

March 25, 2020



Public Affairs  
Council

## Webinar: Public Affairs in Brazil

Julia Esmanhoto & Ricardo Camargo Mendes

# Public Affairs in Brazil

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Public Affairs Council

March 25, 2020

# Agenda

- Brazil 101
- Economic outlook
- The state of play: economic recovery x political risk + coronavirus crisis
- Civil society participation
- Tracking policy in Brazil
- Final recommendations



# About PATRI

Insightful counsel based on high ethical standards



On the ground  
**public affairs**  
company



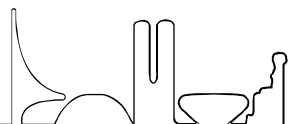
Market leader with **30+**  
**years** of experience in Brazil  
and **20+ abroad**



Focus on **private initiative**  
and **long-term relationships with**  
**clients**



Recognized for **ethical**  
and **effective**  
**performance**

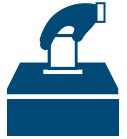




# Brazil 101



213M inhabitants



147M voters



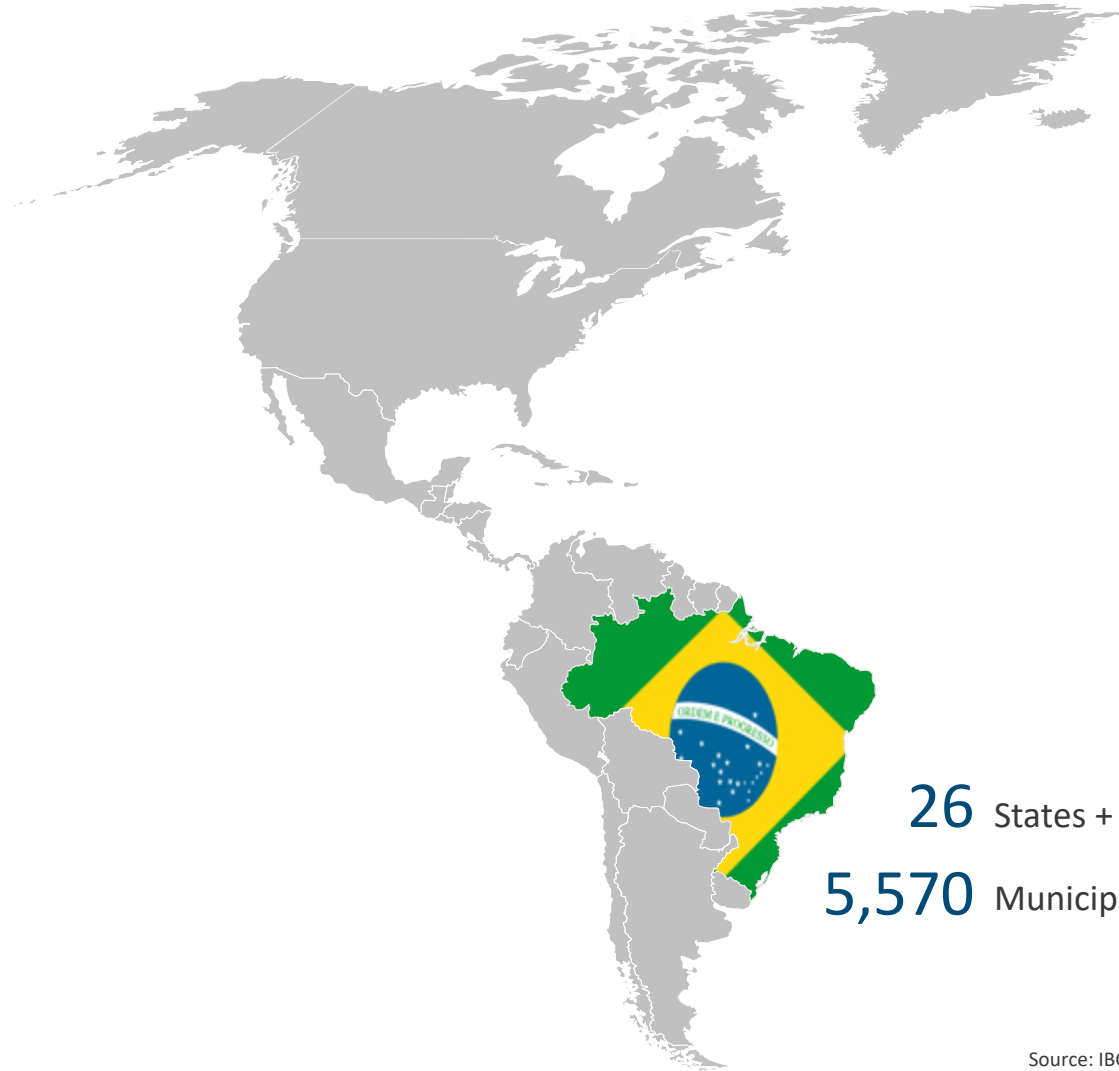
9<sup>th</sup> global economy



1.8T<sub>(US\$)</sub> GDP



79<sup>th</sup><sub>(0.75)</sub> HDI

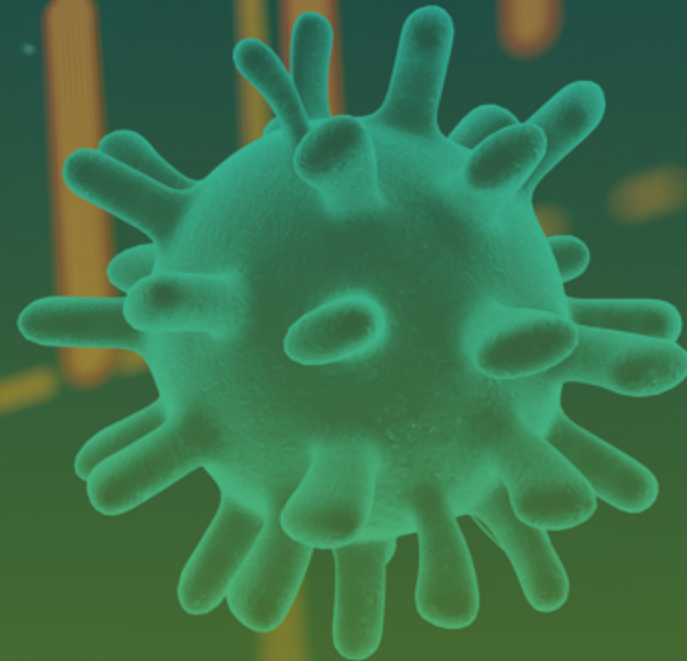


26 States + Federal District

5,570 Municipalities

Source: IBGE, Superior Electoral Court,  
UNDP, WEF, IMF, UN

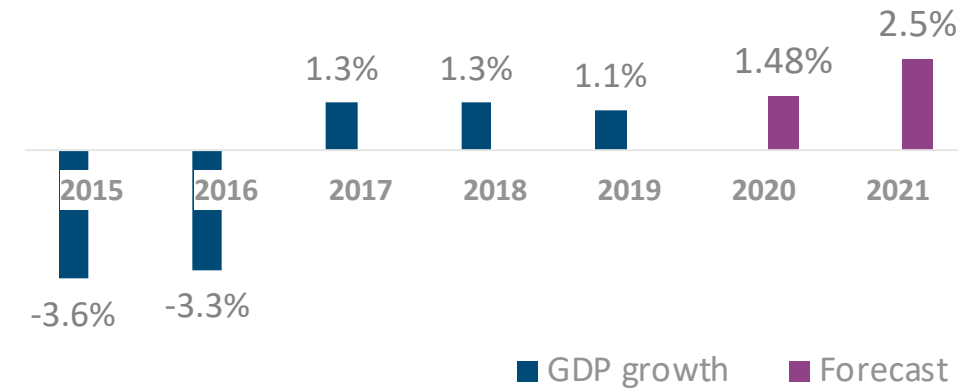
# Economic outlook



# Coronavirus knocks out recovery

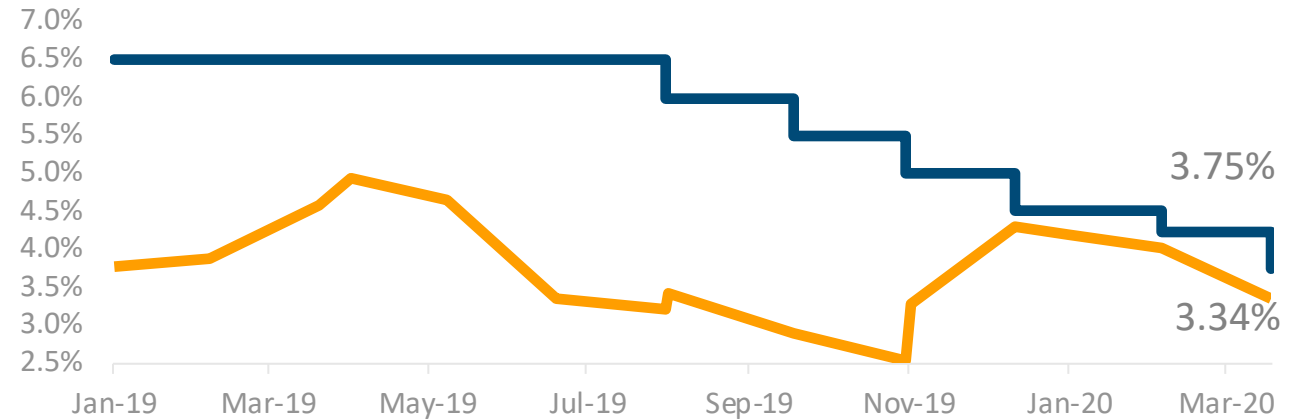
Economic recovery swallowed by rapidly growing uncertain environment

## GDP growth

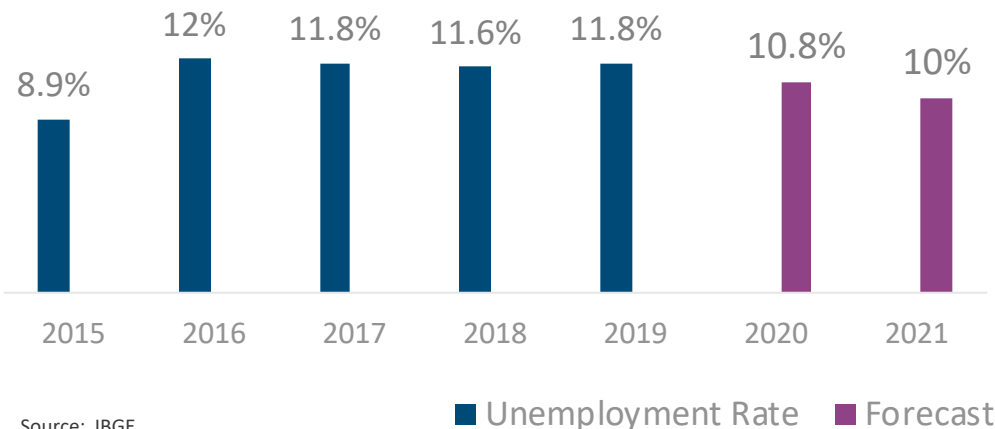


Source: IBGE

## Lower interest rates & inflation under control

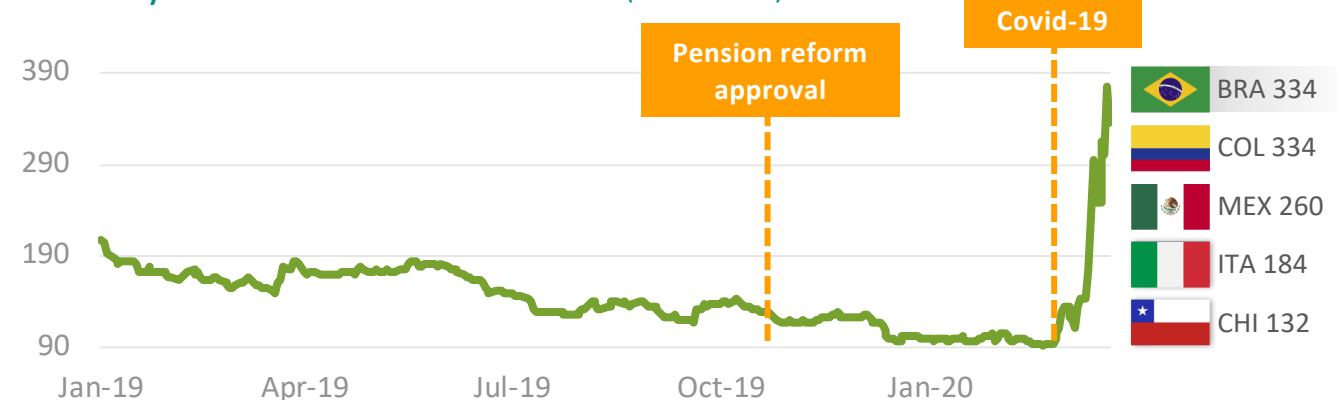


## Unemployment rate



Source: IBGE

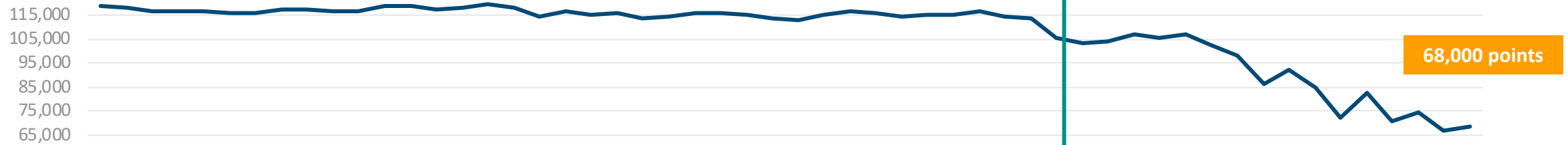
## Country risk – investor confidence (2019-2020)



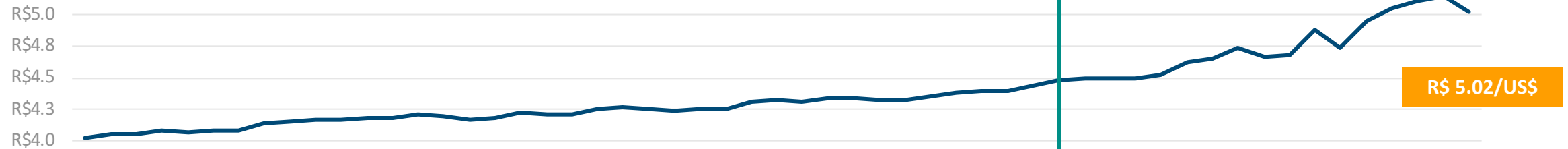
# Coronavirus rattles financial markets

## Covid-19 spread drives down Brazilian markets

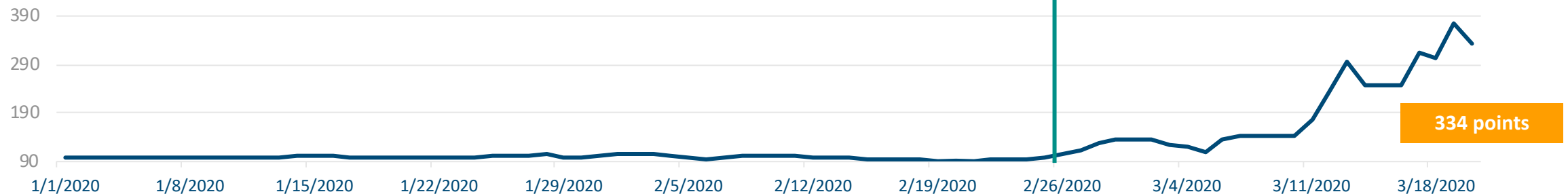
### Ibovespa (stock market)



### Exchange rate (R\$/US\$)



### Country risk



# Ease of Doing Business in Brazil

Ongoing business reforms, but still a long way to go towards improving regulations

## POSITIVE ASPECTS



Enforcing contracts:  
**58<sup>th</sup>**



Protecting minority  
investors: **61<sup>st</sup>**



Resolving insolvency:  
**77<sup>th</sup>**



Getting electricity:  
**98<sup>th</sup>**

## NEGATIVE ASPECTS



Paying taxes:  
**184<sup>th</sup>**



Dealing with  
construction permits:  
**170<sup>th</sup>**



Starting a business:  
**138<sup>th</sup>**



Registering property:  
**133<sup>rd</sup>**



Trading across  
borders: **108<sup>th</sup>**



Getting credit:  
**98<sup>th</sup>**



ongoing reforms

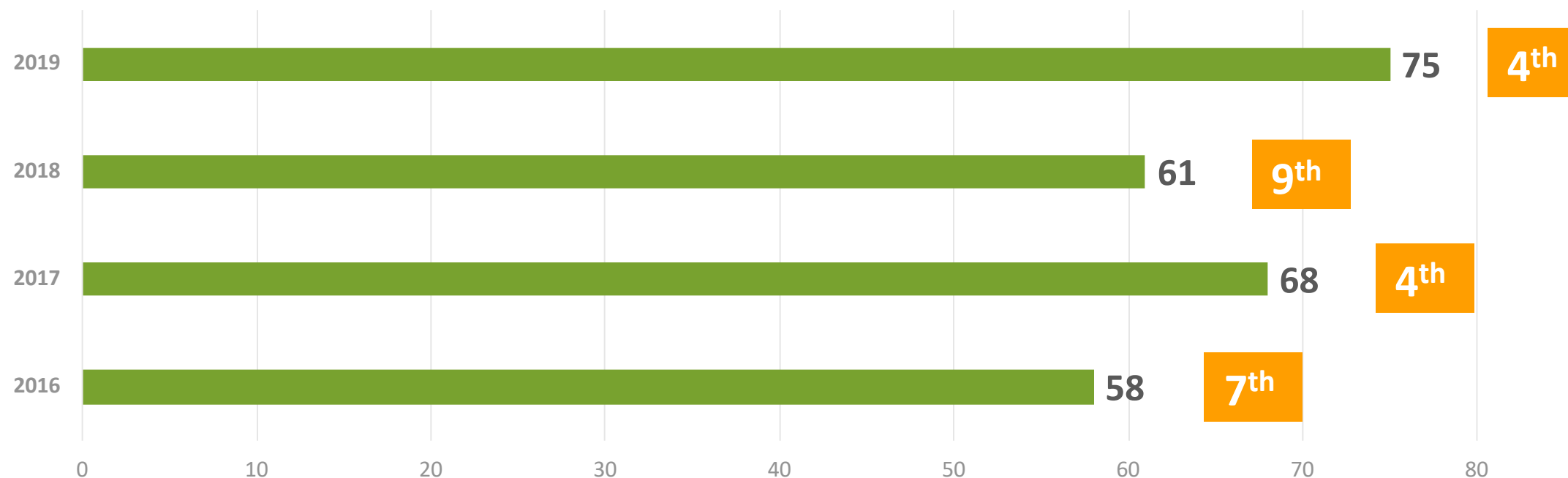
**124<sup>th</sup>**  
Brazil

**190**  
countries

# Foreign investment prospects

Despite hurdles, Brazil will continue to be a major destination for FDI

Foreign Direct Investment (FDI), in US\$ billions



Source: UN Conference on Trade and Development (UNCTAD) 2019



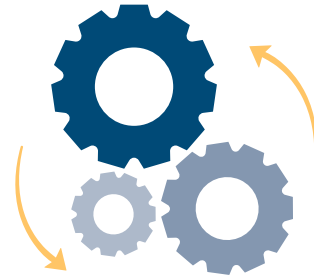


# The state of play:

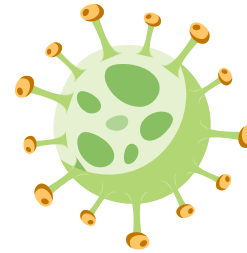
Economic recovery x political risk + coronavirus crisis

# 2020 before and after coronavirus

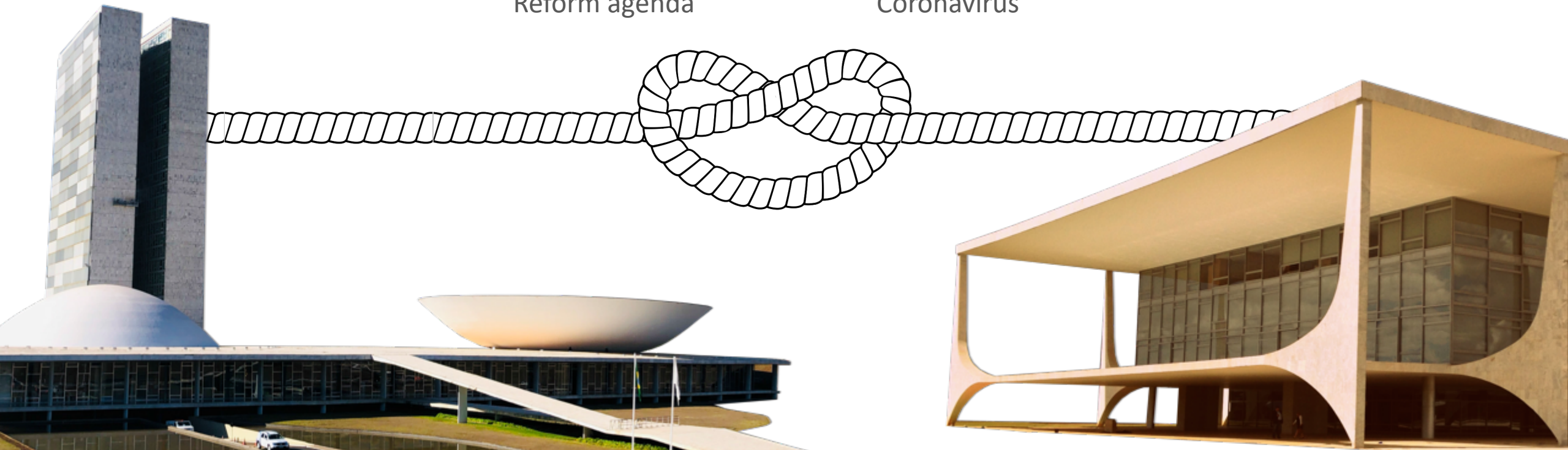
Issues and priorities amid no political coordination



Reform agenda



Coronavirus





# The past 10 days in Brazil

Political landscape changing as fast as the coronavirus spread



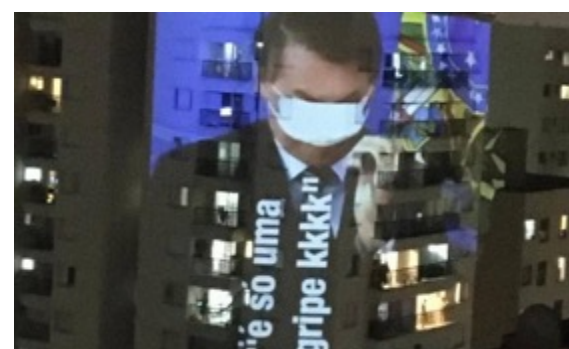
**MARCH 15**

President Bolsonaro taking selfies and shaking hands with supporters during pro-government demonstrations in Brasília



**MARCH 18**  
daytime

President Bolsonaro meets with ministers for a joint statement on measures to mitigate the spread of coronavirus



**MARCH 18**  
at night

Several cities report prime-time demonstrations from windows and balconies (*panelaços*)\* for and against Bolsonaro

*\*the panelaços have been occurring almost daily*



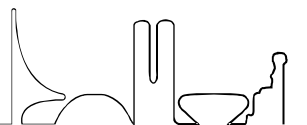
**MARCH 20**

Right after a cabinet meeting, President Bolsonaro downplays the coronavirus once again by calling it "a little flu"



# A look at Bolsonaro's administration

## Key influential clusters





## PRESIDENT'S OFFICE



**Gen.  
Mourão**

VP



**Gen.  
Braga Netto**

Chief of Staff



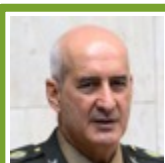
**Jorge  
Oliveira**

Secretary-General of  
the Presidency



**Gen.  
Heleno**

Security Secretary



**Gen.  
Ramos**

Government  
Secretary



## ECONOMY



**Paulo  
Guedes**

Economy



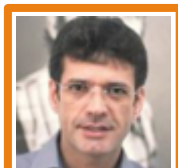
**Roberto  
Campos Neto**

Central Bank



**Tereza  
Cristina  
(DEM/MS)**

Agriculture



**Marcelo Alvaro  
Antônio  
(PSL/MG)**

Tourism



## INSTITUTIONAL



**Sérgio  
Moro**

Justice



**Ernesto  
Araújo**

Foreign Affairs



**Gen. Azevedo  
e Silva**

Defense



**Wagner  
Rosário**

Transparency



**André Luiz  
Mendonça**

Attorney  
General



## INFRASTRUCTURE



**Tarcísio Gomes  
de Freitas**

Infrastructure



**Adm. Bento  
Costa Lima**

Mines and Energy



**Marcos Pontes  
(PSL/SP)**

Science and  
Technology



**Ricardo Salles  
(NOVO/SP)**

Environment



**Rogério Marinho  
(PSDB/RN)**

Regional Development



## SOCIAL



**Luiz H.  
Mandetta  
(DEM/MS)**

Health



**Abraham  
Weintraub**

Education



**Onyx Lorenzoni  
(DEM/RS)**

Citizenship



**Damare Alves  
(MDB/RS)**

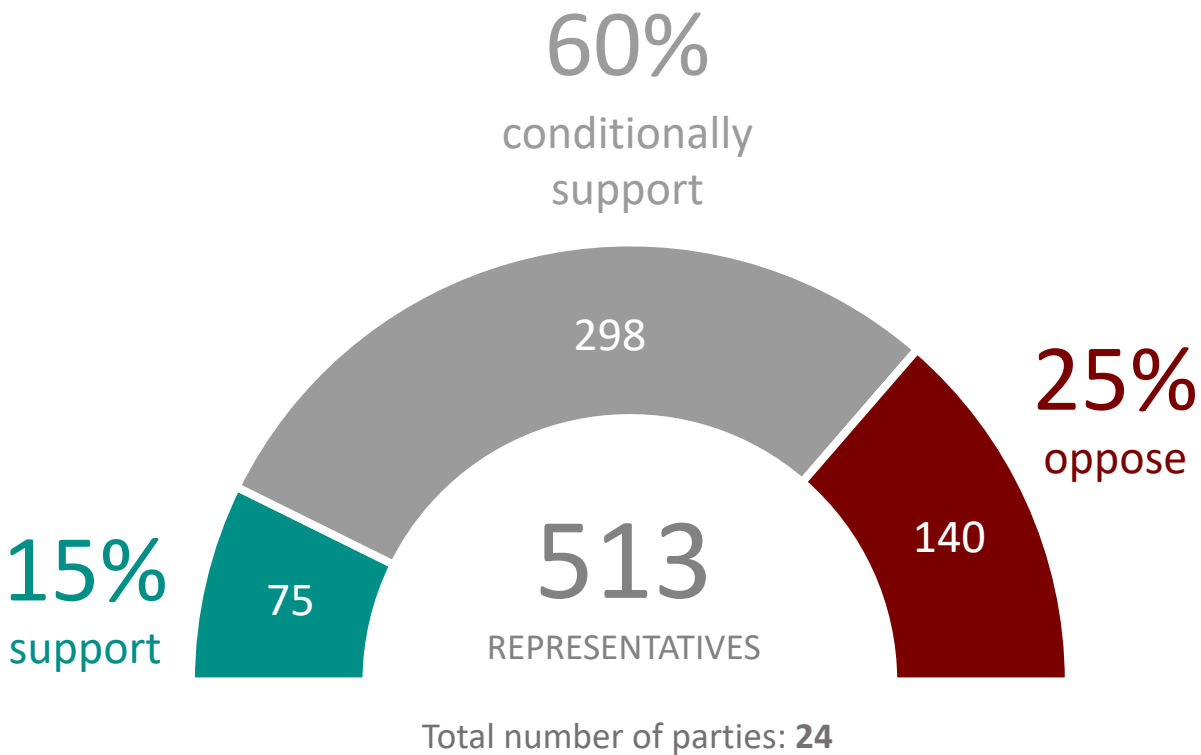
Women, Family  
and Human Rights

- POLITICIAN
- MILITARY
- PUBLIC SERVANT
- PRIVATE INITIATIVE

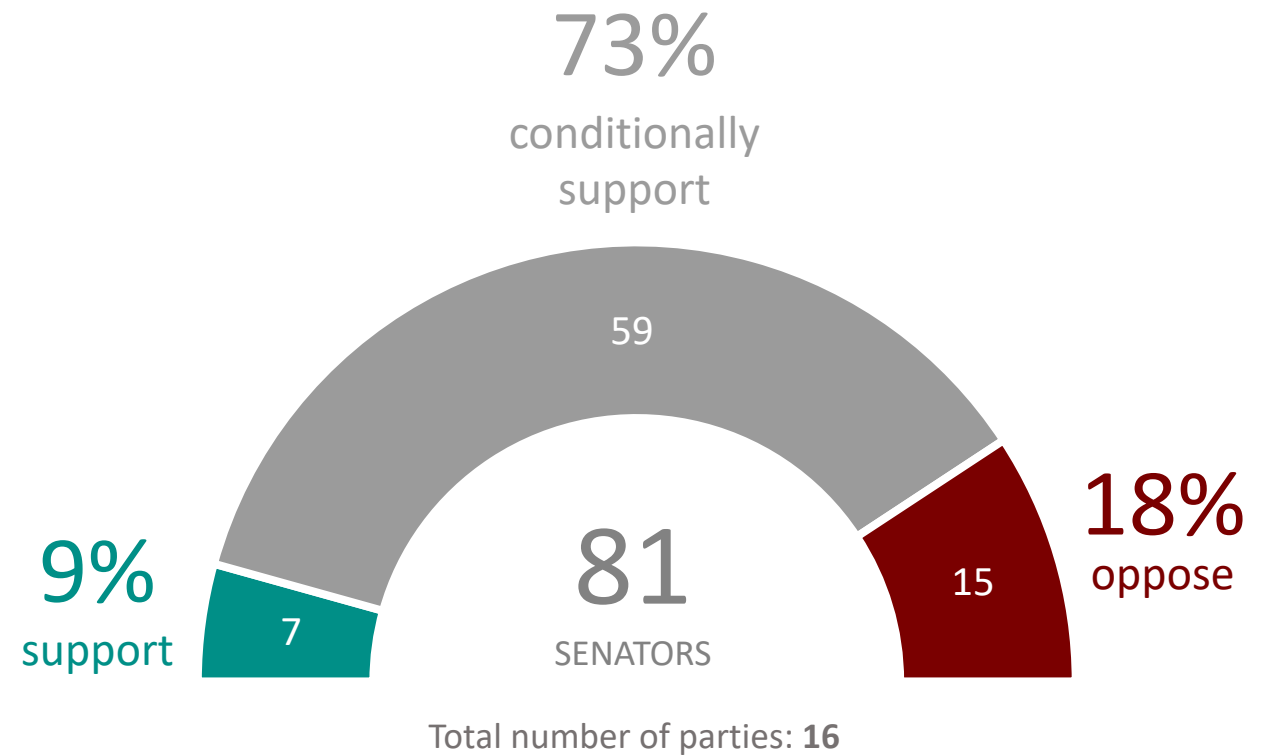
# Brazilian Congress

Administration's (lack) of relevant support base

## HOUSE

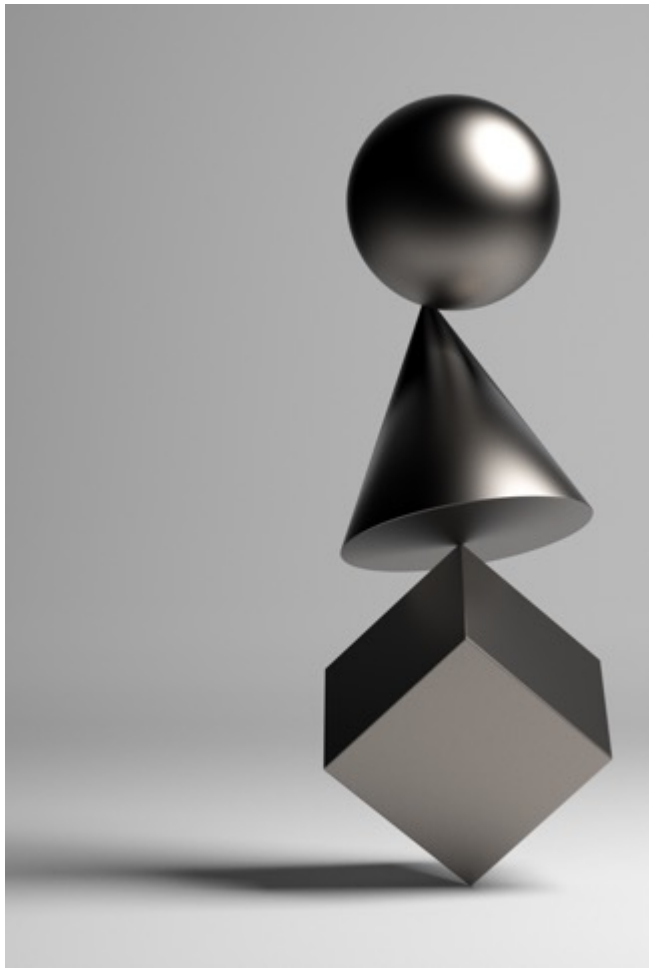


## SENATE

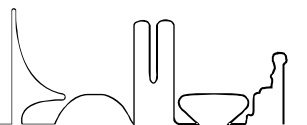


# Current main risks

Risks are piling up and intensifying



- 1 Coronavirus outbreak
- 2 Constant tension and friction between branches
- 3 Administration's lack of relevant support base in Congress
- 4 Delay of the reform agenda



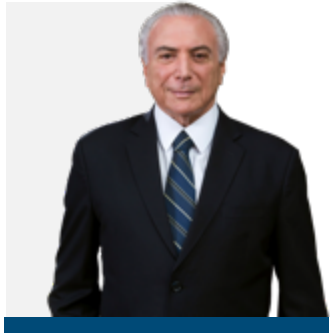


# Brazilian civil society

# Civil society participation

## Shaping public policy during Bolsonaro's administration

### EXECUTIVE BRANCH



TEMER (2018)

**228** Councils + Chambers + Committees



BOLSONARO (2019)

**211** Councils + Chambers + Committees

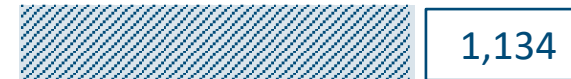
34 discontinued  
17 established (in relation to Temer's administration)

ENVIRONMENT + HEALTH + EDUCATION + HUMAN RIGHTS

### PUBLIC HEARINGS IN CONGRESS

**2015**

1<sup>st</sup> year of 55<sup>th</sup> Congress



**2019**

1<sup>st</sup> year of 56<sup>th</sup> Congress



**27%**  
MINISTRIES

**HAVE NO**

civil society member  
in their councils

# Tracking policy in Brazil



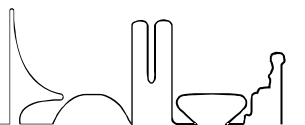


# Tracking policy information in Brazil

Trash in, trash out: avoid bad data impacting your business



- The launch of start-ups and companies in this field
- Associated tools x threats
- The challenge of suitable online information in real-time
- Numerous differences between the federal, state and local levels
- The need to cut through the noise
- The value of analysis and human interactions



# Conclusion



# Final recommendations



- The real impact of the coronavirus crisis has yet to be measured
- Brazil will continue to be a key global market
- The government will continue regulating and impacting companies
- A strategic approach to the decision-making process is vital



Engage now with the government to let them know what your **company's lifeblood** is to continue operating in Brazil





PATRI is Brazil's leading public affairs company with more than 30 years of experience in helping companies navigate the complex world of public policy, issues management and government relations in Brazil. With a team of over 75 professionals located in Brasília, São Paulo and Washington, DC, PATRI's expertise combines an in-depth understanding of multiple sectors, industries and stakeholders with an exhaustive knowledge of all branches of federal, state and municipal governments. For further information please contact us



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PROSPECTIVA

**PUBLIC AFFAIRS**

**BRAZIL SOCIOECONOMIC OUTLOOK**

March 2020



## BUSINESS LANDSCAPE

*CLOSED FOR TRADE, OPEN FOR INVESTMENTS*

AVERAGE APPLIED TARIFF*	<b>13.4%</b>	SUBNATIONAL ENTITIES	
WORLD FDI INFLOW 2019**	<b>#7</b>	STATES + DF	<b>27</b>
EASE OF DOING BUSINESS***	<b>#124</b>	MUNICIPALITIES	
EASE OF PAYING TAXES***	<b>#184</b>		<b>5,570</b>

Complexity of doing business in a continent sized federal democracy



- High tariffs and regulatory barriers
- Major historical recipient of foreign investments
- Multinationals perceived as “Brazilian companies”
- Challenges and opportunities do not distinguish origin of capital

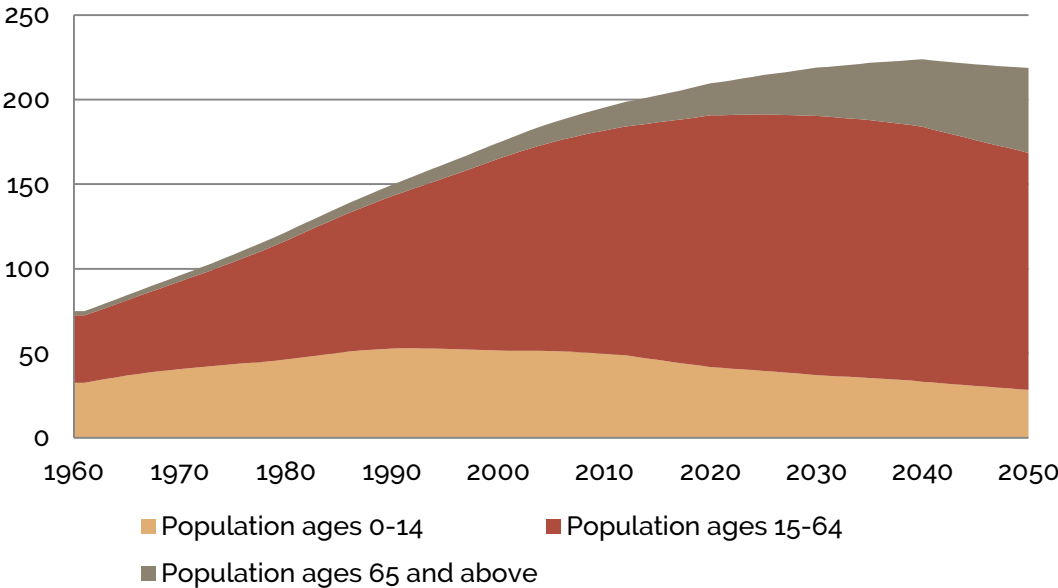
\* WTO, \*\* UNCTAD, \*\*\* WORLD BANK

# SOCIAL TRENDS

## SHIFTING DEMOGRAPHICS

LIFE EXPECTANCY	76.3 years
URBAN POPULATION	84.4%
ANNUAL POPULATION GROWTH RATE	0.8%
FERTILITY RATE	1.73 children /woman

### BRAZILIAN DEMOGRAPHIC DISTRIBUTION



CONSOLIDATED MIDDLE CLASS	
2001	37.5%
2015	60.2%

Developed by Prospectiva.  
 Demographic data: OECD Latin American Economic Outlook 2019  
 Population data: World Bank Databank, 2020

# SOCIAL TRENDS

## SOCIAL MEDIA PUTTING STRAIN ON TRADITIONAL MEDIA

KEY FIGURES (2019)		
MOBILE LINES	215.2 MILLION	102.43%
INTERNET USERS	149.1 MILLION	70.96%
SOCIAL MEDIA USERS	140 MILLION	66.63%
AVERAGE TIME SPENT	3h34m/day	

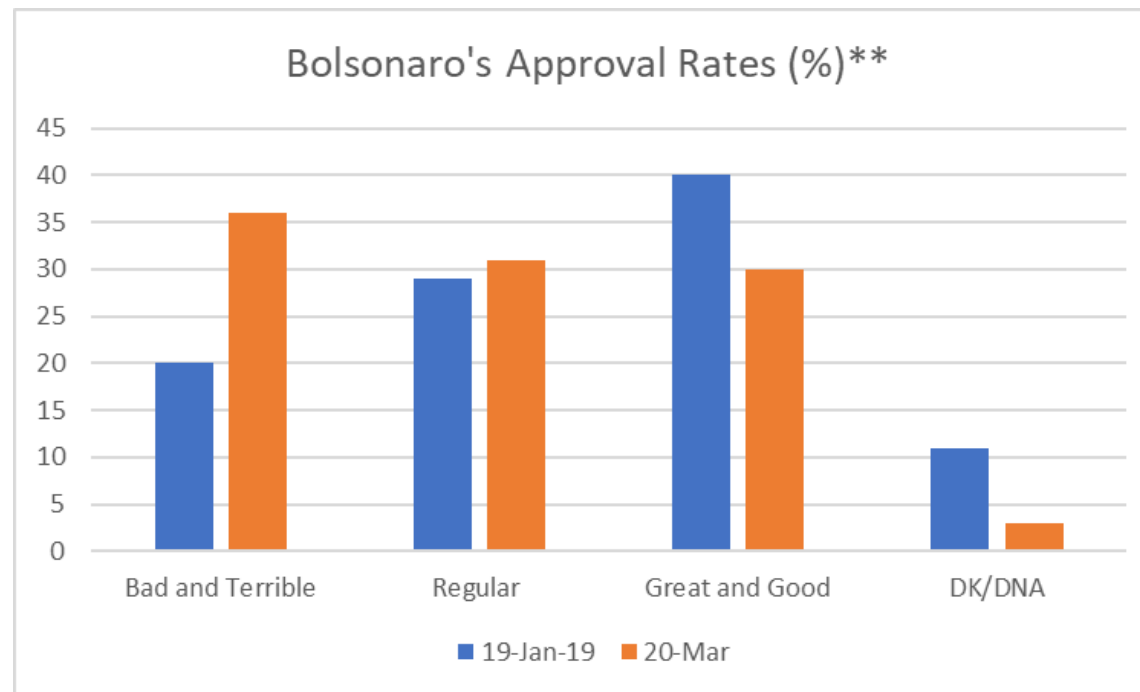




# SOCIAL TRENDS

## DISDAIN FOR POLITICAL ESTABLISHMENT

Trust in Institutions*	
Congress	12%
Government	7%
Political Parties	6%
Press	47%
Banks	45%
Domestic Companies	42%
International Companies	36%



Prepared by Prospectiva

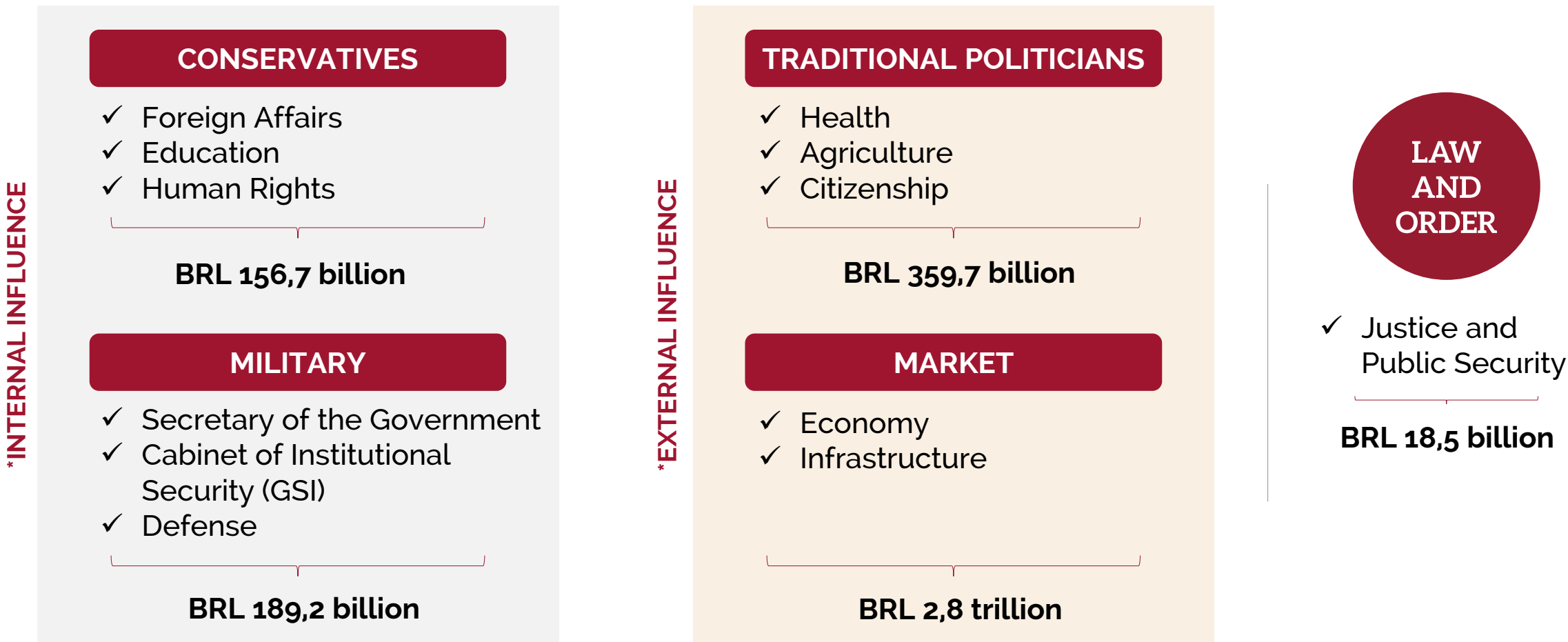
\* Latinobarometro, 2018. Satisfaction with Democracy & Level of Trust in Institutions;

\*\* Pesquisa XP com a População. March 2020.



# POLITICAL LANDSCAPE

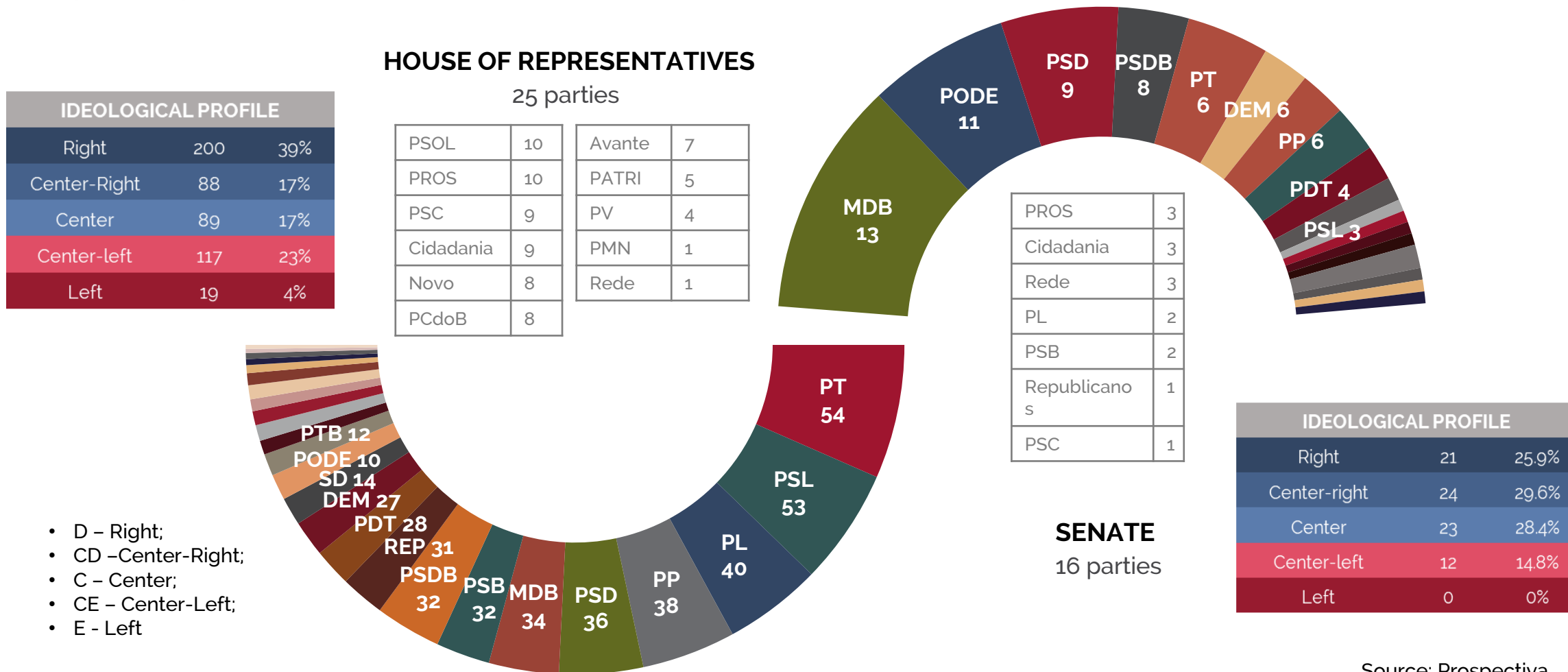
INTEREST GROUPS HAVE INFLUENCE OVER DIFFERENT AREAS



Source: LOA 2020

# POLITICAL LANDSCAPE

COMPLEX GOVERNABILITY: HIGH FRAGMENTATION, FRAGILE PARTY IDENTITY AND LITTLE PRAGMATISM



Source: Prospectiva.

# POLITICAL LANDSCAPE

Active and independent judiciary branch and watchdog/control agencies



Regulatory agencies also play important technical and independent role

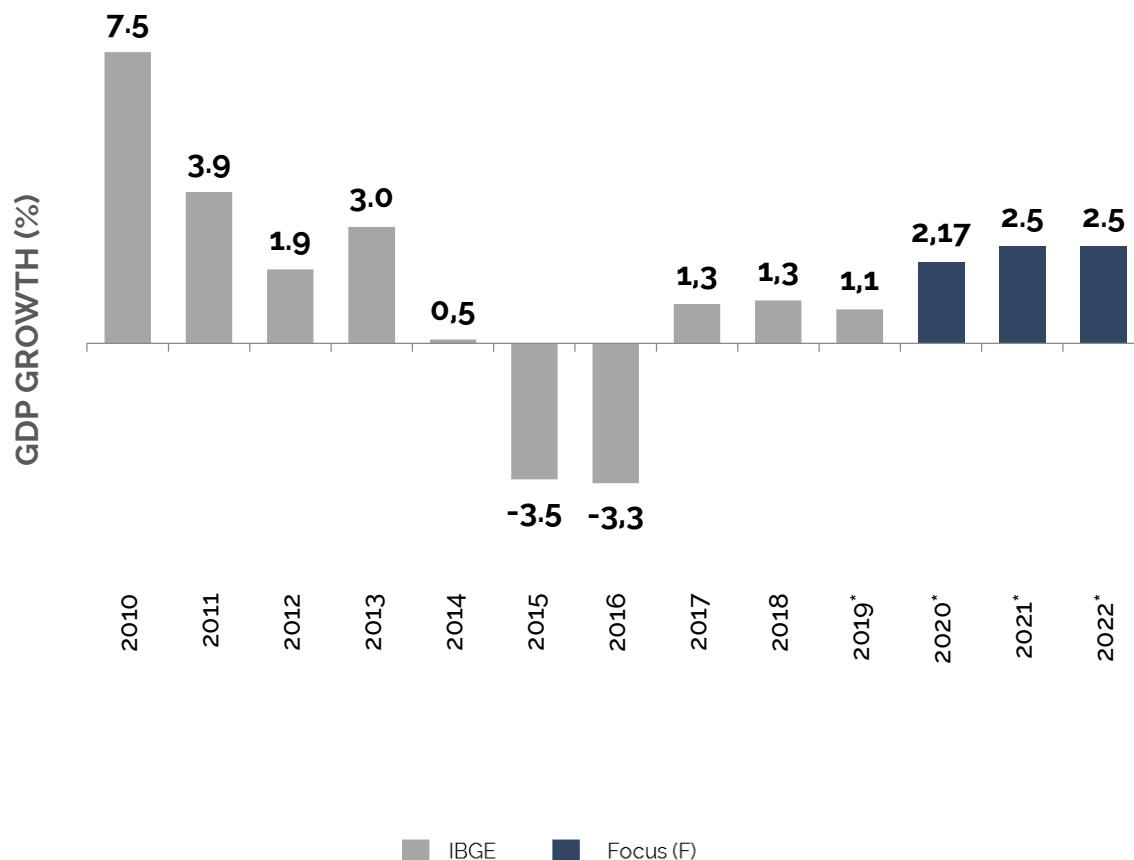


Civil servants high bureaucracy associations are important pressure groups



# ECONOMIC LANDSCAPE

**2018 AND 2019: LESS GROWTH THAN EXPECTED**  
**2020: A NEW FRUSTRATION LIKELY POSSIBLE**



- Sluggish economic performance, with some industries growing double digit: health, technology, construction
- Pro-business government: reforms as response to grow
- Strong protectionist interests remain in society
- Possibility of leveraging interests through doing business agenda , trade agreements, OECD accession, etc.

Source: Central Bank (BCB). Forecast: \*Focus.

## KEY TAKEAWAYS

- New leveraging possibilities in pro-business landscape
- Fragmented decision-making underscores need for stakeholder-crafted messaging
- Empowered e-citizens unhappy with institutions and public services
- Business not yet fully taking advantage of PA possibilities. Non-profit organizations leading initiatives.







PROSPECTIVA

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