BRAZIL

Priorities supported by indicators

**Increase the quality of education at all levels (2011)**

**Recommendations:** Increase the quality of education at primary and secondary levels. Expand tertiary vocational and professional training to overcome skills shortages and reduce drop-out rates.

**Actions taken:** The new edition of the National Education Plan provides for further increases in funding for basic and professional education.

**Improve the efficiency of financial markets (2011)**

**Recommendations:** Gradually phase out directed credit provisions, including to the agriculture and housing sectors, to improve resource allocation. Ease bank reserve requirements over the medium term in accordance with the objective of ensuring both the stability and development of financial markets.

**Actions taken:** Credit registries containing positive information have been authorised in May 2011 and will improve banks’ access to information on borrowers. Reserve requirements were raised in December 2010. The public development bank has announced a decrease in directed lending volumes for 2011.

**Improve infrastructure provision (2011)**

**Recommendations:** Reduce financial costs, the capital tax on productive investment and current expenditures in the public sector to allow higher infrastructure investment. Encourage States and municipalities to swiftly and efficiently undertake infrastructure projects. Lower regulatory uncertainties in the oil and gas sector and remove legal barriers to competition to spur private investment.

**Actions taken:** New laws dating from late 2010 have reduced regulatory uncertainty in the oil and gas sector, but private-sector equity participation has been restricted and equity participation by the state-owned oil company is mandatory.

Other key priorities

**Reduce distortions in the tax system (2011)**

**Recommendations:** Reduce the fragmentation and complexity of the tax system. Unify state-level VAT rates and bases and alleviate the burden on labour income.

**Actions taken:** No action taken.

**Improve incentives for formal labour force participation (2011)**

**Recommendations:** Encourage human capital accumulation on and off the job and lower social contributions for low-paid workers to tackle informality. Remove disincentives to formal labour force participation embedded in social programmes.

**Actions taken:** A new programme enacted in 2011 will provide funding for vocational training of low-skilled workers.
BRAZIL

- The GDP per capita gap with OECD countries is now diminishing and terms-of-trade gains have resulted in greater convergence in terms of income. Nevertheless, the gap remains large mainly due to comparatively weak labour productivity performance, which in turn reflects subdued investment rates, poor infrastructure and low levels of education.
- Among key priority areas, progress has been made in improving access to and the quality of education, promoting infrastructure investment and reducing informality in labour markets. The areas of financial markets and tax reform have seen less progress.
- In other areas, recent efforts to combat poverty and inequality through more equal access to education and conditional cash transfers have been very successful.

Performance and policy indicators

A. Gaps in GDP per capita and productivity are large but have started to decline

B. Tertiary education graduation rates have risen significantly but remain below the OECD average

C. Domestic credit to the private sector is relatively shallow

D. There is considerable scope for scaling up infrastructure

1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per employee (in constant 2005 PPPs).
2. First degree graduation rates for single year of age at tertiary-type A level.
3. Upper and lower half of OECD countries in terms of the level of domestic credit to the private sector. The last available year is 2009 for Australia, 2008 for Canada and the Slovak Republic and 2006 for Norway.
4. For road density, data refer to 2004.


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