

# BRAZIL

## Budget Reporting

### Timing and Coverage

*Background:* The budget process is divided into three phases starting with the Budget Guidance Law presented to the Parliament on **April 15**. (2) Following this, the annual budget is presented to Congress on **August 30**. Post the presidential budget implementation decrees, the president signs the budget on **December 30**. The IMF in its Global Financial Statistics Yearbooks (GFSY) reports Brazilian data primarily on a **general** government basis. Data is published within four weeks of the closing of every month.

- ***Brazilian data meets international standards in terms of timeliness and coverage***

### Revenue & Expenditure Classification

*Background:* While revenues and expenditures are classified in line with the IMF's GFS, there is a methodological difference between the Brazil's Central Bank (BCB) indicator of **General Government Gross Debt** and that by the GFSY.

- ***Encourage Brazil's Central Bank (BCB) to treat government bonds that are held by the BCB as debt even though they are not pledged as security in monetary policy operations as part of government debt under GFSM standards.***

### Accounting

*Background:* Brazilian budgetary data is comprehensive and available in GFS in terms of operating balance, net balance and it's financing.

- ***Encourage the authorities to report flow of funds on an accrual basis rather than on a cash basis.***

## Fiscal Rule

*Background:* The Fiscal Responsibility Law (FRL) was enacted in 2000. Among the key features of the law are (1) quantitative limits on the level of payroll expenditure and (2) the level of debt, as a proportion of net current revenues.

- ***Brazil's FRL meets requirements in terms of transparency, including disclosure of proposals, fiscal risks, and enforcement including the institutional sanctions for non-compliance.***

## Budget Process

***Brazil ranks high in budget transparency and publishes all documents in a timely manner***

***Encourage the MoF to improve accountability and reduce rigidity by:***

- ***Publishing a rolling medium-term expenditure framework***
- ***Integrating the budgeting and planning functions***

## Budgetary Features

*Background:* Brazil's budget formulation process is detailed providing full transparency in budget assumptions, information on debt composition and debt instruments. It has developed an elaborate central planning function in addition to the budget. However, in reality, they operate in parallel and largely disconnected ways.

- **Encourage the MoF to include in its budget:**
  - **Details on interest rates and maturity profiles**
  - **A debt sustainability analysis, particularly given that gross debt of the nonfinancial public sector (NFPS) remains high at 71 percent of GDP in 2014 and is sensitive to growth and fiscal underperformance**

### **Open Budget Survey – OBI Index = 77/100**

The International Budget Partnership (IBP) prepares the Open Budget Survey (OBS) which is an independent comparable measure of budget transparency, participation, and oversight.

Brazil's **Open Budget Index (OBI)** rose from 73/100 in the 2012 survey to **77/100** in 2015 which is substantially higher than the global average score of 45/100. Since 2012, Brazil has increased availability of budget information by publishing the Mid-Year Review and improving the comprehensiveness of the Year-End Report.

In terms of **public participation**, Brazil's score of 71 out of 100 (v/s global average of 25/100).

Brazil fares well in terms of **budget oversight**. As regards legislature, its score is 80/100 with the OBS stating that while the legislature provides adequate oversight during the planning and implementation stage of the budget cycle, *it is not consulted prior to spending contingency funds*. In terms of supreme audit institutions (SAI), its score is 75/100. The SAI has conducted all three types of audits (compliance, financial, or

performance) and made them available to the public.

### **Fiscal Structure**

Brazil is organized politically and administratively as a federal system consisting of 26 states and one federal district. Its fiscal federalism arrangements are shaped by the 1988 Constitution, with transfer mechanisms inspired by equity concerns.

**How are taxes shared?** The Constitution contains provisions that guarantee the funding of three types of government expenditure. (1) revenue-sharing with states and municipalities (2) salaries (and pensions) for government employees and (3) interest on, and repayment of, the public debt. Earmarking of tax revenue to finance certain categories of expenditure is widespread in Brazil and it is estimated that half the revenues are ear-marked.

### **Political Process to Approve the Budget**

Brazil has a presidential system of government. Legislative power in Brazil is vested in the Congress which is composed of two chambers: Chamber of Deputies (513 members) and the Senate (81 members). The budget approval process focuses on approving the Budget Guidance Law which is done in three phases.

(1) Draft Budget Guidance Law which contains fiscal targets - presented to Congress on April 15 and has to be passed by June 30.

(2) Annual budget presented to Congress on August 30. This involves budget hearings by the Joint Committee and then put to vote on Dec 15 by the Chamber of Deputies and the Senate.

(3) Presidential budget implementation decrees with the president signing the budget on Dec 30.

### Fiscal Transparency: A Snapshot

Country Snapshot	
Sovereign Rating/Outlook	Moody's: Baa3/Stable; S&P : BB+/Negative
Budget Coverage	General Govt
Open Budget Index Score	77/100 in 2015; 73/100 in 2012
Availability of Year End Execution Report	Yes
Fiscal Rule/Fiscal Responsibility Laws	Yes
Accounting Methodology	Cash
Key Areas for Improvement	Treatment of Debt

**Key websites:** Central Bank: <http://www.bcb.gov.br/?english> ; Ministry of Finance: [http://www3.tesouro.fazenda.gov.br/english/national\\_treasury/index.asp](http://www3.tesouro.fazenda.gov.br/english/national_treasury/index.asp) Open Budget Survey: <http://survey.internationalbudget.org/#profile/BR>;