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**THE BRAZILIAN FEDERAL BUDGETARY PROCESS**

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## Abstract

The main objective of this study is to present the role of the budgetary process in Brazil and to understand how the Brazilian government has been planning and executing its budget. The paper describes basic budgetary concepts; explains how the Brazilian budgetary process works; reveals some existing problems in the budgetary legislative process, and in its foundation, and in its execution; and in the end it looks for proposals to improve the process.

First, this paper covers the basic concepts about budget, explaining budgetary functions and principles. It also describes important concepts, such as revenues and expenses, and explains briefly the budgetary process evolution.

The following chapter presents the foundation of the budgetary process in Brazil: The Constitution of 1988, The Law of Fiscal responsibility of 2000 and The Law 4.320 of 1964. After this, the chapter explains the legislative budgetary process in Brazil: The Multi Annual Plan (PPA), The Budgetary Annual Guideline (LDO) and The Annual Budgetary Law (LOA).

Lastly, it presents some problems existing in the Brazilian budgetary process and some possibilities of improvement.

In sum, this paper intends to provide some alternatives and tools that the Brazilian government can employ to improve its budgetary process and ensure a higher level of efficient management.

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## 1 - Introduction

The challenge of the government is to estimate revenues and expenses attending self-demands, diverse obligations and essential projects to improve the population's welfare. At the same time, the duty of the government is to obtain financial results and maintain its debts at sustainable levels.

In recent years, the Brazilian public debt has been increasing rapidly and every year the government sets a fiscal target, which is important for the government to prevent further debt increase.

The quality of the budgetary process is essential for the achievement of fiscal targets, hence this paper's objective is to study and analyze the Brazilian federal budgetary process, specifically the legislative process.

This study summarizes the budgetary process in Brazil, point to some current problems and lastly shows some recommendations for its upgrading.

## 2 ó Budgetary Concepts

### 2.1 - Budget: Definition, Objectives, Functions and Principles

#### Definition

Nowadays, a budget is seen as a document which forecasts amounts of money during a period (usually one year) which should enter and go out from the public accounts. The budget must specify sources of revenues and the main expenses forecasted. Usually, the budget is formalized by law that comes from the executive branch and after that it is approved by the legislature as forecasted in the Federal Constitution (Sanches 1997, p 168).

It is important to mention that the budget is not merely a system of political control. Rather, the budget is an important planning tool.

The budget ensures the management of public resources and expenses and the governmental evaluation is possible only following the budgetary execution.

Not only budget and planning are functions of one another, but they are also complementary processes, and they move in the same direction.

#### Objectives of the Budgetary Process

There are many objectives included in the budgetary process. Those of main importance include (Albuquerque, 2008, p. 194):

- Increasing real incomes;
- Decreasing social dissimilarities;
- Reducing market imperfections;
- Maintaining economic and social stability;
- Promoting income distribution;

- Providing public goods;
- Providing basic public functions, such as justice and security.

#### Budgetary Functions

- Allocation function: The government must provide public goods and services which cannot be provided by the private sector in an efficient way.
- Distribution function: The state must intervene in the economy to minimize social inequality.
- Stabilization function: The balance of prices and the employment rate in the economy (Albuquerque, 2008, p. 195).

#### Budgetary Principles:

The budget is linked to norms and rules that orientate its creation and execution. These norms and rules are designated budgetary principles. Brazil has been using the following principles to elaborate its budget:

- Unit: It is suppose to be only one budget per period;
- Universality: The budget must include all revenues and expenses correlated to all public administration levels;
- Periodicity: The budget must be limited for a period of time: usually one year;
- Exclusivity: The Annual Budgetary Law must not include subjects not linked to the budget, at the same time, other no budgetary laws must not include budgetary subjects;
- Specialization: This principle objective is to avoid global expenses authorization. Each expense must be detailed allowing each one knows the origin and destination of public resources;

- **Publicity:** All budgetary information must be published by media allowing all citizens to have knowledge about it;
- **Gross budget:** This principle establishes that all revenues and expenses must be included in the budget using their gross values. Any kind of deductions is not supposed to be included in the budget. This principle allows a wide vision of the entire budget;
- **No affectation of revenues:** Any parcel of revenues should be compromised with specific expenses. Anyway, there are many exceptions about this in the Brazilian Constitution.
- **Balance:** The budgetary balance establishes that expenses must not exceed the forecasted revenues (Albuquerque, 2008, p. 194).

## 2.2 - Revenues and Expenses

Revenues and expenses are two of the most important concepts inside the budget. After all, it is desirable to know from where the money will come and which kind of expenses and projects will be attended by the government with the public resources collected.

Therefore, it is important to understand the main concepts and characteristics about revenues and expenses.

### 2.2.1 - Revenue

**Concept:** Revenue means any kind of money going into public accounts. This received money should not only be subject to refund or corresponding reduction of assets (Albuquerque, 2008, p. 219).

**Example:** When the government borrows some money, it does not mean revenue. Since the Government will have to pay the corresponding debt.

## Stages of Revenue

Forecast: The LOA must predict all sources of resources during the budgetary period. The process to estimate revenues should identify some risks like:

- Gross Domestic Product ó GDP: Taxes are usually percentages of salaries and prices. Therefore, the GDP is strongly correlated to the amount of revenues predicted.
- Inflation: The inflationary process changes the nominal product affecting the amount of taxes collected too.
- Exchange rate: A variation in the exchange rate changes the flow of importations and exportations, affecting directly the amount of taxes collected over products exported and imported (Albuquerque, 2008, p. 233).

Collection: It means when the government effectively receives taxes, tributes or other sources of receipts.

### 2.2.2 - Expenses

Characteristics: The most important expense characteristic is that any expense must be listed on the budgetary forecast.

The Brazilian Law of Fiscal Liability forbids:

- The execution of programs and projects not included in the annual budgetary law;
- Execution of expenses exceeding budgetary credits.

### Budgetary Execution Stages

- Budgetary forecast: it includes all stages of budgetary planning: PPA, LDO and LOA;
- Budgetary credit allocation: The Federal Government has to distribute the values authorized in the budget to each administrative unit;

- Bidding process: each expense must be accomplished by the most economic available option in the market. It involves a long bureaucratic process to choose suppliers;
- Reserve of part of budget for specific expense. This step is a guarantee for the supplier that the government will have resources to pay the good or the service. The reserve of budget for a specific expense can happen in three different ways;
  - o Ordinary reserve: when we have only one payment and the value can be exactly predicted;
  - o Estimation reserve: it is used in some cases, as payment of service of energy, water and telecommunications, which cannot be exactly estimated;
  - o Global reserve: Some kinds of services have different stages, and the payment must be done in stages in according with the service evolution;
- Contract signature: all public administration acts must be formalized;
- Delivering of goods or service;
- Expense acceptance: formal acceptance that the good or service was delivered;
- Tax retention: in some cases, when the supplier has to pay some tribute, the government collect this tribute before the payment;
- Payment: the last stage of this process. The beneficiary receives the due money (Albuquerque, 2008, p. 308).

### 2.3 - The Public Budgetary Process Evolution

The public budgetary process evolution is directly linked to the evolution of democratic institutions, the increasing complexity of economies, and the advance of knowledge in areas such as economy and management (Albuquerque, 2008, p. 190).

Governmental planning techniques have been developed and new functions have been added to the budget. Therefore, different kinds of budgetary processes have been tried (Albuquerque, 2008, p. 191).

- Traditional budget: the main objective was to control public expenses using accountability techniques. It could at least reach a balanced budget and avoid uncontrolled expenses.
- Budget of achievement: the budgetary process started to evaluate some results of governmental actions beyond financial control.
- Incremental budget: The budget is programmed in according with the same structure (or just few adjustments) of the previous budget. Increase of resources in each item of the expense could be done.
- Zero base budget: The zero base budget assumes as zero the initial point for all expenses. All resources in the budget have to be reappraised every year.
- Budget program: The budget prioritizes governmental programs. The budget's purpose is to reach results and it is widely linked to the governmental planning.

Fortunately, the Brazilian budgetary process has been developed and the budget has been done according to governmental programs.

### 3 - The Brazilian Budgetary Process

#### 3.1 - The Foundation of the Brazilian Budgetary System

There are three levels of government in Brazil: federal, state and municipal. Each political jurisdiction has to elaborate its budget through the budgetary process. Beyond the Federal Constitution of 1988, there are two more laws that work as the foundation of the Brazilian budgetary system; the Law of Fiscal Responsibility of 2000 and the Law 4.320.

##### 3.1.1 - The Constitution of 1988

The Constitution of 1988 guides the budgetary process. It also defines competencies, responsibilities, taxes, redistribution of resources and even federal restrictions on expenditures. For example, each jurisdiction is limited to spending no more than 60% of its revenues on employee salaries. Also, the 1988 Constitution dictates minimum percentages required on education and health (Mora & Varsano, 2001).

##### 3.1.2 - The Law of Fiscal Responsibility of 2000

The main purpose of the Law of Fiscal Responsibility is the creation of a new pattern of medium and long term fiscal management, including:

- Restraint for certain expenditures, such as personnel;
- Debt limitation;
- Transparency stimulation;
- Restrictions for all levels of government spending near election-time;
- Responsibilities for budget administrators;
- Use of resources in accordance with the governmental program (Martell, p. 354).

### 3.1.3 - The Law 4.320 of 1964

The budget of each governmental unit must follow the law 4.320 of 1964, which sets the norms for budgeting and financial control. This law sets accounting practices for all levels of government (Martell, p. 354).

### 3.2 - The Brazilian Legislative Budgetary Process

The budgetary process in Brazil is guided by the Federal Constitution: The President is responsible for budget elaboration and can determine the kinds of programs Congress may initiate. Also, the President is able to change the budget through presidential decrees, reducing expenses.

The Brazilian budget has periodic cycles of one year, from January 1st to December 31st. Each budgetary cycle must have its revenues and expenses forecasted and fiscal targets previously defined.

The annual budget comes from three different legislative phases (stages):

- The Multi Annual Plan (Plano Plurianual - PPA);
- The Budgetary Guideline Law (Lei de Diretrizes Orçamentárias - LDO);
- The Annual Budgetary Law (Lei Orçamentária Annual - LOA).

#### 3.2.1 - The Multi Annual Plan (Plano Plurianual - PPA)

##### Definition and origin

The PPA is the largest tool of temporal reach and its purpose is to guide the governmental actions using public resources. The PPA must identify the administration's priorities and the means for achieving them. The PPA was established in the Brazilian Federal Constitution.

### Elaboration

In the first year of every new administration, the executive branch makes a PPA, which is delivered to the legislature and must be approved by December 31<sup>st</sup> (Albuquerque, 2008, p. 149).

### Duration

Despite the fact that the Brazilian budgetary cycle lasts only one year; the PPA lasts four years. Its objective is to align each annual budget with the duration of the presidential mandate. The PPA begins one year after the start of the presidential mandate and ends one year after the next president takes over. This helps maintain continuity between different administrations.

### Main Objectives

The PPA must organize all governmental actions in programs and develop the budgetary planning and management at all levels of public administration (Albuquerque, 2008, p. 150, 151).

### Transparency:

All information about governmental actions should be public. This can improve the control of public resources and end-results. In addition, it allows society to participate in the decision over public resource distribution.

### Partners:

The PPA must stimulate the participation of other entities (public and private) in public programs.

#### Management:

The PPA must provide a management system to public managers. A good management system improves the quality of decisions about what to do with public resources and facilitates the achievement of governmental objectives.

#### Evaluation:

The PPA must create conditions to evaluate and measure results, which are useful to know if public resources are being invested properly.

#### Contents:

There are two main parts of PPA`s contents: Strategic base and Programs

- The strategic base consists of:
  - Analyses of the current economic and social situation;
  - Governmental objectives, plans and priorities;
  - Forecast of budgetary resources;
  - Resource distribution between economic sectors and programs.
- Programs: The PPA must determine which problems will be solved and which actions to take to reach established targets (Albuquerque, 2008, p. 151).

#### Scope:

The PPA must include capital expenses, current expenses and expenses related to long term programs (more than one budgetary cycle).

Challenges:

The PPA must not be only a formal document. The PPA must be a powerful management tool for the federal government and local governments to formulate plans and reach their economic and social targets.

### 3.2.2 6 The Budgetary Guideline Law (Lei de Diretrizes Orçamentárias - LDO);

The LDO is a link between the PPA (which works as a governmental plan) and the LOA (the final law which establishes the annual budget).

The LDO establishes which programs will be prioritized in the budgetary program among the all programs included in the PPA.

When the legislature appraises and approves the PPA, the projects included in the PPA usually demand more resources than the annual budget can support. Therefore, the LDO has to prioritize projects which are more important in that specific political, social and economic moment.

Only the expenses which are forecasted in the federal constitution or other legal obligations have preference in the budget allocation over the priorities defined in the LDO.

#### LDO Competence

The LDO project must be undertaken by the executive branch, which must send it to the legislature approbation. Thereafter, Congress will analyze, mature and change it before approving the project.

The LDO is elaborated under the direction of the Ministry of Planning, Budget and Management (MPLAN) and the Secretary of the Federal Budget (SFB).

The executive branch makes the LDO by April 15<sup>th</sup> and the legislature must approve it by June 30<sup>th</sup>. After this, the president signs the project into law. This document is a base for the budget elaboration. Therefore, the SFB can elaborate the proposed budget for the next year (Martell, p. 355).

#### LDO Purposes

- Include targets and priorities for the federal public administration;
- Guide the LOA elaboration;
- Include changes in the tax legislation;
- Guide the balance between revenues and expenses;
- Establish fiscal targets: primary and nominal fiscal results;
- Set up criteria to make budgetary adjustments (usually reductions).

Budgetary adjustments are usually necessary when there are over estimated revenues in the budget, which makes it difficult to reach the established fiscal targets.

Therefore, fiscal targets must be observed during the entire budgetary process and the budgetary execution has to be reduced when the executive branch realizes that its goals will not be reached. These budgetary adjustments have to be done to prevent politicians from increasing debts even more.

#### 3.2.3 - The Annual Budgetary Law (Lei Orçamentária Anual - LOA)

The Annual Budgetary Law is elaborated based on the LDO. The Secretary of the Federal Budget ó SFB is responsible for developing a budgetary proposal. SFB is responsible for submitting this proposal (for the next year) to the legislature by August 31st.

The legislature can make amendments in the budgetary proposal. There is a Budgetary Commission (CMO) responsible for evaluating the proposed amendments and choosing

among them which ones are more valuable and important to governmental programs and plans.

As the final step, the revised budgetary proposal is submitted to the legislature for a vote. The legislature must approve the budget up to the end of the legislative session. Finally, the President signs it, converting it into the Annual Budgetary Law.

#### Parliamentary Amendments

There is a limitation for the Congress to make changes in the budgetary proposal. Resolutions specify rules for amendments: who can submit, how many, what defines majority support, and the scope of amendments.

The Federal Constitution establishes restrictive rules for elaboration of parliamentary amendments in the budget. These amendments have to obey the following rules:

- They cannot increase the total amount of expenses;
- They have to identify resources canceled from other program before inserting resources in other programs;
- Some kinds of expenses forecasted in the budgetary laws cannot be canceled;
- The amendment must be consistent with the PPA and the LDO (Albuquerque, 2008, p. 207).

#### Additional Funds:

The annual budget is a product of a planning process that incorporates the intentions and priorities of the people. However, sometimes, unexpected or unpredictable things happen during budgetary execution. Therefore, there are some mechanisms to correct the budget: The Additional Funds.

Additional Funds can be classified as:

- Supplementary: Complements previous budgetary resources;
- Special: Resources not specified in the previous budget.
- Extra: Related to expenses needed due to urgent and unpredictable events, such as war or public calamity (Albuquerque, 2008, p. 207).

Budget organization

The LOA is organized in three different parts:

- Fiscal budget;
- Social security budget,
- Investment budget.

It is important to note that the three parts of the LOA do not consist of three different budgets, which would be contrary to the principle of universality. All of these parts of the budget are included in the same law.

### 3.3 - Finance Programming and Execution

After the Government has established the budget, the executive branch has to establish finance programming. It is necessary because the revenues forecasted in the budget enter gradually during the year. Therefore, a good cash flow is valuable to avoid some problems such as:

- sporadic cash insufficiencies;
- under-utilization of available resources;
- lack of minimum reserves to attend sporadic contingencies;
- program interruptions;

- deviation of the plan from the forecast;
- Credit market affects;
- Social problems stemming from unpaid civil service (Albuquerque, 2008, p. 335).

## 4 - The Main Problems in the Brazilian Budgetary Process

### 4.1 - Introduction

The budgetary process evolves according to a set of rules which determines how much, on which projects and when the government will spend these resources.

There are many agents with conflicting objectives that dispute budgetary resources. These agents include: the President, ministries of different parties, governors, mayors, civil servants and other non-governmental stakeholders, such as government suppliers, unions and users of different public services. Some of these agents participate directly in the budgetary process, while others seek to persuade the direct participants.

### 4.2 - Dispute over Resources during the Budget Elaboration by the Executive Power

The budgetary process is marked for disputes. Brazil has a presidential system of alliances. Therefore, many groups which support the government win important ministerial posts as a reward for their support.

Hence, each ministry is charged by a different party and each minister wants to enlarge the budget that corresponds to his area. If the budget is higher than usual, he and his party will collect more political profits.

At the same time, the same ministers will not be recognized if the public deficit and inflation are smaller than expected. In these cases, the finance ministry receives the corresponding prestige (Miranda, p. 325-328).

#### 4.3 - Parliamentary Amendments: the Possibilities to Change the Budgetary Proposal by the Legislature.

The competition for resources among ministries does not cease after the budgetary process moves from the executive branch to the legislature. Congress can use its power to make amendments to the budget. Therefore, ministries will combine their shared interest to make amendments that increase their budgets.

The legislature is able to change the budgetary proposal sent by the executive branch using the mechanism of amendments. However, these amendments cannot reduce budgetary resources for civil servants salaries, constitutional transferences and debt payment.

The amendments must indicate resources for new expenses, and these resources must come from the annulment of other expenses. In other words, Congress cannot increase the total amount of expenses. If they want to create a new expense, they have to cancel another expense forecasted in the original budget proposal.

However, the Federal Constitution permits amendments to correct errors and omissions in the original proposal. Therefore, congress can increase expenses alleging that revenues were underestimated or expenses were overestimated.

On the other hand, when the error or omission happens in the opposite direction (overestimated revenues or underestimated expenses), usually, congress is less likely to correct it (Miranda, p. 331-333).

#### 4.4 - The Budgetary Commission in the Legislature

There is a commission in the legislature responsible for analyzing the budgetary proposal sent by the executive branch. This commission is comprised by 84 members: 63

deputies and 21 senators. They are chosen based on nomination of party leaders and according to partisan proportionality.

The qualifications of the members of the budgetary commission usually are very low. Members of the commission, including the commission's leader, often have no relevant budgetary experience prior to being appointed to the post. Unfortunately, politicians with budget expertise usually are not members of this commission.

The absence of members with good knowledge of budgetary subjects is bad for the necessary debates about what should take priority in the budget. Politicians take advantage of this situation to prioritize amendments of their electoral interest.

There are some rules to periodically change the leadership and membership of this commission; these rules were enacted after a famous case of corruption in this commission some years ago. These rules make the process more reliable, but at a high cost. Leaders in these commissions will never become budgetary specialists.

The following questions arise: Why are more influential and capable parliamentarians not seated on this commission? What is the reason why most of the members of this commission have a limited budgetary background?

It is probably because members of high reputation receive more votes, which makes it easier to receive political support and get reelected. At the same time, members who do not have prestige must get the higher amount of resources to their region. It is vital if they hope to be reelected.

Therefore, these members are committed to their own interests and they try to be responsive to the wishes of partisan leaders, who helped them gain participation in the commission (Miranda, p. 344-347).

#### 4.5 - Budget Execution by the Executive Branch: Public Budget as a Bargaining Tool

The Brazilian budget does not require obligatory execution. Therefore, the executive branch can use it to pressure members of the legislature to vote in accordance with its specific interests. The executive branch usually executes amendments from parliamentarians who are supporting the governmental projects.

In this form, even politicians from the opposition can support the government. They have to do this, if they hope to see their amendments adopted.

This practice of postponing expenses to gain fiscal control and engage in political bargaining has serious impacts on the quality of expenses.

Suppliers are unsure about the revenue of money corresponding to their services; moreover they receive payment long after the conclusion their services. This uncertainty means higher prices than the market price to compensate for the risks involved.

Another consequence of the restriction to release funds is that it stimulates the creation of new links between revenues and obligated expenses. This happens because some agents in the public sector do not want to see their resources restricted; therefore they will try to look for solutions to avoid it (Miranda, p. 352-355).

#### 4.6 ó Diversify of Resources

This restriction of resources can influence the legislature when they are in the process of amending the budget. They prefer to diversify resources in many amendments than to put all resources in a single project. This happens because the risk of restriction of resources in one amendment is higher than when the resources are distributed in many projects.

#### 4.7 - Juxtaposed Competencies

The Federal Constitution defined juxtaposed competencies for the federal, state and municipal governments. All these levels of government have responsibilities over areas such as health care, education, infrastructure, habitation and urbanism.

These juxtaposed competencies incentivize local governments to adopt opportunist behavior. If all levels of government can make a specific expense, local governments tend to wait for higher level governments to spend its resources to provide specific investment and they use their resources in discretionary investments.

#### 4.8 ó Earmarked Revenues and Governmental Transferences

Another problem that happens in the budget elaboration is the inelasticity of expense allocation guided, mainly, by the Federal Constitution. A considerable part of the revenues is linked to expenses required by the Federal Constitution and other laws. Moreover, there are some expenses that are so difficult to cut in the short term, including as civil servant salaries and social security. Consequently, there is a small margin of discretionary decision-making for each budget in relation to the total budgetary value.

Therefore, most Brazilian revenues are earmarked due to enforcement. This is not good for the budgetary management. The main problems that result include:

- Entities that have linked revenues use these resources to attend not priorities expenses. After that these entities ask resources for obligated expenses as salaries and social security.
- These earmarked revenues connect current expenses to past priorities.

- Expenditures automatism: when percentages of specific revenues are directly linked to expenses, an increment in taxes collected means automatically an increment in expenses.

## 5.6 Possibilities of Improvement in the Budgetary Process

### 5.1 - Budgetary Compulsory Execution

The greatest change that can be made in the Brazilian budgetary process is to transform its discretionary execution into a compulsory one. Despite most of Brazilian budget is mandatory, just 100% of mandatory budget could solve some problems of inefficiency caused by the current system managed by restrictions during the execution.

On the other hand, a mandatory budget could make difficult the maintenance of the fiscal balance, because the revenues are usually overestimated.

Another advantage of a discretionary budget is it is more flexible in facing unexpected situations, such as economic crises. The Brazilian economy is vulnerable to international crises; thus, flexibility can be useful in some cases.

Despite some advantages of the discretionary execution, the mandatory execution could be regulated allowing changes when necessary (Miranda, p. 361-362).

### 5.2 - Properly Estimated Revenues

Properly estimated revenues are the key for a realistic budget, what could enable its complete execution.

There are some proposals in this area. One alternative would be an independent auditing in the revenue forecast done by the executive branch and the legislature.

Another recommendation is to ban the practice of reestimating revenues based on errors and omissions during the process of parliamentary amendments. Restimation based on error or omission should be allowed only in the opposite direction (cutting revenues or increasing expenses).

### 5.3 - Revenues Forecast Taking Into Account Macroeconomic Risks

The budget elaboration is a long and complex process. One of its stages is the estimation of revenues, and usually it is made based on a combination of previous data and Gross Domestic Product (GDP) growth forecast.

The GDP growth forecast is very sensitive to many macroeconomic risks, and the problem is that the budgetary commissions do not pay attention to it.

Unexpected and unpredictable factors can negatively affect the GDP and, currently, due to intense globalization, Brazil is widely exposed to global market risks. International crises can easily affect the local economy and reduce the expected GDP.

Politicians usually are willing to expend more and more resources. In this way, expenses are projected on revenues based on GDP growth forecast as resources.

Therefore, if the GDP growth forecast is wrong, it can be a serious problem in the budget balance. When the government realizes that revenues are not the same as it expected, the only solution is to cut expenses on diverse projects, bringing on many administrative and political conflicts.

For these reasons, a conservative budget elaboration is essential for the constant and permanent budgetary balance.

Therefore, what should be done to improve the Brazilian fiscal balance is to establish limits of expenses forecasts equal to the effective amount in the previous period. Hence, in cases of effective GDP growth and consequent revenues growth, the surplus could be used to pay debts or for future projects.

#### 5.4 ó Budgetary Commission

The Budgetary Commission members can participate in other commissions in the Senate and the House of Representatives. Hence, these members cannot focus their attention on budgetary subjects.

Some changes in legislature regiment are necessary to avoid problems like this. Members of the Budgetary Commission must work exclusively for budgetary subjects.

Another problem in this commission is the low qualification of its members. It is a hard task to solve, however some changes in the legislature regiment could help to solve this problem (Miranda, p. 364-365).

#### 5.5 ó Number Limitation of Amendments

It is extremely important to ban the excessive number of parliamentary amendments in the Brazilian budgetary process. There are many amendments containing only dispersed local interests.

It is important to establish a maximum number of amendments. This number must be lower than the number of parliamentarians. It would prevent parliamentarians from sharing amendments between themselves (Miranda, p. 366-368).

#### 5.6 ó Elimination of Earmarked Revenues

It is necessary to reduce some of earmarked revenues forecasted in the Brazilian Federal Constitution. At least, these links could be transferred to The Multi Annual Plan ó PPA. Hence, links between revenues and expenses could be reevaluated every four years.

Moreover, links between an expense and a percentage of revenue must be abolished. Links should be fixed to a nominal value, allowing just a correction by the inflation index. It

avoids the automatic creation of new expenses when there is an increase of taxes collected  
(Miranda, p. 368-369).

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