

The Role of the State in Brazil

Duties of the Brazilian state

- To promote individual and social rights
- To promote social security
- To induce sustainable development
- To promote infrastructure

State and Development

- Importance of debunking myths about the state.
- State as a inducer of development.
- Centrality of the state in the development of technologies and innovations, with great productive **impact** (e.g.: aviation, nuclear energy, computers, internet, biotechnology)
- Specificity of Brazil: necessity of reconciling inducing and innovative action by the State with the distribution of income and the expansion of public **services** (health, education, social security, sanitation, housing, public safety, etc.)

Example:

Partnership for Productive Development (PDP) in health

- Public / private cooperation for development, transfer and absorption of technology, production, productive and technological training of the country in strategic products of the public healthcare system.
- Product development, transfer and absorption of technology, linked to the acquisition agreement signed with the Ministry of Health.
- 98 partnerships established.
- 69 partners (50 private and 19 public).
- 6 vaccines, 60 medicaments and 27 products.
- R\$ 8.3 billion in projects, with savings of \$ 1.8 billion (2010-2014).

Example:

Development of the Military Transportation Aircraft KC-390

- **EMBRAER project** developed from **Operational Requirement of the Brazilian Air Force**.
- Technology developed with the support of Finep and BNDES.
- Total investment of **R\$ 12.1 billion**, with R\$ 4.9 billion for the development of the aircraft and R\$ 7.2 billion for the acquisition of 28 units for the Brazilian Air Force.
- Expectation of **US\$ 20.0 billion in exports**, to up to 70 countries.
- 60 units with firm purchase intent (Argentina, Chile, Colombia, Portugal and the Czech Republic).
- **FAB holds rights** to the project and **will receive royalties** for each unit sold.
- **12,000 direct and indirect jobs**

Logistics Investment Program 2 (PIL 2)

Projected investments
R\$ 198.4 bi

Roads

R\$ 66.1 bi

Railways

R\$ 86.4 bi

Ports

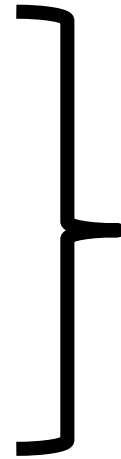
R\$ 37.4 bi

Airports

R\$ 8.5 bi

Reconciling Priorities

Induction of development
Reduction of inequalities
Expansion and enhancement
of quality of the services

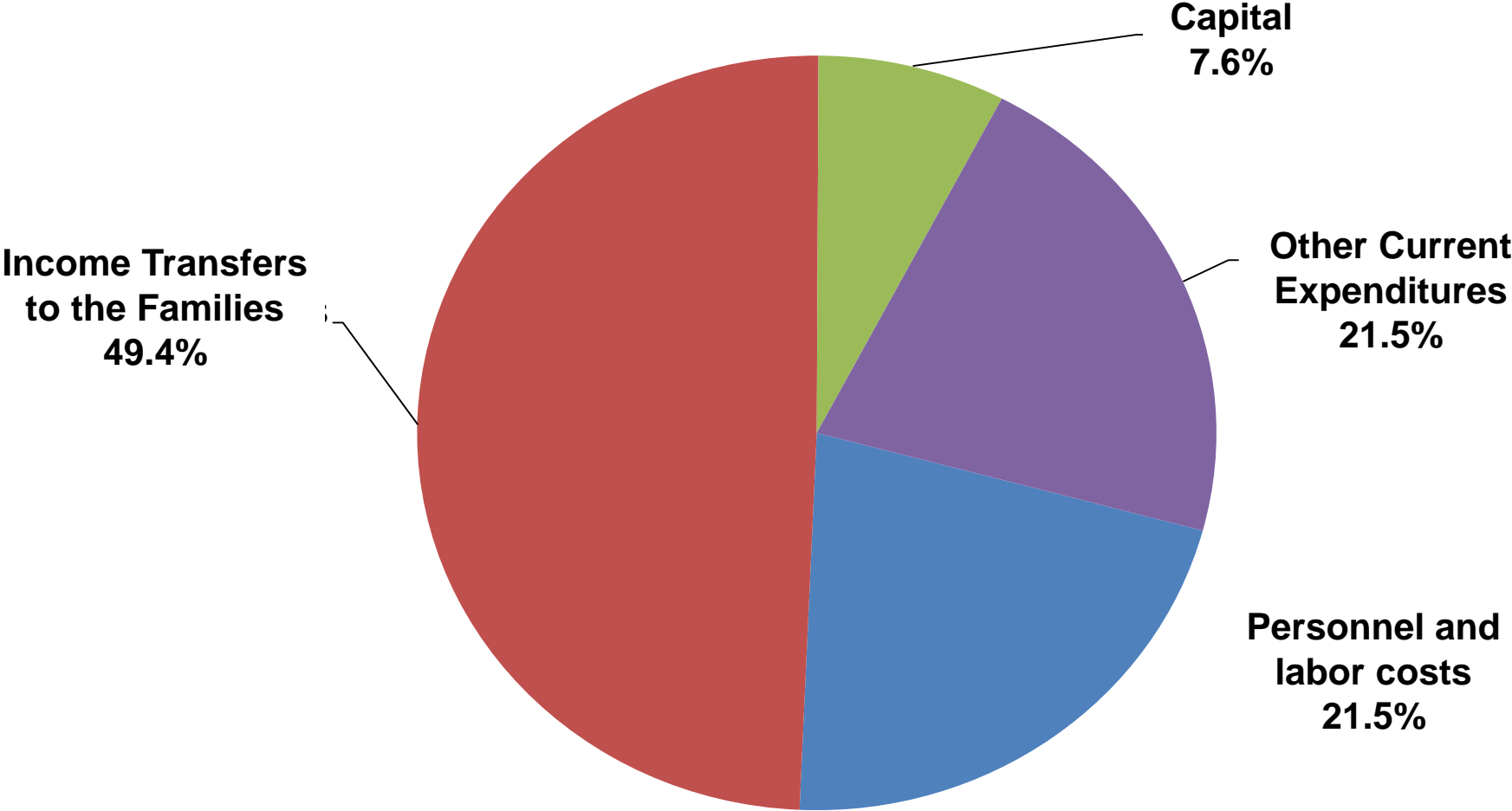


**Composition of the
Expenditure of the
Federal Government**

Additional challenge of coordinating expenditures in a context of fiscal restriction:

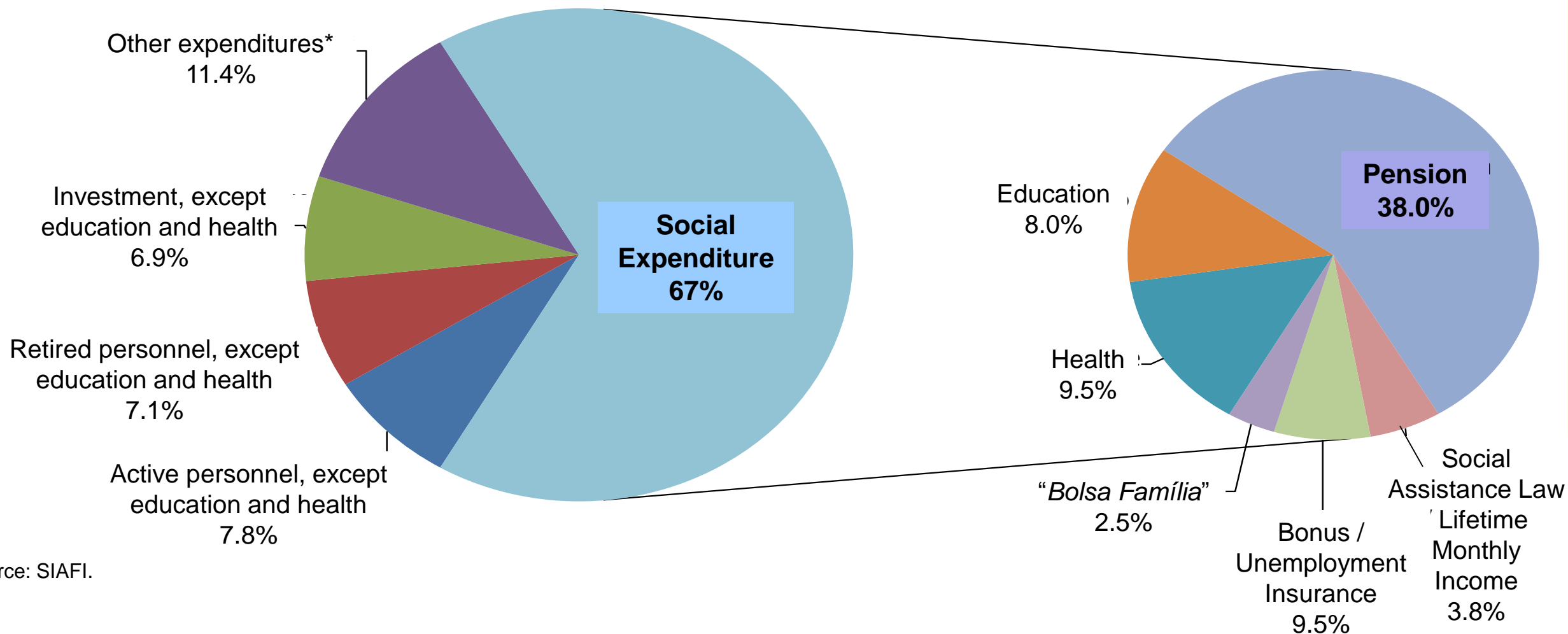
To preserve social conquests, improve the efficiency of the public policies and ensure investments.

Participation of the Major Groups of Primary Expenditure of the Federal Government in 2014



Source: SIAFI.

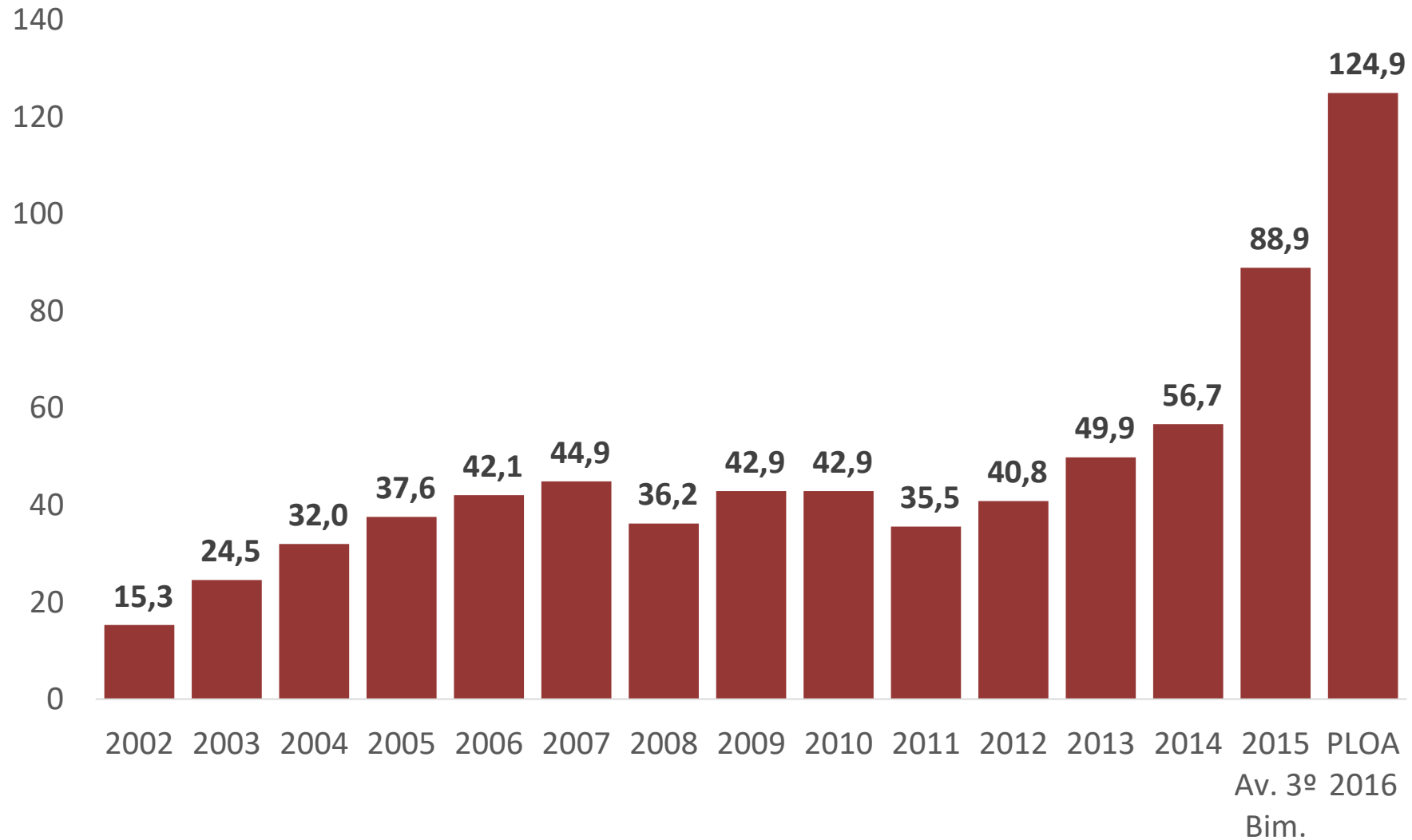
Participação dos Gastos Sociais na Despesa Primária do Governo Federal em 2014



Source: SIAFI.

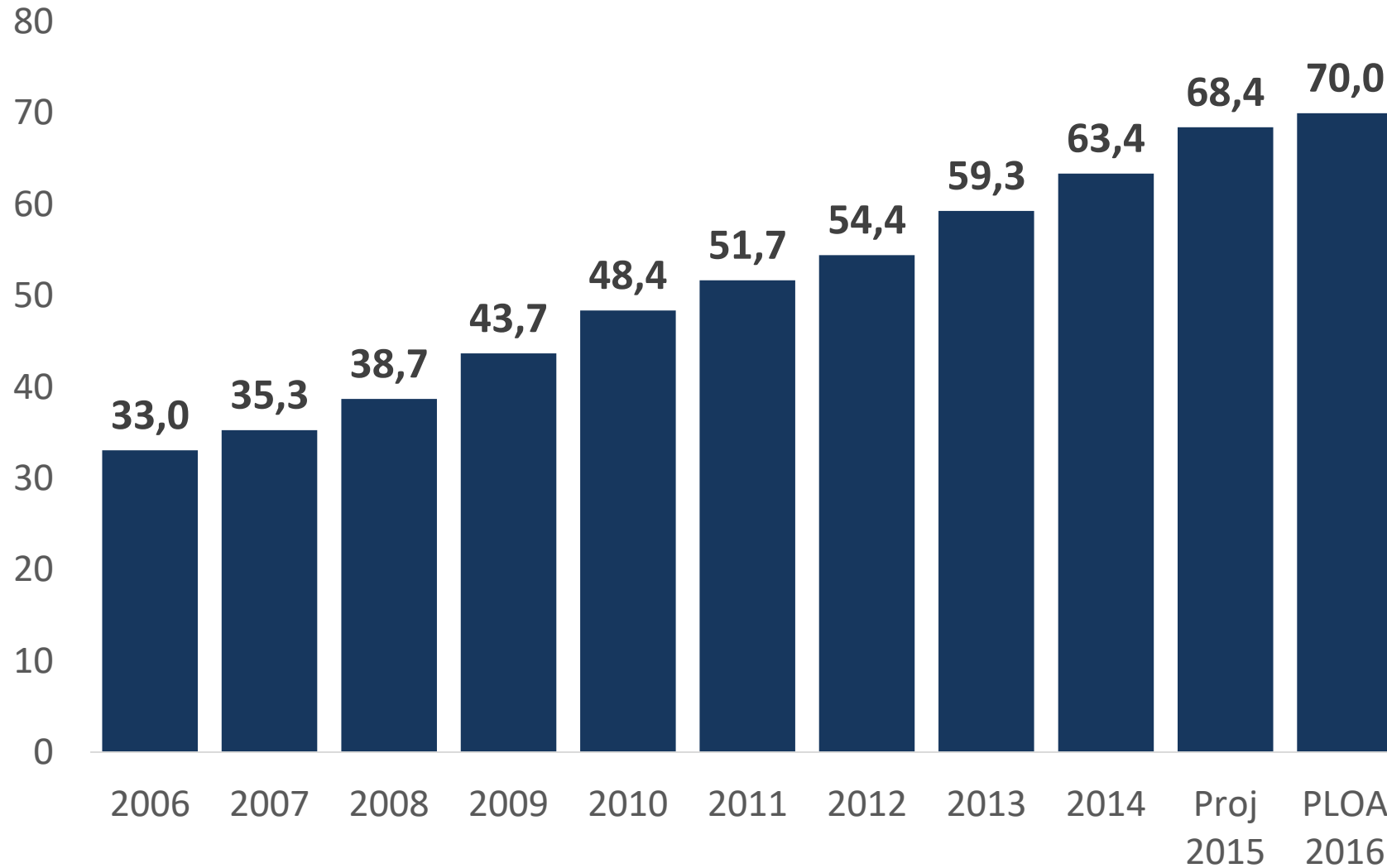
* In other expenses, there are expenditures such as tax waivers over salaries, Energy Development Account (CDE), Kandir Law, operating expenses (excluding those related to education and health), transfers to the Federal District and former territories for payment of personnel and Sentences and Ordered Debt Securities (except those related to education and health)

DEFICIT OF THE GENERAL SOCIAL PENSION REGIME (R\$ billions)



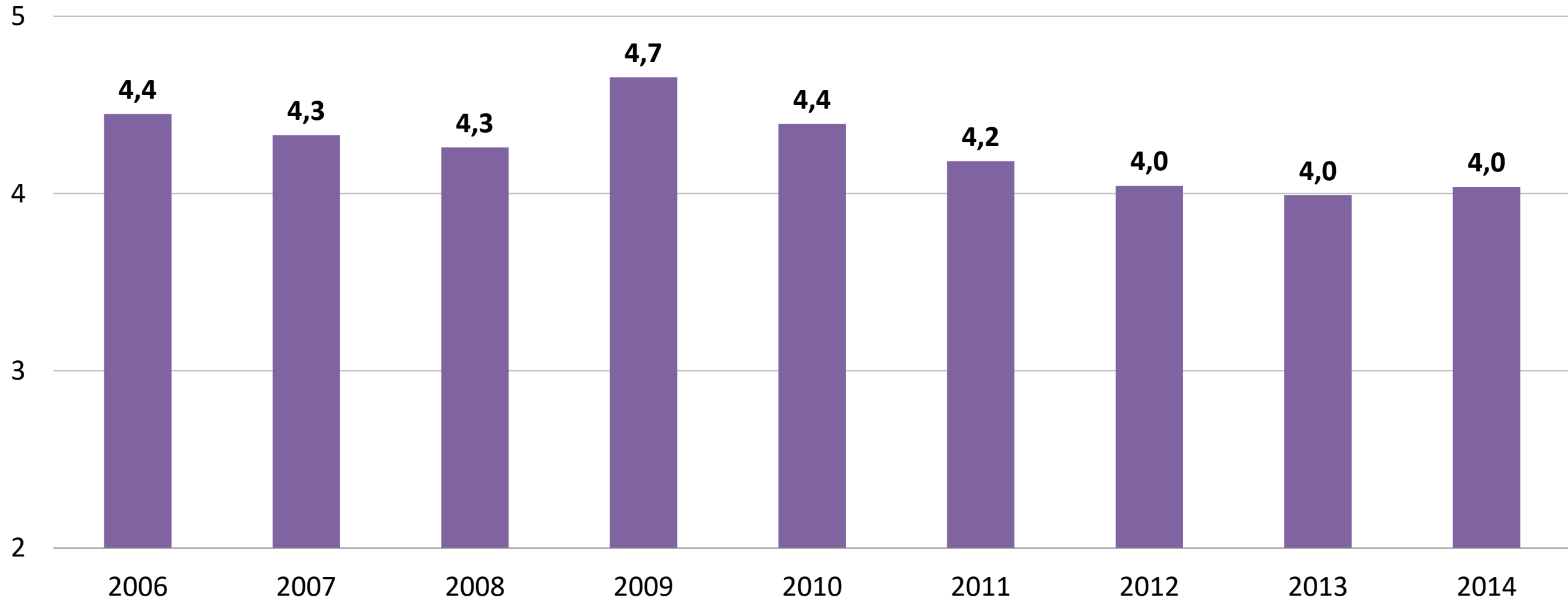
Source: MPOG.

DEFICIT OF THE PUBLIC PENSION SYSTEM (R\$ billions)

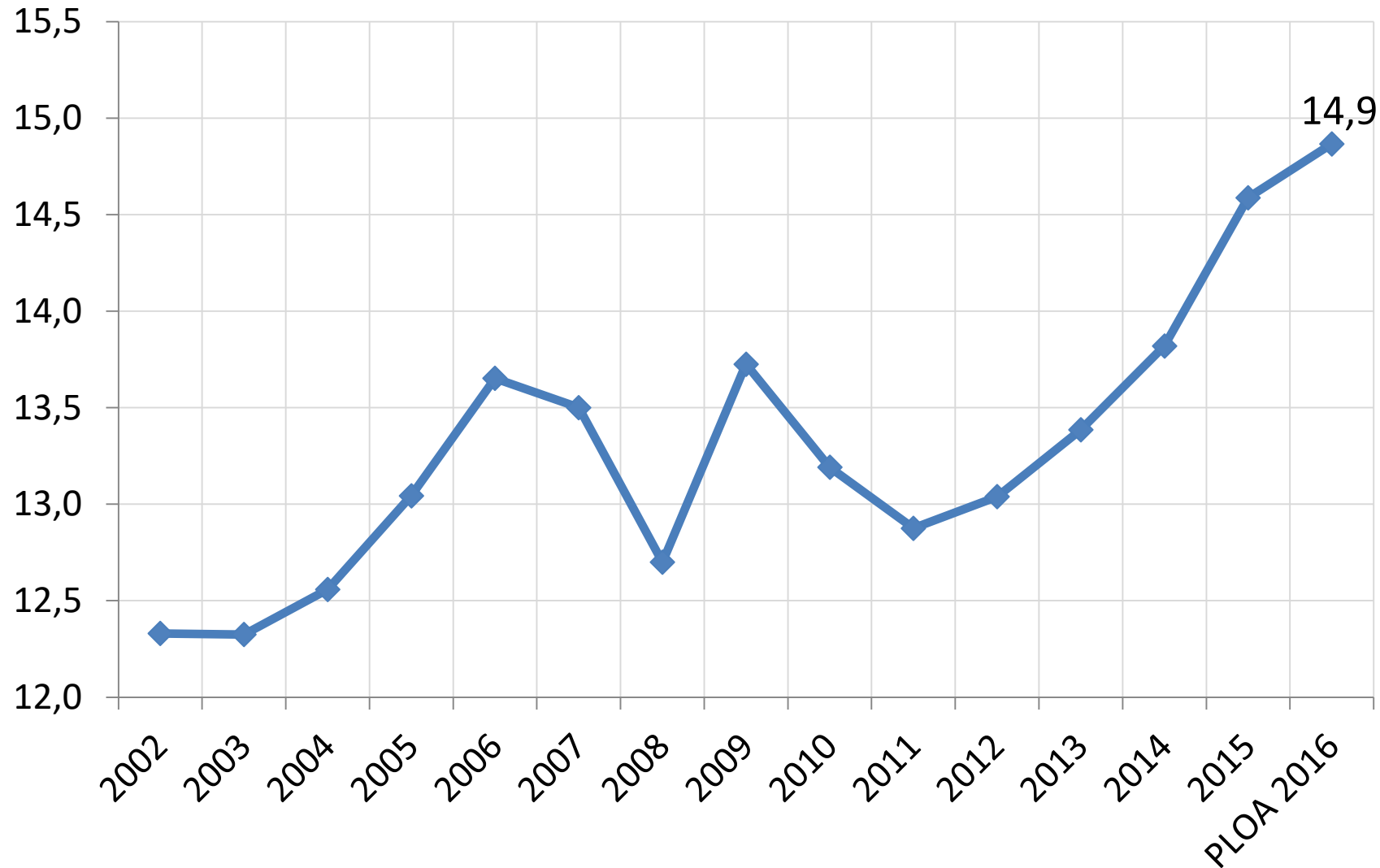


Source: MPOG.

Expenditure with personnel and labor costs (% GDP)

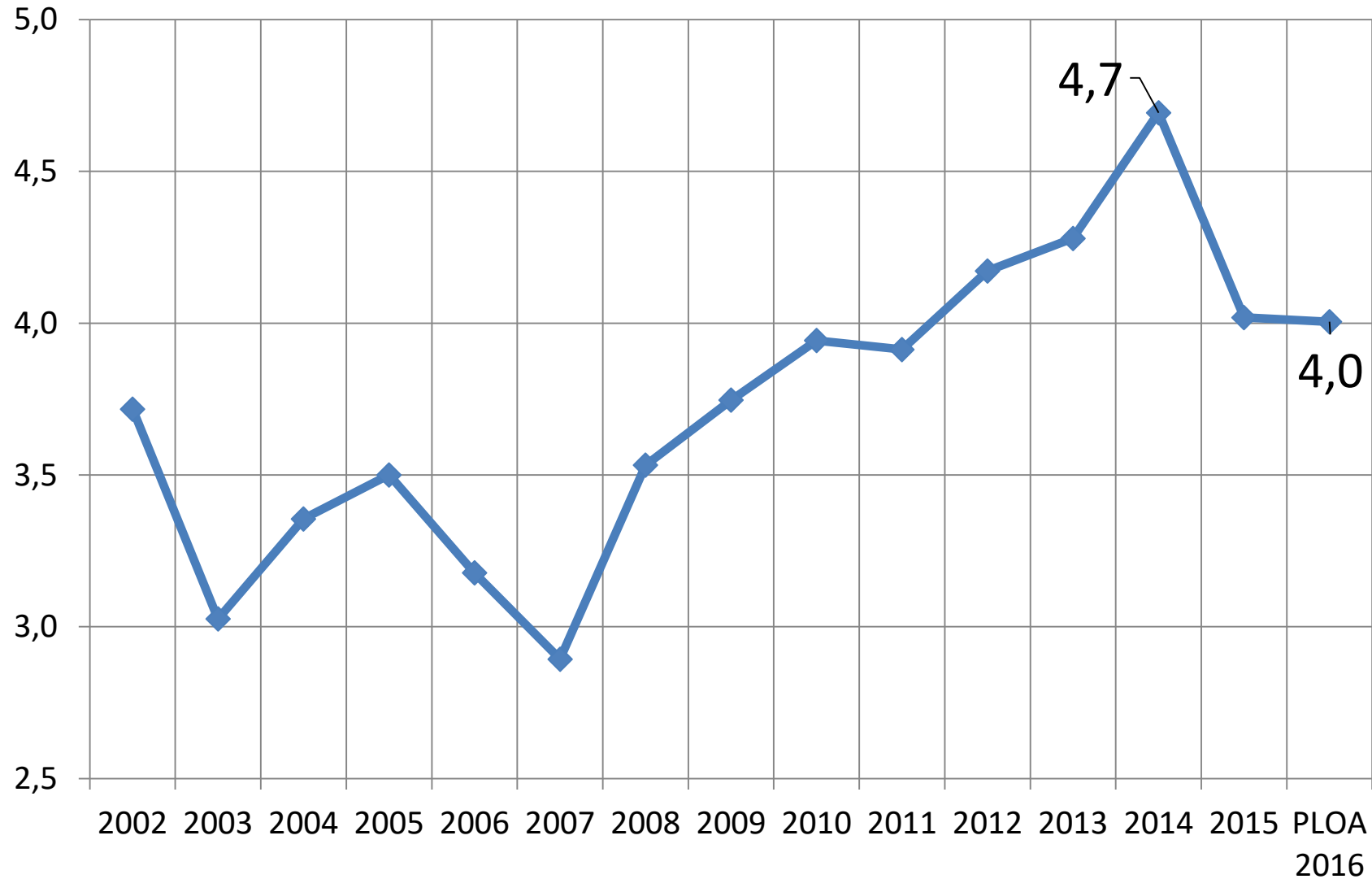


MANDATORY EXPENDITURES (in % GDP)



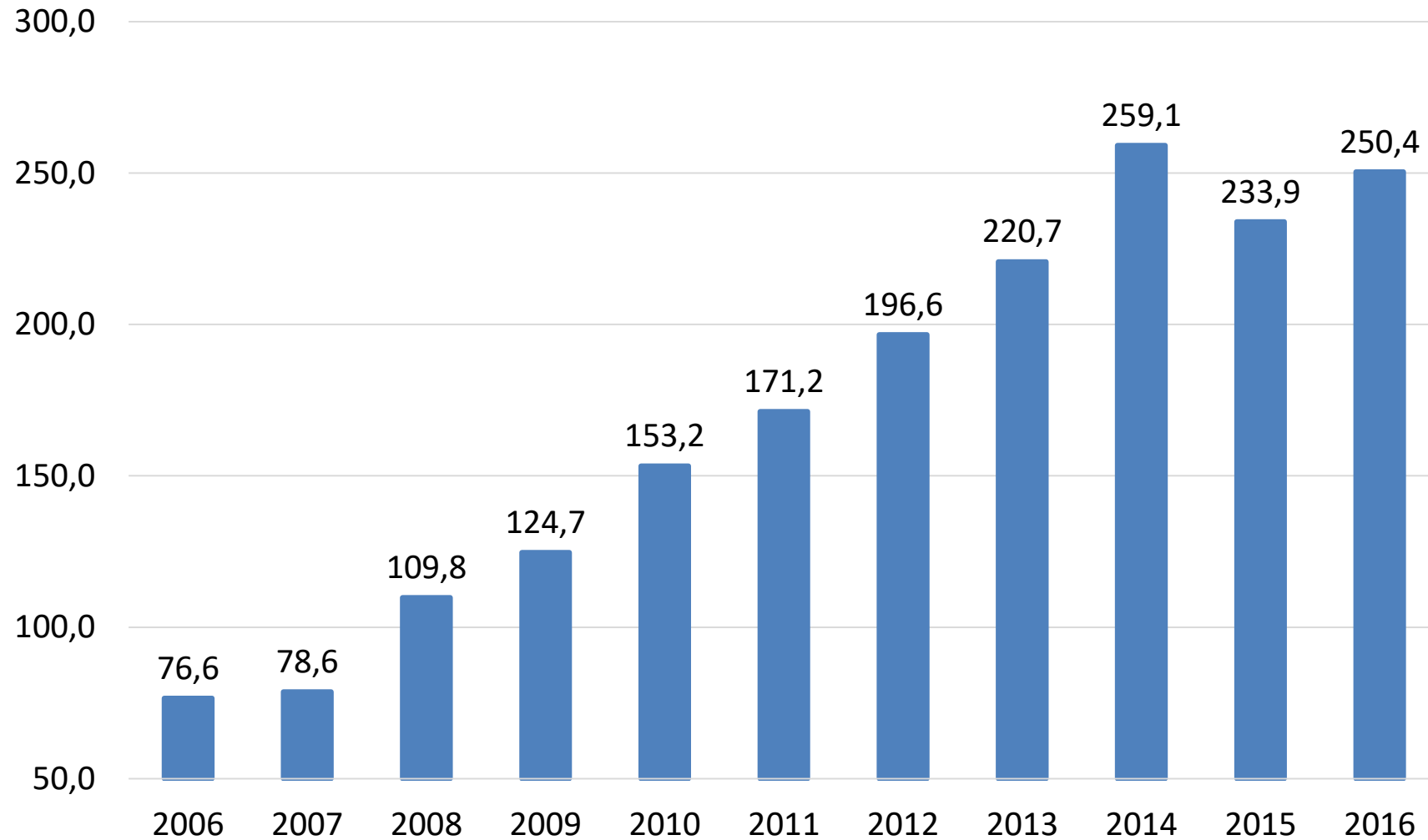
Source: MPOG.

DISCRETIONARY SPENDING (in % GDP)



Source: MPOG.

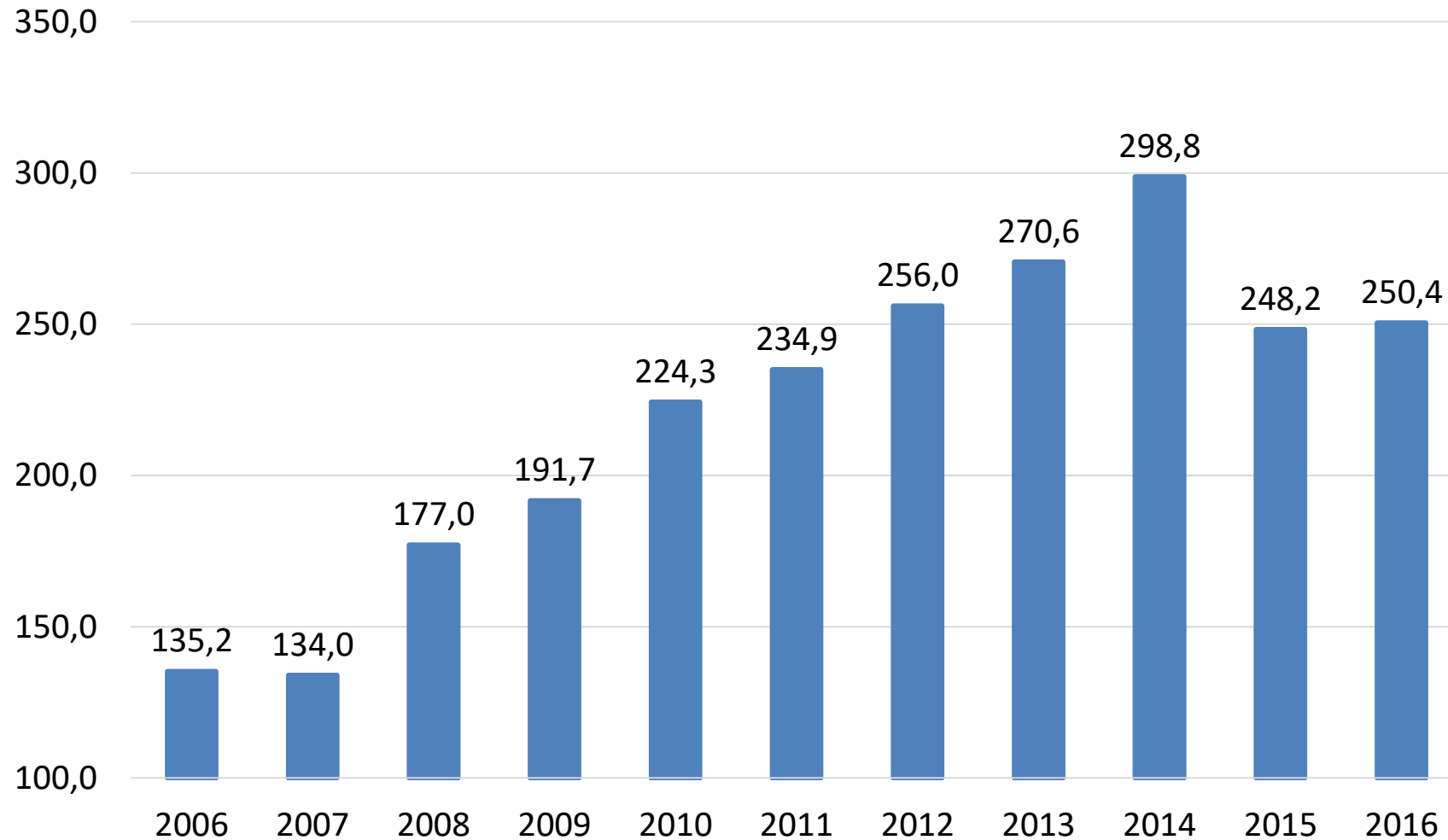
Discretionary Spending (R\$ billion)



Source: MPOG.

Discretionary Spending

(R\$ billions 2016 – adjusted by consumer price index IPCA)



Source: MPOG.

COMPOSITION OF THE PRIMARY EXPENDITURE

Itens of the “Financing Necessity of the Central Government”	Yearly Budget Law Project 2016		
	R\$ bi	% of GDP	% of expenditure
Total Expenditure	1.210,6	19,4%	100,0%
Non impoundable total	1095,5	17,6%	90,5%
Despesas Obrigatórias	960,2	15,4%	79,3%
Pension	491,0	7,9%	40,6%
Personnel (except Constitutional Fund of the Federal District, FCDF)	252,6	4,0%	20,9%
Workers Support Fund (FAT)	55,0	0,9%	4,5%
Social Assistance Organic Law	46,1	0,7%	3,8%
Allowances	28,3	0,5%	2,3%
Tax waivers over salaries	18,5	0,3%	1,5%
Legislative and Judiciary	13,6	0,2%	1,1%
Constitutional Fund of the Federal District (FCDF)	12,0	0,2%	1,0%
Judicial Sentences	10,3	0,2%	0,9%
Other mandatory expenditures (including with control)	32,7	0,5%	2,7%
Non impoundable discretionary expenditures	135,3	2,2%	11,2%
Impoundable discretionary expenditures	115,1	1,8%	9,5%
Note: Total Discretionary Expenditures	250,4	4,0%	20,7%

LONG-TERM FISCAL PROGRAM

Main lines of action

Pension: legal and infra-legal measures for reducing the deficit
(forum begins this week)

Personnel: multi-year agreement for salary adjustment,
restructuring of cadres and reduction of civil service admissions

Health: revaluation of the sources and uses of funds, focusing on
the reduction of legal costs and increasing the quality of spending

Administrative reform: reassessment of the structure of Ministries
and commissioned positions, restriction of operational
expenditures, better property management, restructuring of state
departments and improvement of the governance of state-
controlled companies

Thank you!