

## Brazil Gets a Permanent US\$ 6.5 Sovereign Wealth Fund

Contributed by Newsroom  
Wednesday, 15 April 2009

The Brazilian House of Representatives approved on Tuesday night legislation making an existing Sovereign Wealth Fund into a permanent fixture. The Lower House members voted 274-102 to approve a government bill making the fund permanent and approving an initial total for it of 14.2 billion Brazilian reais, approximately US\$ 6.5 billion.

The Sovereign Wealth Fund was created late last year by Brazilian President Luiz Inácio Lula da Silva by a temporary executive order. For the fund to become permanent it requires congressional approval.

Following Tuesday's Chamber of Deputies vote, the bill will move on to the Brazilian Senate, where approval is also expected.

The Sovereign Wealth Fund is equal to approximately 0.5% of Brazil's GDP. The idea behind it is to create and maintain the fund from public revenues during periods of economic growth. Money locked up in the fund can then be spent during periods of economic downturn.

Currently, Brazil is facing the prospect of zero or negative economic growth in 2009 after posting an expansion of 5.1% in 2008.

So far, the administration of President Lula has not indicated any intention of unlocking the Sovereign Wealth Fund for spending this year. However, many economists and business leaders have said the government should spend some of the fund's money in order to stimulate Brazil's economy.

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