

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	BRAZIL/CSC - Southern Cone
▪ TC Name:	Strengthening the management of public finances in Brazil
▪ TC Number:	BR-T1495
▪ Team Leader/Members:	MARIA CRISTINA MAC DOWELL (IFD/FMM) Team Leader; MARTINEZ FRITSCHER, ANDRE CARLOS (IFD/FMM) Alternate Team Leader; KEVISH, MARIA LORENA (IFD/FMM); DE FREITAS SEVERINO, LIGIA (CSC/CBR); VERISSIMO DA SILVA, CAROLINA (LEG/SGO); CANILLAS GOMEZ, MARIANA BELEN (IFD/FMM)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	30 Jul 2021
▪ Beneficiary:	Brasil
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$300,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	IFD/FMM - Fiscal Management Division
▪ Unit of Disbursement Responsibility:	CSC/CBR - Country Office Brazil
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law

II. Objective and Justification

- 2.1 It is the strengthening of the management of the federal government's public finances, through: (i) corporate modernization; (ii) better coordination between the treasury and public debt management areas, including ESG considerations in the issuance of public securities; (iii) better coordination of subnational public finances; (iv) continuity of expansion and improvement of the use of modern information technology and digital government tools that increase the efficiency of public finance management and strengthen fiscal transparency. With this support, we will continue the collaboration that the Bank has had with the authorities of the National Treasury Secretariat, which began with the Technical Cooperation ATN / AA-16776-BR.
- 2.2 Brazil has accumulated fiscal imbalances in recent years that have led to a gradual increase in its public debt levels, compromising its future sustainability. Although this situation is partly due to the economic crisis that the country suffered in 2015 and 2016, its weak recovery in subsequent years and the 2020 shock due to the pandemic, the management of public finances has been facing structural challenges. In 2019 the federal government undertook a ministerial reform that led to the unification of the Ministry of Planning and Management with the Ministry of Finance in the Ministry of Economy. This implied the need for an internal restructuring in which the budget and treasury planning area remained within the Special Secretary of the Treasury. This opened the opportunity for both areas to have a more integrated strategic planning. In this sense, the National Treasury needs to implement a new corporate management

model in order to integrate all the systems and processes of its different areas, based on digital technologies. In addition, the Treasury is interested in improving the coordination between the Treasury's cash management and public debt issues for more efficient decision-making. On the subject of public debt, the Treasury wants to innovate with the issuance of securities under the concept of ESG, for which it requires knowledge of the best practices in the matter. Likewise, the low level of public investment requires continuing to support the Treasury in its governance and management, initiated in ATN / AA-16776-BR. In addition, the Treasury is interested in improving fiscal transparency with the implementation of sophisticated search tools, given that this institution is a great generator of statistics and analysis of public finances at the three levels of government. From the institutional framework of Brazilian fiscal federalism, the National Treasury is given responsibilities for the coordination of public finances between the three levels of government for the compilation and systematization of statistics and analysis of subnational public finances. It is also in charge of calculating the capacity to pay rating of subnational governments, which is a requirement for granting a sovereign guarantee in the financing of states and municipalities. In this sense, the Treasury needs to improve the analysis instruments on monitoring the fiscal situation of subnational entities. This TC complements the one that is about to be concluded with the National Treasury on the management of public investment and financial execution (ATN / AA-16776-BR), which tends to improve spending efficiency and fiscal transparency. Also to ATN / OC-18099-BR, which addresses technical support related to improvements in tax administration and litigation that allow strengthening public revenues. Additionally, this TC is aligned with the TC in preparation, BR-T1481 and BR-T1487, which addresses the issues of improving fiscal policies and Brazilian federalism, respectively.

III. Description of Activities and Outputs

- 3.1 **Component I: Analysis and proposals for improving the management of public finances.** The set of these activities will generate: (i) a proposal for a corporate management model for the National Treasury that considers digital transformation, progress in fiscal transparency, and the need to improve public investment management; (ii) a planning proposal for the issuance of public debt that considers cash flow dynamics, the concept of ESG; (iii) a new model for monitoring subnational public finances.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Analysis and proposals for improving the management of public finances	US\$300,000.00	US\$0.00	US\$300,000.00
Total	US\$300,000.00	US\$0.00	US\$300,000.00

V. Executing Agency and Execution Structure

- 5.1 The Secretary of the National Treasury of Brazil will be the main beneficiary of the TC.
- 5.2 The execution of the TC will be carried out by the Bank, through its representation in Brazil. As a precedent, FMM / CBR was responsible for the implementation and supervision of eight technical cooperations in the last ten years with positive results. In addition to meeting the beneficiary's request, the proposed activities are consistent with the Bank's country strategy and program with Brazil, pursuant to the Bank's technical cooperation policy (GN 2470 2, section 4.5).

VI. Project Risks and Issues

- 6.1 The main risk of TC is related to an eventual loss of interest in these priorities due to a change in leadership, as well as what is described in the Country Strategy: institutional weakness that could delay execution. However, these priorities are established in the strategic planning of the institution and the high interest of the beneficiary authorities of this TC would mitigate this risk.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".