Summary

1. General Overview

2. Tax Expenditures

3. Subsidies – BNDES and Student Loans

4. Agriculture

5. Measures
Subsidies and Tax Expenditures in Brazil: General Overview

In % of GDP

Source: Ministry of the Economy of Brazil
2. Tax Expenditures – Lower creation of programs, with reduced fiscal impact

Source: Brazilian National Treasury
## Tax Expenditures – Comparison to Latin America

**Tax Expenditures, as % of GDP**

<table>
<thead>
<tr>
<th>Country</th>
<th>Latest Data</th>
<th>(t-2)</th>
<th>(t-1)</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>2014</td>
<td>-</td>
<td>0,60%</td>
<td>0,70%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>2013</td>
<td>1,00%</td>
<td>1,20%</td>
<td>1,30%</td>
</tr>
<tr>
<td>Paraguay</td>
<td>2012</td>
<td>1,90%</td>
<td>1,70%</td>
<td>1,70%</td>
</tr>
<tr>
<td>Peru</td>
<td>2016</td>
<td>2,20%</td>
<td>2,30%</td>
<td>2,20%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>2015</td>
<td>2,60%</td>
<td>2,50%</td>
<td>2,50%</td>
</tr>
<tr>
<td>Panama</td>
<td>2013</td>
<td>-</td>
<td>-</td>
<td>2,70%</td>
</tr>
<tr>
<td>Argentina</td>
<td>2016</td>
<td>2,50%</td>
<td>2,90%</td>
<td>2,80%</td>
</tr>
<tr>
<td>Mexico</td>
<td>2016</td>
<td>3,30%</td>
<td>2,90%</td>
<td>2,90%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>2013</td>
<td>3,10%</td>
<td>2,90%</td>
<td>3,00%</td>
</tr>
<tr>
<td>Average</td>
<td>-</td>
<td>3,50%</td>
<td>3,60%</td>
<td>3,50%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>2014</td>
<td>4,70%</td>
<td>4,70%</td>
<td>4,10%</td>
</tr>
<tr>
<td>Chile</td>
<td>2016</td>
<td>4,30%</td>
<td>4,50%</td>
<td>4,30%</td>
</tr>
<tr>
<td>Brazil</td>
<td>2016</td>
<td>4,50%</td>
<td>4,80%</td>
<td>4,40%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>2016</td>
<td>5,10%</td>
<td>5,20%</td>
<td>5,10%</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>-</td>
<td>4,80%</td>
<td>5,00%</td>
<td>5,50%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>2014</td>
<td>6,60%</td>
<td>6,40%</td>
<td>6,30%</td>
</tr>
<tr>
<td>Dominic Republic</td>
<td>2016</td>
<td>-</td>
<td>6,80%</td>
<td>6,60%</td>
</tr>
</tbody>
</table>

Source: Centro Interamericano de Administração Tributária (CIAT)
3 Reduction in Subsidies – Student Loans

- FIES – government program of student loans – was remodeled to assure its sustainability and limit costs, which were on an unsustainable path, threatening the continuity of this important public policy.

**Cumulated primary balance impact of FIES from 2010 to 2017 amounted R$ 36 billion**

*Forecast
Source: Brazilian National Treasury*
Subsidies – Evolution of subsidies to BNDES

Outstanding loans to BNDES

Annual Subsidies to BNDES
(R$ billion of 2018)

Source: Ministry of the Economy of Brazil
3 Subsidies – Frontloading of BNDES payment schedules to Treasury

Schedule of Payments from BNDES to National Treasury, in Present Value
(US$ billion)

Duration Before Renegotiation: 21 years
Duration After Renegotiation: 9 years

Source: COGEF/Ministry of Economics
Agriculture – Reduction in Subsidies

Annual Subsidies to Agriculture
(in R$ billion)

R$ bilhões

Subsidies to Family Agriculture
Subsidies to Business Agriculture

Source: COGEF/Ministry of Economics
5 Public Policies Evaluation in Brazil

Chronology of the institutionalization of Public Policy Assessments in Brazil

- **2015**
  - CMAP - Internal Regulation nº 102/2016
  - CIG - Decree nº 9.588/2018

- **2016**
  - CMAP - Internal Regulation nº 102/2016

- **2017**
  - CMAP - Internal Regulation nº 102/2016

• The Interministerial Governance Committee (CIG) is formed by Ministry of Economics, Chief of Staff & Ministry of Compliance.

• CIG advises the President with governance policies in the Federal Administration.

• Brazilian institutional background for public policies evaluation comprises already existent units in government bureaucracy. These units plan the schedule of public policies evaluation, execute this assessment, suggest the revision of policies, including changes in the legal framework, and spread the culture of public policies evaluation, both ex ante and ex post.

Source: SECAP/Ministry of Economics
Composition of the Council of Evaluation and Monitoring - CMAP

- Approves the schedule of evaluation
- Notify CIG with agenda and results
- Proposes changes in the normative

**CMAP**
Council for Evaluation and Monitoring, with members of Ministry of Economy, Ministry of State and Ministry of Compliance

**CMAG**
Members of the Ministry of the Economy, Office of the President and Ministry of Compliance
- Evaluates public policies financed by federal sources or federal funds

**CMAS**
Members of the Ministry of the Economy, Office of the President and Ministry of Compliance
- Evaluate public policies financed by federal subsidies (tax breaks, implicit and explicit subsidies)
The Budgetary Guidelines Law (LDO - 2019) has a goal of establishing a cap of 2% of GDP for Tax Expenditures in ten years.

For comparison, in 2017 it reached 4.1% of GDP.

According to the §§ 3º and 4º of article 21 of LDO 2019:

§ 3º O Chefe do Poder Executivo encaminhará ao Congresso Nacional plano de revisão de despesas e receitas, inclusive de incentivos ou benefícios de natureza financeira, tributária ou creditícia, para o período de 2019 a 2022, acompanhado das correspondentes proposições legislativas e das estimativas dos respectivos impactos financeiros anuais.

§ 4º O plano de que trata o § 3º e as correspondentes proposições legislativas: (…)

III - no que tange às receitas:

a) priorizaram medidas voltadas à redução de renúncia e ao aumento de receita, ao combate à sonegação, à progressividade tributária e à recuperação de créditos tributários; e

b) estabelecerão, em relação aos benefícios tributários:
1. prazo de vigência para cada benefício; e
2. cronograma de redução de cada benefício, de modo que a renúncia total da receita, no prazo de 10 (dez) anos, não ultrapasse 2% (dois por cento) do produto interno bruto.”