Constitution, Brazilian law is organized into a system of codes. Each area of law is governed by its code, such as taxation (National Tax Code), civil law (Civil Code), commercial law (Commercial Code), labor law (Consolidated Labor Laws), procedural law (Civil Procedure Code), and consumer defense (Consumer Defense Code).

Most decisions issued by the lower courts apply only to the parties concerned, although, in practice, judges usually consult and mention previous decisions on the subject matter. There are, however, some examples of precedents ("súmulas") issued by superior courts that guide the rulings of lower courts. The Brazilian Supreme Federal Court sets Binding Precedents ("súmulas vinculantes") that have a binding effect on the other courts of the Judiciary and the direct and indirect public administration, in the federal, state and municipal spheres. Also, all lower courts and the government must follow the binding decisions issued by the Brazilian Supreme Federal Court; constitutional and administrative courts can nullify laws and

regulations and their decisions in such cases are compulsory for all.

Alternative methods of dispute resolution, such as arbitration, conciliation, and mediation, are options that have been specially promoted in Brazil since the issuance of the new Civil Procedure Code (CPC) in 2015, which implemented new rules in an attempt to promote extrajudicial agreements and relieve the courts' workload. In the same year, the modernization of the Brazilian Arbitration Law amplified the scope of the institution. Whenever agreed between the parties, disputes with Public Administration involving economic rights can now be settled through arbitration, such as in the infrastructure cases.

During 2019, the use of alternative dispute settlement methods was further encouraged in the public sector. Law n. 13.867/19 amended the Brazilian statute on expropriation for the public interest (Decree-law n. 3.365/41) to include arbitration and mediation as eligible dispute settlement mechanisms to decide over the amount due to owners as a result of the expropriation process. Also, Decree n. 10.025/19 authorized the adoption of arbitration proceedings to resolve disputes over available property rights in the port sector and road, rail, waterway, and airport transportation, to settle disputes involving the Union or federal public administration entities and grantees, sub-dealers, permittees, tenants, authorizers or port operators.

BRAZIL'S LEGAL SYSTEM AND FOREIGN INVESTORS

The free initiative, private property, and respect for contracts are rights guaranteed by Brazilian legislation, ruled primarily by the Federal Constitution and the Brazilian Civil Code of 2002. Domestic and foreign capital are treated equally and have the same duties and rights under Brazilian law, except for the few areas in which foreign investment is restricted.

Parties are free to enter into contracts establishing mutual obligations. As long as the object of the contract is not illicit, in conflict with the law, with an undetermined or undeterminable purpose, or impossible to fulfill, it is deemed valid. Exceptions to the general rule are:

- ▶ **The Principle of the Contract's Social Function** - "the liberty to contract shall be exercised by virtue of and limited by the contract's social function". (Article 421 of the Civil Code)
- ▶ **The Principle of Objective Good Faith** - "the parties are obliged to observe the principles of honesty and good faith in the contract's negotiation and execution." (Article 422 of the Civil Code)

Significantly, in May of 2015, the modernization of the Brazilian Arbitration Law amplified the scope of the institute. Whenever agreed between the parties, disputes with Public Administration involving economic rights can now be settled through arbitration, such as in the infrastructure cases.

TRANSPARENCY AND ANTI- CORRUPTION

Brazil's efforts to fight corruption have become known around the world in recent years, due to extensive investigations into important figures, ranging from political leaders to big companies. This development is an achievement of the institutions that have been built since the political opening of the 1980s. The Federal Prosecution Office (MPF), established by the Constitution of 1988, and Comptroller General of the Union (CGU), created in 2003, are two examples of bodies implemented since then.

Additionally, in the past few years, some important laws regarding corruption and transparency have been approved, notably:

- ▶ **2010. The Clean Slate Act (known as "Lei da Ficha Limpa")**
Aims to prevent corruption in the legislature by setting an eligibility clause preventing any person with a criminal conviction from holding public office for eight consecutive years;
- ▶ **2011. The Access to Information Act (known as "Lei de Acesso à Informação")**
Ensures Brazilian citizens access to federal, state, and municipal public documents;
- ▶ **2013. The Anti-Corruption Act (known as "Lei Anticorrupção")**
Came into force in 2014, establishing direct civil liability for companies found guilty of bribery of either Brazilian and foreign public officials.

ANTI-CORRUPTION ACT 2013: WHAT FOREIGNERS NEED TO KNOW

The most relevant change made by the Anti-Corruption Act was setting civil and administrative liability for companies found guilty of unlawful acts (in Brazil or overseas) against the public administration. Until then, only partners or managers could be prosecuted, and they could plead ignorance of fact if the infraction was proved to be an isolated action committed by someone else within the company.

Now, legal entities can be charged themselves for corrupt acts perpetrated against the public administration by their directors, employees, and other agents acting on their behalf. The penalties range from fines to the compulsory dissolution

of the company. Forfeiture of benefits obtained, prevention from the company's participation in government contracts, and suspension of activities are other possible penalties. Fines can be up to 20% of gross revenue.

Furthermore, the Anti-Corruption Act includes a leniency provision through which sanctions may be reduced for companies with effective compliance programs and those that self-report violations of the law to the authorities.

Foreign companies operating in Brazil are also subject to penalties for acts of corruption committed in Brazil.

LINKS

▶ Supreme Federal Court

http://www2.stf.jus.br/portalStfInternacional/cms/verConteudo.php?sigla=portalStfSobreCorte_en_us&idConteudo=120283

▶ Civil Procedure Code (CPC)

http://www.planalto.gov.br/ccivil_03/_ato2015-2018/2015/lei/113105.htm

▶ Brazilian Arbitration Law

http://www.planalto.gov.br/ccivil_03/LEIS/l9307.htm

▶ History of the Federal Prosecution Office

<http://www.mpf.mp.br/conheca-o-mpf/sobre/historico-do-mpf>

▶ History of the Federal Comptroller General (CGU)

<http://www.cgu.gov.br/sobre/institucional/historico>

▶ Clean Slate Act

http://www.planalto.gov.br/ccivil_03/leis/lcp/lcp135.htm

▶ The Access to Information Act

http://www.planalto.gov.br/ccivil_03/_ato2011-2014/2011/lei/112527.htm

▶ Anti-Corruption Act

http://www.planalto.gov.br/ccivil_03/_ato2011-2014/2013/lei/112846.htm

▶ CGU's Anti-Corruption Act landing page

<http://www.cgu.gov.br/assuntos/responsabilizacao-de-empresas/lei-anticorruptcao>

▶ CGU: Anti-Corruption Act FAQ

<http://www.cgu.gov.br/assuntos/responsabilizacao-de-empresas/lei-anticorruptcao/perguntas-frequentes>

▶ CGU: Companies liability regarding corruption

<http://www.cgu.gov.br/assuntos/responsabilizacao-de-empresas>

▶ Brazilian Civil Code, Title V ("Of Contracts in General")

http://www.planalto.gov.br/ccivil_03/leis/2002/L10406.htm

▶ Organs of the Judiciary Power (in English)

<http://www.brazilgovnews.gov.br/federal-government/how-the-government-works/federal-judiciary-branch>

COOPERATION AND FACILITATION INVESTMENT AGREEMENTS (CFIAS)

In the context of modern investment agreements, Brazil proposed a new model aimed at facilitating bilateral investments and improving institutional cooperation. The Cooperation and Facilitation Investment Agreement (CFIA) was designed to avoid the excessive litigation related to traditional Bilateral Investment Treaties (BITs) and to promote a more balanced and symmetrical relationship between investors' and host countries.

The CFIA is thus a comprehensive regulatory framework for foreign investment. It is based on risk mitigation, institutional governance, and thematic agendas for international cooperation and facilitation. It also provides guarantees of non-discrimination, such as most favored nation and national treatment principles, as well as regulations regarding conditions of direct expropriation, compensation in case of conflicts, and free transfer of funds.

Deference to domestic legislation aimed at pursuing public interest needs, and constant collaboration between governmental agencies are the leading notions guiding this model agreement. To mitigate investment risks and avoid situations that may lead to disputes between the parties, the CFIA entails investment and investor protection tools, as well as diplomatic and cooperative mechanisms for the effective performance of the parties' obligations.

As to dispute settlement mechanisms, two institutions are established to govern the agreement: the Focal Point (Ombudsman), based on each Party of the CFIA, and the Joint Committee.

The Joint Committee gathers government representatives of all parties to the agreement, and its role is to monitor the implementation of the CFIA, share investment opportunities, coordinate cooperation agendas, and, notably, prevent disputes and amicably solve possible disagreements concerning the agreement. Should a dispute arise, it oversees the dispute settlement mechanism, which entails consultations, negotiations, and mediation, but does not exclude state-to-state arbitration as a possibility.

Regarding the pillar of institutional governance, it is important to highlight that the CFIA encourages the adoption of corporate, social, and environmental responsibility standards both by investors and their investments. Such a stance is in favor of host countries, benefiting their local communities by contributing to enhance the quality of domestic investments and boosting sustainable development in those States. The institutions set forth at the agreement, mentioned above, shall work in close cooperation to monitor the implementation of those provisions.

As a dynamic instrument, the CFIA makes room for the gradual and joint formulation of agendas between the Parties. The final goal is to foster thematic programs for investment cooperation and facilitation that could help to create an attractive business environment. While building those working agendas, national development strategies and specific challenges are taken in due consideration, and the result is a gradual construction of determined commitments between the Parties.

CFIAs, in sum, promote a more balanced, dynamic, and long-term relationship between the Parties, as compared to traditional investment agreements. This new standard of investment agreements aims at promoting cooperation, reaching the fulfillment of administrative requirements needed to attract foreign direct investments, facilitating access to information and communication channels, and improving the business environment of the Parties involved.

Since 2016, Brazil has signed eleven CFIAs, namely with Angola, Chile, Colombia, Ethiopia, Guyana, Malawi, Mexico, Mozambique, Peru, Suriname, and the United Arab Emirates, and an Investment Cooperation and Facilitation Protocol with the founding countries of Mercosur – Argentina, Paraguay, and Uruguay.

THE DIRECT INVESTMENT OMBUDSMAN (DIO) AND THE BRAZILIAN NATIONAL CONTACT POINT FOR RESPONSIBLE BUSINESS CONDUCT

The Direct Investment Ombudsman (DIO) is one of the instruments for the constant improvement of the business environment in Brazil, a function of the Executive Secretariat of CAMEX of the Ministry of Economy.

The DIO was created to be a facilitator in the relationship between investors and public agencies and entities, preventing controversy and, therefore, contributing to the constant improvement of the investment environment in the country.

It is a direct channel of communication with the investor to receive requests and inquiries about matters related to investments, such as: tax, labor, social security, financial, environmental, administrative, infrastructure, land issues. Access to the DIO is free of charge and confidential; consultations will be answered jointly by the public entities responsible for the matter (Federal, State and Municipal levels).

Requests are considered as questions about

legislation and administrative procedures related to investments; inquiries refer to situations related to specific matters affecting companies' investment.

Among the competences of the DIO is the provision of useful and non-confidential information both before and after the investment decision (aftercare). For this purpose, the DIO can use a Network of Focal Points, composed of representatives from entities in the direct and indirect public administration, as well as representatives from state governments.

The DIO reports to the Committee of vice-ministers in charge of the policy towards foreign investment. The DIO can, therefore, propose improvements in the legislation or administrative procedures, aiming at the improvement of the investment environment (policy advocacy).

The DIO website (versions available in English and Portuguese) is: <http://www.oid.economia.gov.br>.

The DIO receives consultations from investors and associated agents. The proactive promotion of investment (customer prospection, identification and development of projects, identification of opportunities, among others) is an attribute of Apex-Brasil.

The OECD Guidelines for Multinational Enterprises (Guidelines) provide a global framework for responsible business conduct covering all areas of business responsibility including disclosure, human rights, employment and industrial relations, environment, anti-corruption, competition, and taxation. Countries adhering to the Guidelines are required to set up Nacional Contact Points (NCPs).

National Contact Points are agencies established by governments. Their mandate is twofold: to promote the OECD Guidelines for Multinational Enterprises, and related due diligence guidance, and to handle cases (referred to as "specific instances") as a non-judicial grievance mechanism. To date, 48 governments have an NCP for RBC.

The National Contact Point of Brazil was reinstated by the Decree nº 9.874/2019 and since January is located at the Executive Secretariat of the Foreign Trade Council of Ministry of Economy.

The Brazilian National Contact Point is comprised of representatives from the Ministry of Economy (NCP Coordinator); Ministry of Justice and Public Security; Ministry of Foreign Affairs; Ministry of Environment; Ministry of Women, Family and Human Rights; Ministry of Mines and Energy; Office of the Comptroller General (CGU); and Central Bank of Brazil.

The mission of the Brazilian National Contact Point is to assist with compliance with the requirements of responsible business conduct and to create possibilities for settling disagreements concerning compliance with the provisions of the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

The main functions of the Brazilian National Contact Point are (i) to raise awareness and promotion of the Guidelines and (ii) to handle specific instances, providing a non-judicial dispute resolution mechanism concerning the company's alleged failure to observe the Guidelines.

LINKS

► **Presentation of the CFIA:**

<http://www.mdic.gov.br/comercio-exterior/negociacoes-internacionais/218-negociacoes-internacionais-de-investimentos/1949-nii-acfi>

<http://www.mdic.gov.br/arquivos/CFIA-Presentation-EN.pdf>

<http://www.camex.gov.br/investimentos>,

► **List of countries with which Brazil has concluded CFIA:**

<http://camex.gov.br/109-estrutura/grupos-tecnicos-e-de-coordenacao/56-grupo-tecnico-de-estudos-estrategicos-de-comercio-exterior-gtex>



APEX-BRASIL - SERVICES FOR INVESTORS



APEX-BRASIL WORKS
TO PROMOTE BRAZILIAN
PRODUCTS AND SERVICES
ABROAD, TO ATTRACT
FOREIGN DIRECT
INVESTMENTS TO THE
BRAZILIAN ECONOMY AND
TO SUPPORT BRAZILIAN
COMPANIES IN THEIR
INTERNATIONALIZATION
PROJECTS.

In relation to its investment attraction initiatives, the Agency focuses on foreign companies and projects that have a potential to offer technological innovation and new business models, to strengthen industrial supply chains, and to directly impact national job creation and the volume and diversity of Brazilian exports.

Apex-Brasil is prepared to assist in all steps of the investor's decision-making process. Its service portfolio ranges from promoting investment opportunities in priority sectors, providing tailored market and industry information and organizing site visits in Brazil. Using an extensive network of companies, associations and authorities, Apex-Brasil also acts as a liaison between potential partners, key suppliers and government authorities.

Moreover, Apex-Brasil also assists capital investors - Limited Partners (LPs), such as sovereign funds, family offices, angel investors, university endowments and others - in finding suitable investment opportunities in partnership with local investment funds - General Partners (GPs) - or through government concession programs, companies and startups. The goal is to bring investments to Brazilian companies to strengthen their competitiveness, by improving their management capabilities, expansion programs, innovation processes and exports.

APEX-BRASIL'S SERVICES FOR INVESTORS AND COMPANIES

FOR FOREIGN COMPANIES

Support for foreign companies willing to evaluate Brazil as an investment destination or to expand their operations in the country:

INFORMATION ABOUT BRAZIL

- ▶ Strategic overview of Investment Opportunities;
- ▶ Business environment;
- ▶ Economic data and projections;
- ▶ Industry and market information;
- ▶ General information on rules and regulations;
- ▶ Overview of supply chains;
- ▶ Identification of competitors, potential partners and suppliers.

SUPPORT ON SITE-LOCATION FOR THE INVESTMENT PROJECT

- ▶ Guidance on potential regions to receive the investment project;
- ▶ Support on local business agendas;
- ▶ Networking with public and private institutions at federal and state levels.

FOR FOREIGN INVESTMENT FUNDS

Apex-Brasil supports foreign investment funds and individual investors seeking opportunities for venture capital and private equity allocation in Brazilian companies and startups, through the following services:

- ▶ Participation in investment rounds in Brazil and abroad, in which Brazilian companies and startups present their projects to potential investors;
- ▶ Customized contact with Brazilian companies and startups according to the investors' requirements;
- ▶ Connection with national funds managers;
- ▶ Information on the dynamics of venture capital and private equity industry in Brazil.

INTELLECTUAL PROPERTY

Brazil has solid rules regarding the protection of intellectual property (IP) in the country. It has a prominent international position on IP protection, being a member of the two main organizations in this field: the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO). Brazil is also a signatory of treaties such as the Paris Convention, the Bern Convention, the Patent Cooperation Treaty, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid System).

According to Brazilian law, inventions, utility models, industrial designs, computer software, trademarks, and geographical indicators are considered industrial properties. Natives and individuals born in countries that ensure IP rights to Brazilians can apply for a patent in Brazil, as can companies.

While an invention patent is valid for 20 years, the utility model patent lasts for 15 years. For trademarks, the protection is valid for 10 years. Lately, the National Institute of Industrial Property (INPI) has presented significant gains in productivity. In 2018, the number of granted patents rose 77.4% in comparison to 2017, whereas the increase in trademarks registrations was 55.5%. For industrial designs, the registrations went up by 40.3%. The

increase in production has also reflected in the drop of the backlog when compared to the end of 2017: 7.4% reduction of unexamined patent applications; 46.6% for trademarks and 63% for industrial design applications. Those figures are the result of the domestic efforts to enhance the Brazilian intellectual property system. Here are some of the measures adopted in this regard:

- ▶ IP international standards have been duly incorporated into Brazil's legislation and, in some aspects, the country's domestic legislation provides protection beyond TRIPS requirements;
- ▶ The country has also established national laws protecting computer software since 1996 and integrated circuit (IC) layout design since 2007;
- ▶ Brazil adopted international trademark classification systems (Nice Agreement) and examination standards;
- ▶ The government launched, in July 2019, a plan to tackle the patent backlog. The plan will implement measures to reduce bureaucracy, costs and time in patent processes, aiming to reduce by 80% the number of applications pending a decision by 2021, in addition to reducing the average concession period to about two years from the examination request. On October, 2019, the Madrid System for the International Registration of Marks has entered into force in the country.



LEGAL INSTANCES

One of the main IP laws in Brazil is the Industrial Property Act of 1996 (Law n. 9.279 of 1996), which is a general piece of legislation. The INPI is the national agency responsible for maintaining and enforcing the Act - therefore, it controls IP request submissions and acceptances.

Medicines and health technologies, on the other hand, are evaluated by ANVISA, the federal Health Surveillance Agency.

Under the terms of the Paris Convention, rights already submitted abroad may be recognized and enforced in Brazil, if filled within a defined time limit.

Brazil is a party to the Bern Convention on Copyright. Although protection is not necessarily dependent upon registration, copyright owners are recommended to register their work. There are several competent registration bodies for copyright registration in Brazil, such as the National Library and the Federal Council of Engineering and Agronomy (CONFEA).

IP LICENSE AGREEMENTS AND TECHNOLOGY TRANSFER

The INPI is the agency responsible for registering agreements for the supply of technology, provision of specialized technical services (including technology transfer), patent licenses, trademark licenses, and franchise agreements. The Brazilian Central Bank must also register agreements, due to foreign currency payments.

ENFORCEMENT

IP infringements are crimes included in the Brazilian Criminal Code. The Industrial Property Act foresees penalties for those who break industrial property laws, including fines and imprisonment.

Property owners have many ways to proceed in order to pursue their rights, such as civil actions, criminal prosecutions or, when both parts are willing to further dialogue, arbitration.

These procedures may be submitted to the judicial system anywhere in the country. If necessary, the city of Rio de Janeiro has specialized IP courts.

Brazilian Customs authorities also participate in IP enforcement, as they can seize imported or exported goods that infringe Brazilian trademarks, copyrights, and patents (such as false, modified or counterfeited trademarks).

LINKS

- ▶ **Law of Protection of Intellectual Property (Law n. 9.279 of 1996)**
http://www.planalto.gov.br/ccivil_03/leis/L9279.htm
- ▶ **World Intellectual Property Organization (WIPO)**
<https://www.wipo.int/portal/en/index.html>
- ▶ **World Trade Organization (WTO)**
https://www.wto.org/english/thewto_e/countries_e/brazil_e.htm
- ▶ **Paris Convention**
<https://www.wipo.int/treaties/en/ip/paris>
- ▶ **Bern Convention**
https://www.wipo.int/treaties/en/ShowResults.jsp?treaty_id=15
- ▶ **Patent Cooperation Treaty**
<http://www.wipo.int/pct/en/>
- ▶ **Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)**
https://www.wto.org/english/docs_e/legal_e/27-trips_03_e.htm
- ▶ **Law of Industrial Property (Law n. 9.279 of 1996)**
http://www.planalto.gov.br/ccivil_03/leis/L9279.htm
- ▶ **Law of integrated circuit (IC) layout design (Law n. 11.484 of 2007)**
http://www.planalto.gov.br/ccivil_03/_ato2007-2010/2007/lei/11484.htm
- ▶ **Nice Agreement**
<https://www.wipo.int/classifications/nice/en/>
- ▶ **Madrid System**
<https://www.camara.leg.br/proposicoesWeb/fichadetramitacao?idProposicao=2164129>
- ▶ **National Institution of Intellectual Property (INPI)**
<http://www.inpi.gov.br/english>
- ▶ **National Library**
<https://www.bn.gov.br/acontece/noticias/2016/10/registro-obras-intelectuais-eda-escritorio-direitos>
- ▶ **Federal Council of Engineering and Agronomy (CONFEA)**
<http://transparencia.confex.org.br/servicos-oferecidos/>
- ▶ **Brazilian Central Bank**
<https://www.bcb.gov.br/estabilidadefinanceira/exibenormativo?tipo=Resolu%C3%A7%C3%A3o&numero=3844>
- ▶ **Criminal Code**
http://www.planalto.gov.br/ccivil_03/decreto-lei/Del2848compilado.htm
- ▶ **Specialized IP courts**
<http://www1o.trf2.jus.br/portal/propriedade-intelectual/>



Taxation

SMALL AND MICRO COMPANIES TAXATION

The main guidelines for taxation in Brazil come from the Federal Constitution of 1988, which establishes the general principles, limitations on the power to tax, jurisdiction to tax among levels of government, and tax revenue sharing provisions.

Taxation in Brazil occurs at three levels of government: federal, state, and municipal. In broad terms, the main federal taxes cover excise duties, import and export duties, financial transactions, taxes on revenue, profits and income, as well as contribution charges that fund social security and employment benefits, managed by the Federal Revenue Service ("Receita Federal").

The main state-level tax is a VAT-type tax on the interstate and intrastate circulation of goods and services (ICMS). The main municipal taxes are real estate taxes (IPTU), stamp duty on real estate transfers (ITBI) and services tax (ISS).

There are also regulatory taxes, such as IOF (Tax on Financial Transactions), IPI (Tax on Manufactured Products), and CIDE (Contribution of Intervention in the Economic Domain), which are levied on specified products and services, and are used by the Federal Government as auxiliary instruments in conducting monetary and industrial policies, respectively.

Aware of its complexity, the government is committed to simplify the Brazilian tax system. Part of the Federal Government reforms package comprises structural changes to the pension system and labor legislation, among others. There are proposals to standardize some taxes, namely ICMS – which is currently defined individually by the States and often differs from one to another – and PIS and Cofins, currently divided into two categories (the non-cumulative regime, with a rate of 9.25% that allows deducting credits on the acquisition of inputs; and the cumulative one, with a rate of 3.65% without deducting credits).

It is important to point out that micro and small businesses already have special regimes with simplified and reduced taxes, framed by programs such as "Simples Nacional" and the Individual Micro-Entrepreneur (MEI) program. "Simples" targets companies with gross revenue of up to BRL 4.8 million (this limit went into effect in 2018) and condenses most of their corporate taxes into one single payment. MEI was created seeking to formalize individual autonomous professionals who earn up to BRL 81,000 (USD 22,160) a year, exempting them from federal taxes in exchange for a fixed monthly fee (around 5% of the minimum wage).

CORPORATE TAXES

The two main direct corporate taxes are the corporate income tax (IRPJ) and the social contribution tax (CSLL). The latter's rate ranges from 9% up to 15% in case of insurance companies, financial institutions or credit unions, while IRPJ deducts 15%, plus a 10% additional rate on any monthly income that exceeds BRL 20,000 (USD 5,470). On the other hand, dividends are tax-free in Brazil.

The Brazilian government, through its Department of Registration of Business and Integration and other federal agencies, is responsible for authorizing the nationalization or installation of offices, agencies, branches or facilities of a foreign company in Brazil. The incorporation of a Brazilian

subsidiary is not subject to a similar authorization process. All these legal entities must calculate and pay taxes regularly (monthly, quarterly or annual, depending on the tax due) and file a yearly tax return consolidating the results from the previous calendar year. Regardless of capital control, the law acknowledges as a domestic company any foreign corporation which has a subsidiary, branch, agency, office, representative or the like in Brazil. Therefore, all companies should obtain a Corporate Taxpayer Identification Number (CNPJ) to collect taxes in the Brazilian system.

For tax purposes, business profits are calculated based on net income, as reported on the income statement (profit and loss account) and adjusted for non-taxable income and non-deductible expenses. Intercompany transactions are subject to transfer pricing rules.

Capital gains are taxed as ordinary income. The cash basis may be used to calculate profits on certain long-term sales of permanent assets. Capital losses may only be offset by capital gains. Unused capital losses are treated similarly to income tax losses with regard to limits on use and the carryforward period.

Gains from the sale of depreciable property are treated as ordinary non-operating income and not as capital gains. Corporate taxpayers may choose to include exchange gains and losses in their taxable income, on an accrual basis (whether or not realized, monthly exchange gains will be taxable and exchange losses will be deductible) or on a cash basis (it will be taxable or deductible only when realized). Companies participating in specific industries, such as banking, insurance, and leasing, are subject to special tax rules.

Tax holidays are offered to certain industries operating in specific areas. No tax consequences arise from converting a non-incorporated business into an incorporated entity or from changing the corporate form, such as from a private limited liability company ("limitada") to a corporation ("sociedade anônima").

DIVIDENDS

Dividends are not subject to withholding income tax and neither is the recipient. Received from other local companies, including subsidiaries and affiliates, they are not subject to corporate income tax. The payment of dividends in kind is not prohibited by corporate law, provided that specific rules and terms are clearly defined in the Articles of Incorporation or the payment is approved at the Annual Shareholders' Meeting.

FOREIGN PERSONNEL

There is no legislation that favors foreign shareholders or holding companies. In Brazil, as a rule, foreign workers are taxed as residents on their worldwide income, regardless of their visa type (permanent or temporary).

PARTNERSHIPS AND JOINT VENTURES

The procedures for the taxation of partnerships and joint ventures are similar to those for corporate taxpayers.

MAIN TAXES AND CONTRIBUTIONS IN BRAZIL

SERVICES

ISS	Services Tax - varies between 2% to 5% (depending on the type of service), on the service price.
INSS*	Social Security Contribution – varies between 8% to 11%, depending on the salary range.

*INSS is paid both by the employee, discounted from the gross salary (Service), and by employers, on total payroll (Payroll).

PRODUCTS

ICMS (STATE GOODS AND SERVICES TAX)	Intrastate rates are defined and levied by states on the circulation of goods within its borders. Standard intrastate rates vary between 17% and 35%. Interstate levels are generally levied at 7% and 12%, and 4% on imported goods (the final product must include more than 40% imported content).
IPI (TAX ON MANUFACTURED GOODS)	Ranging from 0% to 300% (in the case of cigarettes), depending on the product. Rates are defined by product code (HS code) and are informed by the IPI Tax Rates Table – TIPI.
II (IMPORT DUTY)	Foreign merchandise entering Brazil incurs import duties ranging from 0% to 20%. Rates are contained in the Mercosur Harmonized Tariff Schedule (TEC).
IE (EXPORT TAX)	Generally 30% when applicable (most exports do not collect it), but it may be raised or lowered to meet the objectives of Brazil's exchange rate and foreign trade policies. The maximum rate may be increased to 150%.
IOF (TAX ON FINANCIAL TRANSACTIONS)	Levied on credit, exchange, insurance, and financial operations in general, ranging from 0% to 25%, depending on the transaction. The current IOF rate for exchange operations (buying and selling dollars) is 1.1%. Making payments abroad with Brazilian credit cards, prepaid cards, and travelers' cheques have a 6.38% IOF rate.

SERVICES AND PRODUCTS

IRPJ (CORPORATE INCOME TAX)	At a rate of 15% on profit, plus an additional 10% on the monthly income that exceeds BRL 20,000 (USD 5,470).
PIS/PASEP (SOCIAL CONTRIBUTION ON GROSS REVENUE)	Used to fund unemployment insurance and the Workers' Assistance Fund. There are two different regimes, which vary on the tax calculation method chosen by the company. Cumulative Regime (applied to legal entities collecting IRPJ by Presumptive Profit): 0.65% of gross revenue. Non-Cumulative Regime (IRPJ by Taxable Profit): 1.65% of gross revenue.
COFINS (SOCIAL CONTRIBUTION TAX)	Used to fund social security. It is usually paid alongside PIS and follows the same regimes. Cumulative Regime (IRPJ by Presumptive Profit): 3% of gross revenue. Non-Cumulative Regime (IRPJ by Taxable Profit): 7.6% of taxable revenue.
CSLL (SOCIAL CONTRIBUTION TAX ON PROFIT)	9% (15% for insurance companies, financial institutions and credit unions).

PAYROLL

FGTS (GUARANTEE FUND FOR CONTINUING SERVICE)	8% of employee's gross salary
INSS (SOCIAL SECURITY CONTRIBUTION)*	20% on total payroll
SAT/RAT (OCCUPATIONAL HAZARDS INSURANCE)	1% to 3% of payroll, according to the risk level of the activity
THIRD PARTY CONTRIBUTION TAXES ("CONTRIBUIÇÃO A TERCEIROS")	Contributions paid for social entities and funds, according to business activities (determined by the FPAS code table). SESI/SESC Social Programs, SENAI/SENAC Training Programs, SEBRAE Program for Small Companies, and INCRA Supplementary rural pension are some of these entities. The amount per entity varies from 0.2% to 2.7% on the total payroll.

*INSS is paid both by the employee, discounted from the gross salary (Service), and by employers, on total payroll (Payroll).

PROPERTY

IPTU (URBAN REAL ESTATE TAX)	There is no minimum or maximum rate established by federal law (it is therefore established by each municipality). Escalation criteria: location, value, use, and social function.
ITR (RURAL REAL ESTATE TAX)	Ranging from 0.03% to 20% (depending on land area and degree of land use).
ITBI (STAMP DUTY ON REAL ESTATE TRANSFERS)	There is no minimum or maximum rate established by federal law (it is therefore established by each municipality). Single rate, non-progressive regime.

FURTHER INFORMATION

► **Federal taxes ruled by the Federal Revenue Service (Secretaria da Receita Federal do Brasil)**

<https://idg.receita.fazenda.gov.br/aceso-rapido/tributos>

► Federal Revenue Service: Legislation by topic

<http://idg.receita.fazenda.gov.br/aceso-rapido/legislacao/legislacao-por-assunto/legislacao-por-assuntos>



LINKS

- ▶ **Federal Constitution of 1988**
http://www.planalto.gov.br/ccivil_03/constituicao/constituicao.htm
- ▶ **Federal Revenue Service**
<http://receita.economia.gov.br/aceso-rapido/tributos>
- ▶ **Tax on Financial Transactions**
<http://receita.economia.gov.br/aceso-rapido/tributos/IOF>
- ▶ **Tax on Manufactured Products**
<http://receita.economia.gov.br/aceso-rapido/tributos/ipi>
- ▶ **Contribution of Intervention in the Economic Domain**
<http://receita.economia.gov.br/aceso-rapido/tributos/cide>
- ▶ **ICMS (Convênio 52/2017)**
https://www.confaz.fazenda.gov.br/legislacao/convenios/2017/CVo52_17
- ▶ **Simples Nacional**
<http://www8.receita.fazenda.gov.br/simplesnacional/Perguntas/Perguntas.aspx>
- ▶ **Individual Micro Entrepreneur (MEI) program**
<http://www.portaldoempreendedor.gov.br/>
- ▶ **Corporate Income Tax (IRPJ)**
<http://receita.economia.gov.br/aceso-rapido/tributos/IRPJ>
- ▶ **Social Contribution Tax (CSLL)**
<http://receita.economia.gov.br/aceso-rapido/tributos/CSLL>
- ▶ **Worldwide Income**
<https://www2.deloitte.com/br/en/pages/doing-business-brazil/articles/corporate-taxation.html>
- ▶ **Law of Credit Unions CSLL (Law n. 13.169 of 2015)**
<https://www2.camara.leg.br/legin/fed/lei/2015/lei-13169-6-outubro-2015-781720-norma-atualizada-pl.html>
- ▶ **Law of Credit Unions IRPJ (Law n. 9.249 of 1995)**
http://www.planalto.gov.br/ccivil_03/leis/l9249.htm
- ▶ **Transfer Pricing Rules (Law n. 9.430 of 1996)**
http://www.planalto.gov.br/ccivil_03/LEIS/L9430compilada.htm
- ▶ **Law of Ordinary Income (Law n. 7.713 of 1988)**
http://www.planalto.gov.br/ccivil_03/leis/l7713.htm
- ▶ **Cash Basis**
https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwjC1LqtptbhAhVTIbkGHbdnC3lQFjAAegQIAxAC&url=http%3A%2Fnormas.receita.fazenda.gov.br%2Fsijutzconsulta%2F AnexoOutros.action%3FidArquivoBinario%3D44382&usq=AOvVawo5yixL5l-_E5WRpKgAOChd
- ▶ **Dividends**
<http://normas.receita.fazenda.gov.br/sijutzconsulta/link.action?idAto=91740&visao=anotado>
- ▶ **Residents**
<https://www.receita.fazenda.gov.br/PessoaFisica/IRPF/2010/Perguntas/Exterior.htm>
- ▶ **ISS (Complementary Law n. 116 of 2003)**
http://www.planalto.gov.br/ccivil_03/leis/LCP/Lcp116.htm
- ▶ **INSS**
<https://www.inss.gov.br/beneficios/aposentadoria-por-tempo-de-contribuicao/>

- ▶ **ICMS (State Goods and Services Tax)**
<https://blog.sage.com.br/tabela-icms-2019-atualizada/>
- ▶ **IPI (Tax on manufactured goods)**
<https://receita.economia.gov.br/aceso-rapido/tributos/ipi>
- ▶ **IPI Tax Rates Table – TIPI**
http://www.planalto.gov.br/ccivil_03/_Ato2007-2010/2010/Decreto/D7212.htm
- ▶ **II (Import Duty)**
<https://receita.economia.gov.br/aceso-rapido/tributos/imposto-importacao>
- ▶ **Mercosur Harmonized Tariff Schedule (TEC).**
<http://www.mdic.gov.br/comercio-exterior/estatisticas-de-comercio-exterior-g/arquivos-atuais>
- ▶ **IE (Export Tax)**
<https://receita.economia.gov.br/aceso-rapido/tributos/imposto-exportacao>
- ▶ **IOF (Tax on Financial Transactions)**
<https://receita.economia.gov.br/aceso-rapido/tributos/IOF>
- ▶ **IRPJ (Corporate Income Tax)**
<https://receita.economia.gov.br/aceso-rapido/tributos/IRPJ>
- ▶ **PIS/Pasep (Social Contribution on Gross Revenue)**
<https://receita.economia.gov.br/aceso-rapido/tributos/pis-pasep-cofins>
- ▶ **CSLL (Social Contribution Tax on Profit)**
<https://receita.economia.gov.br/aceso-rapido/tributos/CSLL>
- ▶ **FGTS (Guarantee Fund for Continuing Service)**
<http://www.fgts.gov.br/Pages/default.aspx>
- ▶ **INSS (Social Security Contribution)**
<https://receita.economia.gov.br/aceso-rapido/tributos/contribuicoes-previdenciarias-pj>
- ▶ **SAT/RAT (Occupational Hazards Insurance)**
<https://receita.economia.gov.br/orientacao/tributaria/declaracoes-e-demonstrativos/gfip-sefip-guia-do-fgts-e-informacoes-a-previdencia-social-1/fap-fator-acidentario-de-prevencao-legislacao-perguntas-frequentes-dados-da-empresa/fap-fator-acidentario-de-prevencao#o-que-e-rat>
- ▶ **Third Party Contribution Taxes (“Contribuição a terceiros”)**
<https://receita.economia.gov.br/aceso-rapido/tributos/contribuicoes-previdenciarias-pj>
- ▶ **ITR (Rural Real Estate Tax)**
http://www.cadastrorural.gov.br/cartilha-de-orientacoes/copy_of_itr-imposto-sobre-a-propriedade-territorial-rural
- ▶ **Federal taxes ruled by the Federal Revenue Service**
<https://idg.receita.fazenda.gov.br/aceso-rapido/tributos>
- ▶ **Federal Revenue Service: Legislation by topic**
<http://idg.receita.fazenda.gov.br/aceso-rapido/legislacao/legislacao-por-assunto/legislacao-por-assuntos>



PROPERTY AND LAND

Foreigners can acquire real estate in Brazil, even without the involvement of local partners. However, there are rules that must be observed when it comes to specific areas, such as maritime territory, islands, rural land, and areas near Brazil's international borders, regarded by the government as crucial for security.

Brazilians and foreigners have similar rights and obligations when it comes to buying or leasing property. Properties can be registered only once, and that must happen at a register of deeds (Cartório de Registros Imobiliários) located in the same jurisdiction of the property. The resulting document shall contain all information about the property, such as its transaction history and physical identification. It is important to note that these records are always public. Registry costs vary from one state to another.

It is necessary to have a CNPJ or CPF (Corporate or Individual Taxpayer Identification Number, respectively) provided by the Federal Revenue Service (RFB).

TO APPLY FOR A CPF, THE FOREIGNER MUST CARRY OUT THE FOLLOWING SEQUENCE OF PROCEDURES:

- ▶ **Complete the electronic form in the Portuguese, Spanish or English versions, available at RFB's website;**
- ▶ **Submit the form along with a copy of his/her identification document (with photo, place, and date of birth) to a Brazilian consular office (consulate or embassy with a consular sector). The following are accepted as identification document: passport; National Registry of Migration Card /National Register of Foreigners (CRNM/RNE); or other documents, at the discretion of the RFB.**

Although it is not mandatory, it is advisable to obtain legal support from an attorney, as well as a real estate agent registered at CRECI, the professional organization regulating professional property managers and real estate brokers.

LINKS

▶ **Law regulating and purchase by foreigners**

http://www.planalto.gov.br/ccivil_03/leis/L5709.htm

▶ **Register of Deeds (Cartório de Registros Imobiliários)**

<https://www.registradores.org.br/ConhecaArisp/frmConhecaArisp.aspx#sliders-8>

▶ **CNPJ**

<http://normas.receita.fazenda.gov.br/sijut2consulta/link.action?visao=anotado&idAto=97729>

▶ **CPF**

<http://www.receita.fazenda.gov.br/Aplicacoes/ATCTA/CpfEstrangeiro/fcpfIng.asp>

▶ **BCB's investment FAQ**

http://www.bcb.gov.br/pre/bc_atende/port/investimento.asp

▶ **Register of Deeds Platform**

<https://www.registradores.org.br/index.aspx>



RURAL LAND ACQUISITION/ LEASING



Regarded as prized assets by many, rural properties in Brazil can be purchased or leased by foreigners, with certain legal limitations, especially concerning the size of the property. For purposes of rural land acquisition or leasing, foreigners in Brazil are foreign individuals who are not naturalized, even if they are married to a Brazilian citizen with a community property system and have Brazilian children.

Corporations whose capital originates from another country, even with the permission to operate in Brazil, also face limitations imposed by law. This is also the case for Brazilian corporations in which foreigners control the majority of capital, whether they are individuals or corporations, residing or having headquarters in Brazil or abroad.

The agency that regulates the size of the reference unit for land, called Undefined Land Holding Units (MEI), is the National Institute of Colonization and Agrarian Reform (INCRA).

In case of acquisition of land in important areas for national security by foreigners (individuals or corporations), independently of its size, prior approval from the National Defense Council is necessary.

INDIVIDUALS

There are some conditions related to the leasing or acquisition of land by foreign individuals, especially when it comes to the size of the property.

The area that foreigners are allowed to purchase is limited to 50 MEIs. If the property is smaller than 3 MEIs, authorization from INCRA is not required, respecting only the general restrictions established by law.

In the case of estates between 3 to 50 MEIs, INCRA authorization becomes mandatory, but not for the land-use plan (which is only compulsory in case of estates bigger than 20 MEIs).

COMPANIES

Foreign companies may acquire properties up to 100 MEIs and must present a land-use plan to INCRA to obtain permission, regardless of the size of the land. If the property is larger than 100 MEIs, the purchase must be authorized by the National Congress.

It is also important to note that the total of estates purchased or leased by foreigners, individuals or companies in any one municipality cannot exceed 25% of the total area of the municipality. Furthermore, the combined area of properties owned by foreigners of the same nationality cannot be larger than 10% of the municipality area.

THE MAIN REQUIREMENTS FOR THE ACQUISITION AND LEASING OF LAND BY FOREIGNERS IN BRAZIL ARE:

INDIVIDUALS	COMPANIES
Being a permanent resident in Brazil and enrolled in the National Registry of Migration – (RNM, formerly RNE) under a valid status;	Registration at the Commerce Registry ("Junta Comercial") in the Brazilian State where it has its headquarters – in the case of Brazilian corporations controlled by foreigners, whether they are individuals or legal entities, residing or with headquarters abroad;
Providing a land-use plan (only for areas above 20 MEIs).	Official authorization to operate in Brazil, in the case of a foreign legal entity, that is, one in which foreigners control all capital;
LIMIT: 50 MEIs	Clear provision in its Articles of Incorporation regarding agriculture, livestock, forestry, tourism, industry or settlement activities;
	Providing a land-use plan, regardless of the size of the area to be acquired or leased
	LIMIT: 100 MEIs

LAND-USE PLAN

When required, the land-use plan must be submitted to INCRA and, depending on the nature of the endeavor, it may be forwarded to other government departments for approval.

The plan must contain the following information:

- ▶ Justification of the proportionality between the amount of land to be acquired and the size of the project;
- ▶ Physical and financial schedule for investment and implementation;
- ▶ Possible use of official credit to finance all or part of the venture;
- ▶ Logistical feasibility of project implementation and, in the case of an industrial project, demonstration of compatibility of the land location with the type of plant to be built;
- ▶ Proof of compliance with the criteria for Ecological and Economic Zoning of Brazil (ZEE), which is a policy tool used to guide land use. The ZEE establishes, for example, which crops are best suited economically for growing in a given part of the country, taking into account measures and standards of environmental protection and biodiversity.

LINKS

- ▶ **Law regulating purchase by foreigners**
http://www.planalto.gov.br/ccivil_03/leis/L5709.htm
- ▶ **Land use plan**
http://www.incra.gov.br/media/politica_fundiaria/aquisicao_e_arrendamento_de_terra_por_estrangeiro/inc_01_27_09_2012.pdf
- ▶ **Ecological and Economic Zoning of Brazil (Decree 4297/2002)**
http://www.planalto.gov.br/ccivil_03/decreto/2002/D4297.htm
- ▶ **Requirements**
http://www.incra.gov.br/sites/default/files/uploads/estrutura_fundiaria/regularizacao_fundiaria/aquisicao_e_arrendamento_de_terras_por_estrangeiro/instrucao_normativa_88_de_2017_com_alteracao.pdf



**ENVIRONMENTAL
POLICY,
REGULATION,
and LICENSES**

ENVIRONMENTAL LICENSING

The Ministry of the Environment (MMA) is the main department concerning environmental policy in Brazil. It is responsible for formulating policies on climate change and environmental quality, biodiversity and forests, water resources, and sustainable urban and rural development.

Besides the ministry, Brazil's government includes other entities assigned to implement environmental laws and ordinances in different areas. Examples are the National Council of the Environment (CONAMA), the National Council of the Amazon (CONAMAZ), the National Council of Water Resources (CNRH), the Chico Mendes Institute for Biodiversity Conservation (ICMbio), the Brazilian Environmental Protection Agency (IBAMA), and the Brazilian National Forest Program (CONAFLOP).

Among those agencies, IBAMA is the most important, being responsible for implementing new policies and standards for environmental quality, evaluating environmental impact, examining environmental degradation, and issuing environmental licenses. It also has administrative and financial autonomy, and is responsible for issuing authorizations, issuing environmental infraction notices, opening administrative proceedings to investigate environmental infractions and applying correspondent sanctions (including fines, embargo and/or suspension of activities/products, etc.). In the case of environmental crimes, it is responsible for informing federal authorities for further prosecution.

It is important to keep in mind that Brazil is a global leader for environmental issues, with a long history of environmental protection. Its first Forest Code was implemented in 1934. In 2012, the Code was updated to better suit the more recent Brazilian reality.

A core directive of Brazil's environmental policy is the strict liability for factories, which are held accountable for the pollution they cause. Subsequent legislation has authorized public prosecutors and NGOs to act in defense of the environment, and a number of regulations have been issued regarding conservation and environmental licensing, as well as oil and gas exploration and production.

Before starting an industrial, infrastructure or agricultural project in Brazil (i.e. effective or potentially polluting activities) it is necessary to obtain environmental licensing, which is part of general licensing. Some commercial developments may also require these licenses, depending on the zoning laws in a given municipality. The main goal is to analyze the potential impact that new undertakings may have on the ecosystem and avoid harm to the environment.

The National Congress is currently working on new general legislation regarding licensing, which would reduce bureaucracy by loosening the licensing process. Among the topics discussed is the possible simplification of licenses for undertakings unlikely to represent any danger to the environment.

Currently, the licensing process starts at IBAMA and there are three main categories of licenses:

►Provisional License (LP)

►Building License (LI)

►Operating License (LO)

These can be issued individually or in succession, according to the nature, characteristics, and phase of the enterprise or activity.

PHASE 1

The Provisional License is valid for up to 5 years and does not guarantee the building of the project. Its main goal is to study the viability of the enterprise based on activity, location, and environmental impact. This document will set out the basic requirements and standards that need to be met in the subsequent phases of the licensing process, taking into account different project alternatives and proposals submitted by applicants.

During the provisional licensing phase, the applicant is required to submit a proposal as a 'Terms of Reference' (TR) document to IBAMA in order to prepare environmental impact studies. Once the TR is approved, the applicant should then prepare an Environmental Impact Assessment (EIA) and Environmental Impact Report (RIMA).

Following submission of the EIA and RIMA, as well as a public hearing on the project, the applicant gets a provisional environmental license, which allows work on the project to begin.

For enterprises and activities that do not entail a significant impact upon the environment, IBAMA may waive the provisional licensing phase and require instead a Simplified Environmental Assessment (EAS) and an Environmental Control Plan (RAP).

PHASE 2

Once the LP is granted, the second phase begins. The Building License is valid during the period of construction works but has a limit of 6 years. The work must comply with the specifications contained in previously approved construction projects and plans.

PHASE 3

Before the beginning of operations, it is necessary to obtain an Operating License (LO).

This will happen after an inspection by local authorities, to certify that all necessary measures were taken to protect the environment. This also includes numerous reports that detail environmental mitigation measures, as well as those that were not included or were not sufficiently explained during the Building Permit application process.

During the entire process, IBAMA may consult other agencies, such as institutes that protect historical heritage, environmental institutions, and populations affected by the project, in order to make its decision.



WORKFLOW

TERMS OF REFERENCE (TR)

↓

ENVIRONMENTAL IMPACT
ASSESSMENT (EIA) + ENVIRONMENTAL
IMPACT REPORT (RIMA)

↓

PROVISIONAL LICENSE

↓

BUILDING LICENSE
(CONSTRUCTION WORKS)



↓

(REPORTS AND INSPECTIONS)

LINKS

▶ **Ministry of the Environment**

<http://www.mma.gov.br/>

▶ **Responsibilities of MMA**

<http://www.mma.gov.br/o-ministerio/estrutura-e-competencias.html>

▶ **National Council of the Environment (CONAMA)**

<http://www2.mma.gov.br/port/conama/>

▶ **National Council of the Amazon (CONAMAZ)**

http://www.planalto.gov.br/ccivil_03/decreto/1995/D1541.htm

▶ **National Council of Water Resources (CNRH)**

http://www.planalto.gov.br/ccivil_03/leis/l9433.htm

▶ **Forest Code**

http://www.planalto.gov.br/ccivil_03/_ato2011-2014/2012/lei/l12651.htm

▶ **Public Forest Management Council**

<https://br.fsc.org/preview.folder-institucional.a-1146.pdf>

▶ **Brazilian Environmental Protection Agency**

<http://www.ibama.gov.br/>

Ministry of the Environment

<http://www.mma.gov.br/>

▶ **Chico Mendes Institute for Biodiversity Conservation (ICMBio)**

<http://www.icmbio.gov.br/portal/>

▶ **Brazilian Environmental Protection Agency (IBAMA)**

<http://www.ibama.gov.br/>

▶ **Brazilian National Forest Programme (CONAFLO)**

http://www.planalto.gov.br/ccivil_03/decreto/2003/D4864.htm

▶ **IBAMA FAQ**

<http://www.ibama.gov.br/perguntas-frequentes>



▶ **IBAMA Licenses**

<http://www.ibama.gov.br/licencas-servicos>

▶ **Forest Code**

http://www.planalto.gov.br/ccivil_03/_ato2011-2014/2012/lei/L12651compilado.htm

▶ **Brazil's environmental policy**

http://www.planalto.gov.br/ccivil_03/leis/L6938compilada.htm

▶ **NGOs to act in defense of the environment**

http://www.planalto.gov.br/ccivil_03/LEIS/L7347Compilada.htm

▶ **Conservation and Environmental Licensing**

http://www.planalto.gov.br/ccivil_03/LEIS/L9985.htm

▶ **Oil and Gas Exploration and Production**

<http://www.anp.gov.br/?dw=18824>

▶ **Effective or Potentially Polluting Activities**

<http://www2.mma.gov.br/port/conama/res/res97/res23797.html>

▶ **Environmental Licensing**

<http://www.ibama.gov.br/empreendimentos-e-projetos/licenciamento-ambiental-servicos/licencas>

▶ **New General Legislation**

https://www.camara.leg.br/proposicoesWeb/prop_mostrarintegra?codteor=225810&filename=PL+3729/2004

▶ **Provisional License (LP)**

<http://ibama.gov.br/licencas-servicos/licenciamento-ambiental/licenca-previa-lp>

▶ **Building License**

<http://ibama.gov.br/licencas-servicos/licenciamento-ambiental/licenca-de-instalacao-li>

▶ **Operating License (LO)**

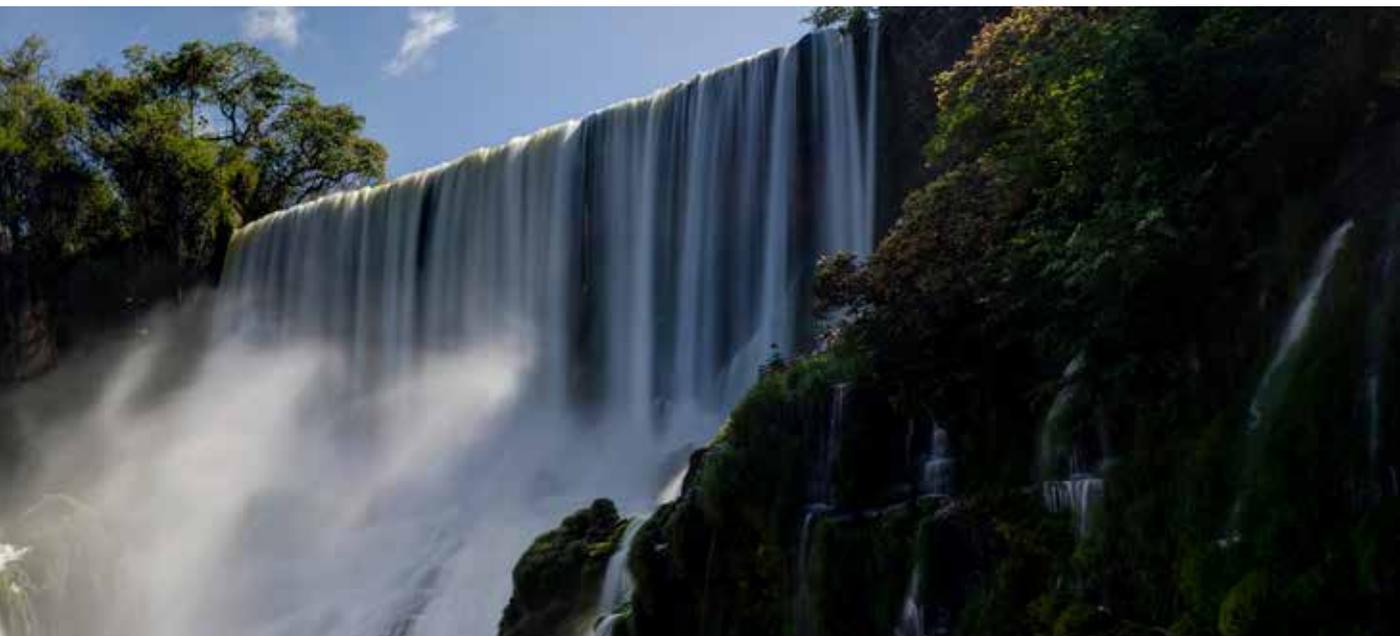
<http://ibama.gov.br/licencas-servicos/licenciamento-ambiental/licenca-de-operacao-lo>

▶ **Term of Reference**

<http://www.ibama.gov.br/empreendimentos-e-projetos/licenciamento-ambiental-servicos/tr>

▶ **Environmental Impact Report**

<http://www2.mma.gov.br/port/conama/res/res97/res23797.html>





VISAS

RESIDENCE VISA

Before making any travel arrangements, investors should check whether they will be required a visa. Currently, Brazil has agreements with nearly 90 countries for visa exemptions, supported by the principle of reciprocity adopted by the Brazilian government. This reciprocity means that if a certain country does not require visas for Brazilians, citizens of that country will not be required visas to enter Brazil.

For citizens in countries that are not exempt from visas, it is advised to apply for a business/tourism (visit) visa at the Brazilian consulate in their country of origin. These visas allow for a maximum stay of 90 days, which can be extended for an additional 90 days under request at the Federal Police. They are valid for up to 5 years, depending on the country.

In 2017, a new Immigration Law was approved, altering some requirements for requesting permanent visas. Adopting a more humanitarian perspective, Brazil will now issue residence visas to stateless individuals whose life may be at risk, foreigners whose countries are affected by war, conflicts or natural disasters, people submitted to slave labor conditions and victims of human trafficking.

Some traditional residence visas are still being granted, such as the family reunion visas. Anyone who marries or has a civil union with a Brazilian or an immigrant who has a temporary or permanent residence visa is entitled to obtain a permanent residence visa. These are valid for both heterosexual and same-sex couples. Foreigners who have Brazilian parents, grandparents, siblings, children or are legally responsible for a Brazilian individual may also obtain permanent residence.

INVESTORS

Non-Brazilians who intend to invest in activities with economic, social, scientific, technological or cultural value, generating jobs and wealth in the country, may also apply for a residence visa, as well as those who have received job offers in Brazil, according to new legislation.

Nowadays, investors who invest the equivalent of BRL 500,000 (USD 136,800) in foreign currency in Brazil and present plans to create new jobs may receive a permanent visa. For those who intend to invest in technology and R&D activities, the starting value is BRL 150,000 (USD 41,000).

LINKS

▶ **Itamaraty: Visas**

<http://www.portalconsular.itamaraty.gov.br/tabela-de-vistos-para-cidadaos-brasileiros>

▶ **Serpro: Visa Form**

<https://formulario-mre.serpro.gov.br/sci/pages/web/pacomPasesWebInicial.jsf>

▶ **Itamaraty: general information on types of visas and requirements**

http://boston.itamaraty.gov.br/en-us/visa_general_information.xml

▶ **Immigration Law (Law n. 13.445 of 2017)**

http://www.planalto.gov.br/ccivil_03/_ato2015-2018/2017/lei/L13445.htm

▶ **Humanitarian Perspective Immigration Law**

<https://www.justica.gov.br/news/nova-lei-de-migracao-esta-em-vigor-para-facilitar-regularizacao-de-estrangeiros-no-brasil>

▶ **Consulate: Other Visas**

<http://www.portalconsular.itamaraty.gov.br/vistos#outros>

▶ **New Legislation on Immigration**

http://www.planalto.gov.br/ccivil_03/_ato2015-2018/2017/lei/L13445.htm

▶ **Brasil.gov: Investor visa**

<http://www.brasil.gov.br/economia-e-emprego/2015/12/concessao-de-visto-a-investidor-estrangeiro-tem-novas-regras>

▶ **Starting Values to Invest**

<http://pesquisa.in.gov.br/imprensa/jsp/visualiza/index.jsp?jornal=1&pagina=72&data=02/12/2015>

▶ **Decree n. 9.731 of 2019**

http://www.planalto.gov.br/ccivil_03/_ato2019-2022/2019/decreto/D9731.htm

BRWA

ESTABLISHING a BUSINESS IN

V

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E

MAIN TYPES OF COMPANIES



FIESP
GESP
SESI
SENAI

A LIMITED-LIABILITY SOLE PROPRIETORSHIP - EIRELI

("Empresa Individual de Responsabilidade Limitada")

A.1 APPLICABLE LEGISLATION

- ▶ Law No. 12,441/2011, which amends provisions of the Brazilian Civil Code;
- ▶ Normative Ruling No. 10, of December 5, 2013 (IN DREI n.10/2013), issued by the Department of Corporate Registration and Integration (DREI), establishing the Registry Manual for each different type of company. Amended by Normative Ruling No.38, of March 6, 2017 (IN DREI n.38/2017).

A.2 CLASSIFICATION

- ▶ Individual company;
- ▶ For profit.

A.3 LEGAL NAME

- ▶ Firm Name ("Firma"): Proprietor's full name, followed by "Eireli";
- ▶ Corporate Name ("Denominação"): Corporate purpose, followed by "Eireli".

A.4 OWNERS

- ▶ Only one proprietor; a one-person undertaking (meaning that once the individual opts for an Eireli, he/she can run only one company of that type);
- ▶ Individual (of Brazilian or foreign origin).

A.5 ARTICLES OF ORGANIZATION/ INCORPORATION

- ▶ Articles of Organization;
- ▶ Registration and filing at the Commerce Registry ("Junta Comercial") of competent jurisdiction.

A.6 CAPITAL

- ▶ Given that the company relies on a sole proprietor, capital is not required to be divided into units of ownership;
- ▶ The minimum capital required may not be less than one hundred times the sum of the highest minimum salary applied in Brazil on the date of filing for registration;
- ▶ Once it is immediately paid in, capital may be increased at any time;
- ▶ Capital may be reduced, as long as the minimum value required by law is maintained.

A.7 PAYMENT

- ▶ A statement, in the articles of organization, that capital has been fully paid in;
- ▶ Any assets can be used for payment, provided they are susceptible to cash valuation.

A.8 OWNERSHIP/PARTNERSHIP

LIABILITY

- ▶ Limited to paid-in capital;
- ▶ Unlimited: in case capital is as of yet unpaid, not observing the minimum capital requirement.

A.9 CONTROL AND MANAGEMENT

- ▶ Controlled by the sole proprietor;
- ▶ An Eireli may be managed by one or more people, being the owner or a non-owner, as indicated in the articles of organization. The legal entity cannot be a manager;
- ▶ A foreign individual may be appointed as manager, provided that he/she has a permanent visa and is not otherwise prevented from occupying management positions. Citizens from Mercosur countries (Argentina, Paraguay and Uruguay) and associated nations (Bolivia and Chile) who hold a 2-year Temporary Residence visa can be both owner and manager of an Eireli, in accordance with IN DREI n.34/2017.

A.10 TERMINATION/DISSOLUTION

- ▶ Compliance with Limited Liability Company's rules, wherever applicable.

B LIMITED-LIABILITY COMPANY (LTDA.)

("Sociedade Limitada")

B.1 APPLICABLE LEGISLATION

- ▶ Brazilian Civil Code (Law No. 10,406/2002; from Article 1,052 to Article 1,087);
- ▶ Normative Ruling No. 10, of December 5, 2013 (IN DREI n.10/2013), issued by the Department of Corporate Registration and Integration (DREI), establishing the Registry Manual for each different type of company. Amended by Normative Ruling No.38, of March 6, 2017 (IN DREI n.38/2017).

B.2 CLASSIFICATION

- ▶ Business company formed by individuals or capital;
- ▶ For profit.

B.3 LEGAL NAME

- ▶ Firm Name ("Firma"): Name of one or more of the company's partners, with "e companhia" (& Cia.) and "limitada" (Ltda.), in full or abbreviated;
- ▶ Corporate Name ("Denominação"): Corporate purpose followed by "limitada" (Ltda.), in full or abbreviated.

B.4 OWNERS

- ▶ 2 (two) or more partners;
- ▶ Individuals or legal entities, of Brazilian or foreign origin.

B.5 ARTICLES OF ORGANIZATION/ INCORPORATION

- ▶ Articles of Organization/Bylaws;
- ▶ Registration and filing at the Commerce Registry ("Junta Comercial") of competent jurisdiction.

B.6 CAPITAL

- ▶ Divided into membership units;
- ▶ No minimum capital requirement;
- ▶ An increase in capital is admitted, providing all subscribed membership units are paid in;
- ▶ The capital may be subject to reduction in the following cases:
 - (i) the occurrence of losses; or
 - (ii) capital is excessive pursuant to the company's corporate purpose.

B.7 PAYMENT

- ▶ The articles of incorporation must establish the means and deadline for payment;
- ▶ Any assets can be used for payment, provided they are susceptible to cash valuation.

B.8 OWNERSHIP/PARTNERSHIP LIABILITY

- ▶ Limited to paid-in capital;
- ▶ In cases in which capital has not been fully paid, the partners shall be deemed unlimitedly and jointly liable.

B.9 CONTROL AND MANAGEMENT

- ▶ Control defined by number of membership units;
- ▶ Resolutions are made during meetings (up to 10 partners) or general meetings (more than 10 partners);
- ▶ The company may be managed by one or more people, partners or non-partners, as indicated on the articles of organization;
- ▶ The company may be managed by a non-partner, if unanimously approved by partners when capital has not been paid, and if approved by 2/3 (two-thirds) when capital is fully paid;
- ▶ A foreigner may be appointed as manager, provided that he/she has a permanent visa and is not otherwise prevented from occupying management positions. Citizens from Mercosur countries (Argentina, Paraguay and Uruguay) and associated nations (Bolivia and Chile) who hold a 2-year Temporary Residence visa can be both owner and manager of an LLC, respecting IN DREI n.34/2017.

B.10 TERMINATION/DISSOLUTION

- ▶ Dissolution occurs in the following cases (as in Article 1,033; Article 1,034; and Article 1,087 of the Brazilian Civil Code):
 - (i) at the end of its term;
 - (ii) unanimous resolution of all members;
 - (iii) resolution of members representing an absolute majority, in companies with an open-ended duration;
 - (iv) insufficient plurality of members;
 - (v) expiration of company's license to operate;
 - (vi) court decision;
 - (vii) bankruptcy;
- ▶ Judicial or extrajudicial liquidation will take place after the company is terminated. The remaining assets will be distributed to the members proportionally to their respective membership units.

C CORPORATION (S.A. OR CIA.)

("Sociedade Anônima")

C.1 APPLICABLE LEGISLATION

- ▶ Law No. 6,404/1976, a.k.a. "Lei das S.A.", supplemented by Law No. 10,303/2001.
- ▶ Normative Ruling No. 10, of December 5, 2013 (IN DREI n.10/2013), issued by the Department of Corporate Registration and Integration (DREI), establishing the Registry Manual for each different type of company. Amended by Normative Ruling No.38, of March 6, 2017 (IN DREI n.38/2017).

C.2 CLASSIFICATION

- ▶ Business corporation formed by either public or private capital (either publicly or closely held companies);
- ▶ For profit.

C.3 LEGAL NAME

- ▶ Corporate Name ("*Denominação*"): Fictitious business name and/or founder's, shareholders' and involved people's names, with "*Sociedade Anônima*" (S.A.) or "*Companhia*" (Cia.), in full or abbreviated. The latter cannot be placed at the end of the legal name.

C.4 OWNERS

- ▶ At least two shareholders for closely held companies and three for publicly held ones;
- ▶ Individuals or legal entities (of Brazilian or foreign origin).

C.5 ARTICLES OF ORGANIZATION/ INCORPORATION

- ▶ Articles of Incorporation/Bylaws;
- ▶ Registration and filing at the Commerce Registry ("Junta Comercial") of competent jurisdiction

C.6 CAPITAL

- ▶ Divided into shares;
- ▶ No minimum capital requirement, but shareholders must pay in at least 10% of the issuance price of the shares subscribed in cash;
- ▶ The articles of incorporation establish the number of shares, and whether the shares will have an even value or not;
- ▶ Capital may be increased in the following cases:
 - Issuance of shares provided for in the articles of incorporation;
 - Conversion of bonds (debentures) and participation certificates into shares;
 - Resolution of the Annual General Meeting regarding capitalization or reserves or issuance of new shares;
- ▶ The capital may be reduced in the case of a loss or capital that is excessive for the company's corporate purpose.

C.7 PAYMENT

- ▶ The articles of incorporation must establish the deadline for payment;
- ▶ Any assets can be used for payment, provided they are susceptible to cash valuation.

C.8 OWNERSHIP/PARTNERSHIP

LIABILITY

- ▶ No liability: shares subscribed and paid in;
- ▶ Limited to the shares that shareholders have

subscribed for and have not yet paid in.

C.9 CONTROL AND MANAGEMENT

- ▶ Control defined by shareholders with voting rights. The controlling shareholder owns a majority portion of the voting capital;
- ▶ In compliance with company's articles of incorporation, corporate management will be performed by the Board of Directors ("*Conselho de Administração*") and the Executive Committee ("*Diretores*"), or solely by the Executive Committee;
- ▶ The chair of the Executive Committee, whether a shareholder or not, must reside in Brazil;
- ▶ The members of the Board of Directors may reside abroad, provided they appoint a representative resident in Brazil.

C.10 TERMINATION/DISSOLUTION

- ▶ Dissolution comes into effect either by court order or by the ruling of administrative authorities with jurisdiction. Incorporation, merger and spin off are forms of dissolution;
- ▶ Judicial or extrajudicial liquidation will take place after the company is terminated. The remaining assets will be distributed to the shareholders proportionally to their respective shares.

FURTHER INFORMATION:

DEPARTMENT OF CORPORATE REGISTRY
AND INTEGRATION (DREI) OF THE SPECIAL
SECRETARY FOR MICRO & SMALL ENTERPRISES
(SEMPE)

**[HTTP://WWW.MDIC.GOV.BR/INDEX.PHP/
MICRO-E-PEQUENAS-EMPRESA/DREI](http://www.mdic.gov.br/index.php/micro-e-pequenas-empresa/drei)**

[HTTP://WWW.SEMPE.MDIC.GOV.BR/](http://www.sempe.mdic.gov.br/)



HIRING EMPLOYEES

The Consolidation of Labor Laws (“CLT”) was issued in 1943 and remains the main piece of legislation governing employment contracts in Brazil. In 2017, the law was updated by the National Congress in order to better reflect modern-day working relations. These updates went into effect in November of the same year.

One of the biggest goals of this reform is to increase the number of people employed under the CLT regime, which is to say “formal” or “registered employees”. All of these workers, including foreigners, must hold a work permit (“*Carteira de Trabalho*”), in which the terms of employment must be recorded by the hiring company.

Other types of professionals are public servants, autonomous professionals and legal entities (generally a single-member company holder who provides services under his or her legal entity). Rural and domestic workers also have their own set of regulations.

Outsourcing companies’ activities (“*terceirização*”) is a legal practice in Brazil and it has undergone important changes in 2017. In March of 2018, the government sanctioned a new law, the “Outsourcing Law” (n. 13.429/2017), allowing unlimited outsourcing for businesses, including their core activity (“*atividade fim*”). Before that, only non-core activities (“*atividades meio*”) were allowed to be outsourced, such as maintenance, cleaning or security.

REPÚBLICA FEDERATIVA DO BRASIL
MINISTÉRIO DO TRABALHO E EMPREGO



CARTEIRA DE TRABALHO
E
PREVIDÊNCIA SOCIAL

THE CLT

CLT rules make no distinction between skilled and unskilled workers or between those engaged in manual, office or professional work. Registered workers are also entitled to benefits such as minimum wage, maximum working hours, overtime pay, paid leave and holidays.

Employers must keep official records or cards containing detailed information about each employee. Each year they must file returns listing all of their employees to the local office of the Ministry of Economy, including reporting the number of foreigners and underage workers. Companies are allowed to employ foreign workers up to a limit of 1/3 of their total staff.

After last year's revamp, the CLT has become more comprehensive. Besides regular working contracts, it also regulates intermittent work. For this type of work, there must be a written contract and the contractor cannot earn less per hour than the other hired employees. He or she is also free to work for other companies as well. The new rules also foresee regulation for home office arrangements.

One of the most important changes is that collective agreements between unions, employees and companies are placed above the terms of the law, meaning that issues such as vacation conditions, length of daily work hours or lunch breaks may be decided on a case-by-case basis, as long as those terms respect certain limits established by the CLT.

Another advance is the possibility to end a labor contract on common grounds: the employer does not have to pay a heavy fine and allows the employee to have access to the Guarantee Fund for Continuing Service (FGTS) - the worker savings account withdrawn in case of dismissal, to buy residential properties, retirement, and other circumstances.

It also aims to diminish the number of judicial disputes related to employment relationships. In Brazil, those are decided by specialized labor courts ("Justiça do Trabalho") which are present in all states of the country and headed by the Superior Labor Court (TST).

BENEFITS

The Federal Constitution and CLT provide for a series of minimum benefits that remain untouched by reforms and must be granted by the employer to its employees throughout the employment relationship. Some of these minimum benefits are:

MINIMUM WAGE

- ▶ The Federal Government is responsible for establishing the minimum wage. No employee in Brazil shall receive less than the minimum wage, which is reviewed and adjusted every year.
- ▶ Additionally, each category of workers (e.g., salesmen, drivers, doctors, etc.) has a professional minimum wage, which shall not be lower than the minimum wage established by the Federal Government. Wage rates set by local labor unions are typically higher than the general minimum wage.
- ▶ Each state may also establish a local minimum wage by law.

MAXIMUM HOURS/ OVERTIME PAY

- ▶ Regular working hours are limited to 8 hours per day and 44 hours per week. Under the CLT regime, as long as the weekly limit of 44 hours is respected, the employees' regular work schedule can be increased by overtime hours, which cannot exceed the legal limit of two hours per day.
- ▶ Overtime work during business days requires an additional overtime payment of at least 50% more than the regular rate.
- ▶ Work on Sundays and holidays requires a permit from the Ministry of Labor and a minimum overtime payment of at least 100% more than the regular rate.
- ▶ Collective bargaining agreements can provide for higher overtime payments.

PAID LEAVE

- ▶ In Brazil, every employee is entitled to an annual paid leave of 30 calendar days, in addition to holidays occurring during the year. The employee's vacation right is acquired after one year of continuous employment. The leave must be taken in the course of the 12 months following the anniversary date of employment. They can also be split into up to three different periods - one over 14 consecutive days and two others, more than 5 consecutive days each.
- ▶ The Federal Constitution also states that employers must pay an additional 1/3 of the monthly salary as a vacation bonus during the month the employee is on vacation.

PAID HOLIDAYS

- ▶ The following are the national legal paid holidays that must be observed. As mentioned above, an employee required to work on any of these holidays must be paid at the rate of at least 100% over his or her normal wage.
 - ▶ New Year's Day | January 1;
 - ▶ Carnival | varies, February;
 - ▶ Good Friday/Easter | varies, April;
 - ▶ Tiradentes Day (Brazilian Martyr for National Independence) | April 21;
 - ▶ Labor Day | May 1;
 - ▶ Corpus Christi | varies, June;
 - ▶ Independence Day | September 7;
 - ▶ Our Lady of Aparecida | October 12;
 - ▶ All Souls' Day | November 2;
 - ▶ Republic Day | November 15;
 - ▶ Christmas Day | December 25.
- ▶ There are also paid state and municipal holidays.

CHRISTMAS BONUS ("13TH SALARY")

- ▶ The Constitution also provides that all employers must pay a Christmas Bonus, which is commonly known as the "13th salary". This is an additional monthly salary payment at the end of each year. This payment is made in two installments: the first is paid between February and November of each year and the second installment is paid on

or before December 20. The Christmas Bonus is paid based not on the base salary, but on the employee's entire compensation, including the usual overtime and bonuses.

HEALTH AND SAFETY

- ▶ Although the CLT contains a chapter that deals exclusively with health and safety matters, the Ministry of Labor also publishes Administrative Rules which establish specific provisions in connection with, among other matters, the prevention of and protection from accidents, personal safety equipment, building safety requirements, transportation and handling of materials, hazardous work conditions, and environmental contamination.
- ▶ Also, some employers must establish an internal accident prevention committee in every establishment. This committee comprises employer and employee representatives and must hold periodic meetings to prevent on-the-job accidents.

PAID MATERNITY LEAVE

- ▶ Female employees in Brazil are entitled to 120-days of paid maternity leave.
- ▶ Salary payments during maternity leave are made by the employer, who may offset the corresponding amount against Social Security charges.
- ▶ Under the CLT, an employer cannot dismiss pregnant employees from the confirmation date of the pregnancy until at least five months after the birth.

OTHER BENEFITS

- ▶ In addition to the rights established above, employers may voluntarily provide further benefits at their discretion. In Brazil, employers usually provide health care plans and life insurance policies to their employees. Most usual fringe benefits granted to employees (i.e., health insurance, pension fund, life insurance, education, etc.) are not considered salary for any purpose.

FURTHER INFORMATION:

MINISTRY OF ECONOMY - LABOR DEPARTMENT:

WWW.MTE.GOV.BR

STEP-BY-STEP

- ▶ It is highly advisable to confirm whether you need to obtain prior authorization from public agencies in order to operate your business activities in Brazil. You must also check if there is not already a company registered with the same name.
- ▶ Afterward, you must choose which type of company best suits your business. In Brazil, there are the following categories: individual micro-entrepreneur, individual entrepreneur, individual company with limited responsibility, business company or simple partnership.
- ▶ It is also important to know if the activity of the venture, whether registered or not, may be supported by the chosen type of company.
- ▶ It is important to hire a local accountant to guide you through the processes of opening a company. The accountant is responsible for taking all documents to the local Commerce Registry in the Brazilian state where you intend to open the company and have them filed.
- ▶ Power of attorney for the company's Brazilian representative;
- ▶ Copies of the personal documents of the associates, including visas (when appropriate) and the address where the company will be established;
- ▶ Corporate taxpayer ID number (CNPJ), which is issued by the Federal Revenue Service (*Receita Federal*);
- ▶ State and municipal taxpayer registries - depending on the activity the company practices;
- ▶ Municipal license and/or operation permit (*alvará and/or licença de funcionamento*);
- ▶ Registration documents from the Brazilian Social-Security Institute (INSS) and Guarantee Fund for Continuing Service (FGTS);
- ▶ Federal Revenue Payment Form (DARF) - a document that proves the payment of certain federal taxes.

HERE IS A LIST OF THE DOCUMENTS YOU MAY BE REQUIRED TO PRESENT:

- ▶ Articles of incorporation/organization. At this time, you also need to select the method for calculating taxes (Simplified System for Small Businesses – called *Simples Nacional*; the taxable income system; or the estimated profit system). You will also need to provide the company's name and designate the Brazil-based administrator of the company. Recruiting local legal assistance is highly recommended in order to prepare the articles of incorporation/organization;

All the documents must be in Portuguese, including those issued abroad. Non-Brazilian documents must also be submitted and notarized by the Brazilian consulate located in the associate's country of origin. Then, they must be translated by a sworn translator registered with a Registry of Deeds and Documents (*cartório*).

LINKS

- ▶ **Sebrae's guide**
<http://www.sebrae.com.br/sites/PortalSebrae/artigos/passos-a-passos-para-o-registro-da-sua-empresa.665cef598bb74510VgnVCM1000004co0210aRCRD>
- ▶ **Apex-Brasil guide**
<http://www.apexbrasil.com.br/como-estabelecer-uma-empresa-no-brasil>



BRWA

GOVERNMENT AND SUPPORT PARTNERS IN



A ATRAÇÃO DE INVESTIMENTOS NA AMÉRICA LATINA

SPECIAL FORUM
INVESTMENT
ATTRACTION
IN LATIN
AMERICA



MINISTÉRIO DAS
RELAÇÕES EXTERIORES

MINISTÉRIO DO
PLANEJAMENTO,
DESENVOLVIMENTO E GESTÃO

FORUM DE INVESTIMENTOS BRASIL 2018

THIS GUIDE IS AN INTRODUCTION TO WHAT BRAZIL HAS TO OFFER TO INVESTORS. YOU CAN FIND FURTHER, DETAILED INFORMATION ABOUT THE COUNTRY THROUGH OTHER BUSINESS SUPPORT INSTITUTIONS. THIS SECTION HIGHLIGHTS SOME OF THE MAIN INSTITUTIONS THAT DEAL WITH TRADE, INVESTMENTS, COMPANIES, DOCUMENTS AND LEGAL PERMISSIONS. **YOU CAN FIND OUT MORE ABOUT THEM HERE:**

BRAZILIAN TRADE AND INVESTMENT PROMOTION AGENCY (APEX-BRASIL)

Apex-Brasil is a private body of public interest and works to promote Brazilian products and services abroad and to attract foreign investment to Brazil in economic areas of strategic interest. The agency focuses on foreign companies and greenfield projects that have the potential to bring technological innovation and new business models to Brazil, strengthen domestic industrial supply chains, have a direct impact on local job creation and improve export volumes and diversification.

In the investment attraction segment, Apex-Brasil's main goal is to help and facilitate investors' decisions as they set up their business in Brazil. The agency's service portfolio includes identifying and reaching qualified contacts; preparing market intelligence, covering leading industry sectors, markets, economic trends and guidance on legal and tax matters; and mapping projects for investors, including the identification of suitable locations, potential costs and other business options. Apex-Brasil can also act as a liaison between the investor, strategic partners, suppliers and local authorities.



BELOW, THERE IS A LIST OF SECTORS THAT APEX-BRASIL IS PROACTIVELY PROMOTING:

- ▶ **Agribusiness**
- ▶ **Automotive**
- ▶ **Aerospace and Defense**
- ▶ **Environmental Solutions (clean technology and renewable energy)**
- ▶ **Life Sciences**
- ▶ **Oil and Gas**
- ▶ **Real Estate**
- ▶ **Research and Development**
- ▶ **Private Equity & Venture Capital**

Apex-Brasil also works as a channel to connect foreign investors with local companies, universities and research centers to establish partnerships, joint ventures or other types of collaboration. Apex-Brasil can also help capital investors in the process of identifying opportunities, projects and companies for venture capital and private equity investments in the country.

Apex-Brasil is linked to the Ministry of Foreign Affairs (MRE) and works in collaboration with the Ministry of Economy and with the Brazilian Investment Information Network (RENAI).

MORE INFORMATION ON

WWW.APEXBRASIL.COM.BR

MINISTRY OF FOREIGN AFFAIRS (MRE)

The Ministry of Foreign Affairs (MRE) is responsible for framing and implementing Brazil's commercial diplomacy, which includes the promotion of investment.

By way of its Investment Division (DINV), the Ministry of Foreign Relations aims to foster foreign investment in crucial sectors of the Brazilian economy, such as energy, infrastructure and logistics, and information technology, as well as projects that involve a strong research and development component.

The Investment Division also works to help foreign investors inside and outside Brazil, providing support for delegations that visit the country by identifying key value partners and preparing visit programs, as well as organizing and participating in investment promotion events outside the country.

MORE INFORMATION CAN BE FOUND AT:

[HTTP://WWW.ITAMARATY.GOV.BR/EN/](http://WWW.ITAMARATY.GOV.BR/EN/)



BRAZILIAN INVESTMENT INFORMATION NETWORK (RENAI)

BRAZILIAN COMMERCIAL SERVICES (SECOMS)

The Ministry of Foreign Affairs is also responsible for coordinating the Brazilian Commercial Services (SECOMS), a network of trade and investment professionals located in 104 embassies and consulates around the world. SECOMs assist companies wishing to invest in Brazil or import Brazilian products and services.

SECOMs are responsible for attracting and promoting foreign investment in Brazil, and work as gateways for investors who seek guidance regarding opportunities in the country, including the regulatory framework, economic indicators and market intelligence. They also provide help for those interested in buying or investing in Brazilian products and services.

MORE INFORMATION CAN BE FOUND AT:
[HTTP://WWW.INVESTEXPORTBRASIL.GOV.BR](http://www.investexportbrasil.gov.br)

The Brazilian Investment Information Network (RENAI) is part of the Ministry of Economy and works closely with state governments. It focuses on the promotion foreign and national investment by giving investors the best information available about government programs, legislation and projects open to local and foreign investors. RENA I has three primary objectives:

- ▶ **Introduce and clarify government programs, regulations and projects to potential investors and established companies in Brazil;**
- ▶ **Articulate private sector demands within the federal government to improve the business climate through policy improvements and adjustments; and**
- ▶ **Stimulate and assist state governments to foster investment in Brazil as a pathway to economic and social development.**

RENAI has an online database that works as a fundamental tool for achieving those goals. The database contains information about government investment projects across Brazil, including federal, state and municipal initiatives such as concessions and Public-Private Partnerships (PPPs). Data is organized by company name, state and economic sector.

RENAI is also responsible for organizing seminars and workshops to disseminate a culture of investment attraction in Brazil. It also participates in international investment agreement negotiations and is responsible for organizing investment missions abroad for the Ministry of Economy, as well as hosting investors seeking to negotiate directly with the Brazilian government.

RENAI, in conjunction with other departments within the Ministry, aims at identifying supply-chain gaps to leverage foreign investment attraction campaigns carried out by Apex-Brasil and other federal entities.

MORE INFORMATION:

WWW.MDIC.GOV.BR/RENAI

MINISTRY OF AGRICULTURE, LIVESTOCK AND FOOD SUPPLY (MAPA)

The main economic mandate of the Ministry of Agriculture, Livestock and Food Supply (MAPA) is to foster the competitiveness and sustainability of Brazilian agribusiness. Its different agencies implement policies in the areas of food security, animal and plant health, credit, food supply, and agricultural research.

The Secretariat of Agribusiness International Relations is the Ministry's department for trade and investment promotion.

The Secretariat bases its work on global statistics to offer the best commercial intelligence on agriculture to local and foreign players. It also hosts foreign business delegations in Brazil and promotes enrollment in investment events abroad, in order to connect foreign capital with domestic opportunities.

MORE INFORMATION:

WWW.AGRICULTURA.GOV.BR

INVEST&EXPORT BRASIL WEBSITE

Invest&Export Brasil is a Brazilian government website that consolidates information from more than ten official portals dedicated to trade and investment promotion.

INVEST&EXPORT BRASIL OFFERS SEVERAL RESOURCES:

- ▶ **A directory of Brazilian exporters;**
- ▶ **The Brazilian Calendar of Exhibitions and Fairs;**
- ▶ **Economic reports and commercial indicators related to Brazil;**
- ▶ **Guides for investors;**
- ▶ **Answers to online questions – Ask Invest&Export Brasil – from specialists at 23 agencies and organizations.**

INVEST&EXPORT BRASIL HELPS COMPANIES:

- ▶ **Make decisions regarding foreign trade and investment;**
- ▶ **Increase their visibility in Brazil;**
- ▶ **Develop new business opportunities.**

MORE INFORMATION: [WWW.
INVESTEXPORTBRASIL.GOV.BR](http://WWW.INVESTEXPORTBRASIL.GOV.BR)

SOURCES AND OTHER USEFUL LINKS

Official Website of the Federal Government (in English)

www.brazil.gov.br

Presidency of Brazil

www.planalto.gov.br

Brazilian Senate

<http://www12.senado.leg.br/hpsenado>

Brazilian House of Representatives

<http://www2.camara.leg.br/>

Federal Supreme Court

www.stf.jus.br

Brazilian Central Bank

www.bcb.gov.br

Ministry of Economy

www.fazenda.gov.br

Federal Revenue Service

www.receita.fazenda.gov.br

Consular Portal – Entry Visas for Brazil

<http://www.portalconsular.mre.gov.br>

Integration and Company Registration Department (DREI)

<http://drei.smpe.gov.br/>

BM&F BOVESPA

www.bmfbovespa.com.br

Brazilian Securities and Exchange Commission (CVM)

www.cvm.gov.br

Brazilian Antitrust Authority (CADE)

www.cade.gov.br

Brazilian Agricultural Research Corporation (EMBRAPA)

<https://www.embrapa.br/en/international>

Brazilian Economic and Social Development Bank (BNDES)

http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/

Brazilian Federation of Banks (FEBRABAN)

<http://www.febraban.org.br/Febraban.asp>

Brazilian Service of Support for Micro and Small Enterprises (SEBRAE)

www.sebrae.com.br

National Institute of Industrial Property (INPI)

www.inpi.gov.br



INVESTMENT GUIDE TO
BRASIL2019





ApexBrasil 

MINISTRY OF
FOREIGN AFFAIRS



PÁTRIA AMADA
BRASIL
BRAZILIAN GOVERNMENT