

---

## Brazil Creates Sovereign Wealth Fund Against Congress's Wishes

Contributed by Newsroom  
Friday, 26 December 2008

Luiz Inácio Lula da Silva, the president of Brazil, has signed a law creating a sovereign wealth fund to protect the country from the global financial crisis and help Brazilian companies boost trade and expand overseas.

The presidential press office said in a statement that Lula signed the law on Wednesday as well as a temporary measure founding the fund with the equivalent of almost US\$ 6 billion.

The deputy secretary of the Brazilian National Treasury, Cleber Oliveira, confirmed this Friday, December 26, that his institution is going to issue 14.2 billion Brazilian reais in public securities, before the end of the year, and put the assets in the sovereign fund.

He reasons that this was the only option left to the economic team after the National Congress sanctioned the creation of the fund, but not the monetary resources to fund it.

The National Treasury says that it believes to be protected against legal challenges promised by the opposition in the Supreme Court (STF) over the creation of the sovereign fund. "The government is fully supported in all the acts that are being taken for the establishment of the fund," said Oliveira.

The Provisional Measure issued by the president, to allow the sovereign fund's creation, has force of law. So, even if it's defeated in Congress, it will be too late since the money would already be in the newly-created fund.

Earlier this year, Finance Minister Guido Mantega said money for the fund would come from the federal government's primary budget surplus expected to come in at 3.8% of gross domestic product, GDP.

Congress took a vote last week on the initiative but the opposition blocked the approval of the bill to provide money for the fund.

The ruling party (PT) chairman Ricardo Berzoini criticized on Wednesday the opposition's attitude

"There was a lack of seriousness (from the opposition). Now, the government was obliged to work out a Provisional Measure bill to ensure the resources (of the fund)," said Berzoini.

Last Tuesday, Treasury Secretary Arno Augustin said the government would not use the fund's money to manage foreign exchange rates of the Brazilian currency, the real.

Mercopress/Bzz