

# POST COVID-19 BRAZIL

CONTRIBUTIONS OF THE  
INSTITUTE FOR APPLIED  
ECONOMIC RESEARCH



ipea



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**ipea**

Brasília, 2021

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**Minister** Paulo Guedes

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# Presentation

In early 2020, even though the global economy was not at a time of exceptional performance, it was possible to notice signs of a momentum recovery (Souza Júnior et al., 2020). Although in February, in Brazil, growth expectations of the gross domestic product (GDP) were decreasing slightly, there was a sign that a broader and sustainable recovery movement was coming in 2020 and over the following years (Bastos, 2020).

However, in March the confirmation of the pandemic situation caused by the new coronavirus (Sars-COV-2), as well as the need for substantial parts of the global economy should be deliberately put in a hibernation state, given that the very decrease of infection by the virus would be contingent to the expressive reduction of social and economic interactions. Thus, a complete reversal of the expectations for that year took place, given the still present uncertainties regarding the possibilities of a safe resumption of the economic activity: social isolation or quarantine actions cover almost every country, on a scale and speed never seen before, even in war periods (Souza Júnior et al., 2020). The International Monetary Fund (IMF)<sup>1</sup> expected a contraction of the global economy in April this year, at 4.9% at least.

Since then, Brazil has been living with the pandemic and its health, social and economic implications. The moment scores a crisis characterized by the confluence of simultaneous challenges.

Naturally, the State had the emergency burden of managing the crisis and its impacts. Similarly to the movement adopted by most governments, Brazil's initial priority was the fight against the pandemic, as well as providing assistance to people and companies in situations of greater vulnerability. Obviously, this movement led to extraordinary expenses, almost entirely temporary, yet high, after the approval by the Brazilian National Congress of the so-called "war budget".<sup>2</sup> In fact, this refers to a set of emergency and urgent measures.

If the country already had a very strict fiscal scenario, the immediate consequence of this action – an inevitable one, it should be noted – was a high increase in public debt, and an even more acute financial unbalance of the states and municipalities, which limited the use of new domestic financing at the same time.

Thus, in a few months, we changed from a reasonably promising scenario to the current context, in which forecasts indicate the possibility of a retraction of the Brazilian economy by up to 6%.<sup>3</sup> Evidently, there is great uncertainty on the exact magnitude of the economic activity decrease, but there is no doubt it was significant.

The impacts were known to be heterogeneous, pervading various segments of productive activities. The most affected sector was the services sector, which accounts for 70% of the national GDP. The industrial sector was next in line, namely the manufacturing, while the agricultural sector, due to its own features, still managed to sustain a positive growth, although

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1. According to the World economic Outlook update of June 2020. Available at <<https://bit.ly/3gdnKvY>>.

2. Available at: <<https://bit.ly/2zYeuMP>>.

3. According to the projections of the Department of Macroeconomic Policies and Studies (Dimac)/Ipea for 2020, published in the Letter of Conjuncture nº 47. Available at: <<https://bit.ly/3dFHJlu>>.

lower than the forecasts of the beginning of the year. The resumption process will definitely be heterogeneous in these different segments – an important aspect, which must be considered by the State's action during the recovery process.

The investment rate remains relatively stable at 15%, but it is insufficient to ensure the growth of potential productive capacity above 3% per year (Y.Y.). Therefore, attention should be given to measures that stimulate capital formation. A particularly harmful component of this crisis is the simultaneous occurrence of a supply shock (paralysis of a large part of productive activities) and a demand shock (strong falls in employment and incomes) at a global level, which caused price indicators to reach the lowest levels in economic history, well below the inflation targets forecasted by the government.

In Brazil, the external sector was somewhat protected from the worst consequences of the crisis, with significant growth in exports, namely agricultural products, but with a strong concentration in Chinese importing markets; in turn, as it was reasonable to assume, imports have undergone a contraction, which benefited the trade balance. However, there were net outflows of external resources, due to the effects of the crisis itself or to the sharp reductions in interest rates, which practically nullified the so-called carry trade.

This scenario bolsters the relevance of strengthening Brazil's economic integration with the world, within the structural agenda of the Brazilian economic reforms. These were already proposed by the government, and they focused on productivity gains, reducing market concentrations, as well as the country's international competitiveness.

Also regarding this aspect, it is worth highlighting that the aggravation of fiscal constraints, due to the crisis, makes the increase in investment capacity depend even more intensely on the lure of external investments in Brazil.

The current context's complexity indicates that the country is experiencing a critical moment and a potential inflection for the national development trajectory. To this end, public policy Propositions, as well as robust and objective evidence, are critical inputs for guiding government action in the short, medium and long-term.

It is precisely in this sense that the Ipea, as a fifty year-old institution and a government think tank, and as the State's main agency for public policies research and proposition, takes on the initiative of compiling several contributions in the present document. Our intention is to provide subsidies, so that the government is able to plan for the economy's recovery. The goal is to improve the terms and conditions of employment, income and living conditions of the most vulnerable populations, as well as providing real opportunities for social protection and public policies for sectoral and regional development. These are useful for companies' survival, particularly those most vulnerable due to their size and sector of activity.

In the present document, the focus was on presenting Propositions for concrete actions that would act at the public policies' tactical and executive level. This was done in such a way that this document emphasizes specific programs or instruments, and not on generic strategies, due to the sanitary, social and economic emergency.

They are indicative and propositional contributions, which can motivate decision-makers to make significant choices, since these are based on a unique institutional accumulation of knowledge on public policies in Brazil, which of Applied Economic Research are both feasible and compatible with the available public and private resources.

As already widely reported in analyses carried out by the institute since the beginning of the crisis, the pandemic and its necessary coping mechanisms affect more fiercely the most vulnerable social segments and territories. These tend to have less capacity

to absorb the various impacts that crisis' coping mechanisms may cause.<sup>4</sup> Thus, this set of contributions has highlighted specially the public policies' suggestions, focused on the need of mitigating the inevitable increase in the Brazilian society's already extreme inequalities. We believe that the set of policy responses should be able to preserve the health of the population and pointing the best possible way to the economy, simultaneously considering the inequalities' issue.

Special attention was also given to the foreign sector, especially in view of the restrictions that may arise from the global economy's new conditions, as well as possible disruptions of global chains of production; likewise, the institutional aspects that could favor or hinder the full recovery of economic activity were also focused on.

Finally, in the macroeconomic context, Ipea has developed projections and indicative simulations for the recovery trajectories, with special emphasis on longer-term trajectories, in addition to elaborating short-term scenarios of conjunctural character. To this end, macroeconomic modeling exercises were used, largely already purposely developed. However, these were updated and "calibrated" for the current circumstances of the Brazilian and global economies.

We stress that this document presents short- and medium-term Propositions, yet still essential at the present time, given the severity of the crisis. This effort adds to more than forty specific publications already carried out by Ipea since the beginning of the pandemic,<sup>5</sup> and all acting areas of the Institute are involved in it.

This current contribution, of a more "surgical" nature, so to speak, does not hinder our understanding of the country's need, beyond the crisis, of continuing to seek a national development project based on raising the productivity of production factors and allocation efficiency. The reforms and Propositions already carried out by the federal government are examples that point to this direction, regarding the social security system and the "federal pact".

It is a project that certainly transcends the pandemic and its effects, but is the founding path of a sustainable growth and development trajectory. Ipea's contribution with Propositions of a more structural and cross-section nature should also be highlighted, materialized in hundreds of publications made available to society and the State.<sup>6</sup>

We wish you all a good read.

Carlos von Doellinger  
**President of the Institute**

.....  
4. Available at: <<https://bit.ly/2BDCd5j>>.

5. Available at: <[www.ipea.gov.br/coronavirus](http://www.ipea.gov.br/coronavirus)>.

6. Recently, Ipea published two volumes of the project challenges of the nation, with structuring Propositions.



# Macroeconomic scenarios

## Baseline scenario for 2020-2021<sup>1</sup>

The Brazilian economy prospects, before the aggravation of the Covid-19 pandemic, were of moderate growth, but an acceleration was expected in 2020 and 2021, with estimated increases in the gross domestic product (GDP) of approximately 2% and 3%, respectively. The reforms carried out in recent years to improve the business environment and reduce fiscal risks – particularly the approval of the spending ceiling and the social security reform – as well as the low basic interest rate, represented an incentive to the production and resumption of investments in the Brazilian economy. Gross fixed capital formation ended the first quarter of 2020 with an increase of 4.3% in comparison to the same period of the previous year.<sup>2</sup> However, there were still important challenges to overcome, in terms of a structural fiscal consolidation, through legal and infralegal measures that allowed for the an improvement of effectiveness and a containment of spending growth. These are the so-called micro-economic reforms, which would provide additional incentive to improve resources allocation in the economy, with positive impacts on private investments and productivity.

The serious health crisis on a global scale suddenly changed this situation. In a short time, the expectation of resuming activities turned into the certainty of a severe crisis, which merges severe supply restrictions with demand reductions. The social distancing measures to contain the spread of the virus in Brazil and the rest of the world, combined with the sharp worsening of consumer and business confidence, should result in the biggest decrease in Brazilian GDP since the beginning of the historical series in 1901.<sup>3</sup> Graph 1 illustrates the worsening in the Brazilian economy confidence indicators.

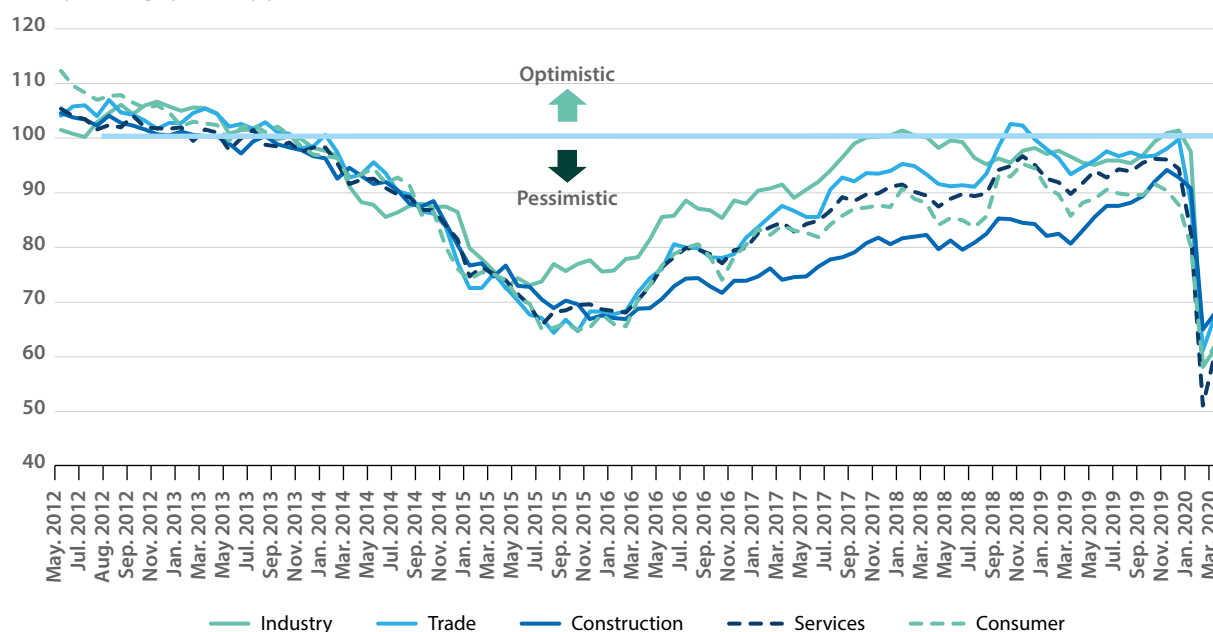
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1. Some excerpts were extracted from the section “economic activity: review of growth forecasts 2020/2021” of the Letter of Conjuncture nº 47 of Ipea, June 2020 (in press). Available at: <<https://bit.ly/2Z8O97g>>.

2. According to IBGE data.

3. Historical series of GDP since 1901, available on Ipeadata (<[www.ipeadata.gov.br](http://www.ipeadata.gov.br)>).

GRAPH 1  
Confidence indicators – seasonally adjusted series (May 2012-May 2020)  
(In percentage points – p.p.)



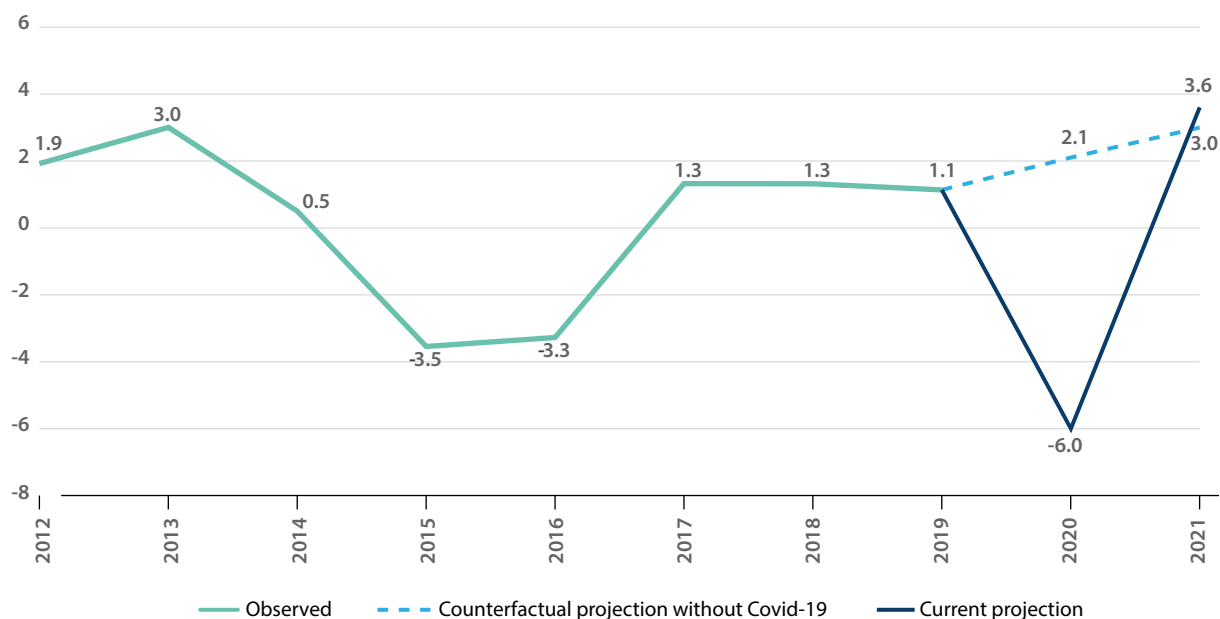
Source: Fundação Getúlio Vargas (FGV).  
Preparation: Dimac/Ipea.

The magnitude of the shock caused by the new coronavirus pandemic required the adoption of a broad set of emergency measures to support health and preserve production, jobs and income. On the public revenue side, it is important to highlight the implementation of temporary reductions and taxes exonerations, as well as contributions on goods necessary to combat the pandemic; suspension of social security debts' payments; and deferral of various taxes and tributes for a few months. Regarding the public spending, the following initiatives should be highlighted: the expansion of the *Bolsa Família* Program; the emergency benefit program for employment and income maintenance; the emergency financial aid for people in need and informal workers; the Emergency Job Support Program; and the expansion of resources and transfers to states and municipalities for health initiatives. According to an estimate by the Ministry of Economy made in May, initiatives with an impact on the primary outcome of the central government in 2020 would reach approximately 6% of GDP, above the average value of economic support programs announced in developed countries, at approximately 4.5% of GDP (Brazil, 2020b).

Additionally, extrabudgetary, regulatory and support to states and municipalities initiatives, as well as credit fostering initiatives, were implemented, with significant potential economic impact. These include the postponement of the Length of Service Guarantee Fund (FGTS); the temporary reduction of the *Sistema S* [S System] contributions; and various initiatives of credit extension and cheapening, which include assurances extension by the Brazilian National Treasury for loans to micro, small and medium-sized companies.

The implementation of this broad set of initiatives has definitely reduced the immediate negative impact of the pandemic on the country's production, employment and income levels. Besides that, these will also contribute to a faster and stronger growth recovery, to the extent that such initiatives are likely to mitigate business shutting down and job losses in the upcoming months. Yet, it is evident that it will not be possible to avoid significant economic and social costs for the country. Graphs 2, 3 and 4 show how market expectations for the GDP in the 2020-2021 biennium have changed as a result of the Covid-19 shock.

GRAPH 2  
GDP growth rate: pre-pandemic projection and current projection (2012-2021)  
(In %)

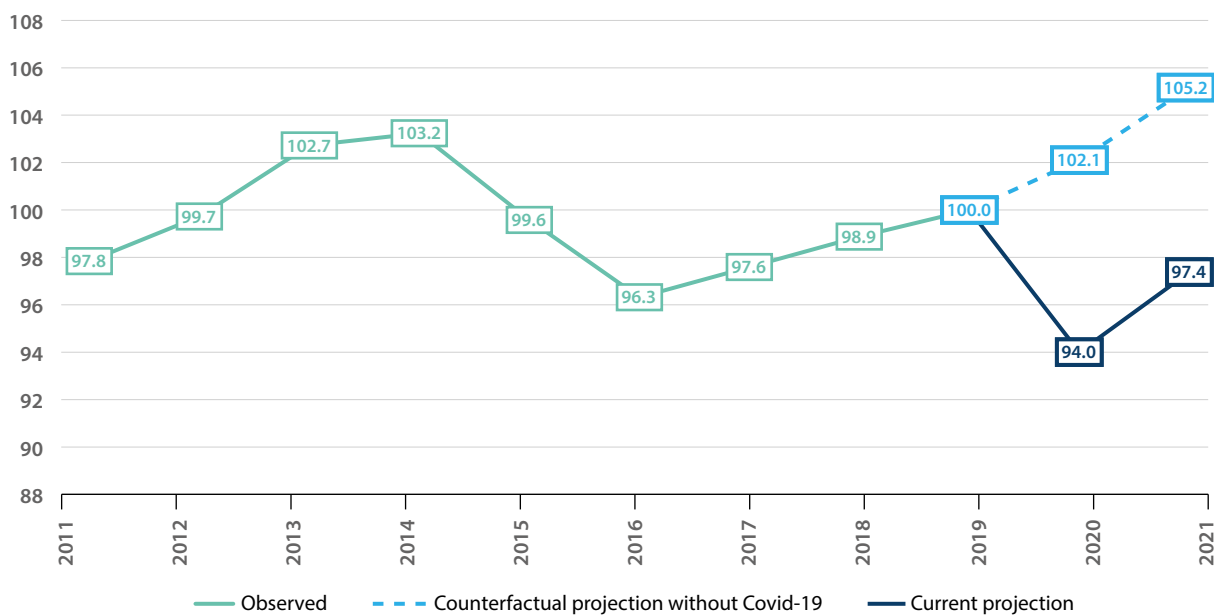


Sources: Ipea e IBGE.

Preparation: Dimac/Ipea.

Obs.: The counterfactual forecast without Covid-19 was made in the overview of the Letter of Conjuncture nº 46, March 2020.

GRAPH 3  
GDP: Pre-pandemic projection and current projection (2011-2021)  
(Index 2011 = 100)



Sources: Ipea e IBGE.

Preparation: Dimac/Ipea.

Obs.: The counterfactual forecast without Covid-19 was made in the overview of the Letter of Conjuncture nº 46, March 2020.



According to the macroeconomic scenario for 2020-2021 published by Dimac/Ipea on June 9<sup>th</sup>, 2020, the decrease in GDP this year is expected to reach 6%. However, our assessment is that April seems to have been the worst moment for the economic activity. This scenario considers that June will score the beginning of a gradual restrictions flexibilization process on mobility and functioning of economic activities. Evidently, there are many doubts on how this process will work. The uncertainties refer not only to the flexibilization pace of rules and legal initiatives, but also to the population behavior in face of the pandemic evolution. Graph 4 shows that the social distancing rate is dropping, even before the reduction of distancing legal measures.

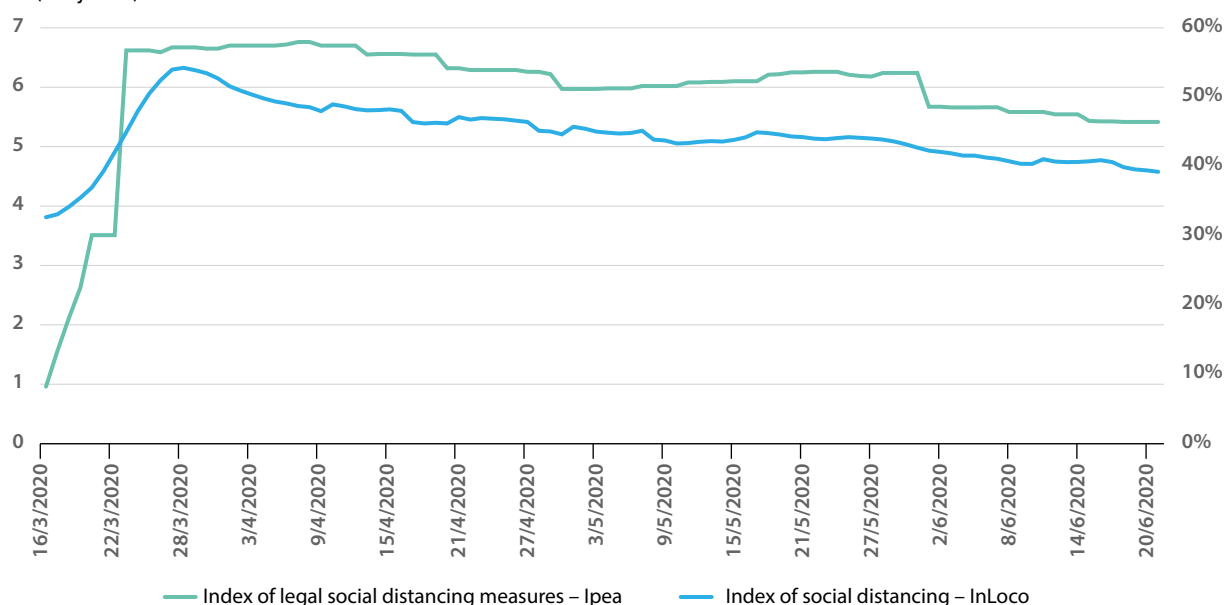
One can assume that the Covid-19 evolution in Brazil can be controlled with no impositions of any new significant constraints on the economic

activity operation for the rest of the year. It could also be assumed that it will be possible to gradually soften the policy extraordinary measures focused on the preservation of jobs, income, and production, besides the return of the previous country's strategy on economic policy, based on measures aimed at the recovery and consolidation of fiscal balance and the economy's productivity gains. This strategy was contributing to a confidence recovery in terms of macroeconomic stability, laying the foundations for attracting investments and accelerating growth. Thus, the GDP growth rate is expected to gradually get back to the forecasted trajectory before the Covid-19 crisis, and that GDP growth should be of 3.6% in 2021 – due to the low comparison base.

GRAPH 4

Legal social distancing measures versus observed social distancing (March 16<sup>th</sup>-June 21<sup>st</sup> 2020)

(Daily data)



Sources: Moraes (2020) and InLoco.

Preparation: Dimac/Ipea.

Obs.: InLoco's social isolation index is a seven-day moving average.



However, it is important to note that these projections are subject to great uncertainty, both in terms of the estimated impact of the pandemic on current economic activity, and with regard to the assumptions underlying the expected recovery for the rest of the year.

### The centrality of the fiscal issue

The severity of the crisis caused by the new coronavirus pandemic has required a large public resources contribution, through provisional expenditures both for public health and for policies meant to mitigate its economic and social effects. Government revenues have also dropped sharply, as a result of the GDP drop and deferred tax payments, which aim to mitigate companies' cash flow issues. The moment's priority could not be anything but the governmental support to save lives and mitigating the negative effects on companies, jobs and the most vulnerable families.

In the Brazilian case, the issue is that the crisis came at a time when the country was still working to adjust public expenditure gradually, by controlling the growth of public spending and with no increases on the tax burden. It is important to stress that the loss in control of public spending was one of the main causes of the previous recession, which began in the second quarter of 2014, and it only ended on the 4<sup>th</sup> quarter of 2016 – a total of

eleven quarters (FGV, 2017). The postponement of the adjustment started in 2015, or even the adoption of a finer adjustment, would have caused an even worse deterioration of the fiscal situation, which would lead to an adjustment with even worse impacts on the GDP and the inflation.<sup>4</sup> The public spending structural adjustment had, as the most relevant initiatives, the approval of the spending ceiling (Constitutional Amendment – CA nº 95/2016) and the pension reform (CA nº 103/2019). These were decisive to improve the credibility of Brazilian fiscal policy and, therefore, to allow for the consistent reduction of the neutral interest rate, which was also influenced by the reduction of international interest rates. Starting in 2016, the reduction in expenditure with interests was the main responsible factor for reducing the nominal deficit. In turn, the improvement in the primary deficit, which also helped to improve the nominal result, was a result of the reduction in discretionary spending – with a strong impact on public investments – which compensated part of the mandatory spending increase with income transferes.

Without the Covid-19 crisis, the primary deficit would tend to be reversed in the first half of the 2020s decade. Thus, by preserving the neutral rate of interest structurally lower, it would be possible to reverse the public debt upward trend consistently, even with no extraordinary revenues.

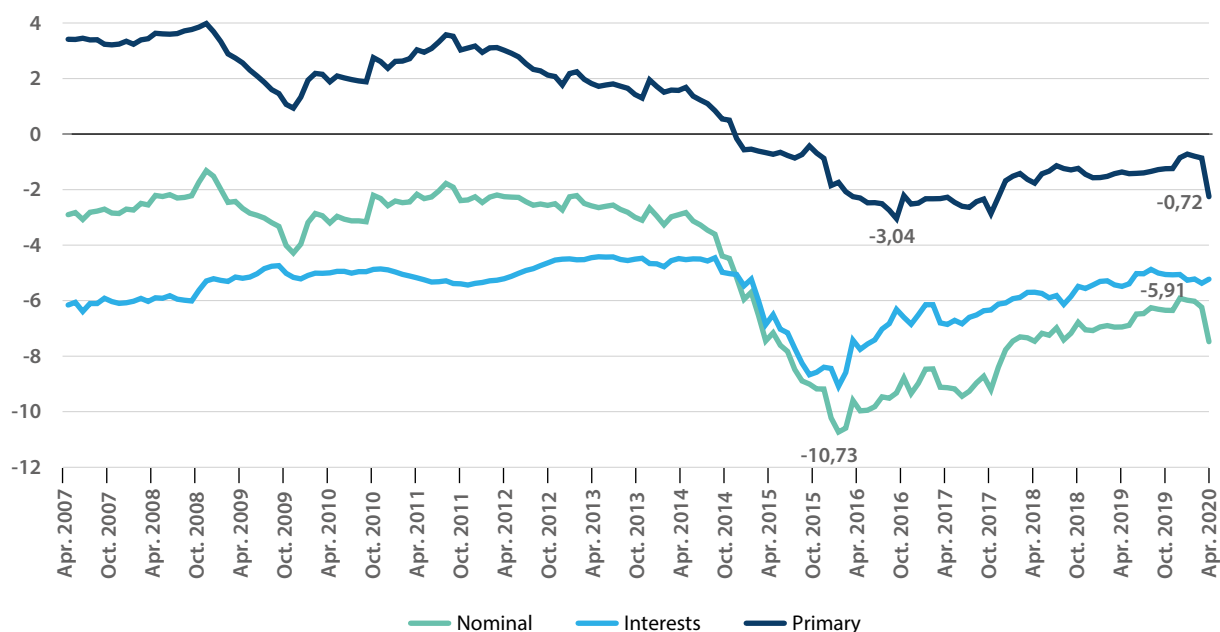
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4. Conclusion of a study done using a dynamic stochastic general equilibrium model by Cavalcanti et al. (2019).

GRAPH 5

**Public sector's consolidated fiscal outcome (Apr. 2007-Apr. 2020)**

(Accrued in 12 months, in % of the GDP)



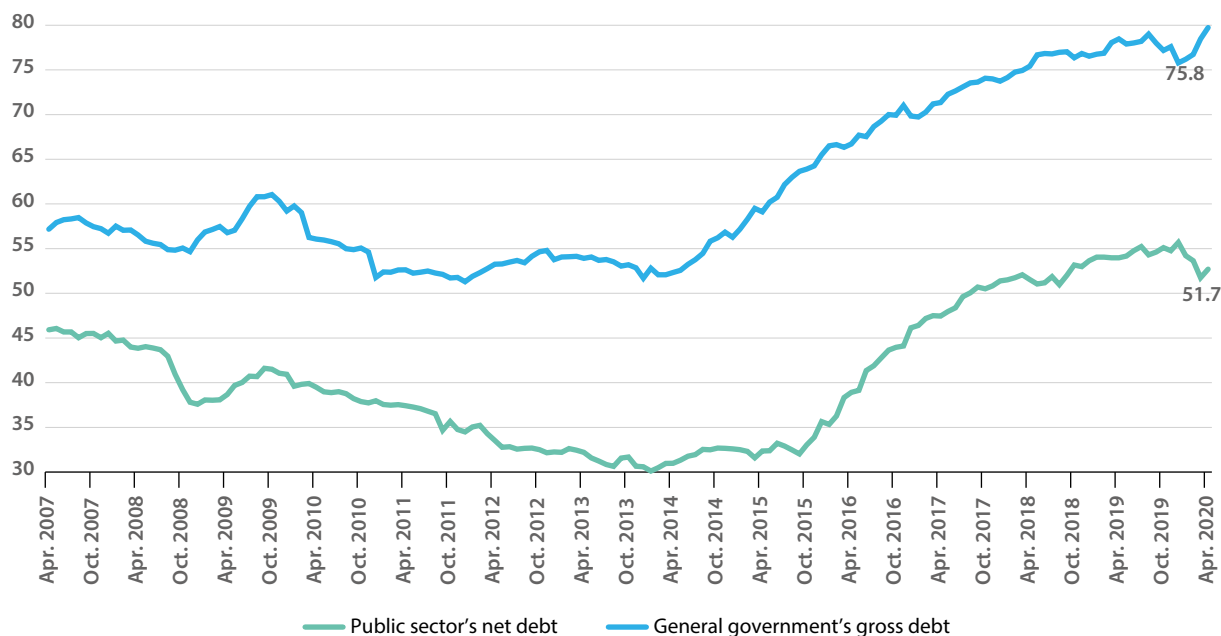
Preparation: Central Bank of Brazil (BCB).

Preparation: Dimac/Ipea.

GRAPH 6

**Public debt (Apr. 2007-Apr. 2020)**

(In % of GDP)



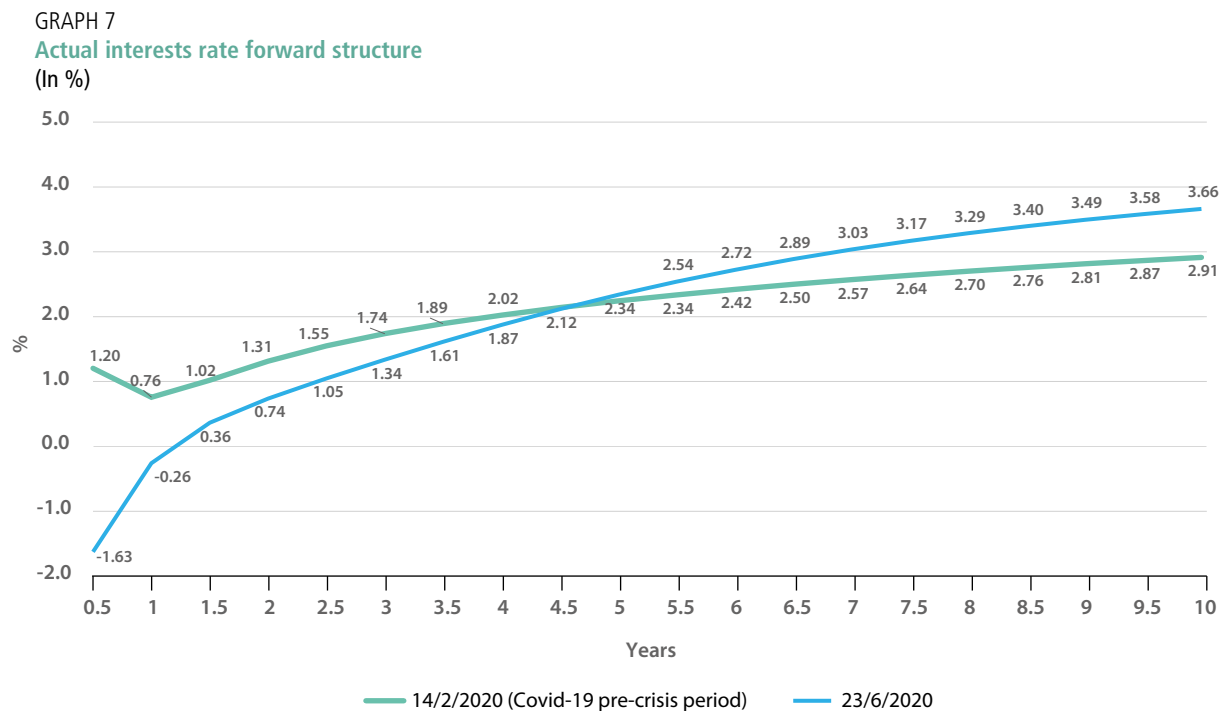
Source: BCB.

Preparation: Dimac/Ipea.

Even if the increase in expenditure is predominantly temporary, a part of this increase tends to be prolonged for some time, due to the likely increase in the social assistance demand – resulting from the rising unemployment and reduced labor income. The revenue loss has a temporary share, associated with the postponement of taxes payment and the sharp drop in economic activity. However, the shock caused by this crisis also has permanent effects, for even with the resumption of growth and the 3.6% expected increase of the GDP in 2021, the output level will still be significantly below what it would have been if the country had followed the previous, pre-crisis trend – as clearly demonstrated on graph 3, shown earlier. Considering the severe expenditure inflexibility, the inevitable consequence is the increase in

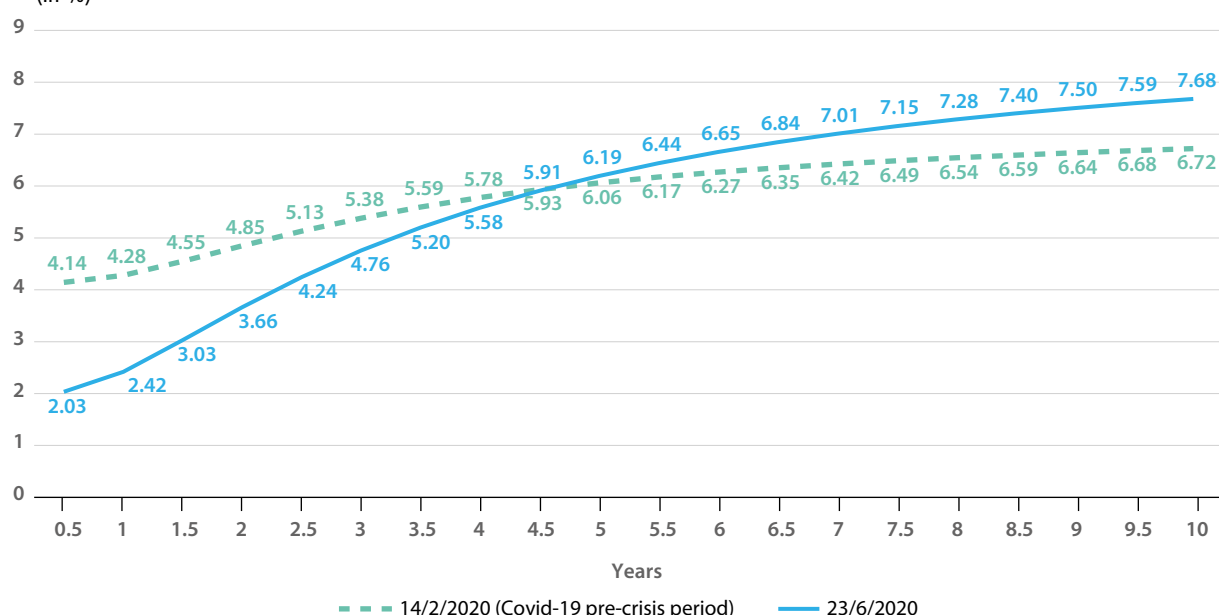
primary deficits for a few years, in comparison to the previous trajectory.

In a simple simulation exercise, it is possible to demonstrate that, given the sharp reduction in public revenues, and even if the expenditure is limited by the spending ceiling is maintained, obtaining a primary surplus would only be possible at the end of the 2020s. Obviously, in the absence of the spending ceiling, this deficit reversal would be even slower, with serious risks to the public debt trajectory and, as a result, to the fiscal policy credibility. A direct effect of this increase in risk has already been felt through the fiscal structure inclination in terms of the interest rate, which generates an upward pressure of the debts' cost, in contrast to the downward effect of the Selic rate reduction.



Source: Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais (Anbima).  
Preparation: Dimac/Ipea.

GRAPH 8  
Actual interests rate forward structure  
(In %)



Source: Anbima.  
Preparation: Dimac/Ipea.

Even though it is not sufficient, a necessary condition for the consistent recovery of the Brazilian economy is precisely the containment of the fiscal risk deterioration. Maintaining a clear signalization of the fiscal balance commitment is necessary. Before this crisis, the main achievement on the fiscal front had been the social security reform, but new reforms that would allow for the reduction of public spending growth and enabled the maintenance of necessary fiscal space for ensuring the spending ceiling compliance – the main fiscal anchor of the country at the time – were still needed. When the pandemic is overcome – and the need for emergency measures with an impact to increase the deficit and public debt – these reforms will be even more important.

As an example of reforms that could help controlling spending growth and improve public resources allocation, the following could be mentioned: the new federal pact, which would create tools to improve fiscal management at all government levels – it is worth remembering that a large share of the fiscal risk lies in subnational bodies; the constitutional amendment Proposition

that extinguishes sub-constitutional funding funds; and an administrative reform that stimulates the increase in productivity of servers and helps to contain spending on personnel – second largest item of primary expenditure of the federal government and main expenditure of subnational governments.

Especially from 2021 on, it is also essential to be aware of the possible occurrence of non-Keynesian effects of fiscal policy. For instance, in order to sufficiently increase public investment for stimulating the economy in a significant way, as well as helping the country overcome infrastructural bottlenecks, a very substantial increase in such spending would be necessary. The negative effects of this type of measure, through an aggravation of agents' risk perception in regard to the public debt sustainability, would possibly be greater than the investments' positive effects. Therefore, the most appropriate solution should be the allure of private domestic and foreign investments, especially in infrastructure. This would require a balanced macroeconomic environment, a less complex and costly tax system, and a regulatory

framework that allows for an incentive structure suitable to the current scenario, which requires a higher return rate to compensate for the high risk level.

Given the strong expansion of international liquidity in response to the Covid-19 crisis, foreign interest rates are likely to remain very low for a few years to come. Nevertheless, this does not ensure that the financing of Brazilian public debt is guaranteed: if its trajectory is not perceived as sustainable, the country may face confidence crises, with severe macroeconomic consequences. Above all, this perception of the sustainability of public debt relies on an institutional framework that prevents deficits from staying high for an excessively long period, reflecting pressures to increase spending, even when they are worthwhile.

### Is it possible to grow more from 2021 on?

The pandemic has caused a sharp decrease in Brazilian GDP in the first half of 2020. The expected growth for the second semester, added to the increase in 2021, will be able to recover only part of the GDP absolute loss, which will still be 2.6% below the 2019 rate. If we compare it with the previous growth trend, without the pandemic, the difference becomes even greater. Therefore, it is essential to think of solutions, not only to ensure this projected recovery in the Ipea benchmark scenario, but also to further accelerate growth in 2021 and subsequent years.

There is no easy way to achieve this goal. Fiscal issues restrict the use of public spending to stimulate the recovery of the economy. Monetary policy can contribute positively by mitigating the decrease in GDP and by generating stimuli for the cyclical recovery, but it is not sufficient for a strong and balanced acceleration of the economy. The recent increase in the interest curve shows that monetary policy has its limitations, even in terms of cost of capital. The increase in interest for long deadlines can partially or completely

nullify the effect of Selic's reduction on the cost of raising funds – from the government and the private sector.

Measures to reduce fiscal risk and improve the business environment are the most efficient way to stimulate private investment and generate employment and income in the medium term. The sense of urgency that allowed for the relatively quick adoption of measures that respond directly to issues caused by the pandemic should also guide efforts to resume the economic reform agenda.

Brazil provides good investment opportunities, due to its potential market, which is one of the largest in the world, and to its comparative advantages, which are not fully exploited yet. In the agribusiness chain, for example, it is still possible to benefit more from our advantages, increasing our competitiveness in the food industry. The possible trend of deconcentrating industrial activities, due to the growing international perception that there would be excessive concentration in some Asian countries, which would expose the countries to supply risks – an issue that has gained prominence in this pandemic – may also offer opportunities for the country. The infrastructure bottlenecks in the country also show that, even in a scenario with high idle capacity of fixed capital, there are investment opportunities that can lure domestic and foreign investors.

Brazilian productivity is still very low when compared to that of more developed countries. There is considerable room for increasing economic efficiency through structural reforms, such as greater openness to foreign trade and flexibility of the labor market. Along with the revitalization of the credit market – along the lines that the Brazilian Central Bank has already been pursuing, by exploiting opportunities presented by new financial technologies – and the improvement of the business environment, these reforms would accelerate productivity growth, further stimulating investments.

The idleness of fixed capital and human capital (with the high increase in unemployment) makes room for the country to grow more than its potential for a few years, without creating inflationary pressures. Yet, growth will only be significant if it is followed by a better allocation of invested resources, focusing on improving productivity – the main source of long-term growth.

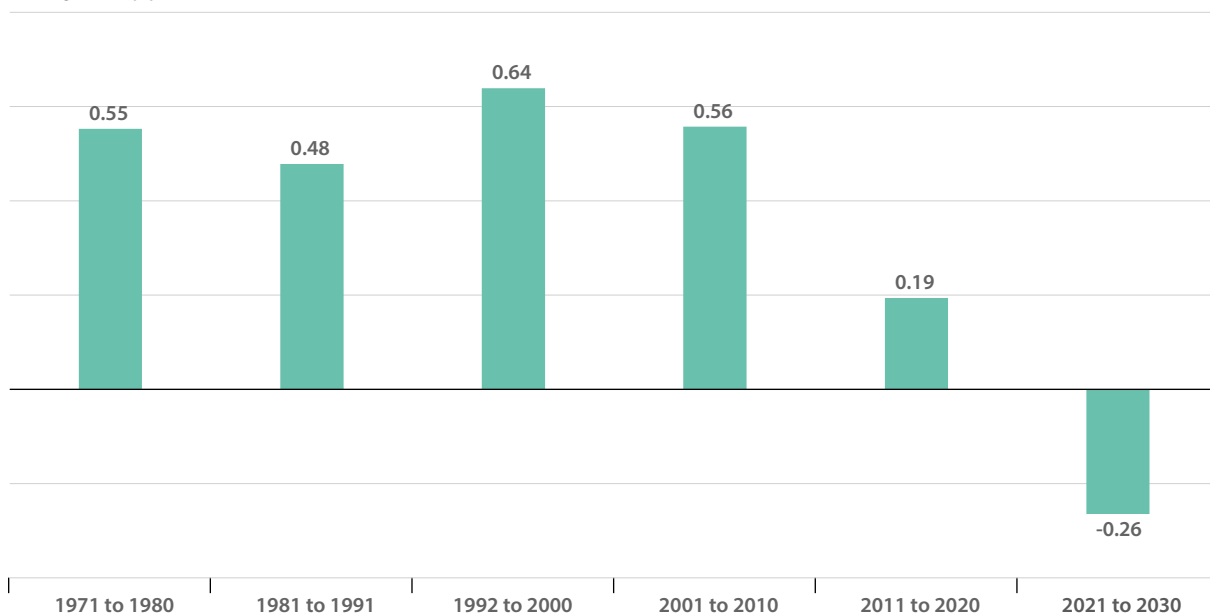
A concentrated effort to approve reforms could accelerate the short-term recovery and pave the way for a faster overcoming of the pandemic negative effects on the Brazilian economy. Fiscal reforms could reduce the risk of uncontrolled public accounts and improve the tax structure, which would reduce the cost in tax

payments, and it could improve the efficiency of the economy.

The labor cost reduction measures proposed in the next section of this document are also relevant to allow for the best use of this temporary excess of labor supply in the formal labor market, which has a higher productivity rate. High and prolonged unemployment and underemployment can produce the so-called hysteresis in the labor market, which could deteriorate human capital at a time when we still have a large share of young people in the market. For the next few years, we will no longer have the so-called demographic bonus – the growth of the economically active population will be inferior than that of the total population.

GRAPH 9

Difference between growth rates: economically active population (EAC) – total population (1971-2030)  
(In growth p.p.)



Source: IBGE.  
Preparation: Dimac/Ipea.

Assuming that, in addition to the fiscal reforms to contain public spending (basic hypothesis in our benchmark scenario for the next few years), a broad set of pro-investment microeconomic reforms and a tax reform that helps to improve the efficiency of the economy, it is possible to

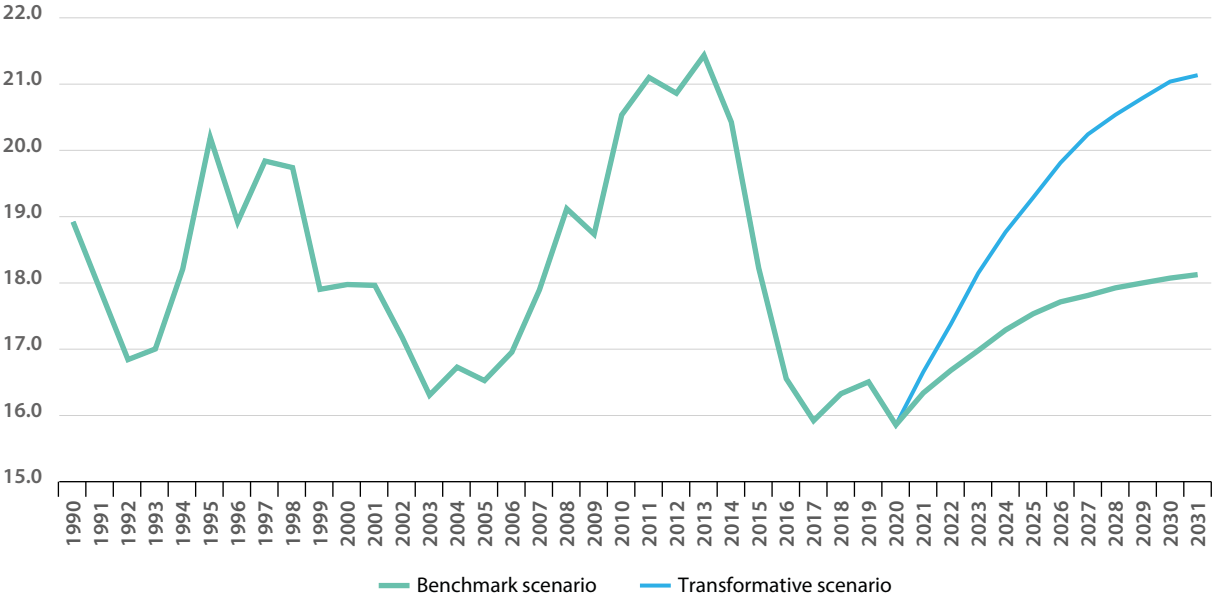
design a transformative scenario – with much higher growth than the benchmark one.<sup>5</sup> As mentioned earlier, there is room to significantly increase infrastructure investments, which are too low and are not even enough to restore the depreciation of the poor transportation and

5. For more details on these scenarios and on the long-term projection methodology used, See Cavalcanti and Souza Júnior (2018).

energy supply structure that the country has today. These measures have no fiscal cost, and

they depend only on the new laws approvals in the National Congress.

GRAPH 10  
Total investment rate (1990-2031)  
(In 2010 constant prices, in % of GDP)



Sources: Ipea e IBGE.  
Preparation: Dimac/Ipea.

GRAPH 11  
Investment rate in infrastructure (1990-2031)  
(In 2010 constant prices, in % of GDP)

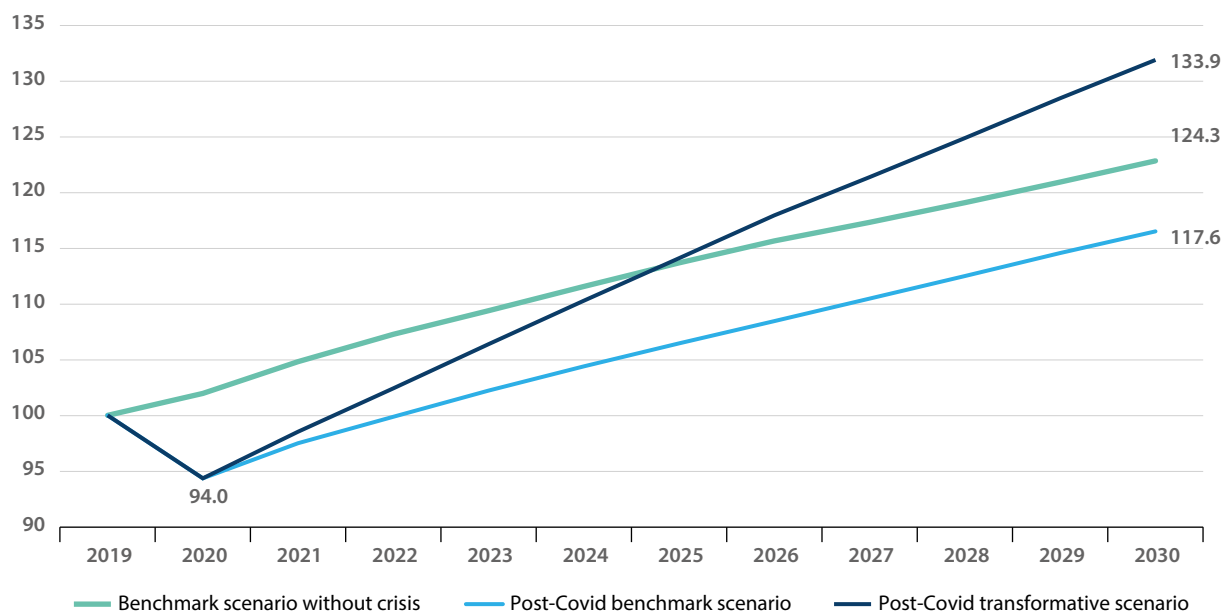


Sources: Ipea e IBGE.  
Preparation: Dimac/Ipea.

As an example of microeconomic measures that could contribute to the acceleration of infrastructure investments in this transformative scenario, the following can be listed: i) creation of a long-term investment portfolio, based on technical criteria for prioritization and with careful prior analysis of projects; ii) approval of the new regulatory frameworks for the electricity sector and new concessions; and iii) regulation of the regulatory framework for telecommunications, approved in 2019.

In the scenario herein called transformative, productivity would grow at significantly higher rates than that observed in the average of the last forty years – which was slightly above zero. Moreover, one could assume a more optimistic scenario for the growth of the education level, which would have even greater effects on human capital in the coming decades than in the current one. With this, it would be possible to overcome the previous growth trend of growth in the 2020s. The accrued growth rate in the period (2021 to 2031, base year = 2020) would be significantly higher in the transformative scenario (42.5%) than in the benchmark scenario (25.1%).

GRAPH 12  
GDP: benchmark scenario without crisis versus post-Covid scenario (2019-2030)  
(2019 Index = 100)



Preparation: Dimac/Ipea.



# Covid-19 in the world: adopted international measures

## BOX 1

### Germany: measures to combat and mitigate Covid-19 effects and for the recovery of the economy (May 2020)

	Measures	Responsible institution(s)
1. Immediate and direct transferences to individuals, self-employed people, informal workers and small enterprises	Up to 15 employees, € 5-15 thousand	Federal government; requests through states
1.1 Individuals and families	-	-
1.2 People who lost their jobs due to Covid-19	-	-
1.3 Indigenous communities	-	-
1.4 Combating extreme poverty	-	-
1.5 Elderly	-	-
1.6 Young and newly graduate	-	-
2. Aid to large, medium and small enterprises	-	-
2.1 State assurance to credit lines	€ 400 billion (15 to 250 employees).	Federal government
2.2 State's contribution ( <i>equity</i> )	€ 100 billion (15 to 250 employees).	Federal government
2.3 Credit refinancing	€ 100 billion (15 to 250 employees).	Federal government
3. Legal measures to mitigate Covid-19 effects	-	-
3.1 Bankruptcies	<ul style="list-style-type: none"> <li>• Extension of legal deadlines.</li> <li>• Limitation of liabilities.</li> <li>• Change of preference rights in new debts / fundraising</li> </ul>	Judiciary branch
3.2 Civil Law	<ul style="list-style-type: none"> <li>• Moratorium on contracts – consumers, and small and medium-sized enterprises.</li> <li>• Suspension of evictions for housing and businesses.</li> <li>• Assurance of services supply (Light, Gas, Water) regardless of payment.</li> </ul>	Judiciary branch
4. Deferral of contributions to social security and public health services	It lacks proof of difficulty and excessive indebtedness.	Responsible institutions
5. Tax and fiscal support measures	<ul style="list-style-type: none"> <li>• Deferral of tax obligations and enforcement.</li> <li>• Remission of interest and fees.</li> <li>• Relief of payments in advance.</li> <li>• Tax exemption for bonuses and productivity prizes up to € 1,5 thousand.</li> </ul>	Tax agencies of Brazilian states

(Continues)

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	Measures	Responsible institution(s)
6. Reduction of working time and wages, and compensation of social contributions	Companies cover the hours actually worked. The total wage supplement is taken on by the State between 60% and 77% (if the worker has children). After seven months, the government takes up to 87% of the wages. Maximum duration of twelve months. 100% refund of social contributions for hours not worked.	Federal Employment Agency
7. Basic cash aid for small entrepreneurs and self-employed workers	For new requests, exemption from proof of equity and income for six months. Acceptance of applications for maintenance expenses without examination of the request suitability.	Federal Employment Agency
8. Assurances for access to credit	Raise of the assurance spending ceiling, which was doubled to a total of € 2.5 million. Limit for elevated working capital, up to 80% of companies total needs. Increased risk-taking on behalf of the federal government, through counter-assurances. Speedy process.	German Association of guarantee banks
9. Special credit lines	For investments and working capital. Requests through commercial banks, with risk taking of KfW, from 80% to 90% (SMEs), up to € 1 billion: 25% of annual sales in 2019, twice as much as the total cost for wages in 2019, or the total financial means needed for the next eighteen months (small and medium-sized enterprises) or twelve months (other enterprises), or 50% of active loans debt.	Development Bank KfW
9.1 Business credit line for companies	Conditions: having more than five years in the market (see KfW).	KfW
9.2 Credit line for companies with less than five years in the market	KfW takes on up to 80% of the risk.	KfW
9.3 Consortium credit line for large-sized companies	From € 25 million on, KfW takes on up to 80% of the risk.	KfW
9.4 Fast credit or advances	Maximum of € 500 thousand up to € 800 thousand, equivalent to three months of sales – companies with more than ten employees.	KfW
10. Assistance for commercial rentals	-	-
11. Specific sectoral measures	-	-
12. Measures to reinforce the health system	-	-
13. Measures to support startups	Package of € 2 billion. The criteria depend on the stage at which the companies find themselves in.	To be defined
14. Science and technology measures	Additional € 306.5 million in investments, mainly in vaccines.	Federal government (BMBF)

Source: German Government. Available at: <<https://bit.ly/3g3OdML>>; <<https://bit.ly/2VeKxzH>>; and <<https://bit.ly/3cKQJ9d>>.

Preparation: Ipea.

Obs.: Data and information collected in mid-June 2020. New measures are constantly being introduced by countries.

## BOX 2

## United States: measures to combat and mitigate Covid-19 effects and for the recovery of the economy (May 2020)

	Measures	Responsible institution(s)
1. Immediate and direct transferences to individuals, self-employed workers, informal workers and small enterprises	USD 1,200 for each adult with annual incomes of up to USD 99 thousand, plus USD 500 for each child, up to a total of USD 3,400 for each family	-
1.1 Individuals and families	USD 1,200 for each adult with annual incomes of up to USD 99 thousand, plus USD 500 for each child, up to a total of USD 3,400 for each family	-
1.2 People who lost their jobs due to Covid-19	USD 1,200 for each adult with annual incomes of up to USD 99 thousand, plus USD 500 for each child, up to a total of USD 3,400 for each family	-
1.3 Indigenous communities	-	-
1.4 Fight against extreme poverty	-	Government of Brazilian states
1.5 Elderly	Many support measures.	Government of Brazilian states
1.6 Young and newly graduate	Many support measures.	Government of Brazilian states
2. Aid to large, medium and small enterprises	Paycheck Protection Program (PPP).	-
2.1 State assurance to credit lines		
2.2 State participation (equity)		
2.3 Credit refinancing		
3. Legal measures to mitigate Covid-19 effects	-	-
3.1 Bankruptcies	-	-
3.2 Civil Law	Moratorium on contracts – consumers and small and medium-sized enterprises. Suspension of evictions for housing and business. Assurance of services supply (Light, Gas, water), regardless of payment. Suspension of local fees on properties.	Government of Brazilian states
4. Deferral of contributions to social security and public health services	-	-
5. Tax and fiscal support measures	Deferral of tax obligations and enforcement. 90 days “grace period” for mortgages.	Government of Brazilian states
6. Reduction of working time and wages, and reimbursement of social contributions	-	-
7. Basic cash aid for small entrepreneurs and self-employed workers	-	-
8. Assurances for access to credit	-	-
9. Special credit lines	PPP.	-
9.1 Business credit line	Loans for small businesses, self-employed workers, independent contractors, non-profit organizations, up to five hundred employees, with the goal of ensuring payment and jobs for workers and employees. The amount is calculated based on the payroll, at the maximum amount of USD 10 million, and 1% interest for up to two years. The loan is forgivable if 75% of its value is used for payroll and no employee is fired, or if the dismissed employees are rehired before June 30 <sup>th</sup> , 2020. Other allowed expenses: mortgage, rent and utilities interests.	Small Business Act (SBA) and participating commercial banks
9.2 Credit line for companies with less than five years of market	-	-

(Continues)

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	Measures	Responsible institution(s)
9.3 Consortium credit line for large-sized companies	-	-
9.4 Fast credit or advances	Economic Injury Disaster Loan (EIDL) Program, which contemplates exclusively the agricultural sector at the moment: advance loan up to USD 10 thousand, for relief to companies that have suffered temporary revenue losses. It will not need to be refunded.	SBA and participating commercial banks
10. Assistance for commercial rentals	-	-
11. Specific sectoral measures	-	-
12. Measures to reinforce the health system	-	-
13. Measures to support startups	-	-
14. Science and technology measures	USD 6.1 billion on different fronts.	Federal government

Sources: Small Business Administration (available at: <<https://bit.ly/2VeLkRb>>) e De Negri e Koeller (2020a).

Preparation: Ipea.

Obs.: Data and information collected in mid-June 2020. New measures are constantly being introduced by countries.

### BOX 3

#### France: measures to combat and mitigate Covid-19 effects and for the recovery of the economy (May 2020)

	Measures	Responsible institution(s)
1. Immediate transferences to individuals, self-employed workers, informal workers and small enterprises	Aid of up to € 1,500 for the most affected micro and small enterprises, self-employed workers, liberal professions, and micro-entrepreneurs through the Solidarity Fund. For the most difficult situations, additional support in the amount of € 2,000 to € 5,000 can be granted to companies that: <ul style="list-style-type: none"><li>• have benefited from the first part of the fund (aid up to € 1,500)</li><li>• used to employ, on March 1<sup>st</sup>, 2020, at least one employee with a fixed-term or fixed-term contract;</li><li>• Were not able to settle their overdue debts within thirty days, and the amount of their fixed charges, including business or professional rents, were due in the months of March and April 2020;</li><li>• Have applied for a cash loan from March 1<sup>st</sup>, 2020 onwards, from a bank of which they were clients on that date, and these were denied or remained unanswered after ten days.</li></ul>	Federal government and government of Brazilian states
1.1 Individuals and families	-	-
1.2 people who lost their jobs because of Covid-19	-	-
1.3 Indigenous communities	-	-
1.4 Fight against extreme poverty	-	-
1.5 Elderly	-	-
1.6 Young and newly graduate	-	-
2. Aid to large, medium and small enterprises	-	-

(Continues)

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	Measures	Responsible institution(s)
2.1 State assurance to credit lines	<p>€ 300 billion fundraising by the State, to secure bank liquidity lines to support companies during the pandemic. Until December 31<sup>st</sup>, companies of all sizes, regardless of the legal form (including companies, traders, craftsmen, farmers, liberal professions, micro-entrepreneurs, associations and foundations with economic activity) – except for real-estate companies, credit and financial institutions – can request from their usual bank for a state-guaranteed loan to support their cash flow. Loan up to three months of billing in 2019 or, in the case of innovative companies created since January 1<sup>st</sup>, 2019, two years of payroll. No reimbursements will be required in the first year; the company may choose to repay the loan for a maximum of five years. Banks are committed to examining all requests made to them and to provide an immediate response. They commit themselves to distributing government-guaranteed loans without a spread charge, to promptly relieve the cash flow of companies and professionals.</p> <p>However, companies, in particular the largest ones, which do not meet their obligations in terms of payment, will not have access to this state guarantee of their bank loans. Additionally, French banks have pledged to postpone the reimbursement of corporate loans for up to six months, free of charge. Large companies applying for an extension of tax and social security periods, or a loan guaranteed by the state, commit to:</p> <ul style="list-style-type: none"> <li>• not paying bonuses in 2020 to its shareholders in France or abroad; and</li> <li>• not buying back shares during the year of 2020.</li> </ul>	State
2.2 State participation (equity)	-	-
2.3 Credit refinancing	Support from the State and the Banque de France (credit mediation) to renegotiate a rescheduling of bank credit with the bidder's bank. Support takes place with the help of 105 "credit mediators", which operate throughout the territory.	-
3. Legal measures to mitigate Covid-19 effects	-	-
3.1 Bankruptcies	-	-
3.2 Civil Law	Support the handling of conflicts with customers or suppliers, through special agents called "business mediators". Recognition by Coronavirus state authorities and local governments as a force majeure case in public procurement. Consequently, for all state and local public contracts, delay fines will not be charged.	State and governments of the regions
4. Deferral of contributions to social security and public health services	-	State
5. Tax and fiscal support measures	-	-

(Continues)

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	Measures	Responsible institution(s)
6. Reduction of working time and wages, and reimbursement of social contributions	Maintaining employment in enterprises through the simplified and enhanced partial unemployment mechanism. The company pays a remuneration equal to 70% of the gross salary (about 84% of the net salary) to its employees. Employees receiving minimum wages (or less than the minimum) are paid in full (100%). The company will be fully reimbursed by the State, for gross wages up to € 6,927 per month, that is, 4.5 times the minimum wage.	-
7. Basic cash aid for small entrepreneurs and self-employed workers	Aid of up to € 1,500 for the most affected micro and small enterprises, self-employed workers, liberal professionals and micro-entrepreneurs, through the Solidarity Fund financed by the State and regions. Micro and small businesses with a maximum of ten employees, who invoice less than € 1 million and have annual taxable profit less than € 60 thousand that: <ul style="list-style-type: none"> <li>• are prohibited from receiving the public in accordance with the government decree, even if they maintain an activity such as order delivery and pick-up services or "room service"; or</li> <li>• they suffered a turnover loss of at least 50% in the months of March and April of 2020, compared to the same months of 2019.</li> </ul>	State
8. Assurances for access to credit	Micro and small businesses with a maximum of ten employees, who invoice less than € 1 million and have annual taxable profit less than € 60 thousand that: <ul style="list-style-type: none"> <li>• are prohibited from receiving the public in accordance with the government decree, even if they maintain an activity such as order delivery and pick-up services or "room service"; or</li> <li>• they suffered a turnover loss of at least 50% in the months of March and April of 2020, compared to the same months of 2019.</li> </ul>	-
9. Special credit lines	-	State and governments of the regions
9.1 Business credit line	-	State
9.2 Credit line for companies with less than five years in the market	-	-
9.3 Consortium credit line for large-sized companies	-	-
9.4 Fast credit or advances	Those who benefited from the first part of the fund (aid up to € 1,500).	-
10. Assistance for commercial rentals	Deferral of the payment of rents, water, gas and electricity bills for struggling micro and small businesses.	-

(Continues)

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	Measures	Responsible institution(s)
11. Specific sectoral measures	<ul style="list-style-type: none"><li>• Support for French exporting companies.</li><li>• Strengthening the provision of state guarantees through the public investment bank (Bpifrance) for guarantees and pre-financing of projects to ensure the cash flow of exporting companies. Guarantees can be extended to up to 90% for all small and medium-sized and medium-sized enterprises. The period of validity of pre-export guarantee contracts shall be extended by six months.</li><li>• The current prospecting insurance will be extended for one year, allowing an extension of the covered prospecting period.</li><li>• Reinforcement of € 2 billion in the short-term export credit insurance, thanks to the expansion of the public reinsurance system (Cap Francexport). This system will cover every country in the world.</li><li>• The support and information of the operators of Team France Export (Business France, Chambers of Commerce and Industry and Bpifrance) will be strengthened, along with the regions and the network of foreign trade consultants, complemented by private support agents. Specific monitoring is carried out in each geographical area of interest of the involved companies. Business France is also adapting its supply to offer solutions for the impossibility of traveling abroad.</li></ul>	-
12. Measures to reinforce the health system	Those who applied for a cash loan since March 1 <sup>st</sup> , 2020, from a Bank of which they were customers on that date, were refused or remained unanswered after ten days.	-
13. Measures to support startups	-	-
14. Science and technology measures	€ 5 billion, with EU resources for treatment, testing and Prevention in a wide range of instruments.	Central government

Source: French Government's Ministry of Economy and Finance (available at: <<https://bit.ly/2NqX4Ma>>) and European Commission (available at: <<https://bit.ly/3dO3yiT>>).

Preparation: Ipea.

Obs.: Data and information collected in mid-June 2020. New measures are constantly being introduced by countries.

## BOX 4

## Spain: measures to combat and mitigate Covid-19 effects and for the recovery of the economy (May 2020)

	Measures	Responsible institution(s)
1. Immediate and direct transfers to individuals, self-employed workers, informal workers and small businesses	-	-
1.1 Individuals and families	-	-
1.2 people who lost their jobs because of Covid-19	<ul style="list-style-type: none"> <li>• Provision of € 25 million to Autonomous Communities for “meal-scholarships”, for children affected by the closure of schools.</li> <li>• Civil servants who are infected shall have work accident equivalence for all purposes.</li> </ul>	-
1.3 Indigenous communities	Unemployment insurance for six months, renewable every six months without proof of income for people older than 52.	Central government
1.4 Fight against extreme poverty	-	-
1.5 Elderly	-	-
1.6 Young and newly graduate	-	-
2. Aid to large, medium and small enterprises	-	-
2.1 State assurance to credit lines	-	-
2.2 State participation (equity)	-	-
2.3 Credit refinancing	-	-
3. Legal measures to mitigate Covid-19 effects	-	-
3.1 Bankruptcies	-	-
3.2 Civil Law	<ul style="list-style-type: none"> <li>• Guarantee light, water and gas supply to vulnerable people, even if they are late with payments.</li> <li>• Extension of the term of the electric social bonus until September 15<sup>th</sup>.</li> <li>• One-month moratorium for vulnerable groups’ mortgage payments.</li> </ul>	Central government
4. Deferral of contributions to social security and public health services	-	-
5. Tax and fiscal support measures	Postponement, for six months, of taxes payment, with no interests.	Ministry of Finance
6. Reduction of working time and wages, and reimbursement of social contributions	-	-
7. Basic cash aid for small entrepreneurs and self-employed workers	-	-
8. Assurances for access to credit	-	-
9. Special credit lines	-	-
9.1 Business credit line	-	-
9.2 Credit line for companies with less than five years of market	-	-
9.3 Consortium credit line for large-sized companies	-	-
9.4 Fast credit or advances	-	-

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	Measures	Responsible institution(s)
10. Assistance for commercial rentals	-	-
11. Specific sectoral measures	-	-
12. Measures to reinforce the health system	<ul style="list-style-type: none"><li>• € 1 billion reinforcement for the Contingency Fund of the Ministry of Health, for health needs.</li><li>• Advance of € 2.8 billion for autonomous communities to cope with the new health situation.</li><li>• Control of prices for products necessary for health, including medicines.</li></ul>	Ministry of Health and autonomous communities and Inter-ministerial Commission of prices
13. Measures to support startups	-	-
14. Science and technology measures	€ 12 million for the development of emergency materials and equipment, improvement of diagnosis and treatment, as well as measures to improve public health conditions. Of the total resources, € 2.9 million have already been retained in the form of a grant.	Central government

Source: Spanish Government. Available at: <<https://bit.ly/37T4jG0>>; and <<https://bit.ly/2NH0R1>>.

Preparation: Ipea.

Obs.: Data and information collected in mid-June 2020. New measures are constantly being introduced by countries.

#### BOX 5

#### Australia: measures to combat and mitigate Covid-19 effects and for the recovery of the economy (May 2020)

	Measures	Responsible institution(s)
1. Immediate and direct transferences to individuals, self-employed people, informal workers and small enterprises	First Economic Support Payment: immediate transference of AUD 750 to people who lived in Australia between March 12 <sup>th</sup> and April 4 <sup>th</sup> , 2020. A second and last payment, of the same amount, is scheduled for July 13 <sup>th</sup> , 2020. Moreover, all persons who receive any kind of continued benefits receive a one-time payment of additional AUD 550	Central government
1.1 Individuals and families	-	-
1.2 People who lost their jobs due to Covid-19	-	-
1.3 Indigenous communities	-	-
1.4 Combating extreme poverty	-	-
1.5 Elderly	-	-
1.6 Young and newly graduate	-	-
2. Aid to large, medium and small enterprises	-	-
2.1 State assurance to credit lines	-	-
2.2 State's contribution (equity)	-	-
2.3 Credit refinancing	-	-
3. Legal measures to mitigate Covid-19 effects	-	-
3.1 Bankruptcies	Grant of six extra months for debts foreclosure and/or bankruptcy cases.	-
3.2 Civil Law	-	-
4. Deferral of contributions to social security and public health services	-	-
5. Tax and fiscal support measures	Deferral and, in some cases, credit/restitution of obligations and tax enforcement.	-

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6. Reduction of working time and wages, and compensation of social contributions	The government fully covers wages paid to workers who receive a minimum of AUD 1,500 per fortnight. All workers who were employed on March 15 <sup>th</sup> , 2020, with a maximum wages ceiling of AUD 3,000 per month, until October 2020, are eligible.	-
7. Basic cash aid for small entrepreneurs and self-employed workers	-	-
8. Assurances for access to credit	-	-
9. Special credit lines	-	-
9.1 Business credit line for companies	-	-
9.2 Credit line for companies with less than five years in the market	-	-
9.3 Consortium credit line for large-sized companies	-	-
9.4 Fast credit or advances	-	-
10. Assistance for commercial rentals	-	-
11. Specific sectoral measures	-	-
12. Measures to reinforce the health system	-	-
13. Measures to support startups	-	-
14. Science and technology measures	AUD 96 million primarily intended for the development of a vaccine, but also for the coping with new pandemics.	Central government, through the Department of Health

Source: Australian Government. Available at: <<https://bit.ly/3duOZ3B>>; <<https://bit.ly/2Vc3ItE>>; <<https://bit.ly/2Vc3JxI>>; and <<https://bit.ly/2N-DUank>>.

Preparation: Ipea.

Obs.: Data and information collected in mid-June 2020. New measures are constantly being introduced by countries.

#### BOX 6

#### Canada: measures to combat and mitigate Covid-19 effects and for the recovery of the economy (May 2020)

	Measures	Responsible institution(s)
1. Immediate and direct transferences to individuals, self-employed people, informal workers and small enterprises	-	-
1.1 Individuals and families	<ul style="list-style-type: none"><li>• Supplementation of workers' wages in basic services up to CAD 2,500.</li><li>• Payment of additional CAD 300 for every minor child</li><li>• Credit on taxes applied to goods and services, paid to individuals (up to CAD 400) and couples (up to CAD 600)</li></ul>	Central government
1.2 People who lost their jobs due to Covid-19	CAD 2 thousand (Taxable) payment every four weeks, up to a maximum of sixteen weeks	Central government
1.3 Indigenous communities	<ul style="list-style-type: none"><li>• CAD 300 million aid fund for indigenous populations, for immediate needs.</li><li>• CAD 100 million for health measures.</li><li>• CAD 25 million for food and health products. CAD 75.2 million to support indigenous students.</li><li>• CAD 306.8 million for micro and small indigenous enterprises, as well as indigenous financial institutions that support these companies</li></ul>	Central government

(Continues)

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	Measures	Responsible institution(s)
1.4 Combating extreme poverty	<ul style="list-style-type: none"> <li>• CAD 100 million for national, regional and local humanitarian organizations that provide transportation, food distribution, hiring of volunteers and protective equipment against Covid-19.</li> <li>• CAD 157.5 million for homeless people or for mitigating clustering in poor areas.</li> <li>• CAD 50 million for shelters destined to women who were victims of abuse.</li> <li>• CAD 350 million through Non-profit Organizations (NGOs) and other institutions that provide essential services to poor communities</li> </ul>	Central government
1.5 Elderly	<ul style="list-style-type: none"> <li>• Expedition of pension payment rules with banks and insurance companies.</li> <li>• CAD 9 million for financing of essential items deliveries for the elderly.</li> </ul>	Central government
1.6 Young and newly graduate	<ul style="list-style-type: none"> <li>• CAD 1.250 for every eligible student (CAD 2 thousand for students with disabilities or people with dependents).</li> <li>• Target – creating 116 thousand jobs for students.</li> <li>• Students that enroll in volunteer jobs shall receive CAD 5 thousand in the fall season.</li> <li>• Raise in scholarships and weekly allowances for students.</li> <li>• Relaxation of prohibitions so that foreign students can work more than 20 hours a week.</li> <li>• Suspension of student loan payments until September 2020.</li> <li>• CAD 7.5 million for financing phone support services for students' mental health.</li> <li>• CAD 153.7 million for Young people capacity building and creation of 6 thousand extra jobs in sectors with high demand.</li> </ul>	Central government
2. Aid to large, medium and small enterprises	<ul style="list-style-type: none"> <li>• Suspension of solvency requirements for companies that sponsor private pension plans by the end of 2020.</li> <li>• CAD 150 billion mortgage purchase program through the Canadian Mortgage and Housing Corporation (CMHC).</li> </ul>	-
2.1 State assurance to credit lines	-	-
2.2 State's contribution (equity)	-	-
2.3 Credit refinancing	-	-
3. Legal measures to mitigate Covid-19 effects	-	-
3.1 Bankruptcies	-	-
3.2 Civil Law	<ul style="list-style-type: none"> <li>• Suspension of solvency requirements for companies that sponsor private pension plans by the end of 2020.</li> <li>• CAD 150 billion mortgage purchase program through the Canadian Mortgage and Housing Corporation (CMHC).</li> </ul>	Central Bank and CMHC
4. Deferral of contributions to social security and public health services	<ul style="list-style-type: none"> <li>• Grant of extra time for personal income tax return, until the end of June 2020.</li> <li>• Six-month deferral of residential mortgage payments.</li> </ul>	Central Bank and CMHC

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(Continued)

	Measures	Responsible institution(s)
5. Tax and fiscal support measures	<ul style="list-style-type: none"> <li>• Deferral of the payment of all taxes, with no charges, until October 31st, 2020.</li> <li>• Suspension of import taxes, including personal protective equipment (PPE).</li> </ul>	Central Bank and CMHC
6. Reduction of working time and wages, and compensation of social contributions	<ul style="list-style-type: none"> <li>• Subsidy of up to 75% of the wages, up to CAD 847 per week, for companies that have undergone a reduction of 15% or more in March, and of 30% or more in April and May 2020, until June 2020.</li> <li>• 3-month suspension of the 10% contribution on eligible companies' payrolls.</li> <li>• Extension, up to 76 weeks, of the wage insurance program for workers with reduced working hours.</li> </ul>	Central government
7. Basic cash aid for small entrepreneurs and self-employed workers	CAD 2 thousand (taxable) payment every four weeks, up to a maximum of sixteen weeks.	Central government
8. Assurances for access to credit	Up to 80% guarantee of new credits up to CAD 6.5 million for micro and small businesses to cover operational costs.	Export Development Canada (EDC)
9. Special credit lines	<ul style="list-style-type: none"> <li>• Co-financing, by September 2020, for small and medium-sized enterprises, with BDC funding 80% and commercial banks 20% of the financing amount.</li> <li>• Reduction of economic interest rates and provision of liquidity support to financial institutions.</li> <li>• 1.25% reduction of the risk factor of financial institutions' assets, allowing for an injection of CAD 300 billion in the economy.</li> </ul>	-
9.1 Business credit line for companies	-	-
9.2 Credit line for companies with less than five years in the market	-	-
9.3 Consortium credit line for large-sized companies	-	-
9.4 Fast credit or advances	Interest-free working capital loans of up to CAD 40 thousand for small and medium-sized enterprises with payrolls of up to CAD 1,5 million in 2019	Canada Emergency Business Account (CEBA)
10. Assistance for commercial rentals	Reimbursement to owners on up to 50% of the rents of small and medium-sized enterprises, for three months, through loans that will be forgiven if the owners lower the rents by at least 75%, within non-eviction agreements. Small and medium-sized enterprises account for the remaining 25%. Valid for rental values smaller than CAD 50 thousand per month.	Canada Commercial Emergency Rent Assistance (CECRA)
11. Specific sectoral measures	Support packages aimed at specific sectors, including: agriculture and agribusiness, sport and culture, air transport, tourism, energy, third sector (NGOs and charities). Measures range from access to credit, by taking on wage costs, to government purchases.	Various
12. Measures to reinforce the health system	-	-
13. Measures to support startups	-	-
14. Science and technology measures	Investments of CAD 1,3 billion in research and innovation, mainly in vaccines.	Central government

Source: Canadian Government (available at: <<https://bit.ly/2YrxT21>>) and De Negri and Koeller (2020b).

Preparation: Ipea.

Obs.: Data and information collected in mid-June 2020. New measures are constantly being introduced by countries.

# Axis 1

## Productive activity and reconstruction of chains of production

The goals of the Propositions within this axis are the following: promoting a rapid economic recovery stemming from the support to productive activities, especially those carried out by micro and small companies; ensuring the maintenance of the supply of goods and services in strategic sectors; increasing the efficiency of public intervention; and preserving and generating new jobs. All Propositions that require public spending are temporary and should not exceed five years. Additionally, in order to avoid public accounts deterioration, whenever possible, private investment through new financing models was encouraged. This axis contains eleven Propositions.

### **Proposition 1.1 – Reforms of the Brazilian legal system for companies to deal with the Covid-19 systemic crisis**

#### *Context and brief diagnosis*

Successive assessments of the Bankruptcy and Business Recovery Law (Brazilian Federal Law nº 11,101 of February 9<sup>th</sup>, 2005) have shown that the initially intended goals have not been achieved. The new adopted procedure did not succeed in simplifying or speeding up legal proceedings, nor did it significantly improve credit recovery rates, job preservation or the continuity of viable economic activities (Lavalli, 2020; Ponticelli and Alencar, 2016). With the advent of the Covid-19 pandemic and the consequent deterioration of the international economic scenario, cash flow problems of households and companies can produce a wave of debt noncompliance, whose disorganized, or excessively bureaucratic and slow resolution can lead to a scenario of business destruction

and asset depreciation, with negative impacts on the credit market, which can also slow down the economic recovery.

#### *Goal of the Proposition*

Preserving businesses, securing jobs, preventing the depreciation of fixed assets, and ensuring the proper functioning of credit markets through the reform of the legal system of bankruptcy and collective insolvency proceedings, including bankruptcy and companies recovery, provided that they i) widen the access to the insolvency scheme, thus extending the possibility of bankruptcy, and the recovery of natural persons, as well as legal persons that are not entrepreneurs; ii) broaden the recovery scope, reaching out to a range of creditors and interested parties; and iii) automatically suspend lawsuits and foreclosures; iv) provide legal certainty with regard to the preservation of the legal proceedings prior to the insolvency proceedings; v) establish rules for fast and safe relocation of the debtors' assets; vi) avoid settlement waves and encourage reorganizations; vii) ensure the continuity of economically viable business, through the creation of linking entities, which are managed by the debtors; viii) set out rules for the financing of the entity in recovery; ix) improve the recovery plan trading rules, thus encouraging the development of extrajudicial plans and private restructuring of debts; x) simplify legal proceedings and appeals and to the resources, thereby reducing the duration of legal proceedings and reducing the strain on the justice system; xi) to prevent the imposition of any *fait accompli* to the creditors; and xii) adapt Brazilian national legislation to the procedures of the United Nations Commission on International Trade Law (Uncitral), in case of court-supervised reorganizations and transnational bankruptcies.

### *Legal instrument and/or necessary practical action*

Several Propositions to amend the legislation in force are currently pending approval in the Brazilian National Congress, two of which stand out. Brazilian Bill nº 10.220/2018, pending approval in the plenary of the Chamber of Deputies with urgency, results from an initiative carried out by the Brazilian Ministry of Finance in the past governmental mandate, and it proposes permanent reforms of the system, even though it has a very limited scope in terms of arising challenges. Brazilian Bill nº 1.397/2020, carried out by Congressman Hugo Leal, already approved by the Chamber of Deputies and pending approval by the Brazilian Federal Senate with urgency, proposes the establishment of a provisional regime for the pandemic period. Therefore, it would be possible to take advantage of existing initiatives for developing a replacement that would reach the necessary scope.

### *Source of resources*

No budgetary or extrabudgetary resources are required.

## **Proposition 1.2 – Concession of preferential loans for micro and small companies, to ensure the preservation of the productive network**

### *Context and brief diagnosis*

Micro and small enterprises (MSMEs) represent about 95% of the country's companies and account for almost 60% of formal jobs. The loan granted by the Provisional Measure (hereinafter, PM) nº 944/2020 does not include micro companies (those with annual turnover of up to BRL 360K). Additionally, this resource is restricted to employees' payment, not covering the costs, which continue to take place, even with closed businesses. According to a survey carried out by the Brazilian Service of Support to Micro and Small companies (Sebrae), MSMEs do not survive more than 23 days without billing on average (Sebrae, 2020a). Finally, the credit risk analysis is carried out by the operating

banks. According to the same survey, 13.2% of the entrepreneurs who applied for the loan – which accounted for only 38% of the total, given the financing situation and conditions – have been successful so far. In addition, the loan is defined based on the Selic rate. This implies a frontloading by the National Treasury, since the amounts will be recovered when the financing is amortized. It is essential to take into account that the preservation of the productive network, whose base is formed by these companies, is crucial for the resumption of economic activities, once the crisis is overcome.

### *Goal of the Proposition*

Granting loans with interests equal to zero, proportional to the average monthly turnover – according to the company's activity – for all MSMEs in the country (those with annual gross turnover of up to BRL 4.8 million), conditional on the maintenance of jobs for a period equivalent to six months after the end of social distancing measures, to be paid after a one-year waiting-period, starting from the suspension of isolation, and with the billing contingent amortization.

### *Legal instrument and/or necessary practical action*

Credit must be operated by all payment and financial transfer institutions, including public and private banks, fintechs, banks and development agencies, credit unions, community banks and correspondent banks (post office and lottery agencies). These institutions shall be remunerated with 1,5% of the granted nominal figures. The operation should be carried out with simplified risk analysis and insolvency proceedings should be ensured by the National Treasury. Based on the specificities of each economic activity and the distinguished impacts caused by the Covid-19 pandemic, a table with the turnover percentage to be granted to each company of the considered activities groups was prepared (table 1).

The table also shows the average amount of each segment monthly loan. The sectors and their respective percentages were defined by their vulnerability to the socioeconomic impacts of the pandemic (Bastos, 2020).

TABLE 1

Segments served according to Proposition, with respective average values

Sector	Total of MSEs	Turnover (%)	Average amount (BRL)
Craft	39,751	60	61,946.45
Beauty/personal services	114,711	60	12,949.92
Construction	404,570	55	30,641.30
Creative economy (events and productions)	49,190	45	9,484.47
Fashion	996,633	60	21,251.91
Workshops and automotive parts	461,619	60	19,224.69
Food services	516,195	60	20,718.06
Educational services	132,785	55	13,992.28
Tourism	172,938	60	21,348.19
Retail	911,129	60	22,702.01
Others <sup>1</sup>	1,660,372	50	17,207.27
Non-prioritized	2,290,107	20	9,949.09
<b>Total</b>	<b>7,750,000</b>	<b>-</b>	<b>17,438.67</b>

Sources: Rauen et al. (2020); Sebrae (2020b); IBGE (2017a; 2017b; 2017c; 2017d).

Note: <sup>1</sup> Set consists of 41 activities (groups from the National Economic Activities Classification – CNAE 2.0, 3 digits).

According to the financing rules, the average fixed installment for amortization should be of BRL 1,607.10. Table 2 presents the estimate of the maximum disbursement to be made by the National Treasury in each of the scenarios, as well as the disbursement percentage in

comparison to the federal public debt (FPD). However, it should be noted that these figures refer only to the disbursement, and not to its effective cost. Since it is a loan, the National Treasury will make an early payment, to be partly retrieved once the financing is amortized.

TABLE 2

National Treasury disbursement for each scenario  
(In R\$ billion)

Disbursement component	Number of months	
	2	5
Aid	270.3	675.7
Administration fee	4.1	10.1
<b>Total</b>	<b>274.4</b>	<b>685.8</b>
Ratio to DPF (%)	6.41	16.02

Sources: IBGE (2017a; 2017b; 2017c; 2017d); Sebrae (2020b); Brazil (2020a).

Authors' elaboration.

The amortization should be made through a contingent amortization system upon invoicing, i.e. a fixed percentage of the company's revenue. This should be collected in the form of an

intervention contribution in the economic domain (Cide) – which can be created by ordinary law and collected along with the other taxes by the Brazilian Internal Revenue Service (hereinafter



IRS). This would minimize the risk of default, since it would characterize tax evasion, as well as linking the debt to a tax debt, associated with the tax id of the owner of the company, which would turn tax evasion through companies splits difficult. Moreover, the Brazilian IRS already has all the means for the dealing with techniques such as these.

The proposed percentage is 5% of the gross revenue deducted from personnel expenses. On the one hand, this condition provides assurance to the employer in relation to his ability to pay and, on the other hand, it demotivates dismissals.

Table 3 presents the estimate of the average amortization period for each segment of the economy, assuming that, after one year of the crisis, economic activity has been normalized.

TABLE 3  
Average amortisation period according to programme duration and economy segment  
(In months)

Activity	Program duration in months	
	2	5
Craft	30	75
Beauty/personal services	36	89
Construction	30	74
Creative Economy (events and productions)	22	55
Fashion	30	75
Workshops and automotive parts	31	76
Food services	33	82
Educational services	33	81
Tourism	35	87
Retail	29	71
Others	26	65
Non-prioritized	10	25
Minimum	10	25
Minimum/not prioritized	22	55
Maximum	36	89
Maximum (in years)	3.0	7.4
Weighted average number of enterprises	23.6	58.5

Authors' elaboration.



As can be seen, the balanced average repayment term is approximately of one year for each month of the benefit concession.

### Source of resources

Financing may be made through the issuance of government bonds, which may be retrieved on the dates of loans amortizations. Considering that the present Proposition deems the loan with interest equal to zero, the cost to the Brazilian National Treasury corresponds to the opportunity

cost (Selic rate, currently fixed at 2,25% per year.) of the capitalized granted amount over the referred periods – in this case, a one-year waiting period plus the amortization periods.

The results of this capitalization are presented in table 4. The figures are presented in present values, that is, they do not take into account inflation. Additionally, the total payback time has not been defined.

TABLE 4  
Cost effective to the National Treasury for each scenario  
(In R\$ billion)

Cost	Number of months	
	2	5
Annual	6.7	12.2
Global	13.4	61.1
Management	4.1	10.1
<b>Total</b>	<b>17.4</b>	<b>71.2</b>
2019 GDP (%)	0.24	0.98

Sources: IBGE (2017a; 2017b; 2017c; 2017d); Sebrae (2020b); and Ipeadata (available at: <[www.ipeadata.gov.br](http://www.ipeadata.gov.br)>; accesses on: April 22<sup>nd</sup>, 2020). Authors' elaboration.

It is important to highlight that these figures consider the hypothesis that all companies qualifying for the program will make use of it, which should not correspond to reality, especially in the case of those who work in activities classified as *non-prioritized*. This means that the actual disbursements – and therefore the cost – should be lower than what is forecasted herein. Additionally, it must be taken into account that this mechanism will be a counterpoint to an expected significant decrease in the future revenue of the federal government and subnational governments. These result from economic activity retraction, an outcome from the crisis, meaning that, from the point of view of fiscal balance, its actual costs will be much lower than expected.

## Proposition 1.3 – Creation of an automotive recycling industry

### Context and brief diagnosis

Automobiles in poor usage conditions contribute to traffic accidents (which cause about 40 thousand deaths, and cost approximately BRL 200 billion per year, to Brazil).<sup>1</sup> Automotive recycling, which does not exist in Brazil, has the potential to improve general traffic conditions, contributing to a healthier environment from the safety and environmental point of view. Furthermore, it creates a new industry (that of automotive recycling), as well as fostering the automotive industry, for destroyed vehicles will be replaced by new ones.

1. Available at: <<https://www.ipea.gov.br/atlasviolencia/>>.

Moreover, there is the opportunity to allocate low-skilled workforce, which can relieve the harmful effects of the current pandemic.

Finally, there is an indirect positive effect of this action, which is associated with the removal of carcasses from the streets and, consequently, the reduction of abandoned cars, which eventually turn into transmission vectors of the *Aedes aegypti* mosquitoes.

### *Goal of the Proposition*

The Proposition aims to expand the automotive sector, creating a sustainable sales cycle, in which cars in inappropriate conditions are taken out of circulation and forwarded to the recycling sector. This return of improper cars should produce a credit that favors the consumer in the purchase of a new vehicle, with more safety and less environmental impacts.

Among the indicators that can be forecasted, we can list the following: vehicles that should be taken out of circulation, increased automotive production, job generation in both sectors and reduction of air pollution (with resulting benefits to public health). In the United States, such industry generates about USD 25 billion per year, and it employs about 100 thousand people. It is estimated that Brazil has the potential to reach 30% of these figures.<sup>2</sup>

### *Legal instrument and/or necessary practical action*

Regulatory federal law (several initiatives have already been discussed in this sense, in which the National Renewal Program of the Automotive Vehicles Fleet stands out), and there may be an integration with the *Rota 2030* Program (Support Program to the automotive sector, already ongoing).

### *Source of resources*

A detailed and efficient design of the project could mean that it will be implemented with no costs to the National Treasury. It could even have a positive impact (due to new jobs, activities and automotive production) – even if it is restricted to automobiles. Expanding the scope to include trucks and buses will incur in costs, but this can be done in the future, based on the experience with small vehicles.

## **Proposition 1.4 – Strategic usage of public procurement to promote micro and small businesses**

### *Context and brief diagnosis*

The crisis caused by the pandemic has severely affected micro and small enterprises that are prevented from functioning by local authorities, either by their activity (e.g. in general commerce) or by their location (e.g. shopping malls). These companies have little working capital and may present a hard time keeping up without a demand guarantee. One of the alternatives for some companies is to provide service by delivery, either through apps or through marketplace platforms. Favoring local activities through public purchases was being carried out nationwide, using preference margins (Brazilian law nº 12.349/2010), which were not renewed (all decrees have lost their validity). The Brazilian Bill that regulates tender processes (Bill nº 1.295/1995), which went back to the Senate, indicates their return, as well as the use of preference margins for local suppliers. This type of mechanism present little focus, because it favors companies of all sizes, and, at the same time, has a costly operationalization, because the origin verification of the product is a complex process, and it is subject to failures and deviations. Finally, It should be noted that, according to official data, only about 14% of the amount spent in federal public procurement

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2. Considering only cars, it is feasible to reach such a figure in one or two years. Legally, a relatively large effort would be required, as it involves several sectors. However, the Government of Minas Gerais passed legislation already in February 2020 (Law nº 23,592/20), and some initiatives (operational and legislative) exist in the country. The need for economic recovery can unlock such processes. The ideal is the existence of a federal law, as well as the management of incentives.

go to micro and small enterprises, although these are the largest employers in the country (Vilela, 2019).

### *Goal of the Proposition*

Employ public procurement demand to support entrepreneurial activity of micro and small businesses, while fostering competition.

### *Legal instrument and/or necessary practical action*

- 1) Increase by governmental decree of the limits to procurement exemption and invitation for bidding.
- 2) Greater subdivision of procurement items, so that there are more items that can be provided by the MSEs. In practical terms, it can also be implemented (but not exclusively) through the creation of more MSEs exclusive items, exceeding the minimum established in the Complementary Law (CL) nº 123.
- 3) Review the price register system decree, which allows more than one supplier to be registered for the same item, if it is a MSE.
- 4) Simplification of the required documentation required by the MSE (by decree).
- 5) Technical and legal support, by Sebrae, for participation in public procurement (in accordance with the S System).
- 6) Simplification of payment: for example, the value limit for using the Federal Government Payment Card may be raised, which speeds up payment and allows the supplier to anticipate the receivables with the card operator. The card operator can also be procured, based on a discount rate, in reference to the Interbank Deposit Certificate (IDC) or other market parameter, or

one can also create a secondary market for these receivables.

- 7) Creation of a government marketplace, in the form of already existing web portals in the private market, such as *Mercado Livre* and Amazon Marketplace. This solution combines items “a” and “f”. Suppliers can be selected for the portal by means of accreditation, in the form of an event with more than one selected item (see item “c”). Then, procurement units, which would have joined this marketplace in advance, and which may be federal, state, municipal units or non-profit OSCs, produce a quote with the accredited suppliers. If there is a political need of privileging local trade, this quote can be restricted to a certain distance radius, easy to implement in the system.
- 8) Practical implementation of Item II, of the Article 48 of Brazilian CL nº 123, on the requirement of subcontracting MSEs. A field to better monitor this requirement and its compliance would need to be created or improved in the Integrated System of General Services Management (SIASG).
- 9) Promotion of a matching platform between large suppliers and small outsourced suppliers.
- 10) Measures such as these have been adopted over the years in several countries, including Italy (Mepa), Chile (*tienda eletrônica ChileCompra*), Ukraine (ProZorro) and Denmark.

### *Source of resources*

Carrying out more purchases from small businesses does not necessarily involve a raise in costs. Simplifying companies' selection and payment procedures, for instance, could result in sensible resource savings, including human ones, and it could also incur in a decrease in costs.

## Proposition 1.5 – New financing standard for the Industrial and Innovation Complex in Health

### *Context and brief diagnosis*

Public investments in the *health industrial complex* reached their lowest level since 2009. In the case of the National Bank for Economic and Social Development (BNDES), resources provided in this sector are the lowest since 2001. At the same time, Brazil's trade deficit with the rest of the world for the sector's products has reached its highest historical level: USD 6.9 billion. These figures reveal a huge and growing dependence on imported health inputs. Currently, the global production of pharmaceutical active ingredients is concentrated in China and India (more than 90% of the global production), and the current Covid-19 crisis has intensified the competition for these products. Many countries, including Brazil, are struggling to maintain domestic levels of supply of such products.

### *Goal of the Proposition*

Create a financing program for the Industrial Health Complex aimed at increasing the productive and innovative capacity of the sector, focusing on the main sanitary and epidemiological challenges of the Unified Health System (SUS). The mentioned program would have two fronts: i) medium and small enterprises; and ii) startups. In front (i), the State would act as backer of private loans destined exclusively for innovation projects (with high uncertainty), and in front (ii), public resources, in the form of investment in innovative companies, would be allocated with priority in startups that produce solutions linked to SUS challenges. The companies in group (ii) could be selected from a solutions contest carried out by the Ministry of Health. The investments made in these companies would be applied through funding, as established by Brazilian Law nº 10.973/2004 (Innovation Law).

The participation of the State in private credit assurances should reduce the spread, and it would allow not only the access to uncertain

projects, but also reduce it to appropriate levels appropriate for the reality of small and medium-sized enterprises.

### *Legal instrument and/or necessary practical action*

The main legal instruments are already available at the existing legal framework. However, it would be necessary to regulate them in decrees. The need for regulation is mainly valid for Investment Funds provided for in Article 23 of the Brazilian Innovation Law. In the case of guarantees, it would be necessary to amend Brazilian Law nº 11.540/2007 (National Fund for Scientific and Technological Development Act – FNDCT), in order to allow such fund to exercise the function of guarantor of private financing for innovation.

It is estimated that the program would last five years and cost, solely for the investment, BRL1 billion over the entire period.

### *Source of resources*

The source of resources would be the FNDCT, by advancing its blocked resources, so they can be applied as a form of guarantee as well.

## Proposition 1.6 – PCP pre-commercial procurement for the development of the resource management autonomous intelligent system and improvement of public and private health care capacities

### *Context and brief diagnosis*

The current Covid-19 pandemic has demonstrated the difficulty of obtaining accurate and real-time data on the of the federal public health system attendance capacity and on the patients who effectively use it. The absence of such information makes the determination of the flattening of the disease contamination curve difficult, which is essential for public decision-making. Despite the fact that we know the total number of equipment and facilities, their effective availability (in real

time), as well as the exact feature of patients using these resources, are still unknown. Information on georeferenced and detailed availability of hospital beds, mainly intensive care units (ICUs) and essential equipment, such as respirators and hemodialysis machines, are a priority. Moreover, the very allocation of existing hospital beds in public and private networks, in the different Federative Units (FUs), could be significantly improved by the simultaneous use of this information with artificial intelligence techniques. The most efficient place of hospitalization would thus be determined by the system itself.

### *Goal of the Proposition*

We propose PCP pre-commercial procurement aiming at the development of a solution that allows complete integration, with the use of sensors and artificial intelligence, for the implementation of a national information system on the maximum capacity of national hospital care in real time. Such a solution should ensure a detailed diagnosis of patients benefitting from the facilities, as well as other features that assist in public and private resources management. The final goal is developing a solution that allows the management of health care throughout the Brazilian national territory, regardless of the public or private nature, as well as ensuring efficient allocation of resources, according to the patient's location, diagnosis and care capacity. Thus, based on demand features and supply possibilities, the system itself would define even the most efficient place of the patient hospitalization.

### *Legal instrument and/or necessary practical action*

The PCP must be carried out by the Ministry of Health, according to Article 20 of the Innovation Law, with a total global cost for the project of BRL 1 billion, and a two-year maximum implementation period.

### *Source of resources*

Unblocking resources already collected by the FNDCT, currently destined to the primary budget surplus.

## **Proposition 1.7 – Expansion of resources for MCTI/Finep economic subsidies with a special program for health applications**

### *Context and brief diagnosis*

Granting subsidies is one of the main mechanisms to support disruptive innovation in the Brazilian economy. In the 2000s, this mechanisms had an annual budget of approximately BRL 200 million, which was reduced to about BRL million.<sup>3</sup> All the few existing evidences on the program point out that its impacts on private investments in research and development (R&D) are positive, as in similar programs in other countries (De Negri and Rauen, 2018). In fact, it is the most appropriate instrument to finance innovations of a more radical nature and with greater uncertainty. Therefore, resources are especially relevant to the health sector, where new scientific discoveries have increased the scope of possibilities for the development of new vaccines, medicines and equipment.

### *Goal of the Proposition*

To recompose and expand the budget of the economic subsidy to BRL 400 million in the next two years, out of which BRL \$ 100 million devoted to research and innovation in health.

### *Legal instrument and/or necessary practical action*

The instrument is already available in our legal framework: MCTIC economic subsidy initiative, managed by the Brazilian Innovation Agency – Finep (Brazilian law nº 10.973/2004).

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3. Available at: <<https://bit.ly/2B8kfrP>>.



### *Source of resources*

Resources already collected by the FNDCT currently destined for the primary budget surplus.

## **Proposition 1.8 – Concession of fiscal incentives to companies and individuals who donate to universities and science and technology institutions**

### *Context and brief diagnosis*

Despite recent legal innovations,<sup>4</sup> Brazil has great difficulty in making endowments<sup>5</sup> for science and technology institutions operational. Other countries do not charge taxes on donations made for research, which happens in many Brazilian states. In addition to exempting the donation tax, it is possible to grant income tax exemption on donated amounts.

### *Goal of the Proposition*

To mobilize private resources for investment in S&T in the country and ensure the stability of these resources by fostering the creation of private funds to support science and technology institutions (ICTs).

### *Legal instrument and/or necessary practical action*

Changes in legislation are necessary to allow a professional management of these resources (Legislation on creation of endowment funds – Brazilian Law nº 13.800/2019), in addition to fiscal incentives that stimulate private donations for S&T, through amendments in Chapter III of Brazilian Law nº 11.196/2005 (Property Law). In the long term, this type of funding can become a relevant source of resources for universities and other research institutions. The US tax incentive model for this type of donation can be a good inspiration. In Brazil, we have the experience of Brazilian Law nº 8.313/1991 (Rouanet law).

### *Source of resources*

Private resources from donation, including *alumni* (former students).

## **Proposition 1.9 – Creation of a program for major national competitions**

### *Context and brief diagnosis*

The practice of holding technological competitions with private resources to solve concrete challenges is widespread in the developed world. That is the case of the famous Google Challenges.<sup>6</sup> Numerous national problems could be the theme of these competitions, from the depollution of large bodies of water to the fight against tropical diseases. Large national groups, given the history of involvement in similar issues, could be interested in funding this. It would be up to the public authorities to select the challenges to be met and organize the competitions.

### *Goal of the Proposition*

Based on the public management principles of impersonality and publicity, the goal is electing concrete problems for society and companies, as well as selecting individuals and legal entities interested in contests participation and funding, as well as their respective prizes. To this, public authorities would act as great articulators of the competitions.

### *Legal instrument and/or necessary practical action*

Based on the contest modality provided for in Brazilian Law nº 8.666/1993, as well as in private donations, it would be appropriate to create competitions aimed at selecting the best solutions to concrete problems of public management and society in general.

4. Enactment of the Brazilian law nº 13.243/2016 and edition of the Federal Decree nº 9.283/2018.

5. Funds based on donations of individuals and legal entities whose income is applied to scientific institutions to ensure the maintenance of their activities.

6. Available at: <<https://bit.ly/3rGE3qS>>.

### *Source of resources*

Private resources, in the form of donation, with organization and public management support.

## **Proposition 1.10 – Improving the efficiency of Constitutional Funds for Regional Financing**

### *Context and brief diagnosis*

The Constitutional Funds for Financing the following Brazilian regions: North (FNO), Northeast (FNE) and Central-West (FCO) regions have been regulated by Brazilian law nº 7.827/1989. In the last two decades, these have been the main financial instruments of the National Policy of Regional Development (PNDR). Loans from the funds are granted at subsidized interest rates, and they are destined for financing the economic activities developed in those regions, with an emphasis on micro and small enterprises. These resources serve approximately 2,900 municipalities, through their operating banks (Banco da Amazônia, in the case of the FNO; Banco do Nordeste do Brasil, FNE; and Banco do Brasil, FCO), including the northern localities of the states of Minas Gerais and Espírito Santo, which are part of the semiarid region. According to the most recent financial programs issued by the operating agents of the three funds (April 2020), a total of BRL 38.2 billion is expected for loans in the year of 2020.

Considering the context of the Covid-19 pandemic spread in the country, the Central Bank of Brazil published Resolution nº 4,798, of April 6<sup>th</sup>, 2020. This established a special credit line using resources of the FNO, the FNE and the FCO. The goal was serving the productive (except rural), trade and service sectors of the municipalities located in the operation areas of the three funds, with an acknowledged public calamity status. The following expenses can be financed: i) working capital – costing, maintenance, stock formation, wages, contributions and others expenses at risk of not being paid, due to the reduction or paralysis of productive activity (limit of BRL 100 thousand per beneficiary); and ii) investments, in accordance with Brazilian Law

nº 7.827/1989, destined to face the context of the calamity produced by the spread of the pandemic (limit of BRL 200 thousand per beneficiary). Resources may be contracted for as long as the state of calamity persists (the deadline being December 31<sup>st</sup>, 2020), recognized by an Executive Order. The actual interest rate is of 2.5% a year, lower than the rates of the other financing lines of constitutional funds. According to information issued on the Ministry of Regional Development (MRD) website, of the BRL 38.2 billion forecasted for loans in 2020, the special line allocated BRL 3 billion for the Northeast region, BRL 2 billion for the North region and BRL 1 billion for the Central-West region. The cost of this line subsidy to the National Treasury is projected at BRL 440 million.

The availability of Constitutional Funds for Regional Financing (CFRFs) resources on more favorable terms for borrowers could be complemented by measures aimed at increasing the demand for financing and its impact on economic activity in the three geographic regions, which are the object of the PNDR. To this end, based on information obtained in questionnaires and interviews with local actors involved in the intermediation and usage of CFRFs resources, Monteiro Neto et al. (2017) have identified factors directly and indirectly linked to the relative ineffectiveness of these instruments. In general, the collected and consolidated information pointed out the following: i) absence of advice to increase chances of obtaining loans in municipalities with low economic dynamism; ii) relative delay in the approval of new financing projects, due to operating banks bureaucracy, to the actual required guarantees and to the delay in issuing environmental permits; iii) absence or insufficiency of business management capacity by borrowers, leading to increased default; and iv) infrastructure deficit (mainly in transport and communications) and qualification of the workforce.

### *Goal of the Proposition*

To implement immediately relatively low cost measures, focused on micro and small entrepreneurs from the North, Northeast and

Central-West Brazilian regions, which seek to increase the number of loans and eliminate obstacles in the operationalization of the resources of the Constitutional Funds for Regional Financing (FNO, FNE and FCO), with the support from the operating agents of these funds.

*Legal instrument and / or necessary practical action*

- 1) Complementary measures for the availability of the CFRFs resources, seeking to increase the number of loans, eliminate some operational barriers and reduce the chances of default, at a relatively low cost:
  - a) advise entrepreneurs/borrowers more closely, through partnerships with technical assistance agencies (federal or state);
  - b) promote greater qualification of the local workforce, through partnerships with technical schools (federal or state);

- c) encourage greater closeness in the technology area of the FNO and FNE operating banks, seeking to expedite the approval of financing projects; and
- d) promote greater approximation between the Banco do Brasil guidelines and the guidelines of the National Regional Development Policy (PNDR) regarding the intermediation of FCO resources.

It is also worth mentioning the positive influence of all initiatives that seek to improve the business environment and boost economic activity at the local level. To this end, the Propositions regarding the expansion of broadband access in the Northern and Northeast regions municipalities, presented in this document in the Infrastructure axis, contribute indirectly to the greater effectiveness of CFRFs.

*Source of resources*

Non applicable.



# Axis 2

## International inclusion

The Covid-19 crisis will strongly affect the global economy in 2020. The impacts on Brazil will also be high and require reflection on the mechanisms that can be used to reactivate the Brazilian economy in the post-crisis period.

If it is true that the crisis brings us challenges never faced before, we cannot forget that the foundations of the Brazilian economy need structural review, and these needs only expand in a context of crisis.

A relevant dimension of the structural agenda of reforms of the Brazilian economy is the redefinition of its economic integration with the world. This agenda is strongly linked to the review of stimuli to economic actors in the country focused on productivity gains, reduction of market concentrations and expansion of Brazil's international competitiveness.

It should also be noted that, given the low level of domestic savings, a national historical problem, and the current situation of fiscal restriction, aggravated by the emergency created by the health issue, the increase in investment capacity in Brazil depends on the attraction of foreign investments, which is even more evident in the current situation.

The external demand for Brazilian goods and services should be seen as an incentive to production growth in the country, requiring reinforcements and greater activism in trade promotion initiatives.

Moreover, in times of crisis, it is essential to ensure the proper functioning of international trade, based on compliance to established rules, as well as the defense from protectionism, including the potential harm in the access of Brazilian products to international markets.

A set of Propositions that have a short-term focus is presented herein, for the post-Covid-19 recovery period, but they also address medium-term solutions regarding the international integration of the Brazilian economy.

### Proposition 2.1 – Fostering foreign trade

#### *Context and brief diagnosis*

Exportation is one of the main inducers of economic growth, and it will certainly play an important role in the Brazilian economy recovery, after overcoming the most critical period of the novel coronavirus pandemic. However, Brazilian exporters will face a tough environment, which could be a combination of some of the negative factors, such as: i) a downturn in global demand, with a decrease in imports, and an excess of supply in most industries, and, as a result, competition is more intense; ii) policies to support the recovery of economies that are based on the acquisition preferences of goods that are locally produced, and also as a way to reduce the country dependence to the supply of different products that are “strategic”; iii) an increase in non-tariff barriers, resulting from the increased strictness in sanitary requirements or as a result of protectionists' interests; iv) the possible deconstruction and/or the reorganization of global value chains, changing trade patterns currently dominant in the world; and v) the weakening of the multilateral trade rules, even those from the World Trade Organization (WTO).

With no harm to a broader agenda aimed at increasing productivity and reducing the “Brazil cost”, with which the increase in the competitive capacity of the country in the medium and long term is managed, it is important that measures

with short-term impact are carried out to support exports and assisting exporting companies in coping with this new and challenging scenario. Opportunities for an increase in sales, which arise in this context of production and trade reorganization, should also be exploited.

### *Goal of the Proposition*

Stimulate the productive sector in its foreign trade activities as a significant vector of Brazilian economic recovery, with continuity of the economic integration agenda and productivity incentives.

### *Legal instrument and/or necessary practical action*

- 1) Increase the volume of resources disbursed in support of export activities and facilitate companies access – especially the smaller ones – to credit lines, through the BNDES-Exim program, in all its modalities, and the Export Financing Program (Proex), both in financing and equalization:
  - a) open new credit lines through BNDES-Exim, in all its modalities, and Proex's as well, both in financing and equalization, especially in sectors with greater productive chains and/or export capacity;
  - b) increase the availability and, above all, the predictability of the ProEx budget resources by 2022;
  - c) increase the contribution of resources to BNDES-Exim by 2022, especially in the Pre-shipment modality; and
  - d) increase the number of companies benefiting from these credit lines, especially micro, small and medium-sized ones.
- 2) Streamline the decision-making process of the Export Guarantee Fund (EGF), facilitate access to the Fund, and increase the volume of exports covered by the Export Credit Insurance:
  - a) review the procedures of the Export Financing and Guarantee Committee (EFGC) and reduce the average time of analysis and approval of EGF and Proex's pleas; and
  - b) increase the number of export operations covered by the EGF.
- 3) Analyze the procedures for returning tax credits to the exports sector, in order to expedite these credits reimbursements and assess the Special Regime for the Reintegration of Taxes for Exporting Companies (*Reintegra*):
  - a) Carrying out an evaluation study of the *Reintegra* regime, with recommendations for changes in its rules and rates; and
  - b) reduce the average time of analysis and payment of due and justified credits, reducing the stock of tax credits to a minimum.
- 4) Implement new guidelines in the national policy of trade promotion and companies internationalization, with stronger mechanisms to support the private sector in the exploration of new business opportunities, in view of the already ongoing changes in the international trade scenario or that will arise in the post-pandemic period:
  - a) preparation of a Proposition for a Trade Promotion Action Plan in a working group coordinated by the Foreign Chamber of Commerce (hereinafter FCC), with the participation of Apex-Brasil, the Ministry of Foreign Affairs, Ipea, the Ministry of Economy and other interested government bodies;
  - b) approval and publication, by FCC's Trade Strategy Council, of the guidelines for trade promotion in Brazil, including an action plan, by 2022. The actions should be coordinated by the FCC, involving Apex-Brasil's most decisive activities; and

- c) technical cooperation agreement between Apex-Brasil and Ipea, with the goal of carrying out joint studies by 2022, to subsidize the initiatives of the trade promotion action plan.
- 5) Harness business opportunities intensively in international agricultural trade, in which there is great potential for expansion, in view of the Brazilian capabilities and competitive advantages. This includes taking advantage of possible shortages of agricultural goods in some countries/regions, caused by the health crisis:
- a) elaboration and approval of strategy for preservation and expansion of agricultural exports by December 2020;
  - b) presentation of a joint study, carried out by both Ipea and the Ministry of Agriculture, Livestock and Food supply (Mapa), for the mapping and identification of agricultural trade non-tariff barriers by October 2020;
  - c) expansion of resources for agricultural research bodies, such as the Brazilian Agricultural Research Agency (Embrapa);
  - d) encouraging actions of brand creation stemming from agricultural products, by Mapa and Embrapa, in conjunction with state research bodies; and
  - e) carrying out trade and diplomatic missions to key importing countries, to study market conditions and enhance knowledge of the current and future demand structure.
- 6) Improvement of the foreign trade and production regulatory environment, with the goal of reducing transaction costs, to foster existing businesses and the absorption of new investments:
- a) creation of an inter-ministerial working group, with the goal of

mapping regulatory measures that hinder trade flows and that can be simplified or extinguished, especially in foreign trade, by 2022.

### *Source of resources*

Increase in the National Treasury contributions for programs of credit and support to exports and reinforcing key institutions. A part of the Propositions does not involve increasing budgetary re-sources for its implementation, but only the prioritization of those already allocated in the 2020 budget.

## **Proposition 2.2 – Attracting foreign investment to the country and expansion of access to international financing sources**

### *Context and brief diagnosis*

The availability of financing sources is a crucial issue when it comes to an economic recovery process. In the case of Brazil, this issue is especially important, considering that the domestic savings rate is very low (only 12.1% in 2019) and that it will be affected by a negative impact this year and the next one, due to a large increase in the public deficit (i.e., reduction of public savings). This means that a significant part of the investments necessary for the recovery of the economy will have to be financed by external savings. In matter of fact, Brazil has recorded a significant deficit in current transactions historically. Since the 1990s, this deficit has been financed by increasing flows of direct foreign investment, in addition to borrowings and financings from the private sector (mainly through the issuance of debt securities).

It is not hard to imagine that the scenario for foreign fundraising will be more challenging during the pandemic period and, probably, during the period right after it. The international economic crisis and rising levels of uncertainty are expected to reduce the volume of resources directed to emerging and developing countries, as in other periods of crisis. Furthermore, important changes

are likely to take place in the strategy of transnational companies, making them more conservative and selective when deciding on the implementation of foreign investments. In fact, this phenomenon had already been observed in recent years. The global flow of direct foreign investments was reduced to USD 1.4 trillion in 2019, in a continuous downward movement, after reaching the USD 2 trillion record in 2015.

Considering the coronavirus crisis impact on the economies of virtually every country, especially the major investors, the Organization for Economic Cooperation and Development (OECD) expects that global flows of direct investment will be reduced by up to 30% this year in comparison to that observed in 2019, even in an optimistic scenario. In the case of investments in developing economies, the reduction is expected to be even more significant, since the sectors affected more directly and substantially by the pandemic – the primary and the manufacturing sectors – correspond, on average, to a larger share of their respective GDP than in the case of advanced economies.

To this end, it is necessary to enhance efforts for the promotion of foreign investments in Brazil, but also to seek sources and external financing still underexploited by the country, such as the existing credit lines in banks and multilateral fund for new projects, which can play an important role in the financing of both the physical and the social infrastructure, even in the health field. Another important theme concerns Brazilian international cooperation actions of Brazil with key global partners, with the goal of reinforcing the international resources availability for productive investments and for the creation of a credit guarantee scheme in the country, monitoring its access to existing international funds.

### *Goal of the Proposition*

To seek international partnerships for the expansion of investments in the country objectively, especially in infrastructure projects and new productive plants.

### *Legal instrument and/or necessary practical action*

- 1) Carry out survey activities for private international partnerships for infrastructure projects and expansion of the productive capacity of the Brazilian economy:
  - a) carry out survey analyses on the most promising markets and intensify the trips of authorities and entrepreneurs seeking business opportunities in the priority sectors, with the support of Apex-Brasil; and
  - b) update and expand websites, online, of the liaison agencies with foreign investors, maximizing the information level and increasing the interaction rate in the information process on priority projects, benefits, financing conditions and other data.
- 2) Expand the use of existing credit lines in banks and multilateral funds for new projects, both in physical and social infrastructure and in health:
  - a) foster an active positioning of the Ministry of Economy with multilateral banks, in order to ensure an increase of resources, within the specificities of each institution, for projects in Brazil, and creation of a project expediting mechanism in that ministry;
  - b) foster partnerships between development banks and multilateral banks, in order to diversify the supply of credit lines, develop new financial instruments and well-structured projects, and expand the mechanisms of provision of guarantees, even for the expansion of financing in infrastructure and support to innovative agents, such as startups and fintechs;
  - c) renegotiate the mechanism of the Cooperation Fund with China, so as not to waste the availability of substantial additional resources; and

- d) maximize the use of banks technical capacity and other multilateral agencies in supporting desirable internal reforms.
- 3) Ensure cooperation actions with key partners, which can strengthen the availability of international resources for productive investments and for the creation of a credit assurance market in Brazil, evaluating its access to existing international funds:
- a) pragmatic positioning, based on studies on costs and benefits, regarding specific bilateral partnerships or Brazilian participation in new funds and financing initiatives;
  - b) increase Brazil's participation in alternative sources of external financing, such as the Asian Infrastructure Investment Bank (AIIB) and The New Development Bank (NDB);
  - c) strengthen the role of investment regulatory bodies, such as the External Financing Commission (Cofix), the National Treasury and the Central bank, so that financing projects are appropriate to the international best practices of project finance, with compliance to rules on indebtedness and external investments under the Tax Liability Law; and
  - d) increase the competition of infrastructure tender process projects, to attract foreign investments with new companies joining the bidding process. This process should involve authorities such as the Administrative Council for Economic Defense (Cade) and regulatory agencies.

#### *Source of resources*

Increased contributions from the National Treasury for guarantees on new projects with

foreign financing. Part of the Propositions does not involve increasing budgetary resources for their implementation, but only prioritizing those already allocated in the 2020 budget.

### **Proposition 2.3 – Fight against protectionism and development aid coordination**

#### *Context and brief diagnosis*

The international context during the Covid-19 crisis tends to be challenging to Brazil, at least in terms of three factors. First, important countries currently have governments with protectionist orientation and little propensity to prioritize development issues.

Second, protectionist policies in the United States can provoke retaliation and a consequent chain reaction, leading to a widespread increase in fiscal barriers and the contraction of global trade. This trend will likely persist, regardless of the elections outcome in the United States this year, given the elevated bipartisan consensus in that country on the need of reducing China's dependence and contain its growing influence.

Third, there is a wave of pessimism among governments and potential investors, which may limit the role of the foreign sector in an economic recovery of the country even further – although it reduces the possibilities of conflicts at the same time.

Thus, even though Brazil is still an attracting partner, due to some structural factors, contextual factors increase the likelihood of the country entering the post-pandemic world in a fragile position. This stems from recurrent economic and political crises in recent times. Moreover, cyclical factors beyond Brazil's control also influence the country's position negatively in a post-pandemic world.

In this context, Brazil will need to somehow compensate for these negative aspects. In the trade sector, the opening of some sectors could be an indicator for this, while, in the health sector, this effect could be achieved



through the transference of resources to funds focused on immunizing people or research in the knowledge field, such as the Coalition for Epidemic Preparedness and Innovation (CEPI), the Global Alliance for Vaccines and Immunizations (GAVI) or other organizations and programs.

### *Goal of the Proposition*

Acting pragmatically in regional integration, in international forums against the increase of protectionism, and for aid coordination for the recovery of developing countries.

### *Legal instrument and/or necessary practical action*

- 1) Acting internationally (in organizations and economic blocs such as the WTO, the G20, the BRICS and the Forum for South America's progress and Integration – Prosul) against the increase of protectionist actions, and in defense of multilateralism and rule-based international trade:
  - a) assertive positioning and international political articulation, in order to ensure the stated targets, particularly in the G20.
- 2) Strengthen Brazilian presence in international forums that act on regulatory issues, such as the WTO, the OECD and the Food and Agriculture Organization of the United Nations (FAO); encourage the private sector to also increase its participation in sectoral forums, with the goal of preventing the creation of rules and regulations that could be harmful to Brazilian foreign trade:
  - b) assertive positioning of Brazilian representatives in international forums that deal with international trade regulations.
- 3) Move forward on trade agreement negotiations with relevant partners and start negotiating new agreements with interested countries, in order to ensure expanded and preferential access to new markets to Brazilian exports, and to our economy, the productivity incentives arising from trade integration with the world:
  - a) FCC's approval of an ambitious agenda for negotiating trade agreements by 2022, taking into account the international context and the actual concerned partners.
- 4) Strengthen the regional integration agenda, especially on infrastructure, productive integration and trade facilitation issues:
  - a) foster an active positioning of Representatives in working groups that deal with these integration agendas, in order to accelerate the implementation of the most advanced projects, especially the bioceanic passageway that will connect the Brazilian Central-West region to ports in the Pacific Ocean;
  - b) strengthen the role of regulatory authorities in regional integration debate, in order to align procedures with commercial partners on infrastructure projects;
  - c) strengthen Prosul as a space for articulating regional integration, incorporating themes and agendas not yet contemplated by mechanisms such as the initiative for the integration of South American Regional Infrastructure (IIRSA), the South American Defense Council (CDS) and the South American Institute of Government in Health (Isags);
  - d) recover the commercial and productive integration with neighboring countries, with the customs union review of the Common Market of the South (Mercosur) and carrying out

the reform of the Agreement of Reciprocal Payments and Credits (CCR) of the Latin American Association of Integration (Aladi), aiming at the modernization of the instrument;

- e) resume the work foreseen in the Mercosur roadmap with the Pacific Alliance; and
- f) promote the creation of a South American Energy Market.

#### *Source of resources*

Part of the Propositions does not involve increasing budgetary resources for their implementation, but only prioritizing those already allocated in the 2020 budget.





# Axis 3

## Investments on infrastructure

Axis 3 aims to ensure the allure of already ongoing public-private contracts, and facilitate the operation of private capital, while generating new jobs and dealing with historical problems related to basic conditions of social infrastructure. Therefore, the infrastructure concept used here is broad and its goal, even in the short term, is maintaining, ensuring and expanding living and production conditions suitable to the demands of the 21<sup>st</sup> Century.

It must also be taken into account the fact that Brazil is an immense country, with significant socio-spatial diversities and disparities, which force governmental actions to incorporate the territorial dimension in its various scales. In this perspective, the territorial dimension should guide the infrastructure works, mainly related to transport between cities and regions, in order to make the interconnection of the nodes of the cities network possible. This makes investments in infrastructure, notably in urban mobility, sanitation and logistics, amplify the potential of cities and metropolitan areas that can contribute to leveraging the development of their regions and the country. A total of eight Propositions are presented in this axis.

### **Proposition 3.1 – Implementation of emergency highway maintenance program using DPPR**

#### *Context and brief diagnosis*

Approximately 50% of Brazilian highways (at the three government levels) are in poor conditions, whose classification varies from regular to terrible (CNT and Sest Senat, 2019). This creates

additional costs to society in logistics, automotive maintenance and traffic safety. Additionally, this inadequate maintenance accelerates the devaluation of the country's precious assets. On the other hand, the possibility of concession of much of these highways is currently restricted. At the same time, the current uncertainty scenario makes it even more difficult for a long concession process to perform well. Thus, emergency maintenance (and using a simplified tender process, such as the Differentiated Public Procurement Regime – DPPR) can meet the maintenance need more quickly. It should also be noted that the present moment, of little movement on the highways, facilitates such work, which will employ a high number of workers, even with the adequate distancing to avoid the novel coronavirus contamination.

#### *Goal of the Proposition*

Using the DPPR or extending its scope to a national highway recovery effort, focused on ad hoc pavement improvements and recovery of horizontal and vertical traffic signs. The Federal Government may, besides the federal highways, finance states and municipalities to carry out the same type of work. The execution of numerous small works, unlike few large works, has the advantage of employing more people and delivering immediate results. The recovery of highways retains its value as an asset (and facilitates a future concession), contributes to the reduction of logistics costs, reduces accidents, and it is expected to generate 100 k jobs/year for each BRL 1 billion in investments. In theory, it is possible to invest approximately BRL 15 billion up to BRL 20 billion (including loans to states).

### *Legal instrument and/or necessary practical action*

Procurement process for a large set of small restoration works for roads, and creation of a financing credit line to states and municipalities for the same purpose. A new law that allows federal loans for FUs for this purpose.

### *Source of resources*

Budget of the Federal Government, states and municipalities.

## **Proposition 3.2 – Create concession review chamber**

### *Context and brief diagnosis*

Over the past few years, the federal government has carried out numerous processes of infrastructure concession, mainly of transportation. Of course, concession contracts respected incentive and punishment rules suitable both to the socioeconomic moment of the country and to forecasts made based on extrapolations of these same moments. Thus, the contracts financial-economic balance did not foresee the pandemic and the necessary social distancing policy, which, as observed, drastically reduced the use of these infrastructures, impacting the revenue of concessionary companies negatively. To this end, the federal government is expected to receive numerous requests for contractual review, so that concession contracts can be rebalanced. These requests need to be handled with a broader strategy, which respects private interests and their externalities, but also public interests and the State financial possibilities.<sup>1</sup>

### *Goal of the Proposition*

Create a concession review chamber, with the goal of unifying the receipt of review requests, organizing information on concession holders financial status and providing support (with parameters definitions) to negotiations. These should be individual and case-specific, but they should ensure alignment with the broader federal government strategy.

### *Legal instrument and/or necessary practical action*

Edition of an internal act of the Ministry of Economy, creating the chamber and establishing the responsible bodies, as well as the ways and methods of meeting the demands of the concessionary companies.

### *Source of resources*

No additional resources are required, except for the allocation of public servants to the Chamber and the adjustment of the internal structure itself.

## **Proposition 3.3 – Facilitate foreign capital participation in the economic infrastructure**

### *Context and brief diagnosis*

The infrastructure sector demands significant spending per project and specialized workforce. However, as in the construction industry, it also presents business and technical confidence that are already well consolidated, and companies have the ability to respond quickly to demand incentives. It is also a sector with high capacity to produce multiplier effects at the regional level, contributing to a reduction in inequalities, markets

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1. As a general strategy, it is suggested: i) renegotiation of interest and establishment of grace periods of at least two years for payment of grants and amortization of BNDES loans to concessionaires that have made recent investments; ii) emergency risk sharing mechanism with bands, guaranteeing minimum revenue to concessionaires based on the average demand immediately before the crisis, with the floor set at 10% below this average (if demand falls below this floor, the public sector will make additional payments to the concessionaire). After the resumption of demand, the public sector will appropriate part of the concessionaire's revenues that exceed 10% of the stipulated average, with a fixed percentage (for example, 50%) or with progressive rates; iii) permission, through the Provisional Measure (PM), so that dealers in financial difficulties can be replaced quickly in the concession contract on the initiative of creditors, and that foreign companies are released from bureaucratic requirements, as proof of technical and financial capacity (a financial institution or insurer would offer this guarantee), facilitating work permits for their employees (via partnership with the MRE).

integration, and productivity gains throughout the national territory. Furthermore, there is a certain international availability of resources that, even during the current pandemic period, would be available for investments in Brazil.

### *Goal of the Proposition*

Elimination of bureaucratic barriers to foreign participation in concessions, such as proof of technical and financial capacity (a financial institution or credit insurer would provide such assurance), also facilitating the concession of work permits to its employees (via partnership with the Ministry of Foreign Affairs).

### *Legal instrument and/or necessary practical action*

Flexibilization of capital requirements and technical knowledge for the ingress of foreign operators (especially as investors) and creation of mechanisms for sharing demand and financing risks (particularly foreign exchange), in which the National Treasury would operate as a sponsor and not necessarily as a direct source of resources. Examples: the National Treasury would take advantage of its significant importance in the market to carry out foreign exchange hedging operations on behalf of concessionary companies, reducing the cost of these operations and allowing companies to raise private financing in foreign currency, with more favorable terms and costs than in the domestic market, thus freeing BNDES resources for fostering activities of greater social impact.

### *Source of resources*

Private resources insured by the National Treasury.

## **Proposition 3.4 – Expansion of access to basic sanitation services in irregular areas**

### *Context and brief diagnosis*

The expansion of access to basic sanitation services is associated with the improvement in health indicators and the reduction of

nonattendance at work and school. Despite the obvious social benefits, Brazil has a large deficit in the coverage of water and sewage services. In 2018, 16.38% of the population did not have access to water services, which represented approximately 35 million people. In turn, 46.85% of the population did not have sewage collection coverage, a total of more than 100 million people without this service (Brazil, 2019). The situation is particularly critical among the lower-income population, in small municipalities and in the North and Northeast regions of the country. Efforts must be directed to expand access to sanitation on the outskirts of urban centers, in irregular or subnormal settlements and in isolated communities. The expansion of this access presents a number of challenges. The expansion of the service in peripheral areas and irregular settlements presents obstacles, such as the lack of land regularization and restrictive legislation of municipal bodies. Sanitation of isolated communities requires decentralized sanitation solutions, since the interconnection with water and sewage networks is technically or economically unfeasible. In turn, the planning process in small and medium-sized municipalities has proven to be dissociated from the economic-financial feasibility analysis, producing plans that do not correspond with the underlying socio-economic realities, and even tax ones. A greater participation from the Federal Government is needed in technical and financial support for the planning of small and medium-sized municipalities. In all these cases, it is necessary to ensure sources of public and private resources for the actions financing.

### *Goal of the Proposition*

Expand access to basic sanitation services, with emphasis on irregular areas, isolated communities and small municipalities.

### *Legal instrument and/or necessary practical action*

- 1) Creation of task forces consisting of representatives of the Public Prosecutor's office, of companies providing water and sewage services,

and representatives of state and municipal public bodies, for the fostering of land regularization, simplification of standards and resolution of other stalemates that prevent sanitation services expansion in irregular areas.

- 2) Urgent resumption of the public notices issued by the Ministry of Citizenship and the National Health Foundation (Funasa) for fostering existing solutions and technologies that ensure access to sanitation for isolated communities.
- 3) Regulation of the prioritizing criteria for investments provided for in the National Sanitation plan (Plan-sab), with emphasis on investments in municipalities and areas with a low Municipal Human Development Index (MHDI), and with high indicators of diseases preventable by sanitation.
- 4) Technical and financial support from the federal government for the implementation of municipal plans for basic sanitation, coordinated by the National Water Agency (ANA).
- 5) Expansion of programs of social taxes for water, in order to make the cost of sanitation services accessible to the low-income population.
- 6) Creation of a voluntary consumers membership program, to postpone the payment of water bills for a period that preferably would not exceed one year, with assurance for physical assets (automobiles and real estate properties).

The public sector would take on these payments, through loans from federal banks (Banco do Brasil, Caixa Econômica and BNDES) up to a limit not exceeding 10% of the average consumption verified before the crisis. The debt would be collected from the consumer within one year of the signing of the agreement, and paid up to a maximum of five years.

### *Source of resources*

The sector has a financing system consisting basically of: i) costly resources from the financing funds – the Worker’s Support Fund (FAT/BNDES) and the Severance Indemnity Fund for Employees (FGTS); ii) inexpensive resources from the federal government general budget and from state and municipal budgets; iii) service providers private resources; and iv) resources from international loans. However, expanding access requires greater amounts of funding. A way of increasing investment capacity in the short term would be to redirect resources from sub-constitutional funds to specific areas that are not responsible for operationalizing revenue bonds established by the Brazilian Federal Constitution of 1988 (CF/1988). These resources are often not implemented and, with the flexibility of their use, they could be directed to sectors with high social return on public investment, such as the sanitation sector. To this end, approving the Constitutional Amendment Bill (hereinafter CAB) nº 187/2019 would be important, as it allows the government to use the money currently held in these sub constitutional funds for other purposes.

### **Proposition 3.5 – Allow and spread private railway construction by authorization**

#### *Context and brief diagnosis*

The current model of railway concessions has created a captive market for this transportation mode for producers of the main Brazilian export commodities, thus losing its public transportation nature. On the other hand, rail transportation has the ability to improve the efficiency of important sectors of the industry. The construction permit with exclusive exploitation – with assured right of passage – for a fixed period of time can create a new market in the sector, entirely based on private investments.

### *Goal of the Proposition*

Reviewing subsidies granted to the production chain of ores and grains for export, as well as reconsidering the waiver of grant values in exchange for investments in transport infrastructure, and other types of tax waivers or subsidy in the railway sector. Creating specific authorization instrument for private railway construction, allowing and facilitating the inflow of private resources. The potential of private investments is estimated at about BRL 1 billion per year (can be expanded), producing 100 thousand jobs.

### *Legal instrument and/or necessary practical action*

Specification of new authorization model to be applied to the railway sector. Such legislation can be initiated through the Provisional Measure [hereinafter, PM].

### *Source of resources*

Private investments, through facilitation created by own legal framework, which considers the externalities of investment and, particularly, the current moment of economic crisis.

## **Proposition 3.6 – Support the solar panels production chain and the More Light for the Amazon Program**

### *Context and brief diagnosis*

Solar energy is the energy source whose relevance grows the most in the country and in the world. Its development has been stimulated by the auctions of the National Electric Energy Agency (Aneel) – solar energy was the source with the lowest prices per MWh in the 2019 auctions – due the credit supplies and the need for maintenance or expansion of the Brazilian clean energy matrix. Brazil manufactures the main end-use photovoltaic solar equipment (modules, systems, inverters, structures and trackers), with tax exemptions and reductions, but some parts, pieces and equipment are charged with taxes, a condition

that costs the final product, compared to the Chinese competitor, approximately 30%. Only the panels that attain favorable credit conditions from BNDES (Finem *Geração de Energia* [Finem Energy Production] – even though they are more expensive than the imported ones – can be placed on the domestic market.

### *Goal of the Proposition*

The measures specified below were proposed to increase the competitiveness of national solar equipment, enable the increasing creation of jobs in national industries and provide lower costs to the program *Mais Luz para a Amazônia* [More light for the Amazon].

### *Legal instrument and/or necessary practical action*

- 1) Incorporate to the list attached to Decree nº 6.233/2007 – which regulates the program to support the technological development of the semiconductor industry (Padis; Brazilian Law nº 11.484/2007) – the main inputs used in the manufacture of solar panels, such as the photovoltaic cell, the module frame, the iron and sodium free glass, among others. The current list is quite limited and does not stimulate R&D activities.
- 2) Regarding technological development, update the list of HS Code (NCM) in the regulation of the Brazilian Law nº 13.969/2019 (New Industrial Policy for information and communication technologies – ICTs and the semiconductor sector), to include the inputs and machines used in the manufacture of photovoltaic modules and cells, batteries and photovoltaic inverters.
- 3) Boost BNDES' Fundo *Clima* [Climate Fund] program and the credit lines of Banco do Nordeste.



### *Source of resources*

Tax cost and subsidized credit of BNDES.

## **Proposition 3.7 – Expanding access to quality broadband based on the potential market**

### *Context and brief diagnosis*

Among the sectors in which the government can contribute substantially by changing the regulatory action and the tax burden, without harming the fiscal situation, is the telecommunications sector, which has a strong impact on the GDP, even by allowing a greater diversification of productive activities. According to the National Telecommunications Agency (Anatel), there are still 2,325 municipalities in Brazil that do not have fiber backhaul, 58% of which are located in the North and Northeast regions. This means that 14% of the Brazilian population, in about 2,300 municipalities, is not supported in terms of access to services provided by broadband.

Several factors prevent the elimination of this bottleneck. Structurally, there is the cost of expanding the network, due to the territorial dimension of the country, while the current situation poses a strong restriction of resources by the State, arising from the shrinkage of the economy caused by the Covid-19 pandemic.

Therefore, an agenda aimed at the expansion of telecommunications infrastructure should include the following requirements: i) prioritization criteria that consider the benefits and costs arising from increased broadband access; ii) considering the tax restriction, the resources must come from the reallocation of current expenditures; and iii) creation of incentives to improve the quality of telecommunications infrastructure for private capital to participate in the process in at least a stage after the network expansion.

According to the model presented in Carvalho, Mendonça and Silva (2017), which verifies the effects arising from different criteria for prioritizing investment in telecommunications, prioritization by lower HDI is not the best alternative in terms of benefits for the impoverished population. Low-income households would benefit more if the criteria related to population size or potential market were adopted. Also according to this model, the prioritization criterion based on the choice of the potential market is the one that generates the greatest economic profit, followed by the criterion based on the population size. Therefore, it should be noted that the most appropriate choice should be the one that prioritizes the potential market, since it is the one that generates both the greatest effect on the GDP of the municipality and also implies a larger population served. This way, the criterion of the potential market also favors a policy that promotes the companies' participation more easily, in addition to the public sector. It is essential to look for what can be done, so that companies are interested in participating in the expansion of the infrastructure of the telecommunications sector. It is worth remembering that, when analyzing the amount invested per year by large operators since 1998, there are increases resulting from well-defined incentives.

According to the General Law of Telecommunications, the public authority would also have to collect and reapply resources extracted from the sector itself, through a Cide (the Universalization Fund of Telecommunications Services – FUST),<sup>2</sup> in projects that did not have financial-economic viability.<sup>3</sup> It is a well-known fact that the collection was effective, but these resources were never applied to the infrastructure. Therefore, the priority should be, in addition to reducing regulatory and tax burdens, the efficient usage of these resources.

2. Cide-FUST is equivalent to 1% of the net revenue received by all telecommunications services provided in the country, including those from small operations.

3. CIDE-FUST's resources cover only the portion of the non-recoverable cost with the efficient exploitation of the service in the project.

### Goal of the Proposition

Expansion of high-quality internet access.

#### Legal instrument and/or necessary practical action

- 1) Expansion of backbone routes, so that it is feasible to build a backhaul in localities still not supported by telecommunications services.
- 2) Fostering private sector participation in the expansion of access networks,<sup>4</sup> based on technologies that will not become bottlenecks to the quality of the service provided.
- 3) Reduction of regulatory and tax costs to a level able to make the sector attractive again for long-term private investments.
- 4) Reapplication of part of the currently collected amount in the sector in the broadband expansion (particularly the application of part of the FUST to subsidize the broadband installation in economically unfeasible areas).
- 5) Reduction of the tax burden on the construction of networks and services providing in the poorest municipalities, replacing an unlikely tax collection with new investments in networks.<sup>5</sup>
- 6) Review of concession contracts that, by preserving obsolete obligations, consume companies' investment capacity directly and indirectly. Since 1988, the default of contractual and regulatory obligations has produced a financial liability of approximately BRL 20 billion in fines.

### Source of resources

Reallocation of existing resources and reduction of regulatory and tax costs.<sup>6</sup>

## Proposition 3.8 – Reduction of negative economic impacts on public transportation

### Context and brief diagnosis

The proper functioning of urban mobility systems is key to the promotion of efficient and sustainable cities, with direct impacts on the economy, health and people's life quality, including access to different employment and income alternatives. Particularly in medium and large cities, collective public transportation plays a crucial role in urban mobility, accounting for more than 35% of trips made daily (ANTP, 2020).

The public transportation sector has been strongly affected by the economic and public health crisis generated by the Covid-19 pandemic. The demand for passengers in public transportation by bus decreased by approximately 70% in Brazilian capital cities in the months of March and April, an estimated reduction of 32 million passengers per day. In other 180 municipalities, there was a total shutdown of public transportation services by bus (NTU, 2020). Given this scenario, several companies in the sector have already initiated reductions in services supply and dismissal of employees, with the prospect of applications for bankruptcy or abandonment of service concession contracts. This sharp decrease in demand, along with the prospects of aggravating the economic crisis, has produced concern for the urban public transportation sector, as this is a public service of essential nature.

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4. Access networks are the distribution meshes of signals within cities, which can be wired or based on radio frequency. The capacity of these networks is defined by the technology used and the number of elements that compose them (number of antennas, number of cables, speed of multiplexers, routers and switches, among other elements).

5. A concrete example of positive state intervention was the edition of the ICMS Agreement nº 19, of April 3, 2018, through which the National Council of Finance Policy (Confaz) authorizes the state of Ceará to reduce the base of calculation of the tax on movement of goods and services (ICMS) for telecommunications services by up to 75%. Another example of a recent incentive program, although already closed, is the re-GNP, which exempted from payment to the Social Integration Program (PIS) and the contribution to the financing of Social Security (Cofins) projects to build new networks.

6. The Propositions that appear in this section are detailed in the text *Diagnosis of the telecommunications sector in Brazil: challenges and Propositions* (Lozardo et al., 2018).

In Brazil, unlike other countries, this sector does not benefit from public subsidies, in general, and the financing model of the urban public transportation operation in Brazil is heavily based on tax collection. Thus, the economic crisis will likely incur in a spiral of economic imbalance, in which the decrease in passenger demand leads to a reduction in services supply. In turn, the latter induces a greater reduction in demand, and so on, in a process similar to that observed in the 1990s (Carvalho and Pereira, 2012).

### *Goal of the Proposition*

Minimize the economic impacts of the pandemic on public transportation companies and preserve user access to the service, with benefits for providers and users.

### *Legal instrument and/or necessary practical action*

- 1) Emergency responses – among the Propositions for action that the federal government could carry out in partnership with state and municipal governments, to minimize the challenges faced by the sector during the current crisis (emergency measures), are the following:
  - a) prioritization of Urban Mobility and Traffic Program resources to finance the construction of lanes exclusive to buses. The implementation of these lanes is fast and cheap, compared to the construction of infrastructure, and they can produce, in a short period of time, positive results in improving the performance of services for the population. This action could be financed from the program's own resources, which has a high level of contingency, including the redirection of program actions that are less urgent, such as financing urban mobility plans;
  - b) reduction of taxes on diesel oil, which represents up to 23% of operating companies costs; and
  - c) purchase of credits, by the federal government, from the companies operating urban public transportation. These credits could be passed on to beneficiaries of social programs such as *Bolsa Família* and the Unemployment Insurance. These people could use such credits for urban transport immediately or in a later period (FNSMU, NTU and ANTP, 2020).
- 2) Medium and long-term responses – we also highlight some Propositions to reconfigure the post-crisis collective public transportation financing model (medium and long-term measures), in order to provide greater sustainability to the sector, both from an environmental and economic point of view:<sup>7</sup>
  - a) implementation of charging systems for using roads, depending on the traffic bottlenecks in central areas, with collection intended to subsidize taxes or public transportation investments;
  - b) implementation of parking charging systems in central public areas and implementation of fees, whose resources are allocated to specific funds for public transportation; and
  - c) allocation, to the financing of urban public transportation, of part of the taxes collected related to the production, marketing and ownership of individual vehicles.

### *Source of resources*

Charging systems for the use of public roads and parking spaces and redirection of existing taxes.

7. These medium- and long-term Propositions are outlined in more detail in Carvalho et al. (2013).



# Axis 4

## Economic and social protection of vulnerable populations

The international health and economic crisis, created by the Covid-19 pandemic, has hit Brazil at a time when the country showed moderate signs of economic recovery, although still presented high poverty rates and significant social inequalities. In 2019, about 6.5% of the population, or 13,736,416 people, lived below the international poverty line (USD 1.90 per capita per day). This proportion increases to 11.8%, which corresponds to 24,774,656 people, if we consider people living with a quarter of the minimum wage per month (R\$ 249.50) as a poverty line.<sup>1</sup> The vulnerability of this population was also manifested in other dimensions of poverty. Besides income, for example, in the access to housing and adequate health and education services.

The devastating impact of the pandemic on the life of this segment, which was already in a vulnerable situation, has been manifested since the first months, in which social distancing measures became necessary. Estimates made by an Ipea study (Souza et al., 2020), showing the increase of the population that would request assistance from income transfer programs for survival, similar to the emergency aid that was instituted, were confirmed, demonstrating the increase of the population in a situation of poverty and vulnerability. According to the authors of the study entitled “*Estimativas de público elegível e custos do Benefício Emergencial criado pelo PL 9.236/2017*” [Estimates of eligible public and costs of the emergency benefit created by Bill 9.236/2017], about 59 million people would seek emergency aid, and this should reach 36 million families, composed of 117 million individuals (Souza et al., 2020). Of these applicants, about 81.7% were enrolled in the Single Register for

the Federal Government Social Programs (or *Cadastro Único*), and 10.9% would be made up of informal workers, self-employed workers and individual taxpayers.

In the set of Propositions presented herein, aimed at mitigating the effects of the current economic crisis, the goal of first two (4.1 and 4.2) is avoiding layoffs and encouraging companies to hire (or rehire) workforce. Furthermore, measures to protect the most vulnerable segments, such as families with children, which constitute the poorest strata of the population, with the Proposition to create a universal child benefit in section 4.3. Another specific group contemplated in the Propositions is that of young people who were not studying or working, even before the onset of the pandemic (section 4.4). Section 4.5 focuses on the elderly from poor families, and it presents Propositions to generate jobs for family caregivers of vulnerable elderly people. Propositions focusing on food security and supply, with the goal of strengthening family agriculture and the food distribution system, are presented in section 4.6.

In this set of Propositions and actions presented in Axis 4, the relevance and need of reinforcing the Unified Health System (SUS) and the Unified Social Assistance System (SUAS) as central policies to protect the population is acknowledged. Considering that the majority of the Brazilian population depends exclusively on the SUS to access health care, it is fundamental for social protection that this system is prioritized and reinforced, both in terms of expansion and allocation of resources as in access to new sources.

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1. Data from the National Household Sample Survey (PNAD) continuous 2019. Preparation: Ipea.

Given that this document presents short- and medium-term Propositions, and that the complexity of the Propositions to reinforce SUS and SUAS will be implemented in a longer period of time, requiring constitutional amendments, we opted for specific approaches of the broad theme of health. Thus, in Section 4.7, Propositions with the goal of restoring the health professionals who were on sick leave or died due to the virus were presented, as well as increasing the number of professionals to meet demands not covered in the pandemic period. Also in Section 4.7, actions to adjust the amount of health professionals to the new reality of the SUS were presented; and in the following section (4.8), a Proposition regarding technological orders for the development of a triple vaccine or a solution for immunization against dengue, chikungunya and zika, is presented.

The following sections focus on actions related to education, such as strategies for the resumption of classroom teaching activities in public schools, in the post-pandemic period. Section 4.9 presents the Proposition to provide access to digital means of learning for educational purposes to students of the public network. Section 4.10 presents the Proposition to expand the supply of full-time education in basic education of public schools, as a strategy to compensate for the period in which school activities were suspended. Proposition 4.11 deals with higher education and it aims to structure a national system of student funding, encompassing public and private funding for students of higher education (at undergraduate and graduate level) and professional and technological education (in technical courses subsequent to high school).

Finally, the latest Proposition suggests national participation in the international effort to develop vaccines for the novel coronavirus, in order to ensure sufficient supply when these are available.

## Proposition 4.1 – Implementation of temporary subsidy programs for hiring workers and renewal of working-hours reduction programs

### *Context and brief diagnosis*

The Covid-19 pandemic has produced a significant negative impact on the Brazilian labor market. The duration of this impact and how the resumption of economic activity will be are not clear. It is likely, however, that the resumption will occur in an oscillating – due to the possibility of new measures of social distancing or to the preventive behavior of consumers and producers – and heterogeneous manner among the sectors of activity. Uncertainty scenarios such as this can lead to many companies taking little risk of hiring (or rehiring) their workforce, with a persisting high unemployment rate. Moreover, although the federal government has launched a set of measures to preserve employment and household income in the country, it is likely that a large contingent of workers have been or are still being laid off from their jobs.

There are recorded evidences that people who become unemployed in recession times have their professional trajectory compromised for at least ten years, a period in which the probability of these individuals being either unemployed or employed in low quality and low productivity jobs increases.

Therefore, we understand that it is necessary to consider two types of initiatives. On the one hand, keep trying to avoid layoffs. On the other hand, to deal with layoffs that could not be avoided, it is necessary to try and interrupt, as soon as possible, this trajectory deviation of the mentioned worker. With that, provide social benefits besides the immediate increase of welfare of the benefited worker.

In this context, two types of responses are proposed here. Firstly, measures to encourage companies to hire (or rehire) workforce. The ongoing reformulation of the *Verde e Amarelo* [Green and Yellow] contract Proposition is an opportunity to replace its direct focus on young

people and the elderly by an alternative focused on reduced working hours (part-time), which will be more appropriate to the new economic context, but still benefit those groups. Secondly, a more immediate measure of renewal of the currently ongoing actions to avoid layoffs, markedly through the resources provided for in the Provisional Measure (PM) nº 936/2020.

Both measures can bring positive collateral effects, by reducing the frequency of oscillating professional trajectories between unemployment and low-quality jobs/productivity, as well as facilitating the economic recovery from the crisis period. The main arguments of each of the two proposed measures, along with their motivations, will be briefly outlined below. The details of each of the suggestions are presented below in the item on the legal instrument and/or necessary practical action. The parameters contained therein should be understood as a first guess, and it is subject to review by their authors.

### *Goal of the Proposition*

A tool extensively used by countries to encourage hiring in times of recovery, after an acute crisis, is granting subsidies for the labor cost. More specifically, this type of program grants a temporary subsidy to companies, which is linked to wages, for new hirings. This subsidy can be operated through a temporary reduction of taxes on the salary sheet, with the possibility that this reduction will be decreasing throughout the hire period.

A possible way of stimulating greater job generation is, for example, to make the hiring of two people – each of them working twenty hours a week – cheaper than hiring one person to work forty hours a week. Until the entire population is immunized against the coronavirus, this would stimulate the rotation of workers on alternate days in companies, reducing the chances of infection in workplaces, streets and public transport. Furthermore, it would contribute to contain inequality and extreme poverty in the expected scenario of decreased demand per total working hours.

Longer working days would still be allowed, but shorter working days would have a reduced tax burden. Although the working day cutout is horizontal, and it can benefit all workers and companies, historically, groups hired with shorter working days hours tend to be the most benefited ones. These groups include young people, women, the elderly, the less educated and employees in non-formal jobs. Thus, companies would be encouraged to hire them or formalize their jobs.

### *Considerations on the target audience*

- 1) Workers – in order to provide more incentives for the hiring of vulnerable workers, the subsidy could be granted only to non-employed workers (i.e., who were not registered in the formal sector), as well as be tied to lower-wage ranges or to first wages of any amount. As the rise in unemployment during the crisis is expected to occur in a widespread manner, eligibility for the program would not be restricted only to specific demographic groups (e.g. young people covered in the original version of the Green and Yellow contract Proposition).
- 2) Companies – in order to mitigate possible undesirable effects of wage subsidy programs (such as the replacement of subsidized workers by non subsidized ones and the waste of subsidy capital for employments that would take place even without the program, the subsidy would only be granted to the hiring of new workers, based on the variation in the number of workers in the company, between a moment before and a moment after the onset of the Covid-19 crisis.

### *Legal instrument and/or necessary practical action*

- 1) The ordinary law Proposition would provide for two modalities of contracts for a fixed term: part-time contract, as provided for in Brazilian Law nº 13.467/2017, or full-time contracts,

- up to forty working hours (even though Brazilian labor law allows contracts of up to 44 hours, even the smallest incentive would be limited to contracts of up to forty hours).
- 2) The allowance would be proportionally higher in new part-time hires.
  - 3) For new hires made by non-opting companies of the for the Brazilian simplified tax system known as *Simples Nacional* (hereinafter *Simples Nacional*), the subsidy would be implemented via deduction on the employer's contribution to the employee's social security. For example, a 15% discount per year on the part-time contract and a 5% discount on the full-time contract. Alternatively, an ascending rate (linearly or in four-hour time bands) for journeys greater than twenty hours could be considered.
  - 4) For new hires made by companies that opt for the simplified tax system known as *Simples Nacional*, the subsidy would be implemented via discount on the rates intended for the S system and the *salário-educação* [wage for education] (for instance, if both are equal to zero then it would be equivalent to a discount of 5%).
  - 5) The amounts stipulated for the discount may gradually decrease during the term of the contract and/or calendar year (beginning to decrease in July 2021 or after a year of contract).
  - 6) The hired worker who benefitted from this measure could not have employment records on the eSocial for x days (parameter to be defined) that preceded the hiring (he/she would have to be an informal worker), and he/she could not benefit from more than a contract at the same time.
  - 7) To qualify for the benefit, the stipulated wage for the new hiring should be less than or equal to a limit (we suggest that the income range corresponding to insufficient income should benefit from a minimum of 3 wages as provided for the PM nº 936/2020).
  - 8) To be able to benefit from the discount on new hires with workers who meet the conditions stated above, the company must meet some conditions for the employment terms, for example:
    - a) demonstrate an average stock of workers on eSocial, between January and April 2020, that is less than or equal to the average stock in the same months of 2019; and/or
    - b) demonstrate on eSocial a negative balance between January and April 2020. It should be noted that this criterion would include new companies incorporated after the first quarter of 2019.
  - 9) The company should be subject to a redundancy restriction while benefiting from subsidized hiring.

### Source of resources

Financing may stem from combinations among the alternatives listed below.

- 1) Change in the remuneration amount applied to overtime in any contract modality. This amount would be increased from 50% to 75%, 50% destined to the worker and 25% going to the government (furthermore, it should be noted that the deductions do not apply to contributions applied to overtime).
- 2) A rate of x% (parameter to be defined) would be charged by the federal government in any new contract that stipulated a working day exceeding forty hours a week, but only in the amount of hours exceeding the forty hours. For example, the same 25% stipulated above on the weekly working hours that exceeded forty hours.
- 3) The wage allowance for the base year of 2020 would have its figured reduced



by x%, and the reduction could be greater for workers who worked more months in 2020. It should be noted that the forecast of the salary allowance payment for the base year 2020 points to the second half of 2021. Therefore, it would be a reduction in spending that would only affect the 2021 budget.

- 4) When pending approval in Congress, the conversion of the PM into a Law of the Green and Yellow contract established, pension savings among its financing sources, created by the 2019 reform, which can also make up the financing of this Proposition.
- 5) The new tax exemption, with greater incentive to shorter and more flexible working hours in sectoral terms, would replace the current one, whose revoke for new beneficiaries would also make up the financing of the new measure. Possible adverse effects of the current tax exemptions would have been the extension of already employed workers' working day, by means of overtime hiring, which would no longer be beneficial under the new exemption; sectoral distortions that, contrary to what is intended, would have reduced the employments balance; and decrease in total revenue, even with the compensation charge of companies gross revenue of, which opt for the benefit (Garcia, Sachsida and Carvalho, 2018; Castro et al., 2018).

## Proposition 4.2 – Extension of reductions in working hours implemented through PM nº 936/2020, with reductions in government expenditure on emergency benefits

### *Context and brief diagnosis*

The PM nº 936/2020, which instituted the Emergency Benefit employment and income Preservation (BEm), allowed temporary reductions of work and salary or suspensions of contracts, followed by stability periods. It is reasonable to assume that the economic and health crises persist even after their most acute phases, and that, at the end of the negotiated exceptional deadlines, employers and employees who used the PM may still struggle to resume their original working hours in the expected stability period, as well as preserving them later. This makes the effort of persuading trade unions to agree on long-term reductions in working hours fundamental, in the form of the employment preservation program (EPP). This way, threatened employments may be preserved even after the end of the calamity state, with Article 7, Chapter VI of the Brazilian CF/1988 going back to full force status (irreducibility of wages, except as provided for in a collective agreement or agreement).

On the other hand, it is necessary to take into account the fiscal scenario deterioration for the federal government. Thus, a renewal of most terms of PM nº 936/2020, with amendments that partially and gradually reduce immediate contributions made by the federal government. This reduction can be balanced by a combination of increased contributions from entrepreneurs and access to credit lines with favorable conditions, especially for micro and small enterprises.

### *Goal of the Proposition*

Extension of reductions in the implemented working day via PM nº 936/2020, with reductions in government expenditure on emergency benefits.

### *Legal instrument and/or necessary practical action*

Ordinary law Proposition: interruption for operationalization of the measure described below.

- 1) Extension of reduced working hours At 70%:
  - a) the reduction should be adjusted to 50% or 25%;
  - b) the increase in wages cost for the small enterprises can be partially compensated, postponing payment of some federal taxes until the end of the year; and
  - c) a long time of employee stability can be compensated by offering (or extending) loans on facilitated terms.
- 2) Extension of working hours reduced by 50% or 25%:
  - a) the reduction of working hours can be preserved at the same level, as well as the division of the sum paid, between the entrepreneur (wage) and government (emergency benefit); and
  - b) a long time of employee stability can be compensated by offering (or extending) loans on facilitated terms.
- 3) Contracts suspensions:
  - a) could not be renewed;
  - b) could be transformed into a 70% working day reduction (the only case in which this reduction percentage is allowed), 50% or 25%.

- c) the increase in wage cost for the small enterprises can be partially compensated, postponing payment of some federal tax until the end of the year; and
- d) payment, in the case of large enterprises, increases from 30% to 50% if the suspension is turned into a 70% reduction.

### *Source of resources*

The same the one of PM nº 936/2020: federal resources in the “War Budget”, supplemented by the sources proposed for the tax exemption measure.

## **Proposition 4.3 – Unification and expansion of benefits for children**

### *Context and brief diagnosis*

The Proposition presented herein involves the creation of a universal transference for Brazilian children, along with a transfer of a focused nature, focused on extremely poor families. The work of Soares et al. (2019) is the basis of the Proposition.

Brazil has three modalities of benefits focused on children: i) the variable benefit and the variable benefit linked to the teenager (BVJ) benefitting from the Bolsa Família program, which reach the poorest families; ii) the *salário família* [family wages], which reaches children of the intermediate band of the income distribution; and iii) the Discount, in the Individual Income Tax (IRPF), per dependent child, which reaches the richest families.

Despite the existence of benefits focused on children of all income groups, these benefits operate in an uncoordinated manner. As a consequence, there are overlaps and, particularly, large cover gaps. It is estimated that 4.1 million children and young people receive more than one of these benefits and 17 million who receive nothing (Soares et al., 2019). Only 10% of them are in the upper third of the income distribution.

Half of the children with no coverage are in the third lowest income band in Brazil. The value of the benefits also varies: the monthly benefit for the richest (who are in the highest marginal tax rate of the IRPF) is greater than the variable benefit of the *Programa Bolsa Família*.

### *Goal of the Proposition*

To create an universal benefit for children, destined to children and teenagers up to the age of 18 (incomplete age), the benefit amount is variable, the *Bolsa Família* Program (currently up to R\$ 41 a month), eliminating the variable benefit for children, the BVJ, and the basic allowance from *Bolsa Família*; the *Salário Família* (family wages); and a deduction for child declared dependents on IRPF the Benefit to Overcome Extreme Poverty (BSP), the *Bolsa família*, would be offsetting to a large extent on the purpose of the basic allowance.

The existence of a universal benefit for children and teenagers has a solid conceptual support. It is a Proposition advocated in key social policy documents (e.g. the Beveridge Report of 1942; or the essential work of Atkinson, 2015). In these documents, universal child benefit is “considered part of the strategy to overcome extreme poverty and reduce inequality” (Soares et al., 2019).

Universal child benefit is also an element shared by several social protection systems in developed countries. And there are precedents in the developing world of unification of transfers in the manner proposed here: Argentina unified three transferences essentially similar to Brazilian transfers in a universal benefit.

### *Legal instrument and/or necessary practical action*

The adoption of this Proposition, from a legal point of view, can take place in two ways.

- 1) Unification of benefit values and eligibility criteria, but operation through different programs, for different target populations.

- 2) Unification of values, eligibility criteria and operations (which is highly recommended, to avoid cover gaps). For this second alternative, it will be necessary to approve a bill that creates the new benefit, unifying the existing ones.

The Proposition implementation would be done through the Single Registry for the Federal Government Social Programs. Some necessary steps are listed below.

- 1) Creation of a simplified version of the form for families interested in universal benefits but not interested in social benefits.
- 2) Automatic filling for those who fill in the IRPF declaration, with personal data and family composition migrating from the Records of the IRS to the Single Registry.
- 3) Registration effort of an estimated amount of 9.3 million families, including 15.2 million children. As the approximately 28 million families in the single register demonstrate, this is a significant effort, but one that is clearly within the scope of SUA's possibilities.

### *Source of resources*

The initial estimate is that the proposed changes should cost about BRL 26.6 billion/year (in 2018 values). Estimated BRL 19.1 billion/year would come from the extinction of existing benefits. There would be a need for additional funding of about BRL 7.5 billion/year, with source to be defined.

## **Proposition 4.4 – Creation of an integrated strategy to promote employment and education of vulnerable young people**

### *Context and brief diagnosis*

Labor market performance has shown that, in contexts of crisis, some groups

are disproportionately more affected by unemployment, particularly those individuals who have more unprotected jobs, such as young workers. The decrease in the supply of employment can increase the number of discouraged young people, who give up this search and begin to believe that there are no job opportunities for them, after so many failures in the search for work, they give up this search and begin to believe that there are no job opportunities for them. In the short term, this increases statistics of young people who do not study and do not work in Brazil (young “neither-nor”/“*sem-sem*”).

The economic impacts of the Covid-19 pandemic will further compromise the trajectory of these people. The majority of them survive from informal job earnings, and the realization of small “gigs” in their communities, and/or depend on the income of other people in the household, who will also have their incomes affected by the current crisis. According to the data of the Single Registry, in 2017 there were 5.3 million young people from 15 to 24 years old who did not study and did not work – young people with low qualifications, poor and low education.

We propose creating a government strategy with the goal of reintegrating vulnerable young people into school and the labor market. The federal government has public programs and facilities, spread among various ministries, that could compose a coordinated strategy focused on these young people.

### *Goal of the Proposition*

Reduce inactivity and the high unemployment rate of vulnerable young people enrolled in the Single Registry by creating opportunities to participate in activities of education, training

and employment, according to the preferences and needs of young people.

The strategy will offer the following actions:

- childcare services (nurseries) near the place of residence, work or school for young people;
- second chance of schooling (education of young people and adults for the elementary and high school education levels);
- assistance in job seeking (preparation of CVs, vocational tests, training of socio-emotional skills, identification and referral of job vacancies, among others);
- in-service professional training and training;
- support and specific training on the opening process for micro-enterprises, and on their sustainability ;
- funding to support micro-borrowers; and
- brokering/placing on the labor market.

### *Considerations on the target audience*

- 1) Inactive young people registered in the Single Registry, particularly:
  - Discouraged young people, aged 15 to 24 years, with little education and qualifications, residents of every region;
  - women with family responsibilities, aged 15 to 29, little education, unemployed and low-skilled, in all regions; and
  - unemployed young people with disabilities, with little education and/or qualification.
- 2) Total target audience: 5.3 million, 60% of whom are women with family responsibilities.



Household role	Young people that are not studying nor working		
	Men	Women	Total
Responsible spouse with child	145,376	1,456,416	<b>1,601,792</b>
Responsible spouse without child	91,161	265,545	<b>356,706</b>
Children	1,464,838	1,248,498	<b>2,713,336</b>
Others	366,328	312,068	<b>678,396</b>
<b>Total</b>	<b>2,067,703</b>	<b>3,282,527</b>	<b>5,350,230</b>

The strategy involves the coordination of existing actions and programs, which are currently implemented by the ministries of Education, Citizenship, Economy, Women, Family and Human Rights. Furthermore, some initiatives can be supported by Sebrae.

Programmes and ministries involved:

- Ministry of Education – Early Childhood Education Program; National Program for access to Technical Education and employment; and youth and Adult Education Program;
- Ministry of Economy – National Strategy for Training for productivity and employment and National Employment system, financing for micro-entrepreneurs;
- Ministry of Citizenship – National Policy of Social Assistance for People in Vulnerable Situations; Single Register, Social Inclusion Programs of the Secretariat of Productive Inclusion;
- Ministry of Women, Family, and Human Rights – actions developed to support the youth leadership of the National Youth Secretariat and youth mobilization actions of the National Youth Council; and
- co-participation of states and municipalities – as already happens, the Social Assistance Policy is co-financed by states and municipalities.

The strategy coordination can be carried out by the Ministry of Citizenship, because it is the area responsible for implementing actions for the vulnerable population. Moreover, most of the infrastructure that will be used for the strategy implementation in the municipalities

are the Reference Centers of Social Assistance (CRAS), which belong to SUAS.

The Proposition is to centralize the entire supply of services in the structure of the CRAS, which have more than 8 thousand units throughout the country, and work with technical teams composed of social workers, psychologists and lawyers.

In these centers, young people would receive support for the preparation of CVs and training of socio-emotional skills. They would be referred to the units of the National System of Jobs (Sine), education programs(kindergartens, second chance of schooling; training programs and professional qualification). However, CRAS' staff members would be the reference persons, responsible for the elaboration and follow-up of individual plans for the reintegration of these young people.

Furthermore, the strategy could also use Sine agencies spread across the country (around 1,500).

The strategy should also rely on the remote supply of services, starting with the creation of a Platform, in which professionals can guide and attend to young people.

#### *Legal instrument and/or necessary practical action*

- 1) Create, by decree, the program coordination structure, made up of a steering committee, composed of the Ministries of Economy, Education, Citizenship, and the Ministry of Women, Family, and Human Rights, with the

participation of the Office of the President's Chief of Staff.

- 2) Recompose the budgets of the programs that will integrate the strategy.
- 3) Change logical framework and drawings of the abovementioned programs, to include the care to the program's target population.
- 4) Draw up format and steps for the strategy operationalization, from the Federal Government to states and municipalities.
- 5) Articulate and involve states and municipalities in the implementation.

### *Source of resources*

The Strategy for the Reintegration of Young people into the labor market will be the sum of the efforts of already existing actions and programs, within the framework of the ministries of Economy, Education and Citizenship, as well as the National Youth Secretariat of the Ministry of Women, Family, and Human Rights. It will be necessary to recompose the budget of the abovementioned programs (these programs are funded by the FAT, Social Security Budget and Basic Education Development and Maintenance Fund – Fundeb; and Source 100).

## **Proposition 4.5 – Creation of jobs by assisting family caregivers of the elderly**

### *Context and brief diagnosis*

The Brazilian FC/1988 makes it clear that, only when families are not able to take care of the elderly that specialized institutions should be considered an alternative care. Such a recommendation is also expressed in the National Policy of the Elderly (PNI), 1994, in the Statute of the Elderly, 2003, and goes through most of the rules in the field of Health and social assistance. Consequently, the proportion of elderly residents in institutions is very low: about 1% of the total elderly people (Camarano and Barbosa, 2010).

Scenarios made by Camarano (2020) show that the number of elderly people receiving Family Care in 2020 ranges between 2.1 and 2.3 million. Data from the 2015 Elsi survey and the 2013 National Health Survey confirm that the Brazilian family has played the role of primary caregiver of its frail elderly members, and that this care is basically unpaid. Women are the main caregivers, the main care seekers and those who receive the least Family Care (Camarano, 2020).

The 2018 continuous PNAD collected information about people who provide care inside or outside households. It stated that 4.8 million people, of whom about 66% were women, 42.3% were over 60, and 31.7% were over 65. Using the scenarios drawn for the elderly who receive care, Camarano (2020) estimated that the number of unpaid caregivers would now be close to 4 million.

It is known that the act of caring is associated with diseases, disabilities, depression and loss of opportunities in the labor market, which can result in increased poverty and risk of care needs in the future. At this time, such a risk is aggravated, due to the likelihood of infection with the coronavirus. Family caregivers are deprived of social contacts, which puts their physical and psychological well-being at risk. Given the recommendation to maintain social distancing, the challenge is even greater for those who care for a frail elderly. It takes twice as much attention to avoid contagion, which entails a work overload. As visits are suspended, for the protection of the elderly, responsibility is concentrated on one individual.

### *Goal of the Proposition*

To support family caregivers of elderly people and generate employment and income.

The target audience of the Proposition are the elderly and caregivers in an economic and social situation of vulnerability.

### *Legal instrument and/or necessary practical action*

- 1) Implement *Programa Respiro* [Breath Program] for home caregivers – this is an action that aims to provide a regular free time for the home caregiver of the elderly family. The introduction of formal home care programs in Japan resulted in a significant reduction in emotional imbalances, which usually affect the family caregiver (Tamiya et al., 2011). In Brazil, this would be an opportunity to help the frail elderly, because they are exposed to violence, given the stress of the caregiver, in addition to allowing the family caregiver an opportunity to take care of themselves and generate employment and income, at a time of high unemployment. This action could be operated by SUAS, through CRAS, hiring and training caregivers to “give a break” to family members.
- 2) Create a policy to support the informal caregiver – there are already three bills (PL nº 7.348/2017, PL nº 174/2019 and PL nº 736/2019) attached to the first PL proceeding in the Chamber of Deputies. These aim to create a policy of support to the informal caregiver and the unpaid personal attendant of a person in a situation of dependence for the exercise of activities of daily living. Taking as an example the greater care program, Belo Horizonte city hall, a formal caregiver takes care of up to four elderly people, at a cost of R\$ 1,884.00 per caregiver (with charges), given that it is not a permanent care (Sartini and Correia, 2012). In this case, 1.2 million hired caregivers would be needed, that is, 1.2 million new jobs would be generated, distributed in the public and private sectors. It is recommended that the State focus on the segments with the greatest economic needs (for example, the population receiving the continued benefit – BPC, the Emergency Aid

Program and/or the Bolsa Família). On the other hand, it should encourage the private sector to offer this type of service to families who can afford the costs arising from it.

### *Source of resources*

Financing by SUAS.

## **Proposition 4.6 – Protection and creation of occupations in family farming and food supply**

### *Context and brief diagnosis*

Family farming is responsible for the occupation of almost 70% of the rural establishments workforce (IBGE/Census of Agriculture 2017). In addition, it produces, directly or indirectly, a significant part of the food consumed by the Brazilian population. Despite the differences in land and climatic conditions of production, family agriculture, as an economic sector, has been shown, in all regions, to be able to guarantee the supply of diverse and healthy food to the Brazilian population, even in adverse contexts. The crisis caused by the arrival of Covid-19, however, brings a serious risk of disruption of the chains of production of food, especially due to the socioeconomic vulnerabilities of family farmers. They need the support of State policies, articulated and coordinated, to continue responding efficiently to food demands.

### *Goal of the Proposition*

The goal of this Proposition is to promote the socioeconomic development of family farming, based on investments in its productive potential, and on protection for family farmers in situations of vulnerability, in order to ensure that the sector fulfills its strategic role in food supply.

### *Legal instrument and/or necessary practical action*

Schematically, four axes of action and government investment were proposed, coordinated among themselves, and articulated to the commitment

of encouraging a diversified, healthy and self-sufficient production of food for the country.

- 1) Access to land, water and housing:
  - a) create and strengthen existing settlements, boost water tanks construction and rural housing programs.
- 2) Production structure:
  - a) strengthen credit instruments, notably the National Program for strengthening family farming (Pronaf) – credit policy specifically focused on family farming. Promote technical assistance and rural extension.
- 3) Trade support:
  - a) strengthen institutional purchasing programs (Food Procurement Program – PAA; National School Feeding Program – PNAE): public purchasing policies for food produced by family farming are not only mechanisms for guaranteeing commercialization – which, by reducing the dependence on intermediaries, improve prices paid to producers – but also vectors for structuring family farmers. The PAA has become a successful model of this type of policy, operating with different modalities and articulating the Federal Government, through the National Supply Company (Conab), states and municipalities, in a network of acquisition of family farmers production and distribution of food to populations in social care entities (kindergartens, nursing homes, etc.). The PNAE, by requiring that at least 30% of the resources transferred by the FNDE to states and municipalities for the provision of snacks in schools were destined for the purchase of food from family farming, also produced significant results. This arrangement has made it possible not only to purchase

products from small local farmers, who work in the municipalities near the schools, but also to diversify food products served in snacks: with the shortening of the routes, fresh foods, fruits and vegetables arrive fresher at students' tables. In context of the coronavirus crisis, with the suspension of classes, fairs and the operation of bars and restaurants, the PNAE and PAA have been instrumental in ensuring that food from family farming is marketed or intended for students and vulnerable populations. With the adaptations that the exceptional situation has required, both the PAA and the PNAE have been revealing, despite the loss of resources in recent years, as the institutional channels through which it became possible to protect the productive chain of family agriculture from the economic effects of the crisis. Should investments in the AAP in 2020 and subsequent years resume to the levels reached in 2011 and 2012, when if it invested about BRL 1 billion, the estimate is that the program could reach, per year, about 208 thousand family farmers, covering 2,647 municipalities and serving 12 million consumer beneficiaries. These projections show that, with relatively few resources, one can have broad capitalization of the benefits generated, contributing significantly to the mitigation of current pandemic effects and mitigate the impacts of post-pandemic. It should also be emphasized that strengthening government food purchases as a tool to combat the crisis is a timely measure of rapid effect, since the PAA and the PNAE are already consolidated programs, with an active implementation structure, and have proven benefits, according to case studies conducted in all regions of Brazil.



- 4) Promoting sustainability:
- a) create land plots for food production by family farming in areas close to urban centers and foster agroecological transition, with the aim of expanding the supply of healthy food, produced in safe conditions for the environment and for the health of cutters.

### **Proposition 4.7 – Replace and increase the number of health professionals on work leave during the pandemic period**

#### *Context and brief diagnosis*

The pandemic caused by the new coronavirus increased the need for health professionals in the SUS, for at least three reasons. First, to cope with the increased demand for medical care due to the virus itself; at least part of this increase will need to be preserved for some time, even after the control of its spread. Second, due to the increase in unmet needs, due to the cancellation of consultations, examinations and hospital procedures considered non-urgent during the pandemic. Third, due to the need of replacing health professionals who have been infected and died, or are away for treatment of Covid-19; there is also the possibility of dismissal due to mental health problems developed in the “front line” of the fight against the disease. The lack of data does not allow us to estimate more accurately the additional needs of health professionals, but it is possible to approximate these quantities (for the first and third reasons).

Assuming infection rates are between 1% and 2%, and using the estimates by Fehn et al. (2020) regarding the deficit of medical professionals (intensivists, anesthesiologists and cardiologists) perFU, we estimated that a figure between 10,780 and 21,559 extra doctors would be needed to work on the front line for combating Covid-19 in intensive care units (ICUs). It should be highlighted that, in 2018, approximately 47,370 professionals of these

medical areas were available. Additionally, the proportion between doctors, nurses and nursing assistants/technicians by ICU beds, determined by the resolution – DRC nº7, of February 2010, by the National Sanitary Surveillance Agency (Anvisa), suggest the same proportion for the number of nurses, and something between 53,898 and 107,796 nursing assistants/technicians.

The pandemic has unveiled serious health and safety problems at work in healthcare, as there are indications that the rate of contamination of health professionals by coronavirus in Brazil is very high, and the country leads in the number of nurses killed by Covid-19 in the world. According to data from the E-SUS Notifica, until June 1<sup>st</sup>, 262,892 doctors, nurses and nursing assistants/technicians were recorded as possible infected. Of these, 10,808 cases of Covid-19 were confirmed among physicians, 12,818 among nurses, and 28,986 cases among nursing assistants/technicians. It is important to highlight that the number of confirmed cases in nurses is very similar to that reported by the Federal Nursing Council (Cofen), which claims that 5,837 infection cases and 145 deaths of nurses were confirmed due to Covid-19. However, according to e-SUS Notifica, there are still 113,967 open cases with no test results.

Like stated by Fehn et al. (2020) and Servo et al. (2020), there is an immediate need to rethink the health and safety of these workers, with protection measures in the work environment that include the expansion of access to personal protective equipment (PPEs). Furthermore, it is necessary to think about the training for health care of the population in the post-pandemic period.

In relation to the post-pandemic period, while countries such as France and Spain, which have adopted harsh measures of social distancing, are registering, on average in the last seven days, 1 thousand new cases of infection, in Brazil this average is above 30 thousand cases.<sup>2</sup> therefore, we should not think so early to relax the measures of distancing, because, as happened with Chile, which rushed to the

2. Available at: <<https://nyti.ms/31b0mei>>. Accessed on: June 5, 2020.

resumption of activities, we must live new waves of infection. Therefore, we cannot immediately demobilize these professionals who must have been relocated to combat Covid-19.

According to data from the medical demography 2018 (Scheffer, 2018), if the pace of filling vacancies for residency in anesthesiology, cardiology and intensive medicine informed in 2017 is maintained, and considering the duration, respectively, of three years, two years and two years of the minimum period of residence, every six years we would have around 3 thousand new specialists. Thus, to reach the estimated floor of 11 thousand intensive care physicians and in these other specialties, it would take around eighteen years. If there were a clear policy of encouraging training in these specialties and, very optimistically, assuming that all the vacancies offered would be filled, that time would be reduced to just under twelve years. In the case of the area of anesthesiology, the occupancy of residence vacancies is very high. The same does not happen with the areas of intensive medicine and cardiology. It is necessary to think about the priorities, considering the training needs in these areas, planning for the future, but knowing that the response is not immediate. In any case, planning is fundamental, since pandemics and their diseases are expanding (Gates, 2015; 2020).

#### *Goal of the Proposition*

To adjust the number of health professionals to the new reality of the SUS.

#### *Legal instrument and/or necessary practical action*

Review of incentives and management of medical residency scholarships for areas of intensive medicine and cardiology, as well as other incentives in line with what has been thought for the training of professionals for basic health care. Relevant actors: MEC, Ministry of Health, National Medical Residency Commission and National Multiprofessional residency Commission.

#### *Source of resources*

Residency scholarships program (MEC), Training Program the Ministry of Health (SUS) and professional incentives.

### **Proposition 4.8 – Carrying out Pre-Commercial Procurement (PCP) for the development of the “triple” vaccine or solution for immunization or protection against dengue, chikungunya and zika**

#### *Context and brief diagnosis*

Dengue, chikungunya and zika are arboviruses' diseases transmitted by the mosquito *Aedes aegypti*, whose consequences range from mild symptoms (with transient symptoms) to death (Mayer, Tesh and Vasilakis, 2017). Data from the Informatics System of the unified health system (DATA-SUS) demonstrate a high incidence in Brazil, which overloads the public health system, in addition to creating deleterious effects on the economy derived from absence from work, deaths and sequelae. In fact, such diseases constitute national challenges that have never been overcome. Due to the great uncertainty related to the real possibilities of achieving the goal, it is suggested to use the PCP, an instrument specially designed for these situations.

#### *Goal of the Proposition*

It is proposed to carry out PCP, aiming at the development of “triple” vaccine or technological solution for immunization or protection of the Brazilian population against the three mentioned arboviruses. That is, in the impossibility of carrying out the development of a new vaccine, an alternative solution must be found in order to guarantee protection against those diseases.

#### *Legal instrument and/or necessary practical action*

The PCP must be executed by the Ministry of Health, in compliance to Article 20 of the Innovation Law, with a total global cost for the project of

BRL 1 billion and maximum implementation period of two years.

### *Source of resources*

Resources already collected by the FNDCT are currently destined to the primary surplus.

## **Proposition 4.9 – Resumption of school activities after the Covid-19 crisis: distribute a tablet or laptop for educational purposes to students of the public network**

### *Context and brief diagnosis*

Brazilian Basic Education has undergone major transformations in the last thirty years. First, there was a universalization since the FC/1988. Then, in terms of quality, it was evidenced an improvement of the Basic Education Development Index (Ideb) in the fundamental education that is about to be coming up in high school. Consequently, there has been a considerable improvement in the school flow of public education in recent years.

The current situation, with the Covid pandemic and the consequent need to close schools, shows us that we need to move forward to reduce the differences between the educational systems, in relation to two aspects: i) access to digital learning; and ii) the spacing of students in the classroom.

The isolation needed to cope with the pandemic has made it clear that we will need to make our systems more resilient to remote learning. The resource of virtual learning depends, to a large extent, on students having equipment and digital means to receive content and interact. However, a large number of students in public schools do not have access to both the internet and equipment for the operation of educational content programs. This Proposition, focused on hardware, aims to reduce the impacts of social remoteness – current and on the future – on the learning of children and young people from poor families who attend public education institutions.

### *Goal of the Proposition*

Distributing a tablet or laptop, for educational purposes, to students in the public network, can contribute to achieving target 7 of the National Education Plan (PNE). This target deals with access to virtual learning environments, with interactive content and research resources, aiming to contribute to the learning of school content. The possibilities of ICTs in education are many and diverse in nature, and private schools use them, even in basic education. In addition, there is an evident contribution to the creation of jobs, both in the hardware industry and for the development of educational software with content for each educational level; and opportunities for the development of virtual learning environments, with areas for interaction with teachers and the class.

The target audience of the proposition are students of the public primary education schools.

### *Legal instrument and/or necessary practical action*

Procurement of tablets and distribution to students of public education schools.

### *Source of resources*

FNDE, whose budget allocation depends on the approval in the National Congress.

## **Proposition 4.10 – Implement full time in basic education**

### *Context and brief diagnosis*

The effects of closing schools on the learning of students in public education networks are not yet known. However, it is expected that these students will need to replace and supplement content that was not taught during this period. Thus, the beginning of school activities should be thought considering extra shifts or full time, for greater attention to students and content recovery. It is worth noting that this year deserves more attention in particular, as we are already three months late.



Another very relevant aspect, to be taken into account when reopening the schools, is the distance required in the classrooms, as we will not have the vaccine nor an adequate treatment for Covid-19. Thus, it is not possible to accommodate, without causing crowding, the same number of students who were in each classroom before the pandemic.

### *Goal of the Proposition*

Expand the supply of full-time education in basic education. This is a Proposition for the post-pandemic period, in which children and young people return to face-to-face classes in schools. This requires planning and time, so it's important to start now. In many municipalities, this will mean the expansion of the network of schools and the possible hiring of teachers, which will contribute to the generation of jobs.

### *Legal instrument and/or necessary practical action*

Combination with municipal and state education networks.

### *Source of resources*

Fundeb, whose budget allocation depends on the approval in the National Congress.

## **Proposition 4.11 – Creation of income-contingent student loans**

### *Context and brief diagnosis*

It is proposed to structure a national system of student funding, which would include public and private funding for students of higher education (at undergraduate and postgraduate levels) and of professional and technological education (in technical courses subsequent to high school). In order to ensure financial sustainability of public student financing programs, and promote a private market at the same time, the Proposition is providing remuneration of the investment made in post-secondary education of those

who use the financing modalities provided for in this system be collected through a special contribution. This would be due by former students with annual income above the limit of exemption from Personal Income Tax (hereinafter PIT), and who received public or private funding during their studies. The payments were linked to income by law. It would be up to the Brazilian IRS to collect the proposed contribution payments, and the National Treasury to establish the rules for managing the revenue collected and its distribution among the agents operating student financing programs; these would integrate the national system organized from this new source of revenue. We propose that they be progressive rates, equivalent to half of the respective incident rates for the purposes of income tax, are implemented.

The Proposition is supported by the records on financing with income-contingent payments, with elements of the Solidarity Fund of Uruguay. The Proposition took into account the criticism that the Ministry of Education does not provide the federal institutions of Higher Education (Ifes) with a budget suitable to their short-term needs; the budgetary constriction that has led to the reduction of the number of postgraduate and research scholarships granted by the Coordination of Improvement of Higher-level Personnel (Capes) and the National Council for Scientific and technological development (CNPq); and the default issues that almost make the student financing fund (Fies) unviable. The necessary conditions for the involvement of the IRS in the collection of income-contingent payments of former students were also considered, using as a starting point the placements of an auditor of the IRS, during a conference held at Ipea in 2019,<sup>3</sup> on the possible ways of collaboration of digital tax bookkeeping for the automation of the collection of Fies.

### *Goal of the Proposition*

The Proposition seeks to create conditions for young people with per capita family income of up to 1 minimum wage to have the means to, if

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3. International Conference on income-related financing, held between July 10 and 12, 2019. Available at: <<https://bit.ly/2YtI9a2>>.

it is their intention, undergo a technical course and/or a higher education course, according to their aspirations and their potential, without any financial restrictions become barriers to the achievement of this purpose.

In the case of Higher Education, the proposed system would allow the federal government to make possible up to 730 thousand equivalent full scholarships in private Higher Education Institutions (HEIs), with the unification of the University for All program (ProUni) and student aids granted by non-profit HEIs. This would be done as a compensation for the tax immunity that the Constitution grants them (estimates made applying the current rules to the quantity of enrollments recorded in the 2018 Census of Higher Education). This amount would serve 100% of students enrolled in private HEIs from families with income per capita of up to 0.5 minimum wage (according to estimates using the 2018 continuous PNAD), 100% of students with disabilities enrolled in these Hei (according to estimates using the 2018 Census of Higher Education); and part of those who are from families with per capita income of up to 1 minimum wage (according to estimates made using the 2018 continuous PNAD). It would also make the Fies unnecessary, which maintained 2.9 million active loan contracts in 2019, at an average cost of BRL 45,600.00 per contract (considering that the average duration of the courses is four years and that the average monthly fee paid by the FIES, in 2019, was R\$ 950.00, leaving out the management costs of the program) and had default greater than 50% (according to data from the Ministry of Economy). In public HEIs, the introduction of a special contribution to be paid by former students with income above the IRPF exemption range would allow to collect, with the maturation of the proposed system and according to simulations made with panel data of the continuous PNAD, about R\$ 6.4 billion of each annual cohort of graduates of the Ifes, which, in 2018, formed 156 thousand people (according to the Census of Higher Education that year). The funds raised could be used to pay scholarships to low-income students, reducing evasion in Ifes. With the federal revenue

in the collection of payments (which is why a special contribution is suggested as a means of financing the proposed system), in addition to greater efficiency in the collection (minimizing default, which has practically made the Fies unviable), would be fostered a private market of educational credit, which today is very incipient. This would allow the government to concentrate – strictly through tax immunity and tax waivers already in force, in the case of private Hei, and financial contribution of former students as a counterpart to free tuition, in the case of public HEI – student financing in low-income students, while the private market would be able to meet the middle classes.

#### *Legal instrument and/or practical action necessary*

- 1) Step I: a bill to amend Brazilian Law nº 12.101, of November 27<sup>th</sup> 2009, so as to transfer to the MEC the assignment of selecting students eligible for the aid justifying the Certification Of Social Assistance Charities (hereinafter, Cebas) to non-profit HEI. It should be noted that today such a procedure is already necessary for them to be entitled to tax immunity, but there is no intervention of the MEC in the criteria for allocation of aid, nor effective control mechanisms. This step complies with the recommendations of the Comptroller General of the Union (CGU) in audit of Cebas and, in practice, means the unification of the ProUni scholarships and student aid required by law of the non-profit HEI. Suggested deadline: referral of the PL to the National Congress by the end of 2020.
- 2) Stage II: integration of the selection systems of federal aid currently linked to ProUni and Student Assistance Programs for IFES students (adding the aid that is counterpart to Cebas, with the successful completion of Stage I) to the Unified selection system (Sisu). This would imply the creation of a national system for the management

of undergraduate vacancies (which may also cover vacancies for sequential courses of specific training and technical courses subsequent to the secondary education), linked to the National Registry of social information (CNIS), for automatic validation of the income criteria required in order that students are entitled to federal aid. Suggested deadline: immediate start, so that the new system is ready for operation from the second half of 2021.

- 3) Step III: the Constitutional Amendment Bill (hereinafter, CAB) [PEC, in the original Brazilian Portuguese acronym] in order to create the effect of the special levy, which would involve the IRS in the collection of the payments (similar to the one that represents your child's education, to primary and secondary education, but who can warrant a reduction in employers' contributions that now fund the System, given the fact that the System S would be one of the beneficiaries, with the payments tied to the income of the graduates of the program of post-secondary education); the CAB of the new contribution as it would require, in addition, a supplementary law to regulate the functioning of the national system for the proposed setting even a public entity, agency, regulatory body or other governing body is responsible for the management of the system, and how the collection was going to be done by the Internal Revenue service. Suggested deadline: referral of the CAB to the National Congress in 2020, along with the stage I PL, for approval throughout 2021.
- 4) Stage IV: CAB to make free education in public HEI more flexible, which can, just by way of example, give the following new wording to art. 206, IV, of the Constitution: "free public education in official establishments, with the exception of individual remuneration by financial

contribution, by those who have had their studies at a subsequent technical level, at the undergraduate level or at the postgraduate level in public or private educational institutions, in the form of the law". Suggested deadline: referral of the CAB to the National Congress after approval of the stage III CAB. The National System of student financing with income-contingent payments would be in operation with the completion of stages I, II and III, with Stage IV being a desirable expansion.

### *Source of resources*

The proposed national student funding system will involve public and private resources. In the case of public resources, it is necessary to separate those directed to the private system from those directed to the public system of Higher Education. In the private system, the tax immunity already granted by CF/1988 to non-profit HEIs and tax waivers already benefiting for-profit HEIs would be the main source of resources. The tax cost of the initiatives already in place would be significantly reduced over time, as the proposed special contribution would collect income-contingent payments of former beneficiaries of the scholarships who would achieve income above the range of exemption from the IRPF. The current tax immunities and tax waivers would, therefore, in practice be replaced by a postponement of revenue, whose losses would be minimized and limited to the inability to pay some graduates of Higher Education. There would also be a tax gain with the end of the Fies, whose total debt balance reached R\$ 105 billion in August 2019, according to the Ministry of Economy. In the public system, gratuity would be maintained, but the special contribution would allow, over time, raise new resources to reduce the tax cost of maintaining Ifes and to finance scholarships for low-income students. The anticipation of these resources, to immediately reshape the assistance to low-income students of the Ifes, is possible with the taking of loans from international organizations, placing as a guarantee the own future collection of the proposed special contribution. In addition

to these arrangements involving tax immunities, tax waivers and reform of gratuity, it should be considered that the introduction of a special contribution as a mechanism to involve the IRS in the collection of payments would make educational credit attractive to banks, fintechs and the HEIs themselves, expanding a niche market today restricted. The operation would be similar to what happens with other special contributions, in which the collection is up of the IRS, but the management of resources and, eventually, even the regulation of the market, is the responsibility of a parastatal entity, a regulatory agency or a government body.

### **Proposition 4.12 – Immediate financial support for international efforts of vaccines development for the novel coronavirus**

#### *Context and brief diagnosis*

Ipea has mapped several international efforts by foreign companies to develop a vaccine for the new coronavirus. Many of these efforts are already in advanced stages. However, these companies are demanding financial support for their research and development to ensure future adequate supply of the possible vaccines. In other words, countries willing to finance R&D will have made the access to the vaccine easier, as well as ensuring the transfer of technology and scientific knowledge. Not supporting is not an option for Brazil.

#### *Goal of the Proposition*

To participate in the international vaccine development effort through direct financial support to foreign companies that are more advanced in the development of vaccines for the new coronavirus, in a way to ensure sufficient supply when available. Such efforts are already mapped and are widely known. The most obvious is the one carried out in partnership with the University of Oxford (England), but there are others that also need to be considered.

#### *Legal instrument and/or necessary practical action*

In the Brazilian legal system, there are already instruments that assure great security, both for the state and for the private agent, which can be employed. The first and most obvious would be the pre-commercial procurement (PCP), through which the state (perhaps the Ministry of Health) would buy the R&D effort of the companies with the greatest chances of success, making them compete in funnel (situation in which more than one company is selected and, throughout the project, the number of companies is reduced depending on the preliminary results).

In addition, it is possible to act through the economic subsidy to innovation projects operated by Finep, in order to support Brazilian companies that make direct cooperation with international producers of vaccines.

Finally, in line with what the MCTI has already done with international research consortia, notably in the case of the European Southern Observatory (ESO), it is also possible to build output solution, albeit this option is less adequate than the others and more complex.

In any case, specific and demand-related legal instruments already exist and need to be immediately employed, since resources for this activity can be extracted from already known financial sources.

#### *Source of resources*

National Treasury, through budget space possible from FNDCT unblocking.





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