

GEORGE WASHINGTON UNIVERSITY

INSTITUTE OF BRAZILIAN ISSUES

MINERVA PROGRAM

SPRING/2001

**THE ESTABLISHMENT OF A METHOD TO DIVIDE COLLECTION
GOALS IN THE SECRETARIAT OF FINANCE OF THE STATE OF
SÃO PAULO**

MINERVA PARTICIPANT: TELMA CRISTINA SOARES SCHMIDT

AGENCY: SECRETARIAT OF FINANCE IN THE STATE OF SÃO PAULO

ADVISOR: PROF. KATHRYN E. NEWCOMER

SUMMARY

I.	THE ROLE OF THE GOVERNMENT AGENCIES IN A MODERN STATE...	3
II.	A REVIEW OF THE PERFORMANCE MEASUREMENT IN GOVERNMENT AGENCIES IN THE USA.....	6
III.	THE MODERNIZATION PROGRAM OF THE SECRETARIAT OF FINANCE OF STATE OF SÃO PAULO.....	18
IV.	THE ESTABLISHMENT OF COLLECTION GOALS BY THE TAX ADMINISTRATION.....	22
V.	THE PURPOSE OF NEW METHOD TO MEASURE THE COLLECTION PERFORMANCE.....	25
	1. THE OBJECTIVE.....	25
	2. THE SEADE FOUNDATION.....	26
	3. THE METHODOLOGY.....	27
	4. PRELIMINARY RESULTS.....	32

I – THE ROLE OF THE GOVERNMENT AGENCIES IN A MODERN STATE

“...The key to providing opportunities for all citizens to enjoy productive and fulfilling lives... is ensuring that the triangular paradigm of economic growth, social cohesion and good governance is kept in balance.” – Donald J. Johnston, Secretary-General of the OECD”

The twentieth century was remarkable, among other things, by the increase of the presence of the Government in citizens’ life. One of the most important experiences known worldwide was the Great Depression period (1929-1940) in the USA, which affected all countries in the world. Unemployment was huge. The businessmen were broken and afraid of losing more money. There was a large sense of insecurity among the people so that the Government of the USA decided to interfere in the economy to provide a better situation to the nation.

Through the Neal Deal period, a set of governmental actions were done in order to recover the economy. The New Deal left in place a set of institutional arrangements that constituted a more coherent pattern, which can be summarized in a single word: security. It

was not only security for vulnerable individuals, but also security for capitalists and consumers; for workers and employers; for corporations and farms. Homeowners, bankers and builders felt security as well.

As an example, one of the first initiatives held by the New Deal was the reform of the American financial sector, including banks and securities markets. Another example is the New Deal's housing policies, which provided perhaps the best example of its techniques for stabilizing a major economic sector by introducing new elements of information and reliability.

To tens of millions of rural Americans, the New Deal police was responsible for providing the modern comforts of electricity, schools, roads, as well as unaccustomed financial stability. The promise of income security was extended to the elderly and the unemployed.

Above all, the New Deal gave to countless American who had never had much of it a sense of security and with it a sense of having a stake in their country. And it did it all without shredding the American Constitution or severing the American people.

After World War II, most of east Europe was destroyed. The world was divided into two blocks with different ideologies: Capitalism, on the leadership of the USA, and Socialism, on the leadership of URSS. During the Marshall Plan, a huge amount of money was sent to rebuild the European countries. One of the main goals was to prove to the people that in a capitalist state they could have a better life condition.

In Europe, but also in the USA, many government agencies were created to carry out the tasks related to the welfare of the citizens: health care, education, insurance, labor rights and retirement. The results were reached and for some decades the people received many benefits from the governments, especially in Europe.

But in the seventies, due to the oil crisis among other international changes, there was a slow down on the world economy. During the eighties and nineties, the government of many countries realized that the cost of their social programs were too high to carry on. Most of the countries had to cut the amount of money driven to social programs.

The business world was also passing through a transformation process. New management theories arose looking for cost cuts, efficiency, and effectiveness.

On the other hand, the citizens realized that they also should be aware of the agencies that were supposed to provide the services they needed. These agencies should provide benefits but in a rational, inexpensive, and efficient way.

Nowadays, we see that the relationship between government and citizens has become increasingly complex. Policy decisions are taken at multiple levels of government. Many problems must be addressed in a global and increasingly inter-related environment, requiring cooperation and agreement across regions and nations, or on a global basis.

Faced with such complexity and a perceived loss of direct influence over national and local policy decisions, many citizens are complaining about the lack of opportunity of being listened to. In considering these challenges, governments increasingly realize that they will not be able to conduct and effectively implement policies, as good as they may be, if their citizens do not understand and support them. Thus, governments are looking to new or improved models and approaches for better informing and involving citizens in the policy-making process.

Besides these actions, many governments realized that it is also necessary that their agencies must be evaluated, even by the citizens or by themselves. Programs for performance measurement have been implemented lately all over the world. There is a concern that the citizens must be well attended in all their demands from government

agencies. Even those agencies, whose services are not driven directly to the people, but give support to other agencies or to international institutions, must be submitted to performance measurement process. Changes are necessary because the budget of these agencies comes from taxes and most of taxpayers have been disappointed about the public services provided.

Attempting to these issues, the purpose of this study is to do an overview of the American measurement government performance programs in order to know their experiences, to discuss the modernization of the Secretariat of Finance of the State of São Paulo and to propose a method to divide goals of tax collection among the eighteen tax agencies of the state.

II. A REVIEW OF THE PERFORMANCE MESASUREMENT IN GOVERNMENT AGENCIES IN THE USA

II.1. Why Measure Performance of Federal Agencies

During the beginnings of former president Bill Clinton's first administration, the worry about how federal agencies worked arose in the political scenery of the United States. This question appeared from opinion pools, which showed that American people believed that as much as forty-eight cents out of every federal tax dollar collected was wasted. Americans believed that the Government should deliver better results and improve the quality of life and the lives of their families; but simultaneously, they acted with disdain for the government and had objections to paying higher taxes.

In 1993, the Government Affairs Committee (GAC) of the American Senate recommended that the bill (S.20) should be passed. The purpose of S.20, which is known as the Government Performance and Results Act of 1993 (GPRA), was to improve the efficiency and effectiveness of Federal programs by establishing a system to set goals for program performance and to measure results.

The bill required that, beginning in the Fiscal Year 1994, there should be at least ten, three-year pilot projects in program performance goal setting, measurement, and reporting. It would be also necessary at least five, two-year pilot projects in greater managerial flexibility in return for commitments to greater program performance.

In 1997, the Office of Management and Budget (OMB)¹ and the General Accounting Office (GAO)² should report on the results of the pilot projects.

By Fiscal Year 1998, the requirements of the Act on five-year strategic planning, annual program performance plans, and annual program performance reports came into force throughout the government. Also in 1997, Office of Management Budget began at least five two-year pilot projects in performance budgeting.

GPRA was a major step toward making the Government accountable to the American people by making it clear what the taxpayers were getting for their money and removing some of the red tape that bedeviled them.

Regular, systematic and comprehensive program goal setting, performance measurement, and results reporting are not an easy undertaking nor are they generally welcomed tasks by bureaucratic organizations. There is often much institutional and

¹ The OMB is the agency responsible for assisting the President in overseeing the preparation of the Federal budget and to supervise its administration in Executive Branch agencies.

² GAO is the agency responsible for evaluating federal programs, auditing federal expenditures and issuing legal opinions.

individual resistance. The mandate for its implementation must be unambiguous. The specific requirements must be clear, and the effort must be sustained.

In the USA experience, another difficulty to implementing a performance measurement program was defining what should be measured and how. Whether the goal is defending the nation or immunization of children against disease, government officials and the public need to know how well government measures employee and program performance. But there was a belief that despite difficulty caused by the size and complexity of the government, developing effective performance measurement systems was clearly possible. On the other hand, the work of almost a third of government employees could not be measured by means of formal productivity measurement systems. Indeed, there are some government activities (such as basic research) for which quantitative measures are not feasible. Even in these cases, however, qualitative measures could usually be developed and used.

By the time the GRPA was approved, there was a history of successful uses of performance measurement and reporting by government organizations at all levels, providing that it could improve decision making, accountability and responsiveness to citizens, and program performance. However, use of performance measurement was still the exception rather than the norm in American government organizations. Most reports on government operations focused on expenditures and activity counts or numbers served. Few provide timely information on program effectiveness and efficiency.

It must be said that the use of program goal setting and performance measurement was a growing trend in state and local governments and also at the national government level in several foreign countries. The May 12, 1992, edition of "Financial World"

magazine labeled performance measurement and program evaluation “perhaps the most important trend in state government in the 1990s”.

There is the case of the city of Sunnyvale, California, which began to develop a very sophisticated system of program performance measurement and was incorporated directly into its budget system, in 1973, as part of a pilot project developed with the U.S. General Accounting Office. Office of Management Budget testified that Sunnyvale’s system stood out as the best example of a comprehensive approach to performance measurement that they had found in the United States. One underlying reason for the success achieved in Sunnyvale was the fact that every program manager used the system to plan, manage, and assess progress on a day-to-day basis.”

With regard to foreign country’s experiences with performance measures, worked on by the Paris-based Organization for Economic Cooperation and Development (OECD) suggest that several countries may be five to ten years ahead of the U.S. in this effort. Their performance measurement efforts have been the first to better clarify agency and managerial accountability for results by defining goals clearly, developing measures, reporting on progress, and to give managers the flexibility to manage for results by providing them the tools and incentives to act.

One country that must be mentioned is Australia. Australia is at the leading edge in performance measurement. It has a well-developed system involving strategic planning, annual work plans, performance reporting, and program evaluation. Program objectives and strategies for achieving them are well defined.

It should be noted that Australian officials are more accountable for the performance of their programs; the annual work plans link program objectives and the performance agreements on which ministry officials are evaluated.

The OECD also described the experience of the United Kingdom. That country's effort began in 1982 with its Financial Management Initiative. In 1988, the U.K. launched its "Nest Steps Initiative", which places special focus on the development of output and performance measurement for executive functions. Ministries were required to develop systems through which managers at all levels in the national government will have a clear view of their objectives, and the means to measure and assess performance in relation to those objectives.

The U.K.'s National Audit Office reports that the ministries have made "worthwhile progress" and that the quantity and quality of performance information has significantly improved in recent years.

The experience of some states and countries suggests that providing greater flexibility and incentives for managers to act is critical to fundamentally improving agencies' performances. These governments granted managers greater freedom by

- Reforming their civil service systems to make it easier for agencies to hire and to provide different compensation, incentive, and promotion systems;
- Recasting their budget execution systems to allow multiyear budget allocations, gain sharing, and a reduced number of line items in their appropriations;
- Devolving more responsibility for control of operations away from central management agencies and creating an environment where managers are held more responsible for their actions.

In the United States, the General Accounting Office surveyed a hundred and three federal agencies to determine the extent of which they had created strategic goals and collected measures of progress toward meeting those goals. About two-thirds said they had

a single long-term strategic plan, and three-fourth said they collected a wide variety of data to assess program performance.

However, when we visited a sample of these agencies, we found that most used the information at the program level. While this information was useful at the program level, it was fundamentally different from that needed to manage or make strategic policy decisions for the agency as a whole. Only nine of the hundred and three agencies reported having an administrative infrastructure in place for developing and reporting results. By this we mean that there were few offices that routinely collected performance data and prepared regular reports on progress toward goals set in strategic plans.

As has previously been pointed out, many agencies already have what they call “strategic plans”, but these are generally inadequate and poorly used. A major problem with many is that they have little direct linkage to the agency’s daily operations, which greatly weakens their effectiveness.

The General Accounting Office recommends that is very important that annual performance plans include goals, not just for the quantity of effort, but also for the quality of that effort. These goals should be as specific as possible; they should drive much of the daily operations of the agency, and they should aim at achieving the long-term general goals of the agency’s strategic plan.

The basic content of a strategic plan should consist of a comprehensive mission statement, a set of general goals and objectives, and the approach that would be used in achieving them, including the necessary resources and a description of any key external factors that may significantly affect achievement of the goals and objectives.

To obtain a comprehensive picture of the government’s performance, the Committee on Governmental Affairs (CGA) believes it is important to take tax

expenditures into consideration. Tax expenditures are revenues foregone and are specified in tax codes. They represent preferential exceptions to the baseline provisions of the tax structure and are created to provide benefits to qualifying individuals or entities and to provide an incentive to encourage particular activities. Tax expenditures are similar to spending programs in their impact on the deficit and, like spending, are established to achieve specific national objectives. The effect of tax expenditures in achieving these goals, however, is rarely studied.

To increase significantly the oversight and analysis of tax expenditures, CGA believes that the annual overall Federal Government performance plans should include a schedule for periodically assessing the effects of specific tax expenditures in achieving performance goals. CGA expects that annual performance reports would subsequently be used to report on the tax expenditure assessments. These assessments should consider the relationship and interactions between spending programs and related tax expenditures. CGA hopes that such reports will foster a greater sense of responsibility for tax expenditures with a direct bearing on substantial missions and goals.

CGA strongly believes that useful indicators and goals cannot be identified without defining a program's mission and long-term general goals, as covered in a strategic plan.

II.2. How To Evaluate the Performance Measurement Programs?

After some changes in the original schedule, the Government Performance and Results Act (GRPA) required federal agencies to draft strategic plans by 1997, to set performance goal by Fiscal Year 1999, and to report on actual performance by the FY. The purpose of these reports was to give Congress and the American people accurate, timely

information that would let them assess the extent to which agencies were producing tangible public benefits.

These first reports were evaluated by a team at the Mercatus Center, from George Mason University, in order to help the Congress assess that year's reports and help agencies improve the quality of future years' reports. The purpose of that assessment was not to evaluate the quality of results the agencies produced. Their goal was to ascertain how well the agency reports enunciated goals and measures that were based on results rather than activities.

To clearly demonstrate an agency's value to the public, each report should enunciate goals and measures focused on actual results.

The Mercatus team chose some evaluation factors, described bellow, to make their analysis:

- Transparency

The annual report should be made accessible to the public, stakeholders, the media, and others at the agencies web site. Style and language should allow a non-specialist to grasp significant information quickly. Key elements for scoring purposes include clarity of text, absence of jargon and acronyms, sentence and paragraph structure, general organization, and use of visual features like graphics, tables and headings. People outside the agency should be able to access and check the data.

- Benefits to the community

All goals should also clearly be of value to the community. The report should make a case that there was a clear cause/effect relationship between the agency's work and results valued by public. It should be obvious to the layman that the agency's program influence results in a positive way.

- Forward-looking leadership

The report should make a solid case for the agency's value and create excitement about the challenges and opportunities ahead – regardless of actual past performance. The agencies should identify and explain the reasons for failure. While unrealistic goals should be revised, they should not be changed to make current performance look better. Achievable but challenging goals should be the intention. Barriers to progress should be labeled as such, and efforts should be made to remove them.

Based on these factors the Mercatus team chose the U.S. Agency for International Development, Department of Transportation and Department of Veterans' Affairs as the best reports. The reports of the National Science Foundation's and Departments of Commerce and Agriculture were considered those most in need of improvement.

The three things that many of the twenty four agencies did best were enunciating results-based goals, making their reports accessible to the public and including baseline and trend data to put their performance measures in context.

The things the agencies tended to do worst at were supplying cost data, assessing reliability of their data and demonstrating that agency actions actually made a difference in the performance measures.

Of the conclusions provided by the Mercatus team analysis it is important to remark that the Government has the same degree responsibility to taxpayers that companies have to their shareholders. Agency reports should mirror standards required in the reports of Fortune 500 companies, which suffer severe penalties if they fail to report accurately and ethically to their shareholders. Some of the fiscal year 1999 reports showed promise in this regard, but many fell short.

II.3. The Department of Revenue of State of Florida

The State of Florida is cited in many federal reports as an example of success in the measurement performance program. Working with private sector partners and national experts, they are implementing a style management system that plans budgets and manages costs and personnel like the best private sector companies do. This system supports the initiative of Governor Jeb Bush and the Legislature to bring performance measurement accountability to the government.

Governor Jeb Bush says: “ For years, private sector businesses had one key advantage in the drive toward excellence: They knew that survival depended on competing to win. Many public organizations live with the comforting illusion that the laws of the marketplace did not apply to them. Wrong. If public organizations do not add value for their customers, they can be privatized, reorganized or simply abolished. Every chief executive officer in America asks employees to meet the same challenge that today faces us at Department of Revenue (DOR): increase productivity, cut costs and improve services to our customers.”

Nowadays, Florida’s estate tax system won recognition as one of America’s best. The time it takes to process estate tax returns has dropped by seventy to eighty percent, ultimately saving the estate an estimated US\$100,000 a year and simplifying the tax filing process. A team of twenty DOR veteran Career Service workers borrowed business process

management tools developed by some of America's best run corporations and used them to fix the estate tax processing system. The team won first place in the government category in the USA Today/ Rochester Institute of Technology Quality Cup competition. As a result, performance is meticulously measured, and estate tax managers are held accountable for steady improvements.

As a member of DOR, the General Tax Administration (GTA) administers thirty-six taxes and fees and collects almost US\$24 billion per year for schools, health care, prisons, transportation, the environment and other programs. Most tax revenue comes to the state through businesses, especially large businesses, rather than directly from citizens. GTA is using innovative technology, including one of the nation's most advanced imaging systems, to cut costs and help taxpayers understand the rules.

The goal of GTA is to help taxpayers pay what they owe, when they owe it. DOR tax educators conduct free seminars, while a toll-free hotline is available to answer tax questions. Auditors also help taxpayers understand where they have made errors.

DOR is integrating its tax registration systems so those taxpayers can register once for many different taxes. Simplified, downsized paper returns are easier to fill out. Many businesses also are required to file tax returns less often, making tax filing less burdensome. DOR relies on automation to cut the cost of collection. Investment in these systems has allowed GTA to increase its return steadily since 1992. DOR computer programs help staffers find common mistakes on tax returns quickly. Routinely, DOR audits taxpayers to ensure that they are complying with tax law. One important goal of tax audits is to ensure that taxpayers understand tax law so they can avoid future tax penalties and interest payments. Tax returns that are delinquent, late or contain errors are referred for follow-up. Frequently a simple phone call can fix a problem quickly, before penalty and interest costs

pile up. If a taxpayer does not understand tax law, DOR tries to educate the taxpayer about how to comply. If the taxpayer disagrees with DOR's position, the taxpayer may appeal or seek help from the DOR Taxpayer Rights Advocate's Office. DOR catches the criminals who attempt to evade tax law. They are tried in the courts and punished if convicted. DOR regularly surveys taxpayers to determine if they are meeting taxpayers' needs and where they can focus efforts to improve. The surveys and other "feedback" tools help them continually improve the way they do business.

In Fiscal Year 1999-2000, Florida collected US\$8.9 billion in sales tax entirely through paperless systems. Both tax returns and tax payments arrive at DOR electronically and are processed by computers. Almost 600,000 tax returns were filed computer-to-computer in Fiscal Year 1999-2000, an increase of about 20 percent from the previous year.

Automated accounting systems allow DOR to distribute revenue quickly to cities, counties, school districts and other local governments that are entitled to the money. When possible, DOR uses electronic fund transfers to speed the money on its way.

DOR has launched a first-in-the-nation partnership with the Florida Institute of Certified Public Accountancy to certify private auditors in sales tax compliance. Taxpayers may hire these certified auditors to conduct audits. Taxpayers who agree to conduct such audits receive additional benefits, such as reduced penalty and interest. They regard this as a triple win: taxpayers learn how to comply with tax law from a trusted source; CPAs earn new business and the state receives additional audit coverage at no public expense. This new program complements an existing program under which DOR hires Florida CPAs under contract to perform audits.

III. THE MODERNIZATION PROGRAM OF THE SECRETARIAT OF FINANCE OF STATE OF SÃO PAULO

The State of São Paulo is the Brazilian State with the highest number of inhabitants, the biggest industrial complex, the highest revenue, the highest number of immigrants, and it has the complexity of the most cosmopolitan city in South America. It was built with the effort and hard work of the workers coming from all of the country's states and all over the world, which shows that hard work, is intrinsic to the state.

At present, the State of São Paulo is going through a deep restructuring process of its production base: modernizing its industry, improving agriculture, giving more agility to the services sector in order to face the challenges, becoming integrated in the global economy, and, at the same time, creating policies to make up a society based on equality.

Poor accountability in the administration spoiled the finances of the State of São Paulo through many years, but politicians worried with good governance and higher performance of the public sector were elected and re-elected. So, since six years from now better things are happening.

São Paulo's reality shows that, with seriousness and hard work, the administration may get things right. That is how the current administration, together with the Secretariat of Economic and Planning and the Secretariat of Finance, has balanced the budget and has improved the quality of the services to the population over the last years. By eliminating wastes and with an austere policy, it has eliminated the budget deficit, balancing revenue

and expenses during the three consecutive years. Thereby, it has kept the basic activities of the public administration and has ensured investments.

A fiscal adjustment without precedent and a strong and transparent privatization program have made the State capable of recovering its investments and enabled the Government to raise more funds for areas in need, such as education, healthcare, safety, and infrastructure. With a more expeditious performance of the Secretariat of Finance and following the policy of spending only within its budget, the current administration has eliminated the previous constant public deficit and was able to invest R\$ 17 billion (US\$ 8,5 billion), or 71% of its revenues in the social areas.

The debts to contractors and suppliers have been paid with bonds of the São Paulo Assets Management, which can be used in the privatization auction. The court-ordered debts, which total R\$ 6,00 billion (US\$ 3,00 billion), are being paid with Budget funds, following the chronological order. In the first four years, the current administration has paid more debts than the two prior administrations and all without any tax increase. On the contrary, some of the taxes have been even reduced. The added-value tax (ICMS) on several products of the basic basket of consumer goods has had significant reductions. Tax exemptions have been granted to special vehicle parts for people with disabilities and to medicines for the AIDs treatment. These results come from the higher efficiency of collection, thanks to the modernization of services, the decrease of tax evasion and careful management of spending.

The state financial administration has been fully computerized, thereby reducing red tape. The Integrated System of Financial Management for state and municipalities has been created, and it allows users to follow the budget performance on-line, giving total transparency to public spending. Vehicles automatic license and IPVA (Automobile

Vehicle Property Tax) may be paid through automated teller machines, through the telephone, and on-line on the Electronic Fiscal Home Page.

Courses have been provided to Revenue Service employees, showing concrete results in the administrative operation and the service rendered to the citizens.

The improvement in the technical resources of the Secretariat of Finance of São Paulo is a result of a loan provided by INTER-AMERICAN DEVELOPMENT BANK in 1996.

It was part of the project National Fiscal Administration Program for Brazilian States (980/OC-BR). The objective of this program was to improve the management of the public funds of the Brazilian States by strengthening the different agencies responsible for the state governments' fiscal management. The program supported implementation of fiscal modernization projects to: (a) improve legal, operating, technological and management mechanism of said agencies; (b) strengthen and integrate financial administration and consolidate audit and internal control; (c) ensure effective control of tax payments through the use of new techniques and methods in tax collection and supervision; and (d) expedite legal action for collection of delinquent tax debts and strengthen integration between the tax administrations and the agencies responsible for judicial collection.

The program acted at the subnational level by making technical assistance and resources available to support activities aimed at institutional strengthening of certain areas in the Finance and Planning Secretariats of the 26 states of the Brazilian Federation and the Federal District. These activities were carried out through specific projects for each state in tax and financial administration.

The program had two main components. The first was a technical assistance and coordination component to strengthen the Federal Ministry of Finance in the supervision,

integration and coordination of the fiscal area at the national level. The program provided funds to hire specialists to prepare projects in tax administration, financial administration, data processing and organizational development. The second component was a fiscal administration component to finance specific fiscal modernization projects in tax and financial administration (budget, cash management, accounting, audit and internal control) in the states. The specific projects of the fiscal administration component were aimed at institutional strengthening of the state offices with responsibility for fiscal matters (finance secretariat), through consulting services in the various tax and finance areas, training programs, procurement and installation of computer equipment and systems, software and infrastructure remodeling.

The program runs were used to finance information and data processing systems, equipment for training, telecommunications and programs.

The Secretariat of Finance of State of São Paulo used this loan to promote a huge modernization process on the sides of revenue and the spending.

Changes have been occurring related to the state role and the structure of public administration. The Government decided to rebuild the public bureaucracy to make the state of São Paulo more effective, efficient and modern. The Secretariat of Finance has been contributing to this process. For example, through the website of the Secretariat of Finance, it is possible for the citizens to monitor public resources spending.

With the money of this loan the Secretariat of Finance has already produced many visible innovations.

- The Coordination of General Administration had been created in order to substitute and unify the administration structure in the headquarters and in the local agencies.

- The Government created a Customer Service Office, where citizens can place complaints about the agencies. Its mission is to improve the relationship between the agencies and the citizens.

- The Technological Information Department gives support to allow the supply of electronics services for all branches of the Secretariat.

- The Coordination of Tax Administration reorganized the management system of tax collection and had provided services to the taxpayers over the Internet.

These technical improvements could not have been done without a huge change in the model of government management. Today the administrative staff is worried about providing a high quality public service, fighting against waste of public money and searching for higher productivity level.

IV. A METHODOLOGY TO ESTABLISHMENT OF GOALS OF TAX COLLECTION IN THE STATE SECRETARIAT OF FINANCE OF SÃO PAULO

Following the example given by the government of the State of São Paulo and the Secretariat of Finance, based on accountability and provide good services to the customers, the Coordination of Tax Administration (CAT) had prepared, in early 1999, the CAT – 2000 Program. This Program has the objective of showing methods; goals and the necessary instruments to consolidate during this mandate a democratic, modern, efficient and effective model of tax administration.

The goals fixed by the program are pointed to:

- Increase of tax collection: established by percentage points that the tax collection of the State must increase in relationship to its gross domestic product increment.
- Decrease of the relationship cost of CAT/ tax collection: aim at the increase of productivity of the fiscal machine, which means that the tax collection results could be bigger by unitary cost.
- Better quality of customer service

CAT is composed by six departments : Department of Executive Tax Administration, Department of Tax Collection, Tributary Consultant Office, Taxes and Fees Tribunal, Tax Auditor Representatives, Correctional Office. Two of these, the Department of Executive Tax Administration and the Department of Tax Collection, are directly linked with tax collection.

CAT defined that for the Department of Executive Tax Administration would be responsible for the increasing of 1.6 % over the increase of the taxable Gross Domestic Product of the State of São Paulo for 2000 to 2002. As consequence this Department must find pathways to get this goal.

During the Fiscal Year of 2000, the staff of CAT tried to estimate the “taxable Gross Domestic Product of the state of São Paulo.” It corresponds to the total amount of output of the firms of the state (goods and services) subjected to the ICMS minus the exemptions. Due to methodological difficulties, the taxable GDP of São Paulo was available only at the end of the Fiscal Year 2000. Consequently, the method to divide goals proposed at this study will be applied for 2001 and following years.

The State of São Paulo collects three taxes, beyond the fees. The taxes are: Added Value Tax (ICMS), Automobile Vehicle Property Tax (IPVA) and Estate and Donation Tax (ITCMD). The ICMS is the most important of these. It represents about 80% of the total collection and taxes trade of goods, transport and telecommunication services. Therefore this study will be concerned with the increase of the amount of the ICMS collection.

The State of São Paulo is divided in eighteen tax branches, each one with different areas and their own social-economic features. Due to these aspects it was opted to put different regional goals. It is quite well known that some areas have high tax collection potential and another ones cannot increase their tax collection because their economical activities have not been improving lately.

To measure the regional differences we propose to compare social-economical data collected by a independent highly regarded research institute and internal data, declared by the taxpayers, and through the discrepancies identify the places with potential for increasing tax collection.

The option for an external data source has a connection to the fact that evasion actions are widespread, therefore the information given to the administrative authorities usually omits part of the true activities of the firms. Information collected by research institutes, beyond an identification secrecy code, usually provide more reliable data.

We will use data available by the State Analysis Data System Foundation (SEADE) through the Research of the Economical Activity of the State of São Paulo (PAEP- Pesquisa da Atividade Econômica Paulista), of 1996. In this research, every 12,476 industries of São Paulo with more than 30 employees were interviewed and from the

35,483 businesses with number of employees between 5 and 30, 6,858 firms were interviewed.

After analysis, the more appropriate variables will be chosen to be compared with the Secretariat of Finance data.

Price adjustments will be used, and activities level indexes from IBGE (Brazilian Institute of Geography and Statistics) will bring the data up to date.

We believe that as soon as we investigate the discrepancies between the internal and external information, we will find the areas with real tax collection potential and that we will be able to divide the goals of tax collection fairly for each one of the tax collection branches.

V. A METHODOLOGY TO DIVIDE GOALS COLLECTION IN THE SECRETARIAT OF FINANCE IN THE STATE OF SÃO PAULO

1. Objective

Measure the tax collection potential of the eighteen tax collection branches, throughout the payments done by the taxpayers in 1996, grouped by the methodology used by the SEADE Foundation and available in the Research of the Economical Activity the State of São Paulo, (PAEP - Pesquisa da Atividade Econômica Paulista).

2. The SEADE Foundation

The SEADE Foundation is an agency linked to the Secretariat of Economics and Planning of the State of São Paulo. It produces and analyses socio-economic information of the state.

It is a direct descendent of the State Statistics and Archives Agency, created in March 1892. At the time, it was responsible for taking care of the “originals of all the administrative documentation of the public interest for the state of Sao Paulo, as well as for all official and private statistical and cartographic services.”

In October 1938, the agency became the State Statistical Department (DEE), which, due to a jurisdictional crisis with the Brazilian Institute of Geography and Statistics (IBGE), came to be know as the Department of Statistics of the State of Sao Paulo (DEESP) in December of 1950.

In September 1976, DEESP was integrated into the Data Analysis Coordination (CAD), which was also responsible for management of the State Statistical Data Analysis System. On December 4, 1978, the System became an entity in and of itself with the status of Foundation.

On January 19, 1979, the Creation of the State Data Analysis System – SEADE – was approved, along with the array of operational regulations, which were to rule it. As the heir and recipient of such a legacy, the newly formed foundation not only organized the most extensive archives of socio-economic and demographic information about the State of São Paulo, but also stood out as a center for the production, treatment, analysis and dissemination of such information.

The research methodology and procedures created by SEADE over the course of the last 15 years currently represent some of the principal sources of information about the

State of Sao Paulo, and have turned the foundation into an important reference center for studies in these areas.

3. The Methodology

The methodology proposed is based on the information available from Sistema Estadual de Análise de Dados) State Analysis Data System Foundation (SEADE) through the Research of the economical activity of São Paulo (PAEP), of 1996, considered the golden year of Plano Real (Real Plan).

Plano Real was an economics stabilization plan implemented by the Brazilian Government in 1994 which promoted the decrease and control of the inflation rate.

As soon as inflation was controlled, there was a fast increase in a Brazilian economy growth rate. With the international finance crisis in 1997 however, it became difficult to keep the growth rate and the Federal Government introduced many modifications in the macroeconomics rules to avoid the return of high inflation rates.

Therefore 1996 is interesting as a reference point in that the SEADE Foundation wants to provide historical series, carrying out research every four years period. The PAEP opens up many opportunities through the building of indexes from the databases available in CD-ROM.

Following the research, in 1996 the economy of the state of São Paulo showed about 41.4 thousand industries with more than 5 people occupied and 359.3 thousand commercial firms, employing about 2 million people. As we have already mentioned, in this extensive research, similarly to a economical census , every 12,476 industries of São Paulo with more

than 30 employees were interviewed and from the 35,483 industries with number of employees between 5 and 30 6,858 business were interviewed.

During the interviews, 482 variables of industrial activity were analyzed. These variables produced indexes of efficiency, innovation capacity, patrimonial rebuilding, investments and the environment position.

The industrial sector is responsible for added value up to almost four times than that originated by the commercial sector. Most of the enterprises are small businesses: 90.8% industries have at most 100 employees and 99.7% of the commercial firms are at this level.

There is a belief that during the recent years, the economic activities in the state of São Paulo has been driven from the neighborhood of the capital (São Paulo City) to other areas of the state. PAEP showed that the metropolitan capital area still concentrates 57 % of industrial units and the same percentage of workers at this sector. Concerning commerce, 40.5 % of firms and 50.5% of workers of the sector are in this area.

The regions farther from the city of São Paulo (Presidente Prudente, Aracatuba, Barretos, Marília, for example) have the lowest number of firms. In an intermediate position are the regions of Sorocaba, Campinas, São José dos Campos e Santos. The industrialization process in these areas is strongly integrated to the metropolitan area.

This data corroborates our concern to divide the goals fairly for tax collection among the eighteen branches.

At the PAEP the information about economical sectors were grouped by CNAE (National Classification of Economical Activities), which the São Paulo government since June 2000 has adopted.

The purpose of this work is to compare the information given by PAEP with the available database of the Secretariat of Finance. The amount of tax that each taxpayer must

pay is returned by them, monthly, in a document called Information and Account of Tax Form (GIA). The amount actually collected is informed by the bank system. We will obtain the ratio between the ICMS (Added Value Tax) collected in 1996 in each area and the added value expected (or alternatively the total amount of sale) obtained from the information of the purchased goods and total sales given by PAEP. With this we will calculate the effective aliquot of 1996 for each one of the sectors and branch territories.

We will assume that this is the highest aliquot expected for this region.

The economical information of PAEP for 1996 will be brought to the period for 1997 until 2000, based on sector increase production and annual price variation indexes published by IBGE (Brazilian Institute of Geography and Statistics).

For each Fiscal Year (from 1997 until 2000), we will determine the effective aliquot for each region in order to identify the behavior changes in each area and investigates the reasons for that.

To estimate the tax collection potential in each region for the following years, we will use the growth rate and the adjustment of prices expected for this period.

PAEP also has information about the foreign trade of firms – the amount of exports in comparison to the total revenue and the amount of imports in comparison to the total purchase. In the industrial sector, in 1996, exports were 10.3 % of revenue and the imports, 18.7 % of what was purchased.

The information relating to exports will be used to weigh up the added value for each region. This is important in order to exclude, for each region, the revenues originating from exports and also to exclude the export related tax from the total amount collected.

This step is necessary to isolate the effects of the 87/96 law (Lei Kandir) which brought exemption to exports starting from November/96.

The historical analysis of ICMS collection shows that the Fiscal Year of 1996 represented the greatest rates between sales and tax collection for most sectors. Therefore, we consider that the effective aliquots observed for that year as a sign of collection potential.

We must be aware of significant changes in the distribution of economical activity among branches.

To determine the collection potential of the branches, the following steps must be followed:

1. Identify and quantify the taxpayers that began their activities after January 1, 1997 in order to be excluded from the analysis since they were not present at the PAEP survey.
2. Quantify their importance on the total present collection.
3. Define the taxpayer group for this study as the difference between the present active taxpayers and those identified on the item 1.
4. Determine the amount of tax collected by the taxpayer group, in each branch, for 1996.
5. Identify the taxpayers that stopped their activities from 1997 until now and have an evaluation about their importance in the total amount collected.
6. Obtain, from the Secretariat of Finance database, the added value information given by the taxpayers.
7. Determine the effective aliquot in 1996 and compare the tax collection and the added value available by PAEP.
8. Update the added value determined by PAEP for the fiscal years of 1997, 1998, 1999, and 2000 using the IBGE indexes.

9. Obtain, from the Secretariat of Finance database, the tax collected and added value for these fiscal years in order to calculate the effective aliquot for this period.

10. Estimate the effective aliquot potential by the ratio between the tax collected and the data obtained in item 8.

11. Compare the rates determined in items 9 and 10 in order to identify the regions where the aliquot calculated using PAEP data are higher than the aliquot calculated using Secretariat of Finance data.

12. We will consider that the regions where the aliquot calculated using PAEP data are higher than those where the tax evasion practices are more common, consequently they have higher tax collection potential.

13. As explained in chapter IV of this study, it was established that the tax collection must increase in a rate of 1.6 % of the taxable GDP of the state of São Paulo, in the following fiscal years (2000, 2001 and 2002). We intend to divide this goal among the regions according to tax collection potential identified in the item 12.

In the face of the methodology described, it is necessary to consult the database, which originated the PAEP in order to obtain the information related with total revenue and added value of the firms.

We have already had some meetings with members of SEADE staff. They are willing and able to give us the information following the regional division adopted in the Secretariat of Finance.

As a matter of fact, the information provided by PAEP is classified in economical sectors. It was adopted the National Classification of Economical Activities (CNAE)³ in order to maximize the comparisons between PAEP and the economic researches produced by IBGE (Brazilian Institute of Geography and Statistics). The Secretariat of Finance of São Paulo has also adopted the CNAE to classify the economic activity of its taxpayers, since June/2000. In the survey, the industry and commerce were divided into 111 sectors (Appendix 1). For the Executive Department of Tax Administration, it is also important to establish goals of collection for the different sectors. Some of them have already been objects of specific actions. The focus of this study, however, is the economical activity in the eighteen branches of the state. Therefore the database of PAEP must be re-classified.

During the fiscal year of 2000 we started to test the methodology purposed, still using economic sector PAEP classification. Now we present the results achieved.

4. Preliminary results

The research on the Secretariat of Finance database identified 965,555 taxpayers in business in 2000/ June.

Excluding those whose activities started after 1997/ January, we have a base of 500,666 taxpayers. We can assume that these firms were surveyed in the PAEP research.

After checking the amount of tax collected by this group of taxpayers, in the fiscal year of 1999, we found that this universe corresponds to 92% of total amount collected in that

³ The CNAE is compatible with the International Standard Industrial Classification of all Economic Activities – ISIC (Classificacion Industrial Internacional Uniforme – CIIU), 3rd review of United Nations.

year. That means, besides the PAEP has been done in 1996, the firms surveyed in this research still have a huge role on the ICMS revenue.

In the Secretariat of Finance database, each taxpayer is registered with its specific CNAE. The 111 economic sectors studied by PAEP are composed by groups of CNAES related to similar economical activities.

The tax collection for these sectors for the Fiscal Years 1996-1999 is reported at Table 1.

TABLE 1

SECTOR	TOTAL 96	TOTAL 97	TOTAL 98	TOTAL 99
11	5,355,835	4,901,192	2,892,861	3,585,234
151	45,175,543	34,962,104	39,261,526	17,739,207
152	122,571,589	60,549,241	53,268,060	48,319,646
153	34,635,749	34,187,223	37,199,961	41,715,872
154	241,052,788	231,126,996	228,665,563	242,150,500
155	107,284,286	107,086,102	113,387,865	151,077,186
156	103,090,135	77,807,936	50,819,085	73,371,314
157	14,268,081	7,801,790	6,042,011	6,575,258
158	420,803,737	403,040,477	399,901,142	382,188,224
159	1,123,884,639	971,153,163	965,906,230	875,054,379
160	519,333,449	522,050,813	560,755,614	536,356,979
171	9,185,579	6,933,228	5,278,845	2,696,294
172	173,824,826	166,264,748	161,293,852	193,537,583
173	116,319,416	105,076,557	84,892,704	94,126,306
174	30,194,039	25,218,984	25,225,238	24,989,270
175	12,964,375	12,340,615	9,817,826	8,207,747
176	61,506,967	72,659,164	61,686,501	60,399,930
177	55,866,559	51,785,860	42,862,014	46,727,033
181	153,322,851	163,347,448	139,246,071	127,586,743
182	18,693,578	19,358,640	17,162,821	17,639,800
191	4,502,970	3,285,374	2,768,016	2,223,195
192	8,774,877	11,017,780	10,428,341	11,592,397
193	60,895,262	52,224,168	37,361,978	35,823,916
201	6,169,268	7,390,571	5,291,265	4,575,262
202	43,979,672	50,677,441	47,489,745	37,862,848
211	14,981,775	4,217,139	5,863,773	17,657,833
212	138,698,034	89,281,512	103,951,796	127,271,277
213	144,877,083	152,412,426	164,687,516	166,390,073
214	228,824,679	253,297,712	246,806,509	250,282,491
221	71,094,708	68,568,156	62,771,674	67,145,925
222	22,807,800	38,366,509	32,264,626	41,683,614
223	1,947,991	3,600,885	2,645,911	2,242,453
232	1,506,986,208	1,978,122,668		1,688,934,355
234	42,541,447	29,720,269	15,810,393	50,230,608
241	140,284,057	133,790,037	123,081,877	159,309,662
242	219,911,597	250,309,233	259,827,705	313,401,280
243	184,272,821	188,465,556	187,202,775	257,371,874
244	79,564,888	72,145,008	79,286,780	109,174,141
245	758,679,175	903,172,591	921,042,584	1,168,063,763
246	33,081,465	49,331,921	45,036,965	62,704,853
247	314,261,663	357,717,111	371,345,828	363,357,378
248	150,215,080	158,335,812	169,330,321	178,783,257
249	313,617,951	337,808,129	341,331,610	417,988,367
251	232,822,012	245,126,931	248,594,989	220,453,574
252	331,648,830	367,988,801	350,802,478	356,620,132
261	139,074,356	131,990,099	111,336,819	126,020,346
262	81,007,106	114,953,546	149,265,668	135,397,798
263	52,193,048	52,930,888	39,803,174	39,403,803
264	73,068,081	79,764,836	77,670,993	79,514,821
269	41,046,448	51,740,747	49,125,943	45,674,783
271	265,984,874	293,351,785	271,291,699	126,485,874
272	43,930,437	59,098,072	50,755,382	36,375,807
273	17,854,731	27,796,864	25,339,730	19,708,448
274	116,208,817	146,593,401	132,571,107	163,993,679
275	34,888,265	38,017,655	35,047,963	31,988,797
281	30,451,774	34,809,821	41,569,973	36,721,863
282	7,921,879	9,756,076	8,174,248	5,943,643
283	63,589,724	83,093,508	73,784,173	64,808,885
284	61,320,194	66,483,670	55,080,830	59,344,898
289	164,538,457	183,725,785	175,951,074	175,939,595
291	165,527,040	153,481,569	175,611,802	193,737,537
292	131,555,181	160,169,355	163,754,827	139,601,364
293	14,507,198	17,023,511	16,004,876	11,557,666
294	39,910,798	45,596,875	40,751,891	49,373,964
295	19,938,911	48,566,271	38,261,877	45,801,610
296	97,470,503	108,947,810	128,313,733	139,772,328

297	7,895,575	11,133,616	11,127,144	3,398,679
298	189,591,715	165,080,912	159,368,487	153,150,517
301	4,349,576	5,413,278	6,574,316	11,513,520
302	46,776,509	57,874,761	68,257,521	97,786,466
311	37,779,171	51,430,198	76,115,697	95,585,417
312	58,695,011	80,825,101	88,111,113	87,046,812
313	55,643,651	75,333,428	95,227,510	69,518,715
314	24,045,922	31,394,483	26,991,272	21,777,981
315	34,201,810	40,789,454	43,647,168	52,580,120
316	39,470,189	36,635,476	29,379,597	38,744,022
319	56,206,582	46,798,909	51,783,540	46,600,071
321	44,251,011	54,817,109	58,475,159	48,372,920
322	218,130,004	304,699,140	284,048,333	445,591,426
323	65,471,164	77,303,912	58,589,476	28,070,080
331	35,252,530	40,135,832	38,267,043	38,132,054
332	18,498,978	24,027,132	23,109,500	24,765,367
333	9,465,903	13,037,971	15,047,146	18,335,153
334	13,570,841	11,524,945	12,072,169	15,898,504
335	6,808,664	7,026,114	7,792,478	6,226,823
341	788,565,781	750,661,221	393,211,626	255,344,142
342	158,575,151	150,554,565	91,735,122	97,782,970
343	15,429,663	12,344,472	9,619,792	4,652,828
344	575,502,462	664,532,677	618,608,273	609,168,873
345	3,065,580	3,227,301	3,365,273	2,241,032
351	1,091,429	1,497,205	1,571,603	1,623,120
352	2,205,958	5,136,759	7,860,294	6,148,767
353	4,949,907	7,396,039	9,173,798	12,253,895
359	39,609,103	45,792,097	32,029,724	28,555,184
361	113,680,735	131,372,504	129,184,295	124,352,428
369	105,714,214	115,733,974	123,527,860	126,690,804
501	120,036,042	108,076,519	103,044,630	81,522,964
503	127,219,934	137,104,169	118,400,389	121,964,722
504	4,378,822	5,760,480	5,197,830	4,720,638
505	13,996,657	15,689,732	20,881,103	14,331,491
512	15,583,805	9,285,023	7,652,892	8,953,111
513	205,048,481	219,057,780	233,116,863	275,362,312
514	310,436,259	322,988,591	344,401,295	350,037,299
515	998,952,528	911,380,618	506,374,014	621,465,399
516	164,703,924	220,276,596	259,806,621	285,587,873
519	127,660,573	183,133,408	187,923,702	211,517,926
521	383,961,543	389,904,820	429,582,137	390,994,444
522	62,265,947	64,752,497	64,587,688	56,529,232
523	272,418,491	314,726,554	302,098,851	281,683,031
524	772,412,760	846,897,317	895,151,033	878,347,874
526	4,582,393	3,725,035	2,153,908	2,458,923

Table 1 - Total amount collected for the 111 economic sectors studied by PAEP (Currency - R\$)
Source: Secretariat of Finance of State of São Paulo.

Among these 111 sectors, the amount collected by 45 of them was above R\$ 80,000,000. These 45 sectors represent 75.65% of the whole taxpayers mentioned above (500,666) and are reported at Table 2.

TABLE 2

SECTOR	TOTAL 96	TOTAL 97	TOTAL 98	TOTAL 99
--------	----------	----------	----------	----------

154	241,052,788	231,126,996	228,665,563	242,150,500
155	107,284,286	107,086,102	113,387,865	151,077,186
158	420,803,737	403,040,477	399,901,142	382,188,224
159	1,123,884,639	971,153,163	965,906,230	875,054,379
160	519,333,449	522,050,813	560,755,614	536,356,979
172	173,824,826	166,264,748	161,293,852	193,537,583
173	116,319,416	105,076,557	84,892,704	94,126,306
181	153,322,851	163,347,448	139,246,071	127,586,743
212	138,698,034	89,281,512	103,951,796	127,271,277
213	144,877,083	152,412,426	164,687,516	166,390,073
214	228,824,679	253,297,712	246,806,509	250,282,491
241	140,284,057	133,790,037	123,081,877	159,309,662
242	219,911,597	250,309,233	259,827,705	313,401,280
243	184,272,821	188,465,556	187,202,775	257,371,874
245	758,679,175	903,172,591	921,042,584	1,168,063,763
247	314,261,663	357,717,111	371,345,828	363,357,378
248	150,215,080	158,335,812	169,330,321	178,783,257
249	313,617,951	337,808,129	341,331,610	417,988,367
251	232,822,012	245,126,931	248,594,989	220,453,574
252	331,648,830	367,988,801	350,802,478	356,620,132
261	139,074,356	131,990,099	111,336,819	126,020,346
262	81,007,106	114,953,546	149,265,668	135,397,798
271	265,984,874	293,351,785	271,291,699	126,485,874
274	116,208,817	146,593,401	132,571,107	163,993,679
289	164,538,457	183,725,785	175,951,074	175,939,595
291	165,527,040	153,481,569	175,611,802	193,737,537
292	131,555,181	160,169,355	163,754,827	139,601,364
296	97,470,503	108,947,810	128,313,733	139,772,328
298	189,591,715	165,080,912	159,368,487	153,150,517
322	218,130,004	304,699,140	284,048,333	445,591,426
341	788,565,781	750,661,221	393,211,626	255,344,142
342	158,575,151	150,554,565	91,735,122	97,782,970
344	575,502,462	664,532,677	618,608,273	609,168,873
361	113,680,735	131,372,504	129,184,295	124,352,428
369	105,714,214	115,733,974	123,527,860	126,690,804
501	120,036,042	108,076,519	103,044,630	81,522,964
503	127,219,934	137,104,169	118,400,389	121,964,722
513	205,048,481	219,057,780	233,116,863	275,362,312
514	310,436,259	322,988,591	344,401,295	350,037,299
515	998,952,528	911,380,618	506,374,014	621,465,399
516	164,703,924	220,276,596	259,806,621	285,587,873
519	127,660,573	183,133,408	187,923,702	211,517,926
521	383,961,543	389,904,820	429,582,137	390,994,444
523	272,418,491	314,726,554	302,098,851	281,683,031
524	772,412,760	846,897,317	895,151,033	878,347,874

Table 2 - Sectors which amount collected are above R\$ 80,000,000
Source: Secretariat of Finance of State of São Paulo.

The Graphic 1 represents the amount collected by the 45 sectors listed on table 2. We can notice that there are 12 sectors in which the amount collected is above R\$300,000,000.

The Secretariat of Finance has already specialized teams working on some of these sectors, such as:

159 – Beverage Manufacture

245 – Pharmaceuticals Products Manufacture

247 – Soaps, Detergents, Cleaning and Perfumery Products Manufacture

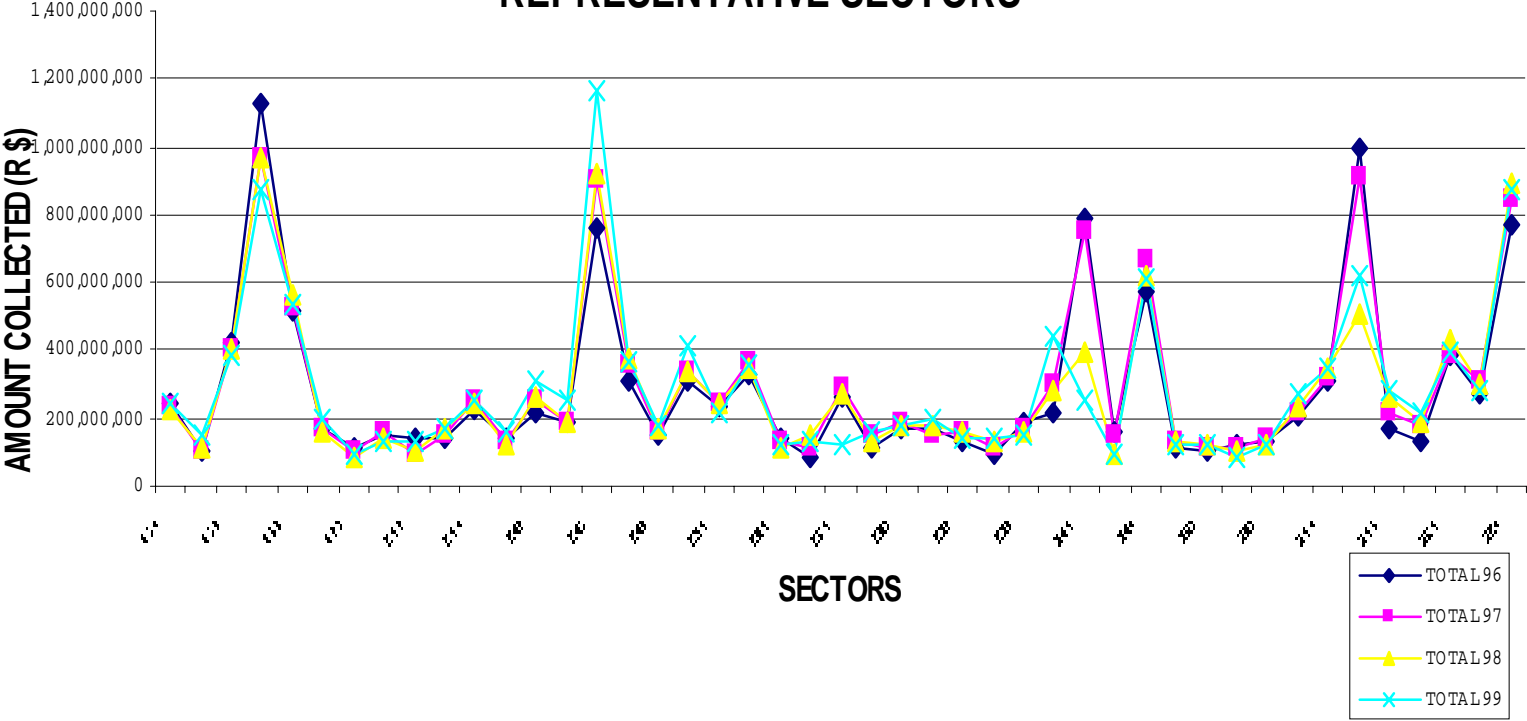
249 – Different Chemical Products Manufacture

344- Pieces and Accessories Pieces for Automobiles Manufacture

These teams have studied the production of these sectors, identified the most important irregular practices and determined specific actions in order to increase the tax collection.

These data were collected from the Secretariat of Finance database. Unfortunately, we were not yet able to check the sales and added value data collected by PAEP.

GRAPHIC 1 - TAX COLLECTION FOR THE 45 MOST REPRESENTATIVE SECTORS



VI. CONCLUSIONS

During the last decade of the 20th century, management concepts such as search of efficiency, high productivity and cost restriction started to be implemented in the public sector. This study showed that in the USA this issue was subject to government laws with the purpose of spreading these concepts among the governmental agencies.

Some agencies have already assumed these new ideas and are producing reports where it is possible to notice better performance levels.

In some states, as Florida, huge programs were implemented. With effective business work, it was possible for the state to provide many facilities for the citizens. They reduced the red tape, increased the amount of tax collected and helped the taxpayers to obey their tax obligations.

We could also see that the search of accountability in the public sector is present in many countries such as Australia and the United Kingdom. Even international organizations, such as OECD, have this issue on their agenda.

Fortunately the government of the state of São Paulo has been aware of these worldwide changes and has been implementing its own modernization process. The signs of this process can be seen in many governmental agencies. The Secretariat of Finance assumed its role and, supported by an Inter-American Development Bank loan, the public services have already greatly improved.

At this moment, one of the main concerns of the Secretariat of Finance is to reduce the unitary-cost of the administration by increasing the amount of tax collection. Therefore, it has established goals of tax collection for the next fiscal years.

Nevertheless, the tax administration knows that besides the high tax evasion level in the state, it is different among the eighteen tax administration branches. So it is important to know the real tax collection potential in each branch in order to fix different goals for the areas. The tax administration knows that it is unrealistic to divide equally the goals among the branches. If it would be done, the tax administration would not be able to evaluate whether or not the branches were able to achieve their goals for economic reasons or because of lack of compromised behavior of the staff of those branches.

In this study we proposed a method to fairly divide the tax collection goals by using internal and external economic data.

Unfortunately, it was not possible to establish the regional goals because the external data were not available yet. But we are convinced that the described method is perfectly feasible.

There is another reason to implement this method. Until 1999 the managers of the tax administration branches were quite independent. They did not use technical criteria to choose the taxpayers to be audited and there was little worry about increasing tax collection or providing better services. Since then the Coordination of Tax Administration implemented an administrative reform. Nowadays the taxpayers to be audited are chosen based on technical criteria elaborated by headquarters staff and distributed among the branches. The branches must audit the selections in a determined period and then report the results to the headquarters. The work done is evaluated. If an audit does not achieve the expected result the managers must provide an explanation. Another innovation: the tax auditors, who usually worked alone, must work in team now. The tax administration, synchronized with the modern management theories, believes that teamwork allows the exchange of knowledge and consequently a more effective work can be done.

There was too much resistance to implement these changes. Among other reasons, the managers did not want to lose their administrative independence and the tax auditors did not want to work in teams. But the tax administration insisted on the changes. They were important to consolidate the modern pattern of administration that the Secretariat of Finance has been implementing.

So the establishment of a method to divide technically the goals of tax collection among the branches reinforced the innovations that were implemented since 1999.

We believe that as soon as we have different goals using the method proposed, it will be possible to monitor closely the branches' performances, given the necessary assistance.

APPENDIX 1

Sectors of Economic Activities studied at PAEP.

113	Extractive Industry
151	Meat and Fish Slaughter and Preparation
152	Fruit and Vegetable Pickle Processing, Preservation and Manufacturing
153	Vegetable and Animal Oil and Fat Manufacturing
154	Dairy
155	Starch Products and Balanced Animal Ration Grinding and Manufacturing
156	Sugar Refinement and Manufacturing
157	Coffee Roast and Grinding
158	Other Food Products Manufacturing
159	Beverage Manufacturing
160	Tobacco Products Manufacturing
171	Natural Textile Fibers Improvement
172	Thread
173	Weaving
174	Textile Artifacts Manufacturing
175	Finish Services in Textile Goods (Buttons, Zippers, etc.)
176	Fabric Artifacts Manufacturing (Excluding Clothes)
177	Fabric and Knitwear Manufacturing
181	Clothes Manufacturing
182	Clothing and Professional Security Accessories Manufacturing
191	Tanning and Other Leather Process
192	Leather Goods for Travelling Manufacturing
193	Shoes Manufacturing
201	Different Wood Process
202	Wood Products, Cork and Woven Material Manufacturing
211	Cellulose and Other Pastes for Paper Manufacturing
212	Paper, Smooth Cardboard, Card Manufacturing
213	Paper or Cardboard Packing Manufacturing
214	Paper, Smooth Cardboard, Card Artifacts Manufacturing
221	Publication: Publication and Printing
222	Printing and Connected Services for Contracting
223	Recorded Material Reproduction
232	Oil Refining
234	Alcohol Production
241	Inorganic Chemical Products Manufacturing
242	Organic Chemical Products Manufacturing
243	Resin Manufacturing
244	Fibers, Wires, Cables Manufacturing
245	Pharmaceutics Products Manufacturing
246	Agriculture Pesticides Manufacturing
247	Soaps, Detergents, Cleaning and Perfumery Products Manufacturing
248	Inks, Varnish, Enamel, Lacquer and Similar Products Manufacturing
249	Different Chemical Products Manufacturing
251	Rubber Products Manufacturing
252	Plastic Products Manufacturing
261	Glass and Glass Products Manufacturing
262	Cement Production
263	Concrete, Cement, Plaster Products Manufacturing
264	Pottery Products Manufacturing
269	Agregate Stones and Lime Manufacturing
271	Integrated Steelworks
272	Steel Products Manufacturing
273	Pipe Manufacturing
274	Non-Iron Metal Metallurgy
275	Fusing
281	Metallic Structures Manufacturing and Strong Boiler Building
282	Tank, Boiler and Reservoir Metallic Manufacturing
283	Imprinting, Powder Metallurgy, Metallic Treatment Services
284	Cutlery, Locksmith, Manual Tools Manufacturing
289	Different Metallic Products Manufacturing
291	Motors, Pumps, Compressors and Transmission Equipment Manufacturing

292	General Machines and Equipment Manufacturing
293	Tractors, Agriculture Machines and Equipment Production
294	Machine-tools Manufacturing
295	Machines and Equipment for Mineral Extraction Manufacturing
296	Other Machine and Specific Equipment Manufacturing
297	Guns, Ammunition and Military Equipment Manufacturing
298	Household Appliances Manufacturing
301	Office Machines Manufacturing
302	Electronic Systems for Informatics Manufacturing
311	Generators, Transformers and Electrical Motors Manufacturing
312	Equipment for Distribution and Electrical Energy Control Manufacturing
313	Wires, Cables and Isolated Electrical Conductors Manufacturing
314	Batteries Manufacturing
315	Lamps and Lighting Equipment Manufacturing
316	Electrical Material for Vehicles Manufacturing – Except Batteries
319	Other Equipment and Electrical Devices Manufacturing
321	Basic Electronic Material Manufacturing
322	Devices and Equipment for Telephony and Radiotelephony Manufacturing
323	Radio and Television Receptor Devices Manufacturing
331	Medical and Dentist Instruments and Devices Manufacturing
332	Scales, Test and Control Instrument and Devices Manufacturing
333	Electronic Systems Equipment Machines and Devices Manufacturing
334	Optical, Photographic Instruments and Devices Manufacturing
335	Chronometer and Watches Manufacturing
341	Automobiles and Vans Manufacturing
342	Trucks and Buses Manufacturing
343	Cabins, Bodywork and Trailers Manufacturing
344	Pieces and Accessories for Automobile Manufacturing
345	Recovery of Motors and Automobile Manufacturing
351	Vessels Building and Recovery
352	Railroad Vehicles Building, Assembly and Recovery
353	Airplanes Building, Assembly and Recovery
359	Other Transport Equipment Manufacturing
361	Furniture Goods Manufacturing
369	Different Products Manufacturing
501	Vehicles Retail and Wholesale Commerce
503	Pieces and Accessories for Automobile Vehicles Retail and Wholesale Commerce
504	Motorcycles Parts and Pieces Commerce and Recovery
505	Fuel Retail Trade
512	Agriculture “In Natura” Products Wholesale Commerce
513	Food, Beverage and Tobacco Wholesale Commerce
514	Personal and Domestic Products Wholesale Commerce
515	Intermediate No-Agriculture Products Wholesale Commerce
516	Agriculture Machines and Equipment Wholesale Commerce
519	Other Goods Wholesale Commerce
521	No Specialized Retail Trade
522	Food, Beverage and Tobacco Retail Trade in Specialized Stores
523	Fabrics, Haberdashery Products, Clothing, Shoes Retail Trade
524	Other Products Retail Trade in Specialized Stores
526	Retail Trade not done in Stores

BIBLIOGRAFY

Aristigueta, M.P. (1999). *Managing for Results in State Government*. Quorum Books,
Westport, Connecticut.

Ellig, J. (2000). *Which Federal Agencies Inform the Public?* Marcatus Center. George
Mason University. Arlington, Virginia.

Fundacao de Amparo a Pesquisa do Estado de São Paulo, FAPESP. (1999). *São Paulo se
Revela*. In : Noticias, 46, Setembro 1999.

Kennedy, D.M. (1999). *Freedom from Fear*. Oxford University Press.

Newcomer, K. E. (1997). *Using Performance Measurement to Improve Programs*. In:
Using Performance Measurement to Improve Public and Nonprofit Programs.
(K. E. Newcomer, ed.). Jossey-Bass Publishers, San Francisco.

Rivlin, A. M. (1992). *Reviving the American Dream*. The Brookings Institution,
Washington, D.C.

Stanley, D. T. (1999). *Excellence in Public Service – How Do You Really Know?*
In: Public Sector Performance (R. C. Kearney & E. M. Berman, ed.)
Westview Press, Boulder, Colorado.

Wholey, J.S. (1989) *How Evaluation Can Improve Agency and Program Performance*.
In: Improving Government Performance (J. S. Wholey, J. S., K. E. Newcomer
and Associates, ed.). Jossey-Bass Publishers, San Francisco.

WEBSITES

CONCLA, Comissao Nacional de Classificacao : www.ibge.gov.br/concla

Department of Revenue of State of Florida: www.myflorida.com

Government Performance and Results Act of 1993: www.whitehouse.gov/omb

Governo do Estado de São Paulo: www.saopaulo.sp.gov.br

Governo da Republica Federativa do Brasil, Ministerio da Fazenda: www.fazenda.gov.br

Organization for Economic Co-operation and Development (OECD): www.ocde.org

Secretaria Dos Negocios da Fazenda de São Paulo: www.fazenda.sp.gov.br

SEADE Foundation: www.seade.gov.br

The United States General Accounting Office: www.gao.gov

TheUnited States Senate, Governmental Affairs Committee: www.senate.gov/committees