

STATES

# HOW TO INVEST IN PERNAMBUCO

Sponsor:



“ *Despite the economic crisis that challenges Brazil, Pernambuco has been working to secure its achievements. Between 2015 and 2016, we enabled 90 new private investment projects. In addition to the strategic location, we have a comprehensive policy of state incentives. Our attractiveness is reinforced by the investment in professional training that prepares our people through the network of state vocational schools and partners, so that the population is integrated to the new ventures.*

”

**PAULO HENRIQUE SARAIVA CÂMARA  
GOVERNOR OF THE STATE OF PERNAMBUCO**

“ *Pernambuco is the geographic center of the Northeast and stands out in the logistics sector. The Suape Complex, connected to the main shipping sea routes, is one of the best public ports in the country. Our airport connects to several countries and is the second best in Brazil. The Transnordestina Railway is going to connect us with several productive hubs. Promoting development in other areas away from Recife is one of the priorities of the government, which offers incentives for the ones who invest outside the metropolitan region.*

”

**RAUL JEAN LOUIS HENRY JUNIOR  
VICE GOVERNOR OF THE STATE AND SECRETARY  
OF ECONOMIC DEVELOPMENT**

American Chamber of Commerce for Brazil - AMCHAM  
International Affairs Department  
Brazil, 2017/2018

\*This guide is part of the project **HOW TO DO BUSINESS AND INVEST IN BRAZIL**

# ACKNOWLEDGMENTS



The American Chamber of Commerce for Brazil, being the largest Amcham outside the United States is serving its members building bridges for Brazilian businesses worldwide. Our foreign investment attraction efforts are a key mission for Amcham. The “How To” guides published by Amcham Brasil are part of this initiative. With the support of some of our members and Brazilian States and cities, we are putting together strategic information on the most various aspects of doing business in Brazil and its opportunities. As part of BRICS (Brazil, Russia, India, China and South Africa) and representing the 9<sup>th</sup> largest economy of the world, and the 6<sup>th</sup> largest destination for foreign investment, Brazil has an intrinsic importance for the global market. More than ever it is a strategic time for businesses opportunities in Brazil. We welcome you and hope that the information you are about to read will contribute to your commercial and investment decisions linked to Brazil.

A handwritten signature in black ink that reads 'Deborah Vicitas'.

**Deborah Vicitas** - CEO, Amcham Brasil



Between 2007 and October 2016, the state of Pernambuco managed to attract more than BRL 21.1 billion in investments that generated more than 85,000 jobs from the coast to the hinterlands, according to numbers from the Pernambuco Development Program (Prodepe). That allowed the state to grow at a yearly rate of 4.7% over a seven-year period, well above the national average for Brazil. The 497-mile radius around Recife covers seven of the nine state capitals in the Northeast region, six international airports, ten international ports, and accounts for 90% of GDP in the region. Pernambuco also boasts a strategic location, at a shorter distance from Europe, Africa and North America than most Brazilian states. Thirty industrial districts offer the infrastructure required for factories that generate jobs and development to local citizens. The state also stands out for its Services Hub, located in Recife’s Commercial District, which is comprised of industrial facilities, restaurants, tech companies, several universities and a cultural market. All of these ingredients make Pernambuco the perfect place to welcome new production and infrastructure investments, backed by a state government that is intent on generating a competitive environment and fostering a positive business environment.

A handwritten signature in black ink that reads 'Jenner Guimarães Rêgo'.

**Jenner Guimarães Rêgo** - CEO, Economic Development Agency of Pernambuco

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## INTRODUCTION: ABOUT PERNAMBUCO

Known for its natural beauty, cultural diversity and hospitable people, Pernambuco has been a major driver of economic growth for the Northeast and for Brazil, with a total GDP of BRL 155.143 billion in 2015, according to the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística - IBGE*). Occupying an area of 38,000 square miles, the state attracts not only tourists but also investors from all over the world, due to a fertile and diverse business environment.

The state features several development hubs that spread from the docks to the hinterlands, supported by a modern and bold public administration. Infrastructure projects on-going have been generating new advances.

The next few pages of this guide will help you learn more about the state and understand why its outlook is so promising to investors. Many have already been convinced of the benefits Pernambuco offers.



Source: IBGE/CondepeFidem

## STRATEGIC LOCATION



Source: Economic Development Agency of Pernambuco

As noted by historian Manuel Correia de Andrade, Pernambuco's geographical position had already gained worldwide recognition as early as in the sixteenth century<sup>1</sup>: "*Ships preferred the Pernambuco shore because it was the closest to Europe.*" The state has almost 125 miles of coastline and is on the main sea and air routes to North America, Africa and Europe. In addition, its

strategic location makes it a perfect distribution hub for the entire Northeast region.

Its centrality in the region also works in its favor: seven other Northeastern state capitals are within a 497-mile radius from its capital Recife. Together, these cities and their 36 million inhabitants account for 90% of regional GDP.



- 7 state capitals
- 6 international airports
- 10 international seaports
- 36 million inhabitants
- 90% of Northeast GDP

1 - Book: "Economia Pernambucana no século XVI"

## HISTORY, CULTURE AND TOURISM

## HISTORY, CULTURE AND TOURISM AS BUSINESS OPPORTUNITIES

According to some historians, including Carlos Bezerra Cavalcanti, it was January 1500 when Spanish navigator Vicente Pinzón arrived at Santo Agostinho Cape, even before Pedro Álvares Cabral, in what would be known as Land of Santa Cruz (*Os Pioneirismos de Pernambuco, a capitania que deu certo*). That was how started a new and exciting page of history for Pernambuco and for Brazil.

Conquests and centenary struggles run through its people's blood. The spirit of resilience and innovation shines through in the diversity of a popular culture that values adaptations and finding different solutions to

difficult problems. This is the reason why the state is home to so many cultural treasures as: the *baião* of Luiz Gonzaga, the folk poetry of *cordel* literature, the art of Mestre Vitalino and other local craftsmen, the different types of music as *maracatu*, *frevô*, *manguebeat* and so many other cultural expressions.

A state filled with natural beauty, beaches from North to South, historical cities, listed heritage sites, one-of-a-kind regions and tours, from the coast to the hinterland. The opportunities in Pernambuco begin with the state's historical roots, and continue with the new possibilities made feasible by economic and technological advances to the services and skilled labor that only Pernambuco natives can offer.



Source: Carneiros Beach. Flickr.



Source: Porto de Galinhas Beach. Flickr.

Its rich culture and unparalleled natural beauty make Pernambuco an extremely attractive destination for tourists from all over the world. According to data

from Brazil's Ministry of Tourism, the state welcomed approximately 70,000 international tourists in 2015, 70% of whom were European.

## THE 12 DEVELOPMENT REGIONS

Over the last few years, development in Pernambuco has been promoted through a program known as “All for Pernambuco”, which seeks to employ some management practices commonly used in private enterprise to the state’s public administration. The model also contains mechanisms that allow for public consultation and

participation to define priorities through local city hall meetings held across the state’s 12 Development Regions (RDs), aligning the strategic development of each region to its potential. The model has served as a benchmark for several Brazilian states, in addition to winning the 2012 United Nations Public Service Award.



Source: Economic Development Agency of Pernambuco.

# 04.

## INFRASTRUCTURE

### LAND INFRASTRUCTURE

The attraction of new investments has allowed major projects to get underway, including the Transnordestina Railway, which will connect the Northeast's leading production hubs: the Metropolitan Arc and the Hinterland Channel.

The state has more than 30 industrial districts ready to welcome new ventures – 13 of which are located in the Recife Metropolitan Region. Overall, the state has 13.1 square miles of total area ready to welcome new businesses.

The state's land transport infrastructure is one of its main assets, due to an emphasis on maintaining existing highways and on the completion of new projects that have made every locality within the state accessible by paved roads. Other projects are currently under analysis by the Logistics Investment Program (called PIL), such as a concession for construction of the Metropolitan Arc, which will enhance the flow of traffic in the state capital, BR-232 highway duplication toward hinterland, and roadworks to Highway BR-101, which will improve access to the Suape complex. These works will allow for faster integration between several productive areas,

promoting quality of life and economic development throughout the State.

### AIR INFRASTRUCTURE

The Recife/Guararapes - Gilberto Freyre International Airport has been chosen as the best Brazilian airport by a passenger survey. In 2015<sup>2</sup>, the Recife terminal was named "Aeroporto + Brasil", the most prestigious award given by the Brazilian Civil Aviation Secretary. Currently, the Gilberto Freyre International Airport operates an average of 156 daily scheduled flights, between landings and departures.

In 2016, while Brazil saw a 7.4% decline in passenger traffic, Pernambuco recorded a 2% increase compared to 2015, keeping up with the growing trend in Latin America and around the world (both grew nearly 6%). The Gilberto Freyre International Airport has a current capacity of 16.5 million passengers a year, according to data by the Brazilian Airport Infrastructure Company (*Empresa Brasileira de Infraestrutura Aeroportuária - INFRAERO*).

Recife's international airport has also been chosen as a hub for Azul Linhas Aéreas, which operates 32 daily flights to 24 different cities, and is the only airline to connect all Northeast state capitals.

2 - Source: Civil Aviation Department. Available at: [www.aviacao.gov.br/noticias/2015/04/passageiros-escolhem-o-aeroporto-do-recife-como-o-melhor-do-brasil](http://www.aviacao.gov.br/noticias/2015/04/passageiros-escolhem-o-aeroporto-do-recife-como-o-melhor-do-brasil)

## INTERNATIONAL DESTINATIONS (DIRECT FLIGHTS)

AIRLINE	DESTINATION
Azul Linhas Aéreas	Orlando
Condor Airlines	Frankfurt
Copa Airlines	Panama City
Gol Linhas Aéreas	Buenos Aires and Montevideo
Latam Airlines Brasil	Buenos Aires and Miami
Meridiana	Milan
Cabo Verde TACV	Cape Verde
TAP Portugal	Lisbon

Another major airport in Pernambuco is Petrolina-Senador Nilo Coelho International Airport. With a two-mile landing strip and a 21,500-square foot cargo terminal, the Nilo Coelho helps meet the export demand for fruit from the São Francisco River region and surrounding area. Its current capacity is of 1.5 million passengers a year.

## MARITIME INFRASTRUCTURE (SEAPORTS)

### ▶ PORT OF RECIFE

The main activities of the Port of Recife are the provision of services to deep sea ships and short sea shipping for the import and export of domestic and foreign cargo. The Port also receives cruise ships at its passenger terminal. The Port of Recife offers calm waters for mooring, docking berths and storage space (warehouses and yards), in addition to the security needed to safeguard passengers and cargo.

The Port of Recife has the capacity to accommodate eight ships at a time. It has 1,227,000 square feet of cargo storage space available, divided into indoor warehouses (with capacity for approximately 60,000 tons), container yards (which can handle up to 6,000 TEUs) and general cargo yards (with capacity for 50,000 tons). In addition to port silos that can store up to 25,000 tons of grain, each.

The location of Port of Recife is one of its main differentials. Because it is located in an urban center within the capital of Pernambuco, it offers strategic access to key sites within the metropolitan area, with the shortest distances to distribution centers that serve the state's interior and coastal regions. The Port serves nearly the entire Northeast region of Brazil, with the states of Paraíba, Rio Grande do Norte, Alagoas, Sergipe, Piauí, Ceará and Bahia all located within a 620-mile radius, and provides access to Mercosur and international trade routes.

## VOLUME OF CARGO HANDLED BY THE PORT OF RECIFE (TONS)

TRADE ROUTE	2014	2015	2016
Short Sea Shipping	35,037	16,787	68,709
Deep Sea	1,295,148	1,125,460	821,284
Mercosur	181,998	268,013	640,045

Source: Port of Recife Newsletter.

### PORT OF SUAPE

The Port of Suape is home to an industrial complex with more than 150 companies already in operation and 45 other firms currently building their facilities, representing a wide range of economic sectors. It is considered the busiest port for containers and liquid bulk cargo in the North and Northeast regions of Brazil.

The industrial complex and the Port of Suape occupy 52.1 square miles divided into port, industrial, administrative and services areas, as well as environmental and cultural preservation areas. These attributes have helped Suape attract a series of cornerstone enterprises over the last few years – in other words, businesses that have helped build an entire industry within the state, generating a significant amount of jobs and a high level of investment. Such projects include the Abreu e Lima Refinery, which is part of a petrochemical complex that also features Suape Petrochemical and Mossi & Ghisolfi; a maritime hub comprised by the Atlântico Sul and Vard Promar shipyards; and a wind power equipment hub that features manufacturers Gestamp, LM Wind Power and GRI Flanges Brasil.

The Suape Port and Industrial Complex is one of Brazil's leading investment destination and has been effectively

serving as a growth engine for the state of Pernambuco. Its modern infrastructure offers water depths ranging from 50 to 65 feet, as well as great potential for expansion. Strategically located along some of the world's main trade routes, it connects with over 160 ports on every continent, with direct shipping routes to Europe, North America and Africa. Port activity has been rising at a fast pace, and Suape has been standing out as a major destination and distributor of cargo.

The complex relies on a proprietary land transport infrastructure, with railways and highways that are constantly being upgraded, and in addition, its facilities have supply of natural gas, electricity, raw water and treated water. The Complex offers ideal conditions for a wide range of businesses.

The companies in the Suape Port and Industrial Complex comprise development hubs, such as the Abreu and Lima Refinery, the Petrochemical Hub, the Steel and Metalworking Hub, the Maritime and Offshore Hub and the Renewable Energy Equipment Hub. Since its creation in the 1970s, the Suape Complex has adopted a preventive, constructive and environmental offsetting policy.

Suape handled 22.685 million tons of cargo in 2016, which represents a 14.98% increase from 2015, and an all-time record since its first year of operation in 1978.

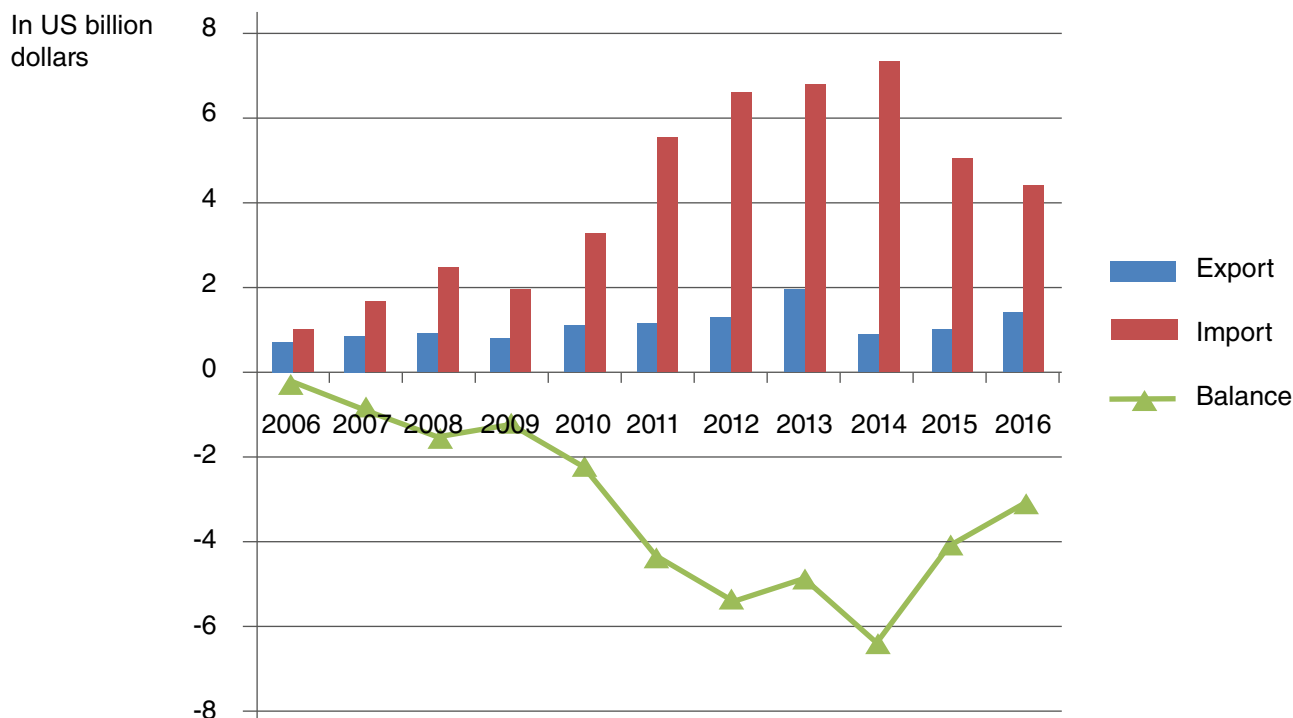
## INTERNATIONAL ECONOMY AND TRADE

According to the State Department of Planning and Management (*Secretaria de Planejamento e Gestão do Estado de Pernambuco - SEPLAG*), Pernambuco's economy is based mainly on the service sector, followed by industry and agriculture. Another important sector for

the state is Creative Economy, which, in 2015 accounted for 1.6% of GDP and generated more than 20,000 jobs.

Despite all the progress in the exports of Pernambuco, it still imports more products than exports, as it is possible to check in the graph below.

## PERNAMBUCO'S TRADE BALANCE



Source: MDIC, 2016

## EXPORTS

Pernambuco's exports are currently much more diversified than in the past, when its main exported product was raw sugar.

Recent data from Brazil's Ministry of Industry, Foreign Trade and Services (*Ministério da Indústria, Comércio*

*Exterior e Serviços - MDIC*) shows that the state's exports grew 35% in value between 2015 and 2016. The main export products are listed on the next table, which shows a higher concentration of manufactured and industrialized goods.

## PERNAMBUCO'S EXPORTS

DESCRIPTION	USD FOB	SHARE (%)
FUEL OIL	239,691,015	16.91
POLYETHYLENE TEREPHTHALATE IN PRIMARY FORMS	187,320,288	13.21
OTHER MOTOR VEHICLES, W/ DIESEL ENGINE, FOR CARGO <= 5T	186,580,240	13.16
MOTOR VEHICLES W/ COMBUSTION ENGINE, 1500<CM3<=3000, UP TO 6 PASSENGERS	116,717,290	8.23
DIESEL FUEL	89,193,722	6.29
OTHER CANE OR BEET SUGARS, CHEM. PURE SUCROSE, IN SOLID FORM	78,186,814	5.51
MANGO, FRESH OR DRIED	61,745,903	4.35
OTHER CANE SUGAR	54,657,520	3.86
FRESH GRAPES	46,175,261	3.26
STOPPERS, CAPS AND LIDS AND OTHER PACKING ACCESSORIES, OF BASE METAL	38,892,860	2.74

Source: MDIC, 2016

As for its export destinations, the next table shows that nearly 50% of the state's exports in 2016 were shipped to just two countries: Argentina and the United States.

## PERNAMBUCO'S EXPORT DESTINATIONS

DESTINATION	USD FOB	SHARE (%)
ARGENTINA	381,006,652	26.87
UNITED STATES	323,144,807	22.79
SINGAPORE	118,824,554	8.38
NETHERLANDS	98,955,521	6.98
CHILE	44,737,046	3.16

Source: MDIC, 2016

## IMPORTS

Following the state's developing trend, the list of imports feature items that are traditionally characterized as industrial inputs that will be transformed into intermediate or finished products by local manufacturers.

According to the MDIC, Pernambuco has a well diversified imports composition, and the top imported products in 2016 were:

## PERNAMBUCO'S IMPORTS

DESCRIPTION	USD FOB	SHARE (%)
DIESEL FUEL	358,449,945	8.06
OTHER LIQUEFIED PROPANE	345,131,051	7.76
AVIATION KEROSENE FUEL	293,328,657	6.59
OTHER GEARBOXES	196,918,113	4.43

DESCRIPTION	USD FOB	SHARE (%)
TEREPHTHALIC ACID AND ITS SALTS	196,644,816	4.42
OTHER FUELS, EXCEPT FOR AVIATION	181,221,687	4.07
OTHER MOTOR VEHICLES, W/ DIESEL ENGINE, FOR CARGO <= 5T	173,068,987	3.89
OTHER BLOOD FRACTIONS, IMMUNOLOGICALLY MODIFIED PRODUCTS (MEDICATION)	117,500,023	2.64
DIESEL/SEMI-DIESEL ENGINES FOR CHAP. 87 VEHICLES, 1500<CM3<=2500	103,234,964	2.32
P-XYLENE	94,646,839	2.13

Source: MDIC, 2016

MDIC data shows that, as was the case with exports, Argentina and the United States are also Pernambuco's main trading partners for imports, as the sources of almost

40% of products shipped to the state. The table below lists the 5 main countries of origin for products imported into Pernambuco:

## PERNAMBUCO'S IMPORT ORIGIN

ORIGIN	USD FOB	SHARE (%)
UNITED STATES	1,197,762,246	26.92
ARGENTINA	646,376,365	14.53
ITALY	347,218,245	7.80
CHINA	329,975,628	7.42
MEXICO	323,869,392	7.28

Source: MDIC, 2016

Pernambuco offers a wide variety of fiscal benefits at the federal, state and municipal levels, aimed at making the state more attractive to private investment. Requirements for eligibility vary by industry, type of investment and number of jobs generated, but the main characteristics of the state's tax incentive programs are described below:

- **Prodepe – Pernambuco Economic Development Program:** offers tax benefits for industrial activities and distribution centers, as well as implementation or expansion of investments in various economic sectors. The presumed State Value-Added Tax (*Imposto Sobre Circulação De Mercadorias E Prestação De Serviços - ICMS*) credits are adjusted progressively according to the location of the investment. In order to be eligible for the incentives, businesses must operate in the following priority industries: agro-industry, metalworking, electronics, beverages, textiles and clothing, non-metallic

minerals, plastics, furniture, pharmaceuticals, hygiene and cleaning;

- **Prodinpe – Pernambuco Maritime Industry Development Program:** offers ICMS incentives for manufacturers of ships and oil platforms, as well as for the industry's entire supply chain;
- **Prodeauto – Automotive Industry Development Program:** offers several ICMS incentives for manufacturers of motor vehicles (automobiles, motorcycles, trucks, buses, tractors and others), as well as for the industry's entire supply chain; and
- **Renewable Energy Incentive Program:** provides ICMS incentives for manufacturers of wind power (turbines, towers, blades) and solar power (solar panels) generation equipment, as well as for the suppliers of parts and components in these industries.

# 07.

## EDUCATION

### EDUCATION

The state has the best public education system in Brazil, according to the 2016 Basic Education Development Index (*Índice de Desenvolvimento da Educação Básica - Ideb*). This leadership position is the result of a development model focused on people, modern administration principles, recognition and incentive policies for teachers and other professionals in the field, and the establishment of goals and performance bonuses for each school. In addition, Pernambuco offers full-time schooling in more than 300 public education institutions, and currently has the lowest disparity between National Institute for Educational Studies and Research Anísio Teixeira (*Instituto Nacional de Estudos e Pesquisas Educacionais Anísio Teixeira - INEP*)<sup>3</sup> scores for public and private schools in all of Brazil. The educational strategy is based on two fronts: meeting the demand

generated by the investment flowing into the state, and having education serve as the leading competitiveness and productivity driver.

The state's universities are regional leaders in several areas of academic research. In all, there are 107 higher education institutions licensed and authorized by the Ministry of Education (*Ministério da Educação - MEC*). The 2016 QS University Ranking lists Federal University of Pernambuco as one of the 10 best federal universities in the country. Pernambuco also has 27 state vocational schools, as well as six technological centers that provide students with important professional and entrepreneurial skills. Pernambuco was 1<sup>st</sup> place in the 2015 Ideb National Ranking published by INEP.

In addition, the state's educational system features several other institutions that provide support to its students:

3 - INEP is a major stakeholder and educational policy-maker, responsible for the continuity of educational quality improvements.

- 32,989 educational institutions between kindergartens, pre-school, elementary school, high school, special education, supplementary and vocational education;
- 84 vocational schools across the state;
- 417 higher education institutions in Pernambuco;
- 62 higher education institutions in the Recife Metropolitan Area; and
- 89 language schools in the state.

In addition, Pernambuco is home to six major universities:

- Federal University of Pernambuco (UFPE);
- Catholic University of Pernambuco (UNICAP);
- University of Pernambuco (UPE – FCAP);
- Federal Rural University of Pernambuco (UFRPE);
- Federal University of São Francisco Valley (UNIVASF); and
- Federal Institute of Education, Science and Technology of Pernambuco (IFPE).

# 08.

## ENVIRONMENT AND RENEWABLE ENERGY

Sustainable PE is a forward-thinking program that was born out of the first-ever public tender for solar energy production in Brazil, which was carried out at the end of 2013 by the Pernambuco State Government. Since then, the program has incorporated new actions that are planned and executed with the purpose of establishing the state as a generator of clean energy and a producer of equipment, technology and knowledge for the industry. Today, the Tacaratu Solar Farm is already being operated by Enel Green Power, with an installed capacity of 11 MW. New solar plants are expected to go into operation in the next few years, and should add up to 82 MW in installed capacity.

The state also has 28 wind farms currently in operation, for a total capacity of 595.40 MW. The state expects to add 10 other wind farms, for an additional installed capacity of 272 MW, as well as 3 photovoltaic plants, totaling 75 MW in capacity.

The state's strategic plan for incentives to renewable energy also includes "Solar PE", which provides

funding to promote the generation of energy from photovoltaic sources.

In order to foster consumption of renewable energies in the state's productive sectors, the regulatory bodies of the National Electricity System authorized the creation of the State Energy Trading Company. In accordance with the public tender held in December 2013, the State Energy Trading Company will be responsible for the sale of solar energy, which is currently under the guise of the Economic Development Agency of Pernambuco (*Agência de Desenvolvimento Econômico de Pernambuco - AD Diper*). The Trading Company is also currently responsible for authorizing companies to obtain the Free Market<sup>4</sup> Solar Seal, issued by the Institute for the Development of Alternative Energies in Latin America (*Instituto para o Desenvolvimento de Energias Alternativas na América Latina - IDEAL*) to acknowledge consumers of photovoltaic energy.

4 - Free Market: the consumer may choose to receive energy supplied by a generator, or by an energy trader located anywhere in the country.

## INNOVATION, RESEARCH & DEVELOPMENT AND BUSINESS HUBS

The recent economic growth combined with a rich and diverse local culture makes Pernambuco an ideal place for the development of a robust creative economy. Some of the symbols of this new economy include the Porto Digital – one of the country’s leading technological parks – and the Cais do Sertão Cultural Center and Museum, built in honor of local musical icon Luiz Gonzaga, and which has emerged as a vibrant creative center. Design, architecture, filmmaking, the games industry and other creative activities have added a new element to the state’s traditional production chains and promoted sustainability from the docks to the hinterland. All of this innovation has led to the creation of new businesses in several areas.

### PORTO DIGITAL (DIGITAL PORT)

Located in the Santo Amaro district in Recife’s historic center, Porto Digital occupies 16 million square feet of urban space that was transformed as new enterprises moved into the area. This effort to foster innovation has also spilled over to the two largest cities in the countryside of Pernambuco: Caruaru and Petrolina.

Located in the urban setting where the main manifestations of Pernambuco’s rich culture take place, Porto Digital has welcomed the regional offices of some major corporations. It is also the world’s first designated region of origin for services, with international certification and recognition.

The main objectives of Porto Digital are to become a benchmark in the management of entrepreneurship and innovation environments, becoming a development engine for Recife, a pillar of Pernambuco’s economy and a global model for technology parks by fostering the competitive conditions for the creation, attraction and strengthening of innovative information technology and creative economy ventures.

Porto Digital invests to refurbish properties along its perimeter. Since its creation in 2000, approximately BRL 106 million have been invested to renovate 866,915 square feet of real estate through Porto Digital’s foundation. There are works currently underway to renovate another 257,344 square feet of space, at an estimated cost of BRL 45 million. The investments came from the public and private sectors, the Porto Digital Management Center, ICT and creative economy businesses, as well as companies that offer related services and institutions that provide infrastructure and support to the innovation and entrepreneurship industries.

Companies receive several benefits for setting up at Porto Digital, such as:

- **Lower transaction costs:** Porto Digital’s governance serves as a facilitator and single business channel for the company in Recife,

streamlining its relationship with the public and private sectors;

- **Presence in a highly dynamic innovation environment:** being at Porto Digital puts the company in close contact with leading national centers for research and development of innovative information technologies;
- **Tax on Services reduction:** reduction in the Tax on Services (*Imposto Sobre Serviço - ISS*) rate, from 5% to 2%;
- **Property Tax reduction:** 25% reduction in the Property Tax on Urban Real Estate (*Imposto Predial e Territorial Urbano - IPTU*) rate, or full exemption for up to 10 years for companies that move into historical buildings in the Recife district; and
- **Strengthening and competitiveness projects:** Porto Digital's governance develops projects geared towards businesses and their employees, offering technical training and certifications, infrastructure and urban mobility improvements, incubator with consultancy services and others.

It is also worth noting that, in order to move into Porto Digital, companies must operate in the Information and Communication Technology or Creative Economy industries, and be located within the park's designated region: in the historic center of the Recife district and in the Santo Amaro district (the latter of which is defined as the square bound by Rua da Aurora, Avenida Norte, Avenida Cruz Cabugá and Avenida Mario Melo), or in the Creativity Warehouses located in Caruaru and Petrolina.

Once it has moved into the Porto Digital, companies must request their "boarding pass" from the Digital Port Management Center (*Núcleo de Gestão do Porto Digital - NGPD*) by filling out the Boarding Form available at [www.portodigital.org](http://www.portodigital.org) and submitting it to NGPD. After their request is approved, companies are eligible to apply for the services and projects offered by NGPD.

## AREAS OF EXPERTISE

Porto Digital is home to companies in a wide range of industries. While companies of all sectors are eligible to participate, those that already operate at the park operate primarily in the following industries:

- Accessibility, Inclusion and Sustainability;
- Mobile Applications;
- Film, Video and Animation;
- E-commerce;
- Cloud Computing, Storage and Hosting;
- Computer Graphics;
- Consultancy and Management;
- Contact Center and Telecom;
- Data and Analytics;
- Hardware Development;
- Software Development;
- Web Development;

- Fashion Design;
- Education;
- Energy;
- Engineering and Robotics;
- Photography;
- Games and Multimedia;
- Content Management, Communications, Marketing and Social Media;
- 3D Printing;
- Marine and Mining Industries;
- IT Infrastructure;
- Artificial Intelligence, Neural Networks and Pattern Recognition;
- Hardware Maintenance;

- Urban Mobility;
- Music;
- Holdings;
- Cultural Production and Tourism;
- Access Provision;
- Information Security;
- Printing Services;
- IT Services, Software Factory and Outsourcing;
- Management Systems;
- Tracking Systems;
- Hospital and Health Systems;
- Software Testing; and
- Training and Certification.



Source: Porto Digital.

## ▶ IMPORTANT DIGITAL PARK CENTERS AND PARTNERS

In addition to Porto Digital, other important centers and partners – collectively known as the Digital Park – help to improve the state’s business environment, providing infrastructure and enhancing competitiveness:

- **C.E.S.A.R:** Recife Center for Advanced Studies and Systems. Considered by the Brazilian Innovation Agency of the Ministry of Science and Technology (FINEP) as one of the country’s leading innovation centers, it is one of the flagships of Porto Digital. C.E.S.A.R is a private innovation center that creates ICT products, services and businesses. It develops solutions for each stage of the innovation process, from idea development, through design and prototyping, to implementing projects for companies in various sectors;
- **CIN:** Computer Center of the Federal University of Pernambuco;
- **Softex Recife:** Recife Center for Excellence in Software Technology;
- **SECTECI:** State Department of Science and Technology;
- **PMI PE:** local chapter of Project Management Institute;
- **SDEC:** State Department of Economic Development;
- **PCR:** Recife City Hall;
- **Delta Zero Institute for the Development of Creative Economy;**

- **SEMAS:** State Department of the Environment and Sustainability;
- **MINC Office:** Ministry of Culture office in Pernambuco;
- **ASSESPRO:** Brazilian Association of Information Technology Companies;
- **FCA:** Fiat Chrysler Automobiles is setting up a center for research, development, innovation and automotive engineering within Porto Digital that will work integrated with other similar FCA centers located in the USA, Italy and Betim (Minas Gerais, Brazil); and
- **FITec:** A non-profit private foundation accredited by the Ministry of Science, Technology and Innovation (*Ministério da Ciência, Tecnologia e Inovação - MCTI*), which can enter into agreements with companies that are beneficiaries of the Information Technology Law to conduct ICT research and development projects.

## RESEARCH AND DEVELOPMENT

Research, development and innovation are key aspects of new sources of competitiveness within an economy. There are several initiatives in place to support innovative-based enterprises in Pernambuco, integrating companies, development and educational and research institutions.

The Foundation for the Support of Science and Technology of the State of Pernambuco (*Fundação de Amparo a Ciência e Tecnologia de Pernambuco - Facepe*)

provides a series of grants and subsidies, funded by its own and federal resources. Pernambuco is a regional and national leader in the field of scientific research, with a focus on information technology, physics, biotechnology, engineering, wind and solar energy.

## INDUSTRY HUBS

### MEDICAL HUB

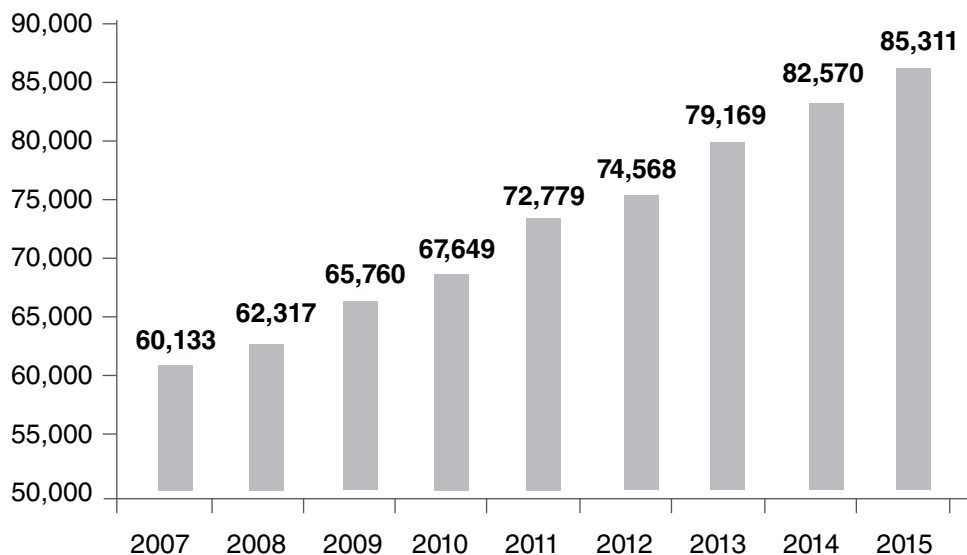
Composed of more than 400 hospitals, clinics, laboratory and diagnostic centers, Recife's Medical Hub is the largest in the North and Northeast regions, and the second largest in Brazil. It offers a total of 8,200 beds and serves about 20,000 patients a day, generating more than 20,000 direct jobs. The state is deeply committed to establish partnerships to further develop this hub.

### SERVICES HUB

With more than 3.8 million inhabitants, Recife is home to one of the five largest metropolitan areas in the country. The capital of Pernambuco is a major commercial, industrial, culinary, technological, cultural and university center, and its service industry sets the standard for the entire region.

According to data from the Ministry of Labor and Employment (*Ministério do Trabalho e Previdência Social - MTE*), Pernambuco's service sector historically accounts for approximately 70% of the state's GDP, and reached 78% in 2014, led by a significant growth of business and events tourism in recent years. The state's service industry grew more than 40% between 2007 and 2015, and the number of establishments grew accordingly: from 60,000 in 2007 to 85,000 in 2015.

### Growth in the number of service industry establishments in Pernambuco



Source: MTE database

## GARMENT HUB

The textile and garment industries are responsible for thousands of jobs across the state. There are more than 22,000 companies operating in these industries in Pernambuco, most of which are located in Caruaru, Toritama and Santa Cruz do Capibaribe.

## AUTOMOTIVE HUB

The Goiana region in the Zona da Mata Norte was chosen to be the site of the first Jeep factory located outside the United States. With capacity to deliver 250,000 vehicles a year, Fiat Chrysler Automobiles (FCA) anchors an Automotive Hub that features an integrated supplier park, a Research and Development Center and a testing track. There are also two other supply parks located in the region, with 30 companies specialized in the industry. The state is continuously searching for new ventures to further develop its Automotive Hub.

## PHARMACEUTICAL HUB

A 393-acre Pharmaceutical Hub in the city of Goiana is being built along Highway BR-101, to house

pharmaceutical, biotechnology and cosmetics companies, as well as suppliers. Hemobrás and White Martins already operate at the site, and cosmetics company facilities are currently under construction. The investments are expected to reach BRL 1 billion and generate 1,200 jobs. The state is actively searching for new ventures for the hub.

## FOOD AND DRINKS HUB

Pernambuco is currently a major hub for food and drinks companies. Increased consumption of these items in the Northeast has been increasingly attracting Brazilian and foreign companies to the state. At Suape, the Food and Drinks Hub occupies 560 acres, and is composed of approximately 30 companies in operation or with facilities already under construction. Producers include major food conglomerates, such as BR Foods, Mondelez and Nissin Ajinomoto. Meanwhile, Unilever has started its fifth production facility in the state, which will be located in Escada. Several drinks manufacturers already operate in Pernambuco, including Brasil Kirin, Ambev, Cervejaria Petrópolis (Itaipava), Coca-Cola, Cereser and Pernord Ricard, in addition to the winemakers Dão Sul, Botticelli and Vale do São Francisco.

## ABOUT OUR SPONSOR

**Economic Development Agency of Pernambuco**

The Economic Development Agency of Pernambuco is a public-private enterprise operated indirectly by the state under the State Department of Economic Development (*Secretaria de Desenvolvimento Econômico de Pernambuco - SDEC*). The primary objective of the agency is to promote the economic and social development of Pernambuco by supporting the state's industrial, agribusiness, retail, service and handicraft sectors.

In addition to providing a team of experts in investment attraction (Invest in Pernambuco), Pernambuco offers all the support needed for new ventures, including help with staff selection and training through supply chain development. This proactive policy towards fostering development has earned the recognition of the Financial Times, which named Pernambuco's foreign direct investment (FDI) attraction strategy as the 4<sup>th</sup> best in Latin America twice consecutively (2014/2015 and 2016/2017).

The Agency also offers two platforms to disseminate information about investing in the state:

[www.investinpernambuco.pe.gov.br](http://www.investinpernambuco.pe.gov.br)

[www.atlasdoinvestidor.pe.gov.br](http://www.atlasdoinvestidor.pe.gov.br)

For further information, please contact:

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## WHO IS IN PERNAMBUCO ALREADY

### ▶ PERNAMBUCO: THE PERFECT PLACE TO INVEST, PRODUCE AND INNOVATE

Pernambuco enjoys a strategic location within the Northeast of Brazil, which makes it a regional logistics center and allows its market area to expand beyond the state's borders. The state also has great potential for global integration, due to the Port of Suape's condition as a hub and the proximity to large consumer markets, an advantage that was magnified with the recent widening of the Panama Canal. SUAPE is a modern and well-established port and industrial complex that offers great potential for business expansion.

Pernambuco's diversified economy is a testament to the wide range of potentialities that are expressed in twelve development regions, spread from the coast to the hinterlands of Araripe (to the North) and São Francisco (to the South). This quality has been reinforced in recent years, especially with regards to industrial activity, as new productive enterprises arrived and established themselves as cornerstones to new industries and supply chains that can be developed in the near future.

Where the past meets the future. The state has an extensive and diversified historical and cultural heritage, materialized into a rich architectural and urban ensemble built by various cultural manifestations and by its tradition of producing great talents. Its immaterial heritage that was developed over centuries today serves as a solid foundation for a creative economy, as well as for the

entertainment and tourism industries, as mentioned in its Strategic Plan: PE 2035. But the state also offers several other options for those looking to go into business.

One of the industries that holds great potential for expansion in the next few years is the generation of clean and renewable energies, especially wind and solar, in its large swaths of semiarid land. The rural areas also offer opportunities for mineral extraction (especially for gypsum and titanium) and for the growth of agriculture, with emphasis on irrigated fruit farming, poultry farming, sheep and goat farming, dairy production, and others. Agro-ecological agriculture has drawn a lot of attention in recent years and has a promising future.

In a world where people development is increasingly important, Pernambuco stands out in the Northeast region for the many higher education institutions located within the state, including the tenth best university in the country and the best in the region. A structure that generates a wide range of skills that are applied in economic sectors such as specialized services. The state, and in particular its Metropolitan Area and larger inland cities, already offer a wide range of specialized services, but there is significant growth for activities such as modern retail, consultive engineering, advertising, ICT, medical and educational services, provision of business services (legal, economic / financial, management, communication), among others.

Several institutions support innovation within the state, and business research centers have recently chosen Pernambuco as a favorite destination, following in the automotive industry's footsteps.

The business environment is favorable and likely to continue improving, with a fiscally responsible state government that has worked to attract investors and support local entrepreneurs. The state's trade associations are actively engaged, and the "S System" of professional interest groups are well regarded nationally.

For all of these reasons, we can safely say, Pernambuco: the perfect place to invest, produce and innovate.

***Tania Bacelar de Araujo***  
**Economist and partner at CEPLAN Consultoria**

## ▶ OUR STATE, OUR PEOPLE

Geographically, Pernambuco has its head bathed by the waters of the Atlantic, and its feet planted in the dry earth of the hinterlands.

Contemplating the ocean's infinitude inspires Pernambuco natives to dream big and to bold dreams, but having their feet planted in the cracked earth of the hinterland among the thorny *caatinga* brings the certainty that the reality should never be forgotten, and the conviction it takes a lot of hard work and courage to overcome the challenges that life brings us.

The people of the *maracatu*, of *frevo*, *coco*, of *bumba-meu-boi*, is a gritty and faithful people, who believe in the future. They may weep at times, but they also know how to smile.

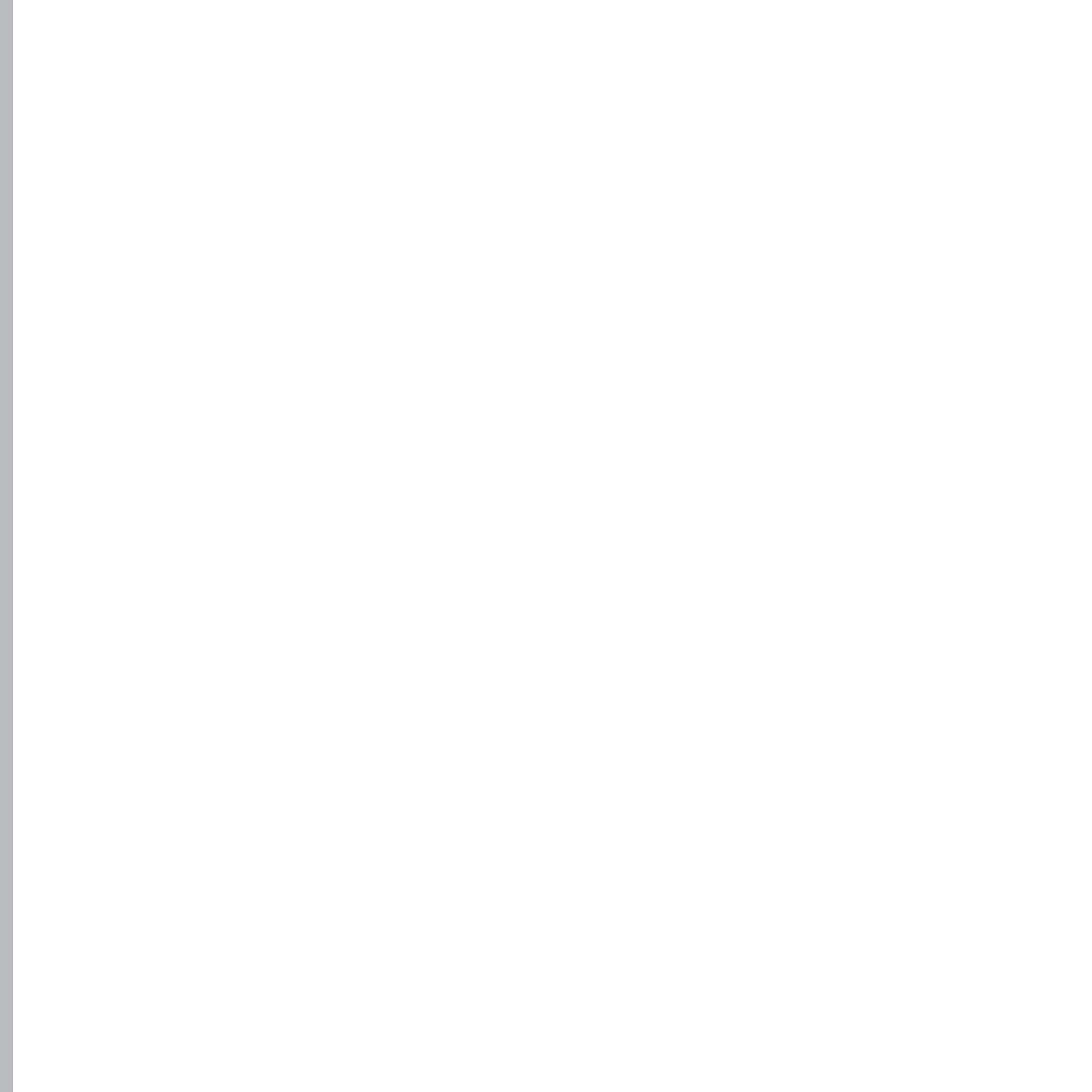
We have learned to extract cane from the earth, sugar from the cane, and alcohol from sugar. Our economy already began as an industrial state, and the need to sell what we produced taught us to trade and to figure out solutions that facilitate the logistics for this process. Our industries and then our ports were born out of this incessant search.

We are not a rich state, but we offer countless opportunities to produce a wide variety of products – and we are always ready to welcome anyone looking to settle here with open arms. In addition to our many culinary delights, we have also learned how to make sugar and *cachaça* for our *caipirinha*, as well as cars, batteries, cement, steel, and so many other products.

We caught everyone by surprise when we showed that we also can innovate: our Digital Port is capable of impacting the world with revolutionary solutions, resulting from the joint effort of hundreds of world-class professionals.

Come to Pernambuco, we will be happy to provide you with all the support you need and help you overcome the challenges of a new venture. Also, because everyone needs a little rest and relaxation once in a while, we know you'll be delighted with our beaches and countryside.

***Paulo Sales***  
**Pernambuco Businessman**



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