

The Improving Business Environment for Prosperity (IBEP) Program implemented by the World Bank Group aims to strengthen the design and implementation of business environment reforms in middle-income countries. IBEP is supported by the UK Prosperity Fund, whose mission is to support the inclusive economic growth needed to reduce poverty in partner countries, contributing to the UN Sustainable Development Goals.

## COUNTRY FACTSHEET

MARCH 2020



# IBEP Brazil

### PROJECT OVERVIEW

The IBEP Brazil project aims to reduce specific regulatory barriers and other microeconomic distortions to leverage investment, increase competition and enhance productivity growth. This objective will be accomplished by pursuing a range of reforms across the following four components:

#### COMPONENTS

##### Business Regulation

This component addresses a better business environment by improving the policy, regulatory, legal and administrative barriers to entrepreneurship and firm growth and by supporting the government in evidence-based policy formulation and implementation. This component also focuses on regulations and institutions impacting youth- and women-owned firms as well as the environment.

##### Competition Policy Advocacy and Reform

This component seeks to strengthen competition advocacy by identifying and removing government interventions and regulatory barriers to competition in key economic sectors and by building new evidence related to the misuse and anticompetitive effects of antidumping measures.

##### Investment Policy and Promotion Reform

This component seeks to support the establishment of a coherent institutional framework for investment policy and promotion and for the provision of services to investors around the investment cycle. It also aims to support the implementation of a grievance resolution mechanism covering investors from all countries.

##### Strengthening Evidence-Based Business Support Policies for Productivity and Competitiveness

This component seeks to improve the design and implementation of business support policies, support reforms to the institutional framework for public-private dialogue and analyze the effects of incentives for Local Content Requirements.

#### REFORMS TARGETED

- 1 Improved capacity for data management across company registries and availability of data on women entrepreneurship
- 2 Improved efficiency and transparency of the environmental licensing system in Ceará
- 3 One new law/regulation/code/ government policy issued/ amended in the following priority sectors: rail cargo transport sector, air transport and professional services
- 4 Improved efficiency and transparency of the antidumping framework
- 5 Institutional framework for Investment Policy and Promotion strengthened
- 6 Direct Investment Ombudsman institutional/legal framework and investors' grievance tracking system
- 7 One new law/ regulation/ code/ government policy in Ceará targeting the state-level framework for investment (codes of conduct and institutional arrangements)
- 8 Increased transparency on local content policies
- 9 New public-private dialogue framework
- 10 Rationalization of the number of private-sector support policy instruments available

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## RESULTS AS OF MARCH 2020

- In April 2019, the government of Ceará approved a new environmental license legislation simplifying the procedures, criteria, parameters and costs applied to environment licensing (reform 2 in the table above). One of the main changes brought about by the resolution is a reduction in the number of licenses needed from 3 to 1. This reform drew on the reform recommendations and action plan prepared by the project.
- Further, the government issued the Decrees No. 9679 (January 2019) and No. 9745 (April 2019), which mandate that public interest analysis is to be conducted when running an antidumping investigation and establish the procedures for this analysis with a clear timeline and due process. This reform, which was based on the benchmarking assessment and reform recommendations prepared by the project, allows for the suspension of antidumping measures due to anticompetitive effects (reform 4). During the first six months (April to December 2019) of implementation, the Ministry of Economy issued four recommendation based on public interest reasons to reduce or suspend antidumping duties. These measures are expected to boost competition pressure for domestic producers of selected intermediate goods while benefitting the performance of firms using these products as inputs, thereby enhancing the country's overall competitiveness.
- In April 2019, the government issued Decree No. 9770 establishing the Direct Investment Ombudsman (DIO) covering all investors regardless of their nationality. This reform benefitted from the project's recommendations to increase the impact of Brazil's investors' grievance mechanism for foreign investors in Brazil. The tracking tool and external website of the investors' redress mechanism was launched in April 2019 following support from the project during the design, implementation and operationalization stages (reform 6). See: <http://oid.economia.gov.br/en>. During the first year of implementation (April 2010 – March 2020), the cases that have been solved through the DIO amount to US\$ 591 million in FDI and expect to create approximately 3,400 new jobs.
- The government also introduced and has conducted several rounds of "mesas executivas" comprising a new model of public-private dialogue that allows for more agile and effective reform prioritization. This new mechanism for public-private dialogue is expected to improve the coordination of the government with the private sector and provide a priority list of actionable reforms to reduce regulatory and bureaucratic bottlenecks (reform 9). The first round of "mesas" covering the IT sector, construction, retail and chemical sectors occurred between March and September 2019.
- **COVID-19:** The COVID-19 crisis has forced the government to focus resources and energies to minimize the economic effects, as the current prospect for the country is a GDP contraction of 8%. The project stands ready to support the government on reform implementation aimed at spurring growth and productivity for economic recovery.

## PROJECT COUNTERPARTS

Ministry of Economy, SEPEC (Special Secretariat for Productivity, employment and competitiveness), Foreign Trade Chamber (CAMEX), National Committee for Investment (CONINV), SEMACE (State Superintendence for the Environment in the State of Ceará), SEAE (Secretariat for Economic Monitoring of the Ministry of Economy), SECEX (Secretariat of International Trade of the Ministry of Economy), Secretariat of Planning and Management of the State of Ceará, and SEBRAE (Brazilian Service of support to micro and small firms)

## CONTACT US

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