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SUBJECT

TO Department of State

INFO : Belém, Belo Horizonte, Brasília, Curitiba, Porto Alegre, Recife, Salvador, São Paulo

FROM Embassy RIO DE JANEIRO

February 17, 1967

SUBJECT "Operation Amazon" Laws

REF A-719, Jan. 27, 1967; A-754, Feb. 9, 1967; CERP D

1. The gigantic task of developing the Amazon Valley through the "Operation Amazon" program initiated by the Castello Branco Government will be enthusiastically carried on by the Costa e Silva Administration, according to the President-elect. Based on the success of the federal program to develop the Northeast through incentives to private industry, "Operation Amazon" constitutes a similar program for the Amazon area, comprising the states of Amazonas, Pará and Acre; the Federal territories of Amapá, Roraima and Rondonia; the northern parts of the states of Goiás and Mato Grosso, and the western part of the state of Maranhão. The foundation for the program for incorporating the region into the economic life of the rest of the country is contained in a substantial body of legislation. Transmitted herewith are translation of four of the principal laws, listed below:

- a) Law No. 5122, September 28, 1966 (Diário Oficial September 29) Reorganizes the Banco de Crédito da Amazonia into a regional development bank and renames it Banco da Amazonia S.A. (BASA)
- b) Law No. 5173, October 27, 1966 (D.O. October 31) Creates the Superintendency for Development of the Amazon (SUDAM), a central planning and coordinating body, organized along the lines of SUDENE (Superintendency for Development of the Northeast).

Enclosures:

Translations of laws, in quintuplicate

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- c) Law No. 5174, October 27, 1966 (D.O. October 31)
Provides fiscal incentives for investment in the Amazon region.
- d) Decree No. 59,455, November 4, 1966 (D.O. November 4)
Creates an Executive Group to regulate "Operation Amazon"
legislation and coordinate federal activity in the area.

A fifth important law, No. 5,227 of January 18, 1967, establishing a new national rubber policy, is summarized in A-754.

2. Activities of the restructured Banco da Amazonia S.A. (formerly limited to a monopoly in the purchase, sale and fixing of prices for natural rubber) are expanded by Law No. 5122 to enable it to function as the investment and development bank for the region, and as the financial agent for SUDAM. During the five fiscal years starting January 1, 1967 the bank is to receive an annual federal allotment of Cr\$20 billion for special credits to private enterprise in the region. An additional federal deposit of Cr\$20 billion is earmarked as a special fund for creating and maintaining a stockpile of natural rubber (see A-754). The "new look" of the bank is indicated by full-page ads it is placing in national magazines, stressing the advantages of investment in the Amazon area.

3. The bank will also administer SUDAM's Fund for Private Investments in the Amazon (FIDAM). Resources for the Fund will be obtained from bonds issued by the bank, federal tax revenue (at least 1 percent of total annual revenue), income tax discounts for investment in the area, and the fund's own operations. FIDAM credits are available to firms investing in or conducting surveys directed to utilization of the natural and agricultural resources of the area. SUDAM income tax discount incentives and priorities for investment by private enterprise in the Amazon Valley are reported in A-719. The agency is to receive 2 percent of total annual tax receipts for infrastructure and other basic investment, in which it expects to apply over four trillion cruzeiros in the next five years.

4. The Executive Group appointed to draft regulations for the new laws is headed by the Special Minister for the Coordination of Regional Organs, Minister João Gonçalves de Souza, and includes representatives of the Ministries of Finance and Planning, of the President's Military Cabinet, the Superintendent of SUDAM and the President of the Banco da Amazonia S.A. The group will also make recommendations to promote foreign financial and technical assistance and the participation of private industry in the development of the region. It is scheduled to complete these tasks and report to SUDAM by March 15, 1967.

5. As a first step toward obtaining the cooperation of nations bordering the Amazon in planning the development of the area, Brazilian Ambassadors to Colombia, Ecuador, Peru and Bolivia met with Brazilian federal and state government representatives in Manaus on January 11 and 12, 1967. Foreign Minister Juracy Magalhães presided over the meeting, which had for its purpose the exchange and synchronization of views on Brazilian relations with

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its Amazon Basin neighbors, and intensification of those relations. A proposed second step is a conference of foreign ministers of countries bordering the Amazon Basin, to study ways of increasing productivity in the region.

6. At the launching of "Operation Amazon" in September 1966, it was announced that Planning Minister Roberto Campos would propose the creation of a national system of regional planning. The proposal envisaged institutionalization of the Ministry of Planning and creation of a Ministry of the Interior, plus the establishment of three additional regional development agencies: SUDEL for the Southeast, SUDESUL for the South, and SUDECO for the Central-West area, to complement SUDAM and SUDENE. The proposal has not yet materialized, probably because of the need to give priority to development planning for the North and Northeast.

7. Comment: In a campaign speech in Manaus last August President-elect Costa e Silva said that the word "integration" summarizes the goals of his government for the Amazon - integration in terms of health, education, transportation, and housing. A beginning would be made, he said, with improvement and expansion of highway and river transportation. Quoting President Kennedy, he declared that the task of developing the Amazon Valley might not be accomplished "in my administration nor in our lifetime, but a beginning will be made."

8. The new impingement of the Amazon Basin on the national consciousness brought forth a number of official statements to the effect that "we must populate the region before foreigners do it for us." Awareness that Brazil cannot afford the luxury of maintaining a region of two million square miles in a virtually uninhabited state while rapid advances are being made in cosmic exploration has evoked hopes that steps will be taken to attract Brazilian youth, especially the technically trained, to the Amazon. There is parallel recognition, however, that the elements of the area's geology or topography are not fully known, much less its economic potential.

9. In this connection, SUDAM's "plan of administrative action", designed to gradually reduce the disparities between the region and the rest of Brazil has already been criticized because it would hold the area's annual rate of economic growth between an estimated 8.2 percent in 1967 and 10 percent in 1971, in line with federal anti-inflationary policy. Potential São Paulo investors say that a faster growth rate will be needed to stimulate development undertakings, and that investment in the less-favored western part of the area, remote from the Amazon River, should merit full tax exemption.

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Law No. 5122
of September 28, 1966

Enacting on the reorganization of the
Banco de Crédito da Amazônia to become
the Banco da Amazônia S.A.

Be it known that Congress decrees and I, the President of the Republic, hereby sanction the following law:

Art.1 - The Banco de Crédito da Amazônia S.A., a bank belonging to the government, as set forth in article 22 of law 4595 of December 31, 1964, shall henceforward be known as the Banco da Amazônia S.A., and its business purposes shall be as given hereunder:

a) to carry out the policy of the federal government in the Amazon region in connection with credit for economic and social growth;

b) to perform all regular banking operations, including such matters as acceptances, surety and the giving of all kinds of guarantee and, especially, business directly or indirectly connected with industry, trade and production in the Amazon region;

c) to undertake the duties of financial agent for the Superintendency for the Plan to Foster the Economy of the Amazon;

d) to act as financial agent in the investment of funds in the Amazon region, raised either within or without the country, in accordance with the legislation in effect;

e) to handle the banking business of SPVEA and other regional federal bodies, including independent agencies, and to be solely responsible therefor and especially to operate with the funds referred to in article 199 of the federal Constitution;

f) to handle the banking business of other federal bodies, including independent agencies, as provided for in item II of article 19 of law 4595 of December 31, 1964, at those places in the Amazon region where the Banco do Brasil has no branches;

g) as financial agent for SPVEA and in terms of the guidelines for economic development set down by such body, to employ the funds it decides to set aside for private enterprise within the region, but abiding by the requirements of the National Monetary Council;

h) Together with the Banco do Brasil and as agent for the Production Financing Committee, to enforce price protection policy in the Amazon region, connected with crop, livestock or processed produce, as set forth in the law.

§ 1 - For the purposes hereof, the Amazon region shall be that specified under the law, for the fulfilment of the Plan to Foster the Economy of the Amazon, as set forth in article 199 of the federal Constitution.

§ 2 - Until such time as the Banco da Amazônia S.A. be able to undertake the duties referred to in this article and, according to the regulations governing it the Banco da Amazônia S.A. may appoint other banks, operating in the area, whether official or private, to be its financial agents in the fulfilment of such duties.

Art.2 - Likewise, subject to such specific regulations, approved by the Central Bank of the Republic of Brazil, the Banco da Amazônia may:

a) arrange for study that would pave the way for economic enterprise in the Amazon region and allow business to set up and also to help such organization by floating stock for public subscription;

b) underwrite part of the stock issued by undertakings of foremost importance for the development of the region, to be resold to the public, for which purpose it may issue securities yielding either a fixed or a variable return, as provided for under the law;

c) enter into negotiations to secure funds from abroad supplied by foreign and international financing agencies.

Art.3 - The capital of the Banco da Amazônia S.A., at present \$150,000,000, may be altered, subject to the resolution of its stockholders, whenever this be necessary, provided regular company law and specific national legislation on finance that be in effect, and especially this law, be complied with.

§ 1 - The first increase of capital shall only take place after law 4087 of July 7, 1962, has been obeyed.

§ 2 - In all capital increases of the company the federal government shall always become the major stockholder, all remaining shares of stock to be put up for public subscription.

§ 3 - Only Brazilian individuals or corporations may hold stock in the bank.

§ 4 - No shareholder, with the exception of the federal government, may hold more than 3% of the capital stock of the bank.

§ 5 - Individuals and corporate bodies of the Amazon region shall have preference in the subscription to capital stock offered in order to raise the capital of the Banco da Amazônia.

Art.4 - In its annual budget, the federal government shall include allotments for the Banco da Amazônia S.A., to be used as special credit to be granted to private enterprise in the Amazon region.

§ 1 - The executive branch of the government is hereby authorized, through the Department of Commerce, to grant special credit of \$20,000,000,000 (twenty billion cruzeiros), intended to meet the requirements of this article.

§ 2 - The special credit referred to herein shall be for a term of two fiscal years, as from the date of record thereof at the Audit Department (Tribunal de Contas).

§ 3 - As from and including the budget year of 1967 the funds referred to in this article shall be allowed for in the budget of the federal government, under the Department of Commerce, during a period of 5 (five) years, which may be extended for no more than a further five years, as decided by the National Monetary Council.

§ 4 - The funds referred to in this article shall be forthwith recorded by the Audit Department of the federal government, turned over to the Treasury and placed at the disposal of the Banco da Amazônia S.A., which shall keep separate account thereof, before being used to pay in the federal government's share of the capital increases referred to in the previous article.

§ 5 - Upon release of the funds referred to in this article the Secretary of the Department of Commerce may deduct the balance of the deposits of previous fiscal years that have not been used or committed to specific projects over a lapse of time of at least one fiscal year.

Art.5 - Individuals or corporate bodies that buy the shares of Banco da Amazônia S.A., offered for public subscription, as described in paragraph 2 of article 3 hereof, shall be entitled to deduct up to 50% of the amount paid for such shares, from their income tax, provided such deduction be not more than 25% of the total amount of income tax due.

Law No. 5173
of October 27, 1966

Dealing with the Plan to Foster the Economy of the Amazon, abolishing the Superintendency of the Plan for Fostering the Economy of the Amazon (SPVEA), creating the Superintendency for the Development of the Amazon (SUDAM) and otherwise enacting.

Be it known that Congress decrees and I, the President of the Republic, hereby sanction the following law:

Chapter I

Plan to Foster the Economy of the Amazon

Art.1 - The Plan to Foster the Economy of the Amazon, referred to in article 199 of the Constitution of the Republic, shall comply with the provisions of this law.

Art.2 - For the purposes hereof, the Amazon shall be that part of the country consisting of the states of Acre, Pará and Amazonas, the federal territories of Amapá, Roraima and Rondônia and that portion of the state of Mato Grosso lying north of latitude 16° and of the state of Goiás lying north of latitude 13° and of the state of Maranhão west of longitude 44°.

Art.3 - The aim of the Plan to Foster the Economy of the Amazon shall be that of inducing the self-sufficient growth of business and well-being in the region of the Amazon, in a steady manner and integrated to the national economy.

Sole paragraph - The plan referred to in this article shall make allowance for:

- a) the guidelines chosen;
- b) the aim, description and cost of programs;
- c) the cost, annual outlay and sources of financing for projects and activities;
- d) the measures needed to successfully accomplish the Plan.

Art.4 - The Plan shall take place according to the following main outline:

- a) the undertaking of research programs and the appraisal of potential wealth in the region, to provide a basis for long-term action;
- b) the selection of those parts of the region suitable for the planning of development, along with the establishment of growth points able to induce the spread of development to neighbouring areas;
- c) the channelling of funds into given areas, in terms of their wealth potential and size of population;
- d) the formation of stable communities, leading towards a state of self-sufficiency;
- e) the adoption of an immigration policy for the region, by making use of surplus population within the country and picked inflow from abroad;
- f) the settling of communities in the region, especially along its frontiers;
- g) the orderly working of the various kinds and species of natural wealth of the region, including the pursuit of forestry and the raising of yields from vegetal extracting pursuits, provided the latter cannot be replaced by others affording a better return;

h) the encouragement of crop and livestock husbandry and of fishing, as the chief source of sustenance for the people of the region;

i) the affording of better teaching and training facilities for labour and for the skilled men needed to meet the growth requirements of the region;

j) the joint use of funds provided under federal programs, whether centrally run or otherwise, together with the funds put up by private enterprise and that derived from foreign sources;

k) the introduction of a wide-scale policy of fiscal, credit and other kinds of encouragement, so as to :

I - ensure that there be a higher degree of the reinvestment of the earnings within the region;

II - attract both foreign and national investors to take part in the development of the region.

a) the directing of government action towards planning work, the research into natural wealth, the introduction and building up of an economic and social infrastructure, while allowing private enterprise to deal with industrial, farming, fishing and trade pursuits, as well as with the profitable major services.

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Art.5 - The Plan to Foster the Economy of the Amazon shall be enforced over a course of years, subject to decree issued by the Executive branch of the government and shall be revised annually.

Art.6 - Allotments shall be made each fiscal year out of the national budget for the funds required to cover the federal commitments to accomplish the Plan to Foster the Economy of the Amazon.

§ 1 - Funds intended for the use of both centralized and decentralized administration bodies in carrying out their respective programs shall be an integral part of the Plan to Foster the Economy of the Amazon.

§ 2 - The funds intended for the carrying out of the Plan shall neither rule out nor replace the granting of individual allotments to centralized and decentralized administration bodies needed for the carrying out of specific programs, particularly those connected with running expense.

Art.7 - The work and services covered by the Plan to Foster the Economy of the Amazon shall be given preferential treatment where the accomplishment thereof by the bodies in charge is concerned.

Art.8 - The agents entrusted with the devising, controlling and accomplishing of the plan shall be:

a) the Superintendency for the Development of the Amazon (SUDAM);

b) the Banco da Amazônia S.A.;

c) the centralized and decentralized administrative bodies of the federal government;

d) other bodies and offices accredited under agreements, contracts, covenants and arrangements.

Chapter II

Superintendency for the Development of the Amazon

Art.9 - The Superintendency for the Development of the Amazon (SUDAM) is hereby created, as an independent government

(x) - m) continual review and adoption of the Federal
action in the Region.

agency, under separate legal status and with its own capital, head office and court seat to be at Belem, capital of the state of Par , whose principal aim shall be to plan, arrange for the fulfilment and control federal action in the Amazon.

  1 - SUDAM may set up regional offices to represent it, wherever it sees fit, subject to the approval of the bodies concerned.

  2 - SUDAM shall be attached to the Special Ministry for the Coordination of Regional Bodies, which is answerable for over-all guidance of federal action in the Amazon.

Art.10 - SUDAM shall be responsible for:

a) drawing up the Plan to Foster the Economy of the Amazon and coordinating or arranging for its accomplishment, either directly or by agreements entered into with government bodies or offices, as well as with mixed capital companies, or by contracts entered into with individuals or private concerns.

b) the annual revision of the Plan referred to in the foregoing item and the appraisal of the results secured under the accomplishment thereof;

c) coordinating the work of federal bodies and offices and supervising the drafting of their annual work schedules;

d) coordinating the drafting and fulfilment of programs and projects conducive to the economic development of the Amazon and entrusted to other federal bodies or offices;

e) the affording of technical assistance to government offices, in drawing up or carrying out programs or projects considered to be of foremost importance to regional development, in so far as it sees fit;

f) the coordinating of national, foreign or international technical assistance programs afforded to federal offices or bodies;

g) the inspection of the drafting and the fulfilling of programs and projects under the Plan to Foster the Economy of the Amazon, or that be useful for the economic development of this region, entrusted to other federal bodies or offices;

h) inspecting the use made of funds allotted to the Plan to Foster the Economy of the Amazon, to include the checking of work and services carried out against respective supporting documents for expense;

i) judging the awarding of priority to private projects or undertakings, suitable for the economic development of the region, with a view to granting tax privileges or financial assistance, as provided for under the law;

j) where the Amazon be concerned, to suggest the measures called for to create, adapt, alter, or abolish bodies or offices, in terms of their ability or efficiency and their effectiveness as regards their respective purposes;

l) arranging and divulging the results of research, survey and analyses, with a view to achieving the systematic appraisal of potential resources in the region;

m) undertaking any other action in keeping with its status of planning, executive and coordinating body for the economic development of the Amazon, with due regard for the law.

Sole paragraph - The industrial working of regional raw materials shall have priority as regards SUDAM approval.

Art.11 - The Superintendency for the Development of the Amazon shall be led by a Superintendent and shall be sub-divided as follows:

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- a) Development Committee for the Amazon;
 - b) Technical Committee;
 - c) Administrative Offices.

Art.12 - The Superintendent shall be appointed by the President of the Republic, subject to the recommendation of the Special Minister for the Coordination of Regional Bodies, and may be dismissed at will.

Sole paragraph - The Superintendent shall be helped by an Executive Secretary, appointed by the President of the Republic, subject to the recommendation of the former, and may be dismissed at will.

Art.13 - The Superintendent shall have the powers conferred upon him by the law, especially:

- a) that of taking all action required to faithfully accomplish the tasks entrusted to SUDAM;
- b) that of drawing up the by-laws for SUDAM, to be approved by the executive branch of the government;
- c) that of approving its regulations;
- d) that of submitting its plans and annual revision thereof for the consideration of CODAM;
- e) that of representing this independent agency, both actively and otherwise, at law and elsewhere.

Sole paragraph - The Executive Secretary shall take over as Acting Superintendent, whenever required, and shall perform the duties assigned to him by the Superintendent.

Art.14 - It shall be the duty of the Committee for the Development of the Amazon to:

- a) express itself on the Plan to Foster the Economy of the Amazon and on the yearly revisions thereof and to forward these for the approval of the appropriate official;
- b) keep abreast of the fulfilment of the plan, through the means of periodic reports submitted by the Superintendent;
- c) review the budget program of the agency;
- d) recommend the taking of measures towards greater ease or speed in the fulfilling of programs, projects and work connected with the development of the Amazon;
- e) approve regulations.

Art.15 - The Committee for the Development of the Amazon shall meet at least once every quarter, at the head office of SUDAM, or at other places in the Amazon.

§ 1 - Resolutions of the Committee shall call for a majority vote and meetings shall be chaired by one of its members, picked according to the regulations.

§ 2 - Whilst performing their duties, and during the time they be at meetings, or while they be staying at the place of such meetings, the members of the Committee shall be entitled to a daily allowance, to be fixed by the Minister concerned, at the recommendation of the Superintendent.

§ 3 - The Superintendent of SUDAM shall provide the Committee with the administrative and financial means needed for its operation.

Art.18 - The Committee for the Development of the Amazon shall consist of the Superintendent of SUDAM, a representative of the General Staff of the Armed Forces, one from each Ministry of the government, one from each state and territory within the Amazon, one from the National Bank for Economic Development, one

from the Banco da Amazônia S.A., one from each federal university in the Amazon, one representative of employers and one of employees in rural, trade and industrial sectors, to be nominated by the state and territory federations or by bodies akin thereto, through the medium of their respective national confederations.

Sole paragraph - Whenever they wish to do so, state governors may themselves represent their respective states.

Art.17 - It shall be the duty of the Technical Committee to:

- a) suggest and review the general outline of the plans to be drawn up for a number of years ahead and the annual revisions thereof;
- b) review and make suggestions on the bye-laws and regulations governing SUDAM;
- c) confirm the choice of the auditing firm or firms referred to in articles 30 and 31 hereof;
- d) give its opinion on staff requirements and salary levels of the various posts within SUDAM;
- e) approve policy behind the engaging of technical or expert services from outside;
- f) approve general policy and procedure governing the analysis of projects and the introduction of legislation governing tax incentives;
- g) approve the monthly and annual reports submitted by the Superintendent;
- h) approve the monthly trial balances and annual balance sheets of the agency;
- i) approve projects suitable for the development of the Amazon, with a view to granting tax privileges or financial assistance, as provided for under the law;
- j) approve the proposals put forward by the Superintendent connected with the transfer of title to tangible and fixed assets and capital stock that belong to the agency;
- l) approve the budget compiled by SUDAM and programs for outlay of all allotments and of those funds for which no purpose is assigned under the law;
- m) approve covenants, contracts and agreements entered into by SUDAM and the bodies subordinate to it, where these refer to the performance of work.

Art.18 - The Technical Committee shall consist of the Superintendent, who shall preside over it, the Executive Secretary, the President of the Banco da Amazônia S.A. and a further 4 (four) members appointed by the President of the Republic, from among persons renowned for their technical knowledge and as recommended by the Superintendent of SUDAM.

Art.19 - The Superintendent of SUDAM shall act in unison with the Minister to which he be attached, with regard to all the stages connected with the drafting of the Plan to Foster and its yearly revisions, in order to keep in line with over-all government policy in this field.

Art.20 - The funds for SUDAM shall consist of the following:

- I - a sum of no less than 2% (two percent) of the tax receipts of the federal government, as referred to in article 199 of the federal Constitution;
- II - 3% (three percent) of the tax receipts of Amazon states, territories and municipalities, as provided for under the sole paragraph of article 199 of the federal Constitution;

- III - budget allotments or special credits assigned to it;
- IV - the proceeds of credit transactions;
- V - the proceeds of bank deposit interest, fines and fees owed to SUDAM;
- VI - the part due to it out of the net profit earned by companies wherein it holds stock;
- VII - help, subsidy, grants and donations made by public or private concerns, whether national, international, or foreign;
- VIII - the income derived from services rendered;
- IX - income derived from its assets.

Sole paragraph - Funds not used within a given fiscal year may be used in subsequent ones.

Art.21 - Budget allotments and special credits assigned to SUDAM shall be turned over to it without first of all having to be recorded at the Audit Department of the federal government.

Sole paragraph - Contracts, agreements, or covenants entered into by SUDAM, shall not call for advance record thereof at the Audit Department of the federal government.

Art.22 - The allotments and credits referred to in the foregoing article shall be deposited by the Treasury at the Banco da Amazônia S.A. for the account of SUDAM.

§ 1 - Sums which be not turned over to SUDAM by the end of a fiscal year shall be entered as 'Payables Carried Over'.

§ 2 - Funds derived from budget allotments, or special credits, or from other sources that be assigned to SUDAM, shall become part of its assets and any balances thereof may be used in subsequent fiscal years.

Art.23 - Subject to the recommendation of its Superintendent and the approval of its Technical Committee, SUDAM may contract loans, within the country or abroad, in order to speed up or ensure the accomplishment of programs or projects that be part of the Plan to Foster the Economy of the Amazon.

§ 1 - Transactions in foreign currency shall call for consent thereto by the head of the executive branch of the government.

§ 2 - The transactions referred to in this article may be secured by SUDAM with its own funds.

§ 3 - The executive branch of the government shall have the power to order the Treasury to guarantee foreign or national credit operations intended for the fulfilment of major work and services provided for under the budget for the Plan.

§ 4 - The guarantceing of credit operations entered into directly by SUDAM, or in which it plays a part, as referred to in the foregoing paragraphs, shall always be given subject to a detailed report submitted by the Superintendent, for the approval of the Technical Committee.

§ 5 - The credit operations referred to in this article shall be exempt from all kinds of federal taxation.

§ 6 - Funds assigned to SUDAM shall have been lawfully employed if used for payment of principal and interest on credit operations entered into by it, to cover programs or projects connected with the purpose of said funds.

Art.24 - SUDAM may charge fees for services rendered to private parties.

Sole paragraph - The fees referred to in this article shall be fixed by the Superintendent, subject to the approval of the Technical Committee.

Art.25 - Funds lawfully allotted to SUDAM for unspecified or general purposes shall be employed to cover the cost of work and services under the Plan to Foster the Economy of the Amazon, in accordance with the disbursements plans submitted by the Superintendent and approved by the Technical Committee.

Art.26 - Budget allotments intended for the payment of subsidies, grants and aid, of whatever kind, or whichever be the benefitting party, shall only be turned over after an agreement has been drawn up testifying to the program on which outlay is to be made.

Art.27 - SUDAM must deposit the funds assigned to it, at the Banco da Amazônia S.A., until such time as these funds be spent on the purposes for which intended, unless there be no office or branch of the aforesaid bank at the municipality wherein the funds were to be drawn.

Sole paragraph - Funds turned over, either wholly or in part, under agreements, by SUDAM to states, independent state agencies or mixed capital companies wherein the government holds a voting controlling interest, may also be deposited in a special account at a bank recognized by the state, the use thereof to proceed in accordance with the programs laid down by the aforementioned federal independent agency.

Art.28 - SUDAM has the power to make prompt payment of expenses up to 5 (five) times the highest minimum wage prevailing in the country.

Art.29 - The coordinating of the programs of federal bodies operating in the Amazon region, which is to be undertaken by SUDAM, shall be aimed at ensuring that the various areas or sectors in which federal action takes place be matched to one another and be directed towards the goals of the national policy for Amazon development.

§ 1 - In order to arrive at the goals referred to in this article SUDAM shall declare itself on the programs and budgets of each one of the bodies operating within the Amazon and shall also gauge their possibilities and requirements and analyse the results of programs accomplished by them.

§ 2 - The report drawn up by SUDAM shall be sent to the Ministry for Planning and Economic Coordination, to be taken into consideration, when drawing up the budget bill.

§ 3 - The Committee for the Development of the Amazon shall lay down procedure towards ensuring the coordination referred to at the opening of this article.

Art.30 - SUDAM must inspect the technical aspect of work and services accomplished with the funds intended for the Plan to Foster the Economy of the Amazon and shall issue its technical survey on behalf of the accomplishing body or concern.

§ 1 - The inspection referred to in this article is aimed at bearing out adherence to the details of the arrangements entered into with SUDAM, as well as to those under plans, programs, projects and specifications approved.

§ 2 - The technical survey referred to in this article must accompany any account rendered by the party in charge of the body or concern that carries out the aforesaid work and services.

§ 3 - The representative of the federal government or of SUDAM at the meetings of shareholders of mixed capital concerns, who have taken receipt of funds for the Plan to Foster the Economy of the Amazon shall be held answerable if they approve the accounts of the board and the technical survey referred to in this article be not attached thereto.

§ 4 - The management of the finances of those concerns that have taken receipt of funds intended for the Plan to Foster the Economy of the Amazon shall be subject to SUDAM inspection, which shall be done directly or through the contracting of a well-known, trustworthy and specialized auditing firm.

Art.31 - In addition to internal audit, independent outside auditors shall also be used to keep control of SUDAM management affairs, for which a well-known, morally and professionally trustworthy Brazilian firm or firms shall be engaged.

Art.32 - SUDAM shall keep detailed accounts of assets and liabilities, cash and budgets.

Sole paragraph - Up to June 30th of each year SUDAM shall submit its financial statements for the foregoing fiscal period, to the Minister to which it be attached, from whence they shall be passed on to the Department of Commerce.

Art.33 - SUDAM may transfer title to its tangible or fixed assets, subject to the proposal of its Superintendent, the approval of its Technical Committee and the consent of the Minister concerned.

Sole paragraph - The transfer of assets which by their nature and under the law, plan or program, be intended for resale to third parties, shall not call for the formalities referred to in this article.

Art.34 - Any bond that has to be given to SUDAM to secure the discharge of commitments for the supply of materials or the rendering of services shall take place, preferably, through the Banco da Amazônia S.A.

Sole paragraph - To secure the performance of contracts, SUDAM may accept either the pledge of property or the giving of trustworthy surety.

Art.35 - The Superintendent of SUDAM is hereby given the power to waive the need for the seeking of bids and the executing of formal contracts in the purchase of materials or the rendering of services, the accomplishing of work, or the leasing of property, up to 500 (five hundred) times the highest minimum wage prevailing in the country.

Art.36 - As provided for under the sole paragraph of article 139 of law 830 of September 23, 1949, the Superintendent of SUDAM shall render account for his management during the foregoing fiscal period, to the Audit Department of the federal government, up to the 30th of June of each year.

Art.37 - The privileges conferred upon public property, whereby assets, income, or services may not be encumbered, and those connected with time limits, the collecting of accounts, the holding of special proceedings, and interest and charges, shall also apply to SUDAM.

Art.38 - The immunity referred to in letter (a) of item V of article 31 of the federal Constitution shall apply to SUDAM, as well as all tax exemptions granted to bodies working for the federal government.

Art.30 - SUDAM shall afford its help in the appraisal and use of the natural wealth of the Amazon, either directly or through the medium of federal, state or municipal bodies, or mixed capital concerns wherein the government holds a controlling interest.

§ 1 - The help referred to in this article may be afforded through the granting of long-term financing at moderate rates of interest, or by means of payments into a sinking fund, according to procedure to be laid down by the Superintendent of SUDAM, with the approval of the Technical Committee and the consent of the Minister concerned.

§ 2 - SUDAM may make charges to offset the expense incurred in the services rendered for technical assistance purposes, in terms of the ability of the party benefitted thereby to make payment thereof.

§ 3 - The return from the operations referred to in this article shall be re-employed on the purposes referred to therein.

Art.40 - SUDAM shall perform its special tasks, preferably by engaging the technical or specialized services of individuals or corporate bodies properly qualified therefor, according to the procedure that meets with the approval of the Technical Committee.

Art.41 - SUDAM shall forward copies of the resolutions taken by its Committees, to the Minister concerned, regardless of the enforcement thereof.

Art.42 - SUDAM shall submit monthly and annual reports of its activities to the Minister concerned.

Art.43 - SUDAM shall be staffed exclusively by persons subject to regular labour law, wage scales to be set by the Superintendent, in keeping with labour market conditions and with the knowledge of the Technical Committee.

Art.44 - The Superintendent and the Executive Secretary shall earn 20% (twenty percent) and 10% (ten percent), respectively, more than the highest salary paid by SUDAM to any of its employees, as set forth herein.

Chapter III

Fund for Investment in Private Enterprise for the Development of the Amazon

Art.45 - The Fund for Investment in Private Enterprise for the Development of the Amazon (FIDAM) is hereby created and shall be raised as follows:

- a) a sum of no less than 1% (one percent) of the tax receipts of the federal government, taken from the funds referred to in article 199 of the federal Constitution;
- b) proceeds from the sale of Amazon bonds, issued by the Banco da Amazônia S.A.;
- c) net receipts derived from operations undertaken with the income earned therefrom;
- d) specific allotments, donations, grants, the spreading of funds and other means;
- e) from deposits deducted from income tax which be not applied in specific projects within the time limit and in the manner set forth under legislation on tax incentives, for the benefit of the Amazon;
- f) from the money existing in the Fund for the Fostering of Production, created under article 7 of law 1184 of August 30, 1950, amended by article 37 of law 4829 of November 5, 1965.

§ 1 - Issues of Amazon bonds may not in any one fiscal year exceed 5% (five percent) of income tax and non-refundable surtax collected in the previous fiscal year.

§ 2 - The bonds referred to in the foregoing paragraph shall be registered, non-transferrable, and redeemable within 10 (ten) years and the conditions and terms of issue shall be as set forth by the National Monetary Council.

§ 3 - The deposit of the percentage amount referred to in letter (a) of this article shall be made by the Treasury, at the Banco da Amazônia S.A., which shall be entrusted with the use thereof, exclusively within the Amazon area, with due regard for the procedure laid down by the National Monetary Council and at least 60% (sixty percent) thereof shall be put to use for rural credit, as provided for under law 4829 of November 5, 1965 and the following article hereof.

§ 4 - Appropriation of the allotment referred to in this article shall not call for advance entry at the Audit Department of the federal government.

Art.46 - The money in FIDAM shall be made use of in the Amazon region by the Banco da Amazônia S.A., either directly or by transfer to other banks, or by refinancing afforded by it to other financial establishments, according to annual programs and procedures to be set forth by SUDAM, without interfering with the powers of the Central Bank:

a) by means of credit granted to private enterprise for investment in undertakings considered by SUDAM to be of foremost importance for the development of the region;

b) by means of financing granted to private enterprise for research into the way of making use of the natural and agricultural wealth of the region.

Sole paragraph - Where the Banco da Amazônia S.A. grants financing of any project, the amount whereof be greater than 6,000 (six thousand) times the highest minimum wage in the country, against FIDAM, SUDAM confirmation shall be called for and shall not interfere with the powers of the National Monetary Council.

Art.47 - Save as provided for in this chapter, the funds under the plan may only be committed to undertakings referred to in the budget program of SUDAM, all existing commitments being hereby revoked.

Chapter IV

General and Provisional Matter

Art.48 - Administrative offices shall have the powers conferred upon them under the regulations of SUDAM.

Art.49 - SUDAM funds intended for employment in infrastructure schemes and which are to be made available as credit, to be granted through the medium of public bodies or concerns controlled by the government, may nevertheless be passed on through federal or state financial establishments operating in the area.

Art.50 - States, territories and municipalities of the region may make payment of their contributions directly to SUDAM, or may make use of them in carrying out work and services provided for under the plan, in which case proof of an agreement previously entered into with SUDAM shall be called for.

Art.51 - The federal universities lying within the region shall become a part of the plan through:

I - the training of the experts and scientists required to develop the region;

II - the undertaking of research and surveys expressly called for to further the aims of the plan.

Sole paragraph - No funds under the plan shall be assigned to universities unless for a specific purpose connected with accomplishing the tasks referred to in this article.

Art.52 - The provisions of the foregoing article shall hold good, where applicable, to those teaching establishments engaged upon the educating and training of technical personnel at whatever level.

Art.53 - The Superintendency of the Plan to Foster the Economy of the Amazon (SPVEA), created under law 1806 of January 6, 1953, is hereby abolished.

Art.54 - All the property of SPVEA, including its documents and files, shall become a part of SUDAM.

Art.55 - All funds delivered to the SPVEA, or assigned to it, including those arising out of agreements or contracts, shall be transferred to SUDAM.

§ 1 - The use of the funds referred to in this article may be allowed for under a program for the outlay thereof, drawn up by the Superintendent, approved by the Technical Committee and confirmed by the Minister concerned.

§ 2 - Allotments made under the national budget of the fiscal year of 1967 for the Fund to Foster Production, as referred to in law 1184 of August 30, 1950, shall become a part of FIDAM, referred to in article 45 hereof.

Art.56 - SUDAM shall transfer title to securities held by it that were formerly the capital stock of SPVEA, through Stock Exchange deals within the state wherein the buying company has its head office, subject to the proposal of its Superintendent, the approval of its Technical Committee and the confirmation of the Minister concerned.

§ 1 - The transfer of the stock referred to in this article shall be undertaken at face value, without the need to resort to a Stock Exchange, if the buyer be a government run corporate body or a mixed capital company wherein the government holds a controlling interest.

§ 2 - The funds derived from the transfer of stock referred to in the foregoing paragraph shall be used under the programs and projects covered by the Plan to Foster the Economy of the Amazon.

§ 3 - Within the space of no more than 12 months, SUDAM shall take whatever measures be required to transfer any of the shares of the stock referred to at the beginning of this article.

Art.57 - Personnel belonging to the former SPVEA may be used by SUDAM, provided it be ascertained in each case that such use is called for and that the employee be capable of carrying out the tasks which he will have to perform.

§ 1 - Personnel which be not selected by SUDAM, according to the standards it lays down, shall be assigned to other bodies of the federal government, in accordance with the requirements of the latter.

§ 2 - Up to March 31, 1967, the staff that has not been picked shall continue to be paid by SUDAM, if it has not yet been assigned to other bodies of the federal government, as referred to in the foregoing paragraph.

Art.58 - Any civil servant of the former SPVEA, when engaged by SUDAM, shall be governed by the regular labour laws, but shall forthwith acquire the exceptional status of unpaid leave of absence from the Civil Service, for a period of no more than 2 (two) years.

Art.59 - 4 (four) months before the expiry of the time limit referred to in the foregoing article, the civil servant of the former SPVEA shall then address himself in writing to the Minister in charge of federal activities in the Amazon, stating what course of action he wishes to follow.

§ 1 - If he elects to remain in the service of SUDAM, he shall immediately lose his civil servant status.

§ 2 - Vetoed.

§ 3 - 2 (two) years after publication of this law SUDAM shall not have any employee working for it who be entitled to civil servant status.

Art.60 - SUDAM has the power to re-examine the agreements contracts, arrangements and covenants entered into by the former SPVEA, for the purpose of ratifying, or to amend, or cancel them, in accordance with the provisions hereof.

Art.61 - Vetoed.

Art.62 - SUDAM shall be represented on the Customs Policy Council through one regular and one deputy member of its board, as set forth in article 24 of law 3244 of August 14, 1957.

Art.63 - Law 1806 of January 6, 1953, is hereby revoked.

Art.64 - This law shall enter into effect within the space of 30 (thirty) days after its publication, all provisions to the contrary being hereby revoked.

Brasilia, October 27, 1966; 145th year of the Independence and 78th of the Republic

H. Castello Branco
 Octavio Bulhões
 Guilherme Canedo Magalhães
 João Gonçalves de Souza

Law No. 5174
of October 27, 1966

Dealing with the granting of tax incentives, to benefit the Amazon region, and otherwise enacting

Be it known that Congress decrees and I, the President of the Republic, hereby sanction the following law:

Chapter I

Exemptions in General

Art.1 - Up to and including the fiscal year of 1962 and as provided for under pertinent tax legislation, corporate bodies shall be entitled to exemption from income tax and any surtaxes for which they be liable, according to the conditions set forth hereunder, in connection with the net earnings of business undertakings lying in the area covered by the Superintendency for the Development of the Amazon and considered by the latter to be suitable for development of the Amazon region, in accordance with rules and regulations to be issued under government decree:

I - to the extent of 50% (fifty percent), in the case of undertakings which be effectively in business at the date of publication hereof.

II - to the extent of 100% (one hundred percent) for undertakings that:

1 - become lawfully organized up to the end of the financial year of 1971 (one thousand nine hundred and seventy one);

2 - though organized at the date of publication hereof, have not yet commenced operating;

3 - being organized at the date of publication hereof, shall have enlarged, modernized, or raised their yield of raw materials, by the end of the financial year of 1971, having put new plant into operation.

§ 1 - The amount of any exemptions secured under this article shall be added to the capital of the corporate body that shall have benefitted thereby up to the end of the financial year following upon that to which the tax incentive applied, and no federal taxes or charges shall apply thereto, and that part of the face value of shares or of the amount of the exemption that cannot be conveniently distributed among shareholders shall be booked to an account called 'Fund for the Increase of Capital'.

§ 2 - The fact that the capital of a corporate body be not fully paid in, shall not prevent it from adding thereto, as referred to in the foregoing paragraph.

§ 3 - The entitlement to exemption shall only apply to the net earnings of establishments lying within the area governed by SUDAM, which earnings shall be clearly and accurately disclosed in the books of the company.

§ 4 - Those corporate bodies which, at the date of publication hereof, shall have secured entitlement to the exemption referred to under law 4069-B of June 12, 1962, shall abide by paragraphs 1 and 2 hereof.

§ 5 - The exemption referred to in this article may only be granted by the appropriate official and upon presentation of the declaration given by SUDAM, to the effect that the undertaking meets with the requirements called for under the law.

§ 4 - The exemption referred to in this article shall not apply to machinery or equipment:

a) whose nationally made counterparts, registered as such, be manufactured in such a way as to meet the demands of the region in a timely fashion and as regards quality and quantity and economy and as declared by detailed resolution put out by SUDAM.

b) considered by SUDAM to be technically outdated for the purpose for which intended.

Art.5 - Machinery and equipment, as well as marine engines, that be part of undertakings or pursuits that have derived advantage from any of the circumstances allowed for herein may not be made over or transferred in such a way that these goods be used outside the Amazon region.

§ 1 - Subject to the duly supported application of the party concerned, settlement of official credit granted, payment of the taxes and charges for which exemption had been granted, SUDAM may allow transfer to parts outside the Amazon area, of machinery and equipment that be needed in undertakings and pursuits entitled to any of the privileges referred to in article 4 hereof, marine engines excluded.

§ 2 - In addition to the criminal proceedings that shall apply, infringement of the contents of the foregoing paragraph shall renders offenders liable for:

a) in the case of machinery and equipment, not including imported marine engines, to the immediate payment of the taxes due at the time the goods entered the country, plus currency depreciation adjustment and interest at 12% p.a. and a fine of 20%.

b) in the case of nationally manufactured machinery and equipment - to immediate replacement thereof, or substitution by similar suitable machines, plus a fine of 20% on the value thereof.

c) in the case of marine engines that be transferred out of the region, seizure thereof shall take place and the offender shall become liable for the penalties inflicted for contraband.

Art.6 - The importing of goods donated to SUDAM by national, foreign, or international bodies, shall not call for any kind of formality, not even import licenses, exchange cover certificates, or commercial invoices.

§ 1 - The contents of this article shall apply to goods donated by national, foreign, or international public or private organizations to non-profit concerns engaged upon educational, health, or social assistance work, which entitlement shall be borne out by a declaration given by SUDAM testifying to the lawful existence within the Amazon region of the concern referred to.

§ 2 - The goods referred to in the foregoing paragraph may not be transferred or sold, at any time, without the express consent of SUDAM.

Chapter II

Tax Rebates for Investment Purposes

Art.7 - All corporate bodies registered within the country may make the following deductions from their income tax and surtax commitments:

a) up to 75% (seventy five percent) of the bonds they shall have bought, issued by the Banco da Amazônia S.A., for the specific purpose of increasing the size of the Fund referred to in article 2 hereof;

b) up to 50% (fifty percent) of the amount tax due, to be invested in crop and livestock, industrial and major services projects that SUDAM declare to be in the interest of the development of the Amazon, for the purposes set forth in this article.

§ 1 - The major services mentioned in letter (b) above shall be those connected with power, transport, communications, colonization, tourism, education and the health of the community, in accordance with proper regulations to be issued by SUDAM.

§ 2 - The funds derived from income taxes and surtaxes and intended for projects connected with the services mentioned in the foregoing article, shall be employed as supplementary funds, and shall not interfere with those invested by government departments responsible for money regularly required to introduce and operate the aforesaid services.

§ 3 - The privilege referred to in letter (b) above, shall only be granted if the taxpayer that applies therefor, or the company to be benefitted thereby, having met all other requirements under the law, play their part in the financing of total expense called for under the project, with funds of their own which shall never be less than 1/3 (one third) of the total of funds raised in the manner referred to in this article, spent or invested in the project, the proportion of such share to be established by regulation, which shall award higher priority to those projects that encourage settlement of the Amazon and wider use of regional labour and raw materials and also to those companies and concerns that be established in the region.

§ 4 - In order to apply for the privileges mentioned in letter (b) of this article, the corporate body must first of all declare on its income tax return that it intends to apply for the privileges granted hereunder, the waiving of legislation on tax privileges previously in effect for the Amazon, to be valid for such purposes.

§ 5 - The corporate body shall next deposit at the Banco da Amazônia S.A. those amounts that it shall have deducted from its income and surtaxes, in non interest bearing blocked account which may only be drawn against after a given project has been approved as required hereunder.

§ 6 - Vetoed.

§ 7 - The examination of projects and programs on which the funds derived from the tax incentives provided for hereunder are to be spent, shall take place in the manner explained below, with a view to decentralizing and delegating work.

I - in the case of projects or programs where expenditure does not call for the additional financing of banks, SUDAM shall undertake the study thereof, and shall order release of the funds, though it may delegate examination of the projects and programs to financial or technical establishments, or enter into agreement therewith for the rendering of such services.

II - in the case of projects or programs where expenditure calls for additional financing or any other kind of bank commitment, it shall be incumbent upon the Banco da Amazônia S.A., or the financial establishment that receives the funds passed on, to undertake examination of the project, according to priority and procedure to be laid down by SUDAM.

§ 8 - Projects where the total expenditure called for be equal or greater than 6,000 (six thousand) times the highest minimum prevailing wage in the country, shall require SUDAM approval for the release of funds.

§ 9 - Securities of any kind, such as shares and partnership interest, derived from investments arising out of the use of the tax privilege referred to in this article, shall always be registered and may not be transferred for the space of 5 (five) years, as from the date of subscription thereto.

§ 10 - Under exceptional circumstances SUDAM may allow the deposits referred to under letter (b) of this article to be spent upon the project that is to benefit thereby to be credited to the corporate body that deposits, in a special account, against which it may only draw in annual instalments of no less than 20% each, after the time limit of 5 (five) years referred to in the foregoing article has expired.

§ 11 - The same taxpayer may make use of the deduction referred to in letter (b) of this article upon more than one project, if approved in the manner provided for herein, or he may make further reduction in subsequent financial years, to be spent upon the same project, the waiving of the deductions required according to law 4216 of May 6, 1963 and article 27 of Amendment no. 18 to the Constitution being valid.

§ 12 - If it be ascertained that the corporate body be not spending the funds released upon the approved project, or that the project is being carried out contrary to the approved specifications, SUDAM may void procedure that led to the entitlement of the company to the privileges under the law and take action to recover amounts under privileges already granted.

§ 13 - According to the seriousness of the offense referred to in the foregoing paragraph, SUDAM has the power to inflict the following penalties:

a) a fine of up to 10% and the payment of interest at official rates, where there has been non-compliance with technical specifications;

b) a fine of at least 50% and at most 100%, where there has been a complete change of the nature of the project, or the misapplication of funds outside the Amazon area, or upon projects other than that approved.

§ 14 - In subscribing to the capital of companies benefiting from the funds mentioned in letter (b) of this article:

a) the depositing corporate body shall not be called upon to make payment towards 10% of capital, out of his respective deposit, as referred to in items 2 and 3 of article 38 of decree-law 2627 of September 26, 1940;

b) 50% (fifty percent), at least, of the shares arising out of such subscription shall be preferential and non-voting, regardless of the limit set forth under the sole paragraph of article 9 of decree-law 2627 of September 26, 1940.

§ 15 - The discounts referred to under letters (a) and (b) of this article may not either singly, or together, in any financial year, exceed 50% (fifty percent) of the total amount of income tax and surtax for which the body concerned be liable.

Art. 8 - In order to make use of the funds arising out of the deductions referred to in letter (b) of article 7 hereof, the depositing corporate body, within 2 (two) years after payment of the final income tax sum due, shall:

a) submit its project for investment of the tax due, in accordance with paragraphs 7 and 8 of article 7 and in keeping with the requirements laid down by SUDAM;

b) or, make reference to a project that has already been approved, as required hereunder, upon which such funds are to be spent.

Art.9 - Under the heading of operational charges, corporate bodies may make deduction for expenses incurred:

a) either directly or indirectly in the research into natural wealth, including the prospecting for ores, provided this be undertaken in the area covered by SUDAM, under projects approved by the latter;

b) through donations to special non-profit public or private institutions, for the carrying out of special programs for technical training or for research work into natural resources and agricultural and fishing potentials, as approved by SUDAM.

Art.10 - Individuals may deduct from the gross income declared on their income tax returns, amounts for the expenses referred to in article 9, connected with the financial year for which tax was due, subject to the provisions of article 9 of law 4506 of November 30, 1964.

Art.11 - If, up to December 31 of the third year after the date of the last payment due by the corporate body, it fail to channel funds deducted in the manner referred to in letter (b) of article 7 hereof, these funds shall be transferred to the Banco da Amazônia S.A. for the account of the Fund for Investment in Private Enterprise for the Development of the Amazon (FIDAM) and shall become a part thereof.

Art.12 - Subject to application made by the depositing corporate body and provided SUDAM feels that reasonable justification has been put forward, SUDAM may extend the time limit mentioned in article 8 hereof, though it shall abide by the time limit set forth in article 11.

Art.13 - At regular meetings of shareholders, called to approve capital structure or the increase of capital, of those companies benefitting from the funds referred to under letter (b) of article 7, the holders of common stock arising out of such funds, shall be entitled to elect a member to the board whenever their number at such meetings be the holders of at least 25% (twenty five percent) of the capital stock of the company.

Chapter III

General Matter

Art.14 - The heads of income tax offices have the power, within the area subject to them, to make allowance for the tax privileges referred to herein.

Art.15 - SUDAM shall be the body entitled to make statements concerning the activities considered to be in the interest of the development of the Amazon, as regards the purposes referred to in letter (d) of item IV and (c) of item VI of article 28 of law 4505 of November 30, 1964.

Art.16 - Save for those cases where administrative or court action is under way, taxpayers shall not be in debt for income tax or surtax, if they are to take advantage of the privileges provided for hereunder, or to make use of the funds arising out of the deductions, as referred to in article 7.

Sole paragraph - Subject to the judgement of SUDAM or the Banco da Amazônia S.A., this impediment shall also apply in the case of taxpayers who have not fulfilled their obligations to either of these two bodies.

Art.17 - The income tax rebates referred to herein and within legislation on Sudene tax incentives may, if the taxpayer so wishes, be divided between the two regions, within the same fiscal period, provided such rebate be, together, no more than 50% of the tax due.

Art.18 - In administering tax incentive policies set forth herein, SUDAM may set up special offices not only in the Amazon region but also outside it.

Art.19 - Law no. 4216 of May 6, 1963 and law 4069-B of June 12, 1966 are hereby revoked, save for the exemptions already granted in the case of the latter.

Sole paragraph - Those companies that meet with the requirements set forth in laws 4066-B of June 12, 1962 and 4239 of June 27, 1963 and which apply to the Amazon under Constitutional Amendment no. 18, and which shall have been organized after the aforesaid laws came into effect, may apply to SUDAM and to the appropriate tax official, within the space of 1 (one) year, for recognition of entitlement to the status referred to under the aforesaid laws.

Art.20 - This law shall come into effect on the date of its publication, all provisions to the contrary being hereby revoked.

Brasilia, October 27, 1966; 145th year of the Independence and 78th of the Republic.

H. Castello Branco
Octavio Bulhões
João Gonçalves de Souza

1
Decree No. 59455
of November 4, 1966

Creating the Group for the Introduction
of the New Plan of Action of the Federal
Government in the Amazon and otherwise
enacting

Considering,

the recommendations of the Work Group set up under presidential decree, unnumbered of June 12th, 1966, to study and redraft policy connected with the fostering of the economy of the Amazon, and

Whereas,

there is need to introduce or improve procedure that would allow for a prompt start to be made upon the operation of the new outline of federal government action in the Amazon region, as shall have been enacted upon, based upon the work done by the Group and which is now in Congress and being sanctioned;

Whereas,

there is need to give ever fresh impetus to the nationwide movement undertaken by the federal government towards quickly bringing about conditions that would be suitable for the development of the Amazon and its effective integration to the national economy;

By virtue of the powers vested in him under item I of article 87 of the federal Constitution, the President of the Republic hereby decrees:

Art.1 - An Executive Group is hereby created, upon whom powers shall be conferred, as provided for herein, consisting of the Special Minister for the Coordination of Regional Bodies, who shall preside over the Group, a representative of the Department of Commerce, a representative of the Special Ministry for Planning and Economic Coordination, a representative of the Bureau for Military Affairs of the Presidency of the Republic, the Superintendent of the Plan for Fostering the Economy of the Amazon and the President of the Banco da Amazônia S.A.:

Art.2 - The Executive Group shall be entrusted with the following tasks:

a) to arrange for the regulations governing legislation connected with the Superintendency for the Development of the Amazon, the Banco da Amazônia S.A. and the tax incentives to benefit the region;

b) to coordinate and guide the introduction of the framework of federal action within the Amazon region, as provided for in the legislation referred to in letter (a) above;

c) to examine the structure of the centralized and decentralized administrative bodies operating in the Amazon and to suggest the measures needed to bring them into line with federal government action within the area;

d) to arrange for the revision of the budget bill where it concerns the investment of the funds mentioned under article 199 of the federal Constitution, in order to bring it into line with the new legislation bearing on the aforesaid constitutional provision;

e) to arrange for the drafting of a special program for the raising of yields and the diversification of production methods within those areas of the Amazon region engaged upon vegetal extractive pursuits;

f) to examine matters connected with the investment of foreign capital in the Amazon and to propose guidelines that shall apply in such investment;

g) to examine and to suggest measures to increase foreign aid for the Amazon, not only with regard for the securing of capital but also of technical personnel and special help;

h) to examine and suggest the measures needed to introduce a free trade area around Manaus;

i) to examine, suggest and arrange for the measures intended to induce national private enterprise to play an effective part in the development of the Amazon, through close contact with the bodies representing the sectors concerned.

§ 1 - In performing the tasks referred to in this article the Executive Group shall set up lesser special groups, as many as be deemed necessary, within which federal nation-wide or regional bodies whose powers and duties be intimately connected with the matter under study shall be represented.

§ 2 - As soon as the SPVEA be abolished and the new body which is to replace it be created, replacement shall take place of its Superintendent, or his deputy, within the Executive Group referred to in this decree.

Art.3 - The President of the Executive Group shall appoint an Executive Secretary to coordinate the activities of the lesser groups referred to in paragraph 2 of the foregoing article.

Art.4 - All centralized or decentralized administrative federal bodies shall help the Executive Group, taking part in its activities, whenever requested to do so and affording priority to the granting of all information that it may need in order to perform its tasks.

Art.5 - The Executive Group shall call upon state, territory and municipal governments of the area to help it and shall act in unison with each one of these, especially through the medium of their planning and development bodies.

Art.6 - Those bodies whose heads or representatives sit on the Executive Group shall place their staff, and establishments at the disposal thereof and supply any information that it might need to perform its tasks.

Art.7 - The Executive Group may requisition from any of the centralized or decentralized federal bodies referred to in article 4 such staff as it might need to perform its tasks, on a full-time basis, without loss of entitlements, pay, or privileges.

Art.8 - The Executive Group shall terminate its activities by March 15, 1967, at the latest, and shall turn over to SUDAM the work it has completed, or be engaged upon, so that further measures called for might be taken.

Art.9 - This decree shall take effect upon the date of its publication, all provisions to the contrary being hereby revoked.

Brasilia, November 4, 1966; 145th year of the Independence and 78th of the Republic.

H. Castello Branco
 Octavio Bulhões
 João Gonçalves de Souza
 Roberto Campos

Art.6 - The Banco da Amazônia S.A. shall be headed by a board consisting of six officers, all of them Brazilian and resident in the country, one of them to be president and the other five directors thereof, at least two of which to be regular bank officials.

§ 1 - The President of the Banco da Amazônia S.A. shall be appointed by the President of the Republic, who shall have the power to remove him at will. The directors shall be elected by the shareholders of the company and shall hold office for four years while, in both instances, paragraph 2 of article 22 of law 4595 of December 31, 1964, shall apply, as well as the contents hereof.

§ 2 - Where the President of the Banco da Amazônia S.A. be definitely replaced, the new one may call for a meeting of the shareholders of the company, within 60 days after taking office, in order to fix upon the date at which the existing directors shall be released.

Art.7 - The Fiscal Council of the Banco da Amazônia S.A. shall consist of a representative of the Department of Commerce, a representative of SPVEI and a representative of the minor shareholders of the company, to be chosen each at a regular meeting of shareholders, which shall establish what fees they are to be paid.

Sole paragraph - At the same time as the regular members of the Council be nominated and appointed, their respective deputies shall be nominated and appointed.

Art.8 - In addition to its shareholders and the Fiscal Council, the Banco da Amazônia S.A. shall also be able to call upon a Technical Advisory Committee, which shall be honorary and shall perform the following tasks:

- a) give its opinion on matters put to it by the board;
- b) suggest measures to bring bank programs into line with those of states and federal territories and regional private enterprise as a whole;
- c) give its opinion on programs and budgets covering the annual operations of the bank;
- d) give its opinion on guidelines and general procedure governing operations, when consulted in such regard by the board.

Sole paragraph - The president of the Banco da Amazônia S.A. shall preside over the Technical Advisory Committee, as well as the members of the board, plus the following representatives:

- a) a representative of the Superintendency of the Plan to Foster the Economy of the Amazon;
- b) a representative of the National Bank for Economic Development;
- c) a representative of the development bodies belonging to the state, working within the region, to be chosen in turn;
- d) a representative of the government controlled banks within the region, to be chosen in turn;
- e) a representative of rural circles in the region, to be chosen upon the recommendation of the state and territory federations of unions within the region, or from the like bodies, through their respective national confederations;
- f) a representative of trade circles within the region, chosen upon the recommendation of the state and territory federations in the region, or from the like bodies, through the respective national confederations;

g) a representative from industrial circles chosen from the state and territory federations within the region, or from the like bodies, through respective national confederations;

h) a representative from the federal territories of the region, chosen in turn.

Art.9 - Subject to the judgment of the President of the board, an outside firm may be contracted to undertake the audit of the accounts and business affairs of the Banco da Amazônia S.A., provided it be a well-known, trustworthy, Brazilian concern.

Sole paragraph - The auditors' report shall be submitted for the consideration of the Fiscal Council.

Art.10 - The financing of the cost of producing natural rubber, as well as of that of maintaining regular stocks and the purchase of rubber, where this applies, shall take place under the responsibility of the federal government, through the use of funds and in the manner set forth in pertinent legislation, at present in force, plus any amendments thereto that may be introduced.

Art.11 - The Banco da Amazônia S.A. may seek loans for infrastructure, pre-investment, or investment purposes, arising out of agreements entered into with the SPVEL, or any other national, foreign, or international bodies, to be made use of within the region, in compliance with the guidelines and procedure laid down by the National Monetary Council.

Art.12 - Decision making in business matters shall be decentralized in terms of the area covered by the Bank, by defining the scope of powers vested in the board and its offices, or any other branches that be set up.

Art.13 - Save for those holding technical posts specified in the regulations, officials of the Banco da Amazônia S.A. must sit public examination prior to engagement.

Art.14 - The Banco da Amazônia S.A. shall be entitled to tax exemption privileges whenever it be acting on behalf of or representing the federal government, or any bodies belonging to the latter, for whom taxation is waived.

Art.15 - Within the space of 120 (one hundred and twenty) days, as from the date of publication hereof, a meeting of the shareholders of the Banco da Amazônia S.A. shall be called, for the purpose of revising the bye-laws of the bank, in order to bring them into line with requirements set forth herein and to elect the person that shall become director of the bank, as called for herein.

Art.16 - The provisions of decree-law 2627 of September 26, 1940, where they do not clash herewith, shall apply in the case of the Banco da Amazônia S.A.

Art.17 - All provisions to the contrary are hereby revoked.

Brasilia, September 29, 1966; 145 th year of the Independence and 73th of the Republic.

H. Castello Branco
Eduardo Lopes Rodrigues