

TC ABSTRACT

I. Basic Project Data

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| ▪ Country/Region: | BRAZIL / CSC - Southern Cone |
| ▪ TC Name: | Support in the implementation of the New Trade Policies and Agreements of Market Opening in Brazil |
| ▪ TC Number: | BR-T1443 |
| ▪ Team Leader/Members: | PIERECK, GUILHERME C. (INT/TIN) Team Leader; TOSCANI, VERONICA LUCIA (INT/INL); MEJIA RIVAS, ISABEL (INT/INT); CONTRERAS HUERTA, RODRIGO ANDRES (INT/TIN); VASCO HENAO, OSCAR (INT/TIN); GARCIA, PABLO MARCELO (INT/INL); GOMEZ GONZALEZ, MARIA MARGARITA (INT/TIN); ESTEVES, YASMIN (INT/INT); AVILA, KRYSIA A (LEG/SGO). |
| ▪ Taxonomy: | Client Support |
| ▪ Number and name of operation supported by the TC: | N/A |
| ▪ Date of TC Abstract: | 26 Feb 2020 |
| ▪ Beneficiary: | Brazil |
| ▪ Executing Agency: | INTER-AMERICAN DEVELOPMENT BANK |
| ▪ IDB funding requested: | US\$400,000.00 |
| ▪ Local counterpart funding: | US\$0.00 |
| ▪ Disbursement period: | 36 months |
| ▪ Types of consultants: | Individuals; Firms |
| ▪ Prepared by Unit: | INT/TIN - Trade & Investment |
| ▪ Unit of Disbursement Responsibility: | INT - Integration and Trade Sector |
| ▪ TC included in Country Strategy (y/n): | No |
| ▪ TC included in CPD (y/n): | No |
| ▪ Alignment to the Update to the Institutional Strategy 2010-2020: | Economic integration |

II. Objective and Justification

2.1 The main objective of this project is to support the Brazilian government in the dissemination and implementation of the new trade policy and agreements related to trade openness, as well as to convert those changes into investment promotion activities at national and sub-national levels. To achieve this goal, this TC will: (i) share information about the benefits and challenges that the new wave of free trade agreements will bring to the Brazilian markets; (ii) strengthen existing business opportunities and boost emerging opportunities in strategic sectors such as: infrastructure, innovation, agrobusiness, ICT, energy, transport and environment (among others); (iii) train public servants to develop and review foreign trade policies and programs, in addition to evaluate their results and impacts; and (iv) organize business fora where high-level Brazilian and international investors, policy makers, government officials and entrepreneurs share their ideas and insights on how to maximize the potential of business relationship in diverse sectors.

2.2 In 2015–16, Brazil experienced the worst recession in its history with a GDP loss of 7.3% in 2 years. Unlike recent crises in other emerging markets, domestic factors were

the main reasons for Brazil's economic downfall and the motivations behind a series of macroeconomic reforms aimed at reshaping the economy. Although GDP grew by just over 1% annually between 2017 and 2019, things are finally looking up for the Brazilian economy and the International Monetary Fund is forecasting a 2.2% GDP growth in 2020-21.

The government has approved complex and hard pension reforms, which will generate savings of over 1 trillion reais in 10 years. Also, the government is making important changes to unleash the economy, such as the Privatization and Concession Program and the MP da Liberdade Economica. The current government lowered interest rates and inflation to historic low levels, stock exchange is reaching new records, and more reforms are in progress.

As Brazil attempts to reverse its trajectory of imposing trade barriers that negatively impact productivity, it is playing a leading role in the negotiation of new trade agreements. Brazil pressured its MERCOSUR's partners and concluded trade agreements with the EU and EFTA, as well as it started new negotiations with partners such as Canada, UK, India, Korea, Singapore, Lebanon, Vietnam, among others.

After 20 years and under the strong leadership of the Brazilian government, MERCOSUR and the European Union (EU) reached an historical bold, balanced and comprehensive trade agreement in June 2019. This agreement covers approximately 800 million people for goods and services comprising almost a quarter of the world's gross domestic product. In terms of tariff reduction, it is the largest deal the EU has struck.

Less than two months after the MERCOSUR-EU trade agreement, MERCOSUR signed a comprehensive and broad-based Free Trade Agreement with EFTA (Switzerland, Norway, Iceland and Liechtenstein). The Brazilian Ministry of Economy estimates that the MERCOSUR-EFTA Agreement will represent an increase in Brazilian GDP of USD 5.2 billion over 15 years, an increase of U\$5.9 bn in Brazilian exports and U\$6.7bn in imports.

However, there is limited public knowledge about the benefits and impact the trade agreements have on the economy. How does the private sector take advantage of these new trade agreements? How can the sub-national entities engage and better understand the impact of those changes on their economies?

This project intends to support the Brazilian government in the development of a complementary strategy and agenda to implement and negotiate new trade agreements and policies. Therefore, the main objective of this project is to support the Brazilian government in the dissemination and implementation of the new trade policy and agreements related to trade openness, as well as to convert those changes into investment promotion activities at national and sub-national levels.

To achieve this goal, this TC will: share information about the benefits and challenges that the new wave of free trade agreements will bring to the Brazilian markets; strengthen existing business opportunities and boost emerging opportunities in strategic sectors; train public servants to develop and review foreign trade policies and programs; and organize business fora where relevant stakeholders share their ideas

and insights on how to maximize the potential of business relationship in diverse sectors.

III. Description of Activities and Outputs

3.1 **Component I: Integrate Brazil Internationally.** This component will support the Brazilian government in the development of new trade agreements. The following activities are included within this component: (i) Policy Advocacy; (ii) Capacity Building Programs; and (iii) Bilateral Agreement Analysis.

3.2 **Component II: Brazil Looking from inside.** We will disseminate business opportunities, promote investment attraction, export promotion, and support subnational entities to take advantage of the new trade agreements. The following activities are included within this component: (i) Brazil Investment Forum; (ii) Capacity Building Programs for Sub-nationals; (iii) Contingency, administration and monitoring.

IV. Budget

Indicative Budget

| Activity/Component | IDB/Fund Funding | Counterpart Funding | Total Funding |
|----------------------------------|-----------------------|---------------------|-----------------------|
| Integrate Brazil Internationally | US\$140,000.00 | US\$0.00 | US\$140,000.00 |
| Brazil Looking from inside | US\$260,000.00 | US\$0.00 | US\$260,000.00 |
| Total | US\$400,000.00 | US\$0.00 | US\$400,000.00 |

V. Executing Agency and Execution Structure

5.1 The Bank will be the Executing Agency of the project through the Trade and Investment Division of the Integration and Trade Sector, in accordance with the Technical Cooperation Policies (GN-2470-2). The Bank has the experience and technical capacity that is required to ensure the high quality of the products and activities to be developed with this project, which involves coordination with various public and private actors in Brazil and in LAC. In addition, the Bank's wide presence in the countries of the region places it in a unique position to manage and coordinate this project. In addition, the Bank through the Integration and Trade Sector, and in particular its ConnectAmericas.com platform, has gained invaluable knowledge in the development and implementation of contextual recommendations that help companies connect along supply chains, and it helps make relevant information available to users as they navigate the platform.

5.2 The hiring of consulting firms and individual consultants that will carry out the activities planned for the project will be executed by the Bank and will be carried out in accordance with the procurement policies and procedures for operations executed by the Bank (GN-2765), while the contracting of related goods and services will be carried out by the Bank in accordance with the corporate acquisition policy (GN-2303-20). Taking into consideration the Bank's unique role, experience and know-how over integration through trade, investment and SME promotion, its participation in the knowledge dissemination events is a critical success factor to ensure the operation's

goals. In accordance with the Bank's TC policy (GN-2470-2, Paragraph 2.32), this TC will finance INT/TIN and other related team staff's missions providing technical assistance to this operation.

VI. Project Risks and Issues

- 6.1 Because this project has multiple individual beneficiaries, where success depends on the active participation of government officials, members of the legislative power, representatives of the private sector, and media, there are coordination and lack of engagement risks. However, these risks (lack of coordination and engagement) are mitigated by focused dissemination, participation and innovative communication strategies. The project will be carried out by: i) engaging public sector officials, staff crew of the legislative members, private sector associations, APEX, Chambers of Commerce (i.e. AMCHAM), Ministries of Commerce, among others, to maximize the impact of the activities; ii) in reference to the BIF: (a) an extensive promotion and dissemination of the event during all stages of project implementation through traditional communication channels, as well as innovative communication strategies; (b) an early commitment with attendees to provide them with additional time for travel procedures and resolve agenda conflicts; and (c) a solid strong promotion using ConnectAmericas and ABD networks, that covers more than 170 countries, as well as their approach to public and private business opportunities disseminated on the platforms.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".