

Minister Fernando Haddad's economic team started 2023 facing numerous challenges. It was urgent to reorganize public accounts while preserving social spending, lowering interest rates, reducing the population's debt, and regaining market confidence. In Brazil, high inflation had reduced people's real income and made it difficult for poorer families to access basic goods and services, unemployment remained at high levels and hunger had returned to the country at alarming rates.

To make sure actions against poverty were included in the government budget, it was thus essential to strengthen income transfer and other social programs. To this end, even during the government transition, a constitutional amendment was approved that made it possible to overcome the limitations of the then existent fiscal framework that made spending on social programs difficult. Further, in the first half of 2023, the Lula Government approved a policy of permanent appreciation of the minimum wage and increased it higher than inflation levels, impacting salaries and social security benefits.

On taxation, we must state that fiscal justice is a central concern of us. We are convinced that the poorest cannot pay proportionally more taxes than the richest. To start changing this, we approved changes to income tax on closed-end investment funds and offshore companies and increased the tax exemption range for individual incomes. As a result, 13.7 million Brazilians became exempt from the tax. For this year, other measures are being developed to increase the progressiveness of income tax.

Furthermore, a major reform on the consumption tax was approved after decades of negotiations. It will reduce the number of taxes, that now will be charged only at destination, and eliminate duplication. The reform will provide more transparency and simplicity to the system, substantially impacting people's lives. This concerns especially individuals on lower incomes, who will benefit from a tax cashback for essential services such as electricity, and their exemption for basic food basket and menstrual hygiene products.

The reform also approved the progressive taxation on inheritance, taxation on the ownership of aircraft and vessels, in addition to the selective tax for activities that harm health and the environment.

Beside this, a new fiscal regime which seeks to make fiscal variables more predictable, public debt more sustainable, and provide flexibility to accommodate fluctuations along the economic cycle. To achieve these goals, the new regime set a limit to real growth in government expenditure at 70% of real revenue growth, and also fixed a maximum of 2.5 percentage points and a minimum of 0.6% for this growth, in addition to a minimum level for public investments. Macroeconomic sustainability is thus reconciled with fiscal justice.

Brazilian economic policy focuses on increasing the country's growth potential, with environmental, social and fiscal responsibility. It is within this framework that the Ecological Transformation Plan is included, with the objective of establishing an economic development model that reconciles economic growth with the appropriate use of natural resources and the best social distribution of gains, decarbonizing the economy, increasing productivity and reducing social inequalities.

This is a green neo-industrialization, making use of the Brazilian clean energy matrix, developing new technologies in areas where the country has great competitive potential and exploring its biodiversity in a sustainable way. What the Plan seeks is a way to explore these assets with respect for the environment, gains for the most vulnerable Brazilian citizens and without replicating the historical cycles of exporting commodities with very low added value. It has six pillars, with actions to be implemented by the end of the government: sustainable finance, technological densification, bioeconomy, energy transition, circular economy and new infrastructure to adapt to climate change.

In the context of sustainable finance in particular, we approved the regulation of the carbon market, issued public bonds to finance sustainable economic activities, began to design of the taxonomy of sustainable finance, created new criteria for the agriculture loans, providing lower rates for small farmers who reforest and manage the soil sustainably, among other measures.

Finally, Minister Fernando Haddad recently said “This is our chance to reconnect the global south and north around a positive agenda of social, economic and ecological transformation”. In fact, social problems and the climate crisis have no borders. The Brazilian government believes that improving the population's living conditions depends on a global economic agenda that places the protection of the environment and human rights. The economic growth that is sought is one that is sustainable in both the social and environmental spheres.

For 2024, the objective is to continue promoting the public policies to improve income distribution and the living conditions of the Brazilian population, with fiscal responsibility, and advancing the construction of a fairer tax system that respects the environment. The task is not easy, but it is necessary to understand that fiscal, monetary, credit, exchange rate, commercial, sectoral and regulatory policies impact people's lives and, therefore, economic policy decisions must consider this impact when being drawn up and applied. All politics at its core is social!

It's been a pleasure being with all of you today. Thank you!