

## *Fiscal Indicators in Brazil – A Closer Look*

### **Introduction**

The fiscal stance always represents a fundamental set of parameters in any evaluation aimed at determining if a given country has the capacity to implement effective public policies, whether the outlook is favorable for a period of sustainable economic growth and, more directly, providing elements to assess its conditions and willingness to honor debt obligations in the amounts and maturities contracted.

In this context, banks, rating agencies and investors, in general, try to understand, among other factors, the fiscal reality of different countries, based on a reading of numerical indicators that reveal the weight of indebtedness on national economies, especially regarding their financing capacity and effects on the aggregate demand. Usually presented in terms of a single monetary standard or in comparison to a representative economic reference, such as GDP, these indicators have the advantage of allowing for direct international comparisons, coupled with time-series analysis.

In the Brazilian case, the main indicators used as a reference to evaluate Brazil's fiscal situation are the Gross General Government Debt (GGGD) and the Net Public Sector Debt (NPSD), both monthly released by the Brazilian Central Bank (BCB).

The first of them encompasses the totality of debts from the federal, state and municipal governments (with the exception of state-owned companies and the Central Bank). In 2008, this indicator started to be measured according to a new methodology, which allowed it not only to capture in a more accurate way the debts that can really represent any fiscal costs in the future, but also to better reflect changes in the fiscal policy management.

The Net Public Sector Debt, by its turn, portrays the balance of assets and liabilities of the non-financial public sector (except Petrobras) and the Central Bank. This indicator complements the GGGD, in so far as it considers both financial credits and liabilities from diverse government entities, including those that are not covered by the concept of general government.

Recently, there has been confusion and inaccuracy on the understanding of these indicators and the methodology's evolution on time, often leading to inappropriate analysis. This report aims at detailing the Central Bank's methodology to calculate the two already mentioned indicators, highlighting the quality of the information they present and is organized as follows: after this introduction, we present the way the GGGD is calculated and the advances brought by its new methodology. Then, NPSD's methodology is shown, and finally, some conclusions are drawn from the topics analyzed.

## Gross General Government Debt

The Gross General Government Debt - GGGD encompasses the totality of debts for which the federal, state and municipal governments are liable to the private sector, public financial sector and the rest of the world. Evidently, the liabilities of one general government entity whose creditor is another entity classified within the concept of general government are deducted from the gross debt. In this sense, credits represented by federal public bonds held by federal public funds and other units of the federal government are, for example, deducted.

Table 1 lists GGGD components and, for comparative purposes, its respective values as a percentage of GDP as of September 2010. They are expressed in gross values, and the liabilities in foreign currency have been converted into Real (BRL) at the exchange rate referred to year-end.

**Table 1 - GGGD<sup>1</sup> Breakdown**

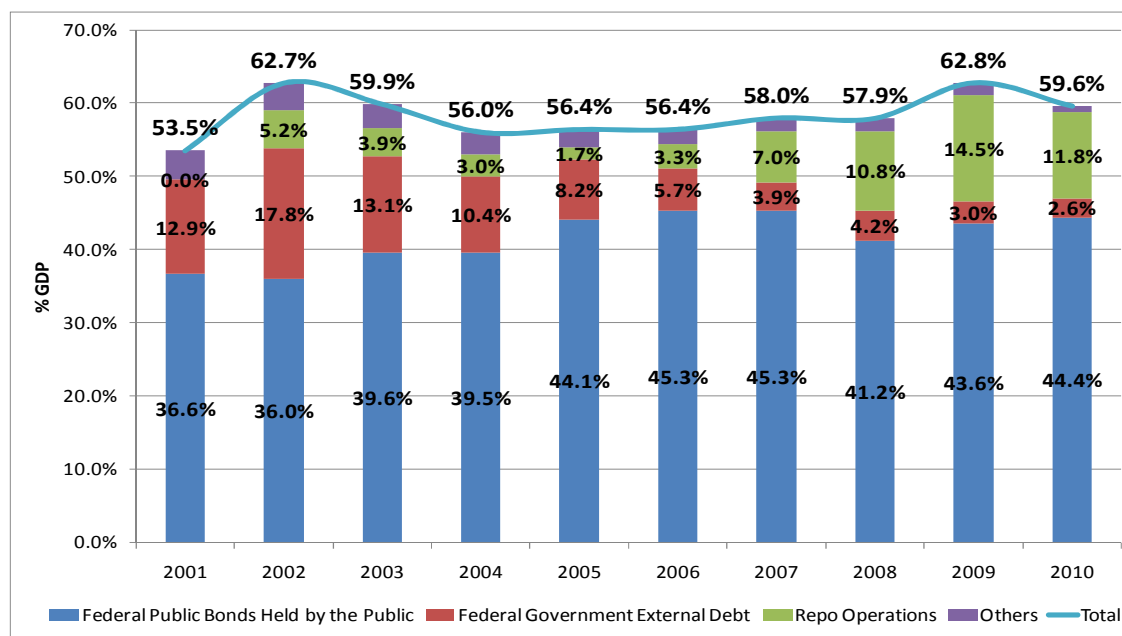
<i>September 2010</i>	%GDP
<b>1. DOMESTIC DEBT</b>	<b>56.4</b>
<b>Federal government securities held by the public</b>	<b>44.4</b>
Federal Securities earmarked to Export Guarantee Fund	-0.1
Federal public entities investments in public bonds	-0.8
State and municipal government investments in public bonds	-0.1
<b>Repo operations</b>	<b>11.8</b>
<b>Federal government banking debt</b>	<b>0.1</b>
<b>Debt assumed by the federal government (Law no. 8727)</b>	<b>0.4</b>
<b>State government debt</b>	<b>0.5</b>
<b>Municipal government debt</b>	<b>0.2</b>
<b>2. EXTERNAL DEBT</b>	<b>3.2</b>
<b>Federal government</b>	<b>2.6</b>
<b>State government</b>	<b>0.5</b>
<b>Municipal government</b>	<b>0.1</b>
<b>TOTAL</b>	<b>59.6</b>

Source: Central Bank

Analysis of the following graph shows that the general government's gross indebtedness is basically represented by just three items: the National Treasury securities held by the public, repo operations and the federal government external debt.

<sup>1</sup> Law no. 8727/2003 defined the guidelines for federal government consolidation and restructuring of internal debts of the direct and indirect administration of the states, Federal District and municipalities that existed up to June 30, 2003

**Graph 1: GGGD – Main Components – As % of GDP**



Source: Central Bank and National Treasury Secretariat <sup>2</sup>.

One frequently focus on GGGD's, which is a concept largely used for international comparisons due to its simplicity. When considering only the government's callable liabilities, it evades the discussion regarding the relevance of usage of certain public assets to the debt's abatement and, in principle, should attach no judgment call on whether the liabilities are binding or not, since they are designed to be comprehensive for that government level.

In fact, the suitability of governmental assets accounting expressed by indicators that try to demonstrate a country's solvency is not always easy to evaluate, in so far as this question concerns institutional aspects of each nation and market criteria. For example, on the one hand, the selling of a certain asset which has great liquidity in the market can be restricted by legal barriers, on the other, negotiable assets could be overestimated in public accounts, while they may not appetite market participants. This analysis will unfold later on the text.

## New Methodology

Until 2008, the Brazilian Central Bank considered in its GGGD statistic all the National Treasury's bonds portfolio under its custody. Since then, the monetary authority improved its methodology in the sense of considering, in this portfolio, only the corresponding value of repo operations performed with Treasury public bonds, since only that amount holds straight relation with the National Treasury's debt held by the public. By doing so, it permits a better tracking of the government's fiscal situation over time.

<sup>2</sup> As of 2001, the amounts were drawn from the BCB Internet site, based on the historical GGGD series calculated according to the former methodology, from which the amount corresponding to Treasury bonds in the Bank portfolio was withdrawn and total repo operations were added in.

The Fiscal Responsibility Law (Law 101) approved in 2000, by prohibiting the Central Bank from issuing new bonds, assured total segregation between the functions of fiscal and monetary policies, putting Brazil aligned with the best international practices of public management. Under this new institutional arrangement, monetary policy implementation is conducted solely with bonds issued by the National Treasury, in definitive and repo operations.

Furthermore, the Fiscal Responsibility Law also conditioned the maintenance of a National Treasury bond portfolio at the Central Bank exclusively to the conduction of monetary policy. The Central Bank, then, became restricted to buy directly from the Treasury bonds only in the sufficient amount to refinance the expiring bonds in its portfolio. This negotiation should occur at an average rate of the prevailing conditions of the day, observed in a given public securities' auction.

From this set of new rules, it became consolidated the principle that, first, the Central Bank cannot refuse to receive new bonds to refinance the expiring Treasury debt on its portfolio. Second, with the bonds being issued directly to the monetary authority at the average auction rate, the operations between the Treasury and the Central Bank do not intervene, under any circumstances, in the public debt market conditions.

In addition, the fact that the principal values of these bonds can be automatically refinanced in their expiring date by bonds that are similar to those offered in public auctions give them a typical feature of a perpetuity. All this reinforces the point of view that the portfolio under monetary authority's custody is not a fiscal debt in nature, and does not create fiscal risks to the government.

However, it's important to highlight that part of the public bonds that constitute Central Bank's portfolio has been effectively used by the institution in its open market operations. Such bonds are used as collateral in the repo operations, which aim to absorb the excess of liquidity generated by the policy of FX-reserves accumulation, accelerated in 2005. Aside from being regularly used as collateral for the repo operations, this amount of bonds represents the potential raise of the Domestic Federal Public Debt – DFPD - in market, be it through the definitive sale of these bonds by the Central Bank, or through the raising of Treasury issuances along time to cope with this excess of liquidity without compromising the aims of the Annual Borrowing Plan<sup>3</sup>. This is exactly the reason why only this parcel of Central Bank's portfolio bonds is taken into account in the new methodology for calculating the GGGD.

Finally, it's important to emphasize that the former methodology, which included the entire Treasury's securities portfolio at the Central Bank, was not fully capable to reflect improvements in the government's fiscal situation, especially regarding the possibility of the utilization of the past positive primary surpluses, around 3% of GDP, to the reduction of the liquidity excess. According to what will be seen in the next session, while the new methodology is able to capture the impact of this fiscal effort through reductions in

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<sup>3</sup> The Annual Borrowing Plan – ABP – is a National Treasury publication edited since January 2000, in which are disclosed the goals and assumptions of the institution to the managing of the Federal Public Debt – FPD.

repo operations' level, the older methodology would have been unable of detecting this movement, since the amount of the securities in the monetary authority hands was not affected by government's fiscal results.

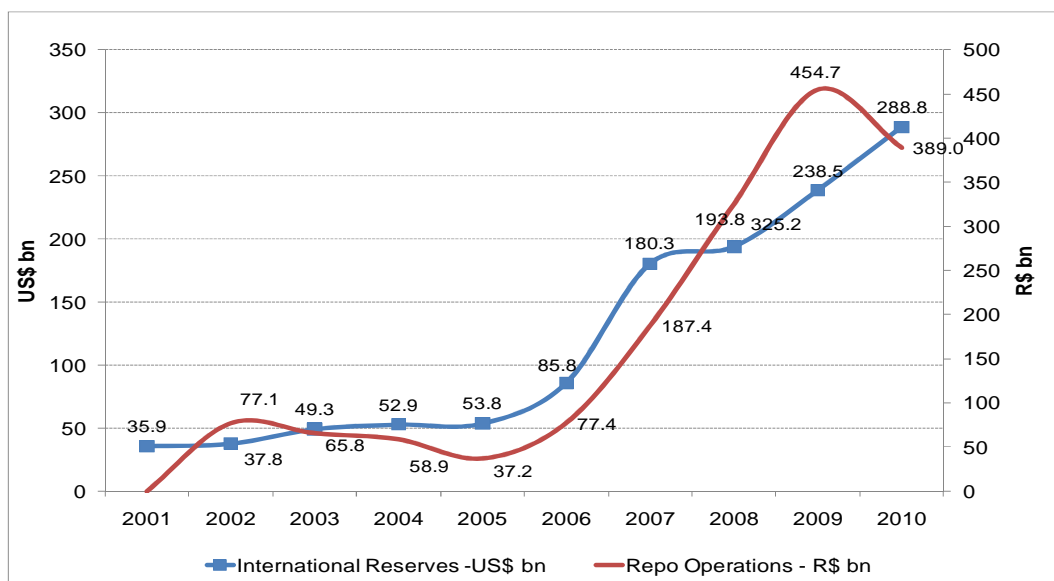
### Evolution of Treasury Bonds in BCB's Portfolio

As it is possible to observe below, one could clearly demonstrate the connection between the evolution of the outstanding stock of Treasury Bonds in the BCB Portfolio and the legal rules that allow the monetary authority to exercise its mandate in an efficient way, exempting any relation between these bonds and the fiscal policy.

According to the Fiscal Responsibility Law, the financial result of the BCB balance sheet, following buying or selling of FX-reserves and swaps, represents a BCB liability with the National Treasury, when positive, or a BCB credit with the Treasury, when negative. While the BCB fulfills its obligation through deposits in the Treasury's Single Account, the Treasury conversely does it through issuances of its own securities in the benefit of the monetary authority. Thus, the size of the security portfolio at BCB is directly related to the financial performance of that institution, since the year 2000.

In recent years, the performance of the Central Bank has, in most cases, been negative, reflecting valuation of the currency (Real), caused, in turn, by large inflows of foreign investment to the country and price increases for the major products included in Brazilian exports. In order to avoid fast overvaluation of the currency and, at the same time, increase the country's resilience to external shocks, BCB decided to accumulate international reserves. The flip side of this decision was growth in the stock of repo operations, since they are the major instrument available to the monetary authority to contain the excess liquidity resulting from foreign currency sterilization (see Graph 2).

**Graph 2: International Reserves x Repo Operations**

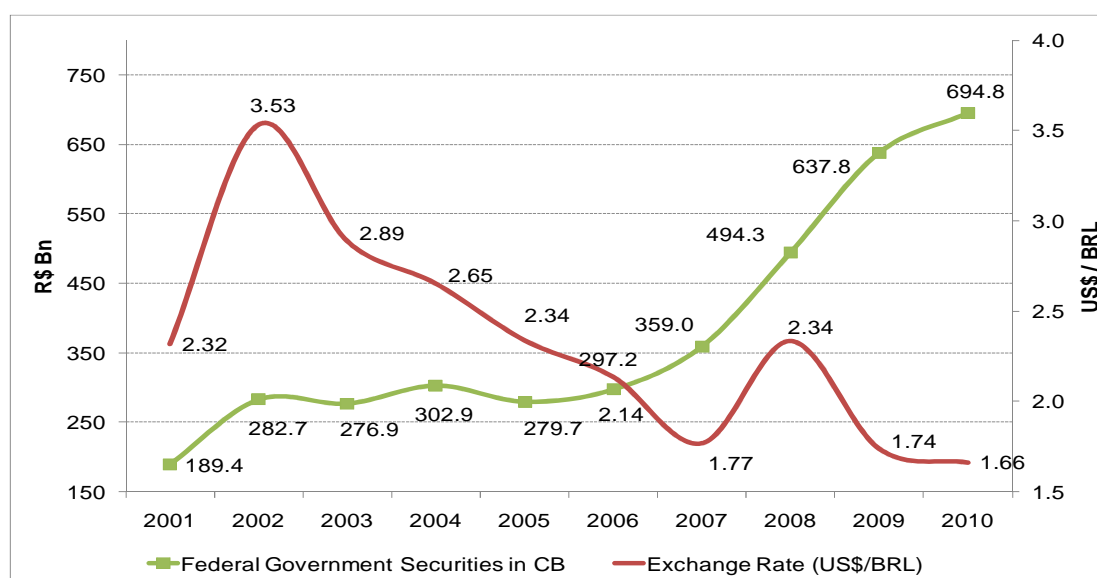


Source: Central Bank. Note, for 2010, Repo Operations as of Dec-20<sup>th</sup>.

However, the policy of accumulating reserves was not sufficient to halt the trend toward valuation of the Real. In fact, the bullish outlook for the local economy, based on, among other aspects, macroeconomic stability, commercial advantages and strength of domestic market, continued to attract new foreign currency inflows. One could go so far as to affirm that the increase in the stock of reserves even stimulated the international appetite for national assets, as the country became an external net creditor, at the same time in which the share of the public debt tied to exchange was sharply reduced. Those were clear signs of the country's lower vulnerability under financial shocks.

In this context, with the ever-increasing weight of reserves in its asset portfolio, the BCB began registering fairly negative results, whether by the differential between interests received by the reserves and the ones offered by repo operations, or by the continued valuation of the Real. Consequently, Treasury securities portfolio in the BCB began to expand considerably, as shown in Graph 3 below:

**Graph 3: Securities Portfolio at BCB x Exchange Rate**



Source: Central Bank

Due to the volatility incorporated in BCB's annual results brought by the growing mismatch between FX assets and liabilities, the monetary authority segregated, from its balance sheets, the disclosure of FX operations designed to equalize BCB and National Treasury's interactions, thus, increasing transparency<sup>4</sup>. Starting in 2008, the entire carryover cost of international reserves, represented by the difference between the profitability of reserves and average BCB funding costs, started to be registered and accounted as the "result of FX equalization operation". Financial liquidation follows the same rules defined for transfer or coverage of the total result. That is, the separation between FX-reserves carryover cost and the general monetary authority result had, as a goal, to stand out FX-policy costs from other monetary authority's actions, without any relevant impact over the flows between the BCB and the Treasury.

<sup>4</sup> Law no. 11,803, dated November 5, 2008.

In any case, what is most important is to state that the financial value of the portfolio of Treasury securities in the BCB tends to increase, even when the exchange-rate stabilizes. The reason for this is that the difference between US Treasuries' profits (which encompasses the largest share of international reserves allocation) and the SELIC rate (financial cost of repo operations, reserve's counterpart), is still high, around 10% p.y, in favour of the last one. Considering that the FX-reserves are quickly approaching R\$500 billion<sup>5</sup>, their carryover costs to 2011, with a stable exchange rate, should not be less than R\$50 billion, without a relevant downward perspective for the following years. While other BCB assets and liabilities don't generate, in aggregate, a positive result sufficient to compensate the value above, one can say that the evolution of security portfolio at BCB, likewise in the last years, should not be correlated to the government's fiscal effort<sup>6</sup>, but with the interest-rate differential between BCB's reserves and liabilities which were used to its acquisition.

And this dichotomy between BCB portfolio and the fiscal policy becomes even greater if we consider that the government's primary surplus has been, in practice, used by the Treasury to reduce the stock of repo operations. The government has adopted a policy of holding its primary surpluses at BCB's Single Account, refinancing the totality of the debt maturing in the market. This policy allows a gradual drop in liquidity excess, in such a way that it can be eliminated in the next years without bringing any sort of risk to the Domestic Federal Public Debt's composition.

That is, considering an FX stabilization scenario, where the excess of liquidity in the economy is absorbed by fiscal surpluses, there should be a significant change in the central government's gross debt amount, according to the new methodology, through the reduction of repo operations, as the Domestic Federal Public Debt's stock keeps steady in real terms, by the refinancing of the totality of debt maturities. In this sense, when considering the whole stock of bonds in BCB's portfolio and not taking into account the repo operations, the former methodology for calculating the GGGD was not able to reflect the government's fiscal effort, which directly affects the stock of repo operations, but not the total volume of the monetary authority's portfolio.

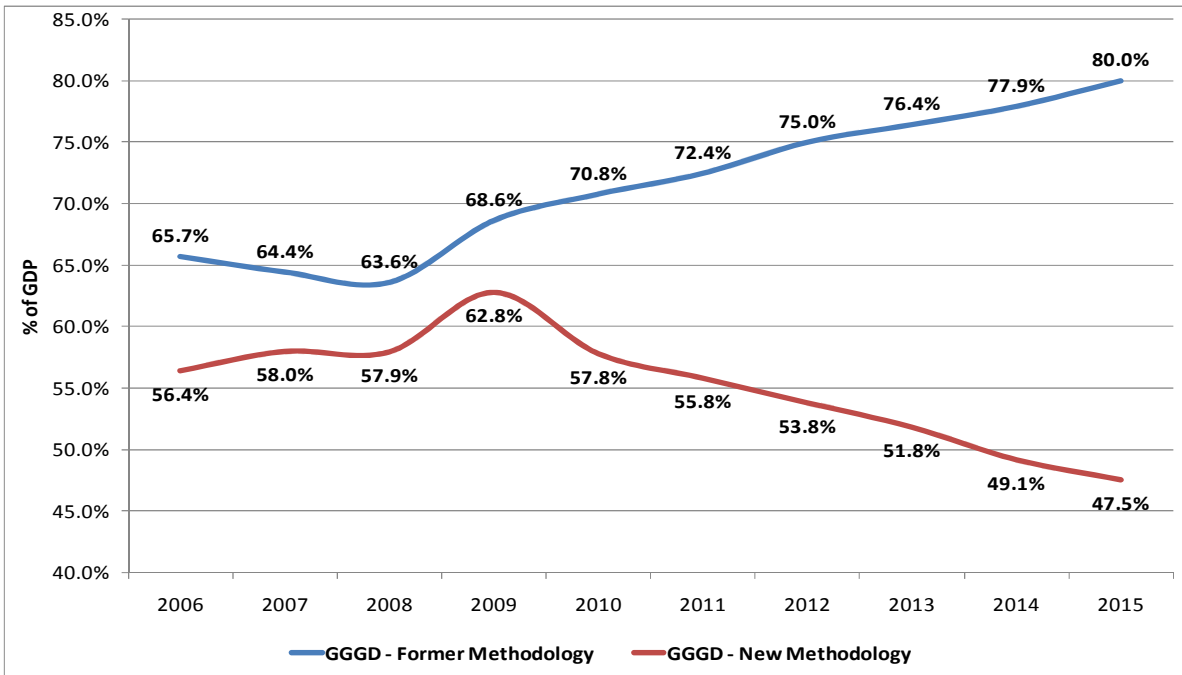
The following graph highlights this difference, showing the evolution of the GGGD indicator based on the two methodologies. In these projections, it was considered an annual primary surplus of 3.1% of GDP from 2010 on, a stable end-of-period exchange rate of US\$ / BRL 1.70 between 2010 and 2015 and an average real GDP growth of 5% for the same period.

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<sup>5</sup> As of 12/27/2010, US\$/R\$=1.69

<sup>6</sup> 2011's Budgetary Guidelines Law (Law 12.309/2010) has defined the primary surplus target of 3.3% of the GDP to the consolidated public sector, to the years of 2011, 2012 and 2013.

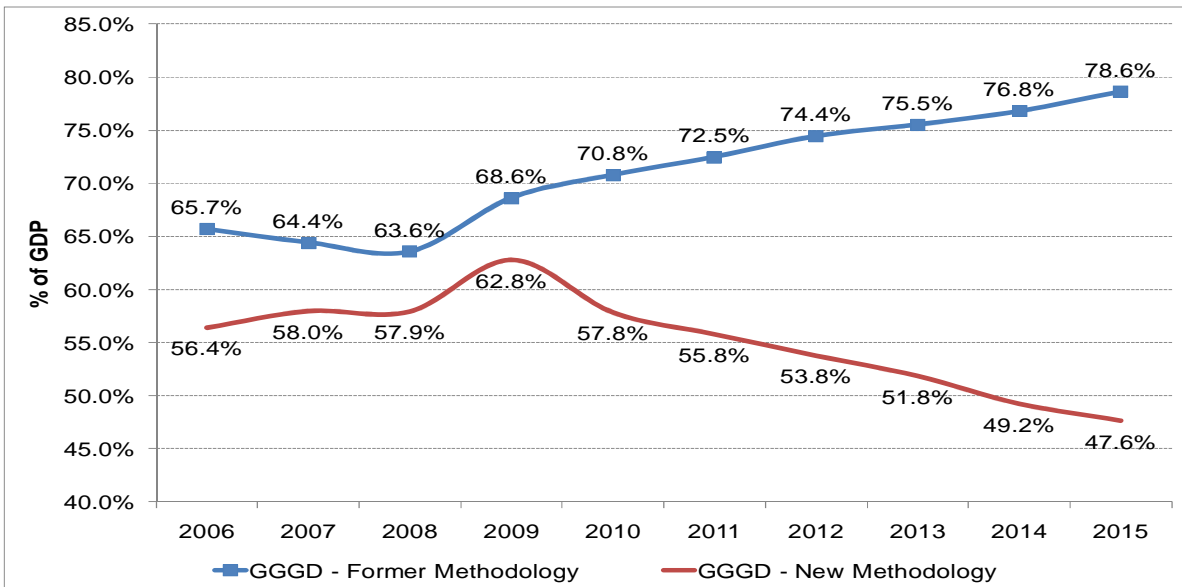
**Graph 4: GGGD's evolution – New and Old Methodology (Steady Exchange Rate)**



Source: BCB (up to 2009) and National Treasury Secretariat (forecasts)

To verify the impact of a weaker Real relative to the US Dollar on these indicators, it is possible to conduct some scenario analysis on the previous exercise, considering an FX-rate moving from US\$ / R\$ 1.70 at the end of 2009 to US\$ / R\$ 2.01 at the end of 2015.

**Graph 5 – GGGD Evolution – new and old Methodology (BRL's Depreciation)**



Source: BCB (until 2009) and National Treasury (forecasts)



According to what was shown before, BRL's depreciation relative to the US Dollar would compensate (in part) the effect of the difference between the international reserve's returns and the repo operation's costs in BCB's financial result. In this context, the bond provision in the monetary authority's portfolio would be smaller and there would be consequentially a smoother progression of the GGGD indicator through the old methodology. However, when considering the new methodology, there would be no significant impact over GGGD's evolution comparing to the stable exchange rate scenario, since the local currency's depreciation would not change the pace of reduction of the repo operation's volume. This reduction, in fact, would only go faster if the government delivered even larger fiscal surpluses, that is, if it augmented its fiscal effort.

## **Net Public Sector Debt – NPSD**

The NPSD shows the net indebtedness of all the non-financial public sector, except from Petrobras<sup>7</sup>. The debts are counted by the accrual basis, that is, the incumbency's appropriation is accounted in the "*pro-rata*" way, independently from the occurrence of inflows or outflows at the time. The credits, by their turn, relate to the entity's financial assets against the financial system (public and private), to the non-financial private sector and to the rest of the world. The general rule is that the credits, to be accounted in the net debt, must be registered as liabilities of the government debtor. To avoid double counting, the liabilities of an entity whose creditor is another entity of the non-financial public sector are deducted from this indicator.

The following table presents all the assets and liabilities taken into account in the NPSD in Brazil, with its respective values in percentage of GDP based on September 2010's position. Differently from the GGGD, this net debt indicator accounts financial assets and liabilities from the government entities (direct administration, foundations and autarkies, including BCB) and non-financial state owned companies (federal, state and municipal).

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<sup>7</sup> Since May 2009, Petrobras' numbers were no longer part of the NPSD statistics, due to the specific characteristics of the company: one of the top 10 in the world when it comes to oil production, follower of corporate rules similar to the ones from the private sector and with conditions to finance itself in both external and domestic markets.

**Table 2 – NPSD Details<sup>8</sup>**

ASSETS	%GDP	LIABILITIES	%GDP
<b>1. CENTRAL GOVERNMENT</b>	<b>73.2</b>	<b>1. CENTRAL GOVERNMENT</b>	<b>101.6</b>
<b>1.1 Federal Government</b>	<b>38.3</b>	<b>1.1 Federal Government</b>	<b>67.8</b>
Renegotiation (Law nº 9.496 and PROES)	11.3	Federal Public Debt held by BCB	19.8
Renegotiation (Law nº 8,727/93)	0.6	Federal Public Debt held by the public <sup>5</sup>	43.9
Restructured debts	0.2	Security debts and TDA	0.4
Credits conceded to official financial institutions	7.4	External Debt	2.6
Investments in funds and programs	2.7	Other Debts	0.1
FAT (Worker's Fund) Resources	4.8	Exchange equalization	0.9
Other Credits	0.9		
Federal Government's Operating Single Account	10.1		
Social Security	0.0		
Revenues to Collect	0.3		
Deposits on demand	0.0		
<b>1.2 Central Bank</b>	<b>35.0</b>	<b>1.2 Central Bank</b>	<b>33.8</b>
International Reserves	13.3	Federal Public Debt held by the public	0.0
Credits to Financial Institutions	0.9	External Debt	0.0
National Treasury's bonds in portfolio	19.8	Monetary Base	5.1
Exchange equalization	0.9	Repo Operations	11.8
Other accounts	0.1	Other Deposits on BCB	6.8
		Federal Government's Operating Single Account	10.1
<b>2. STATE GOVERNMENTS</b>	<b>1.3</b>	<b>2. STATE GOVERNMENTS</b>	<b>12.0</b>
Revenues to collect	0.0	External Debt	0.5
Deposits on demand	0.1	Renegotiation (Law nº 9.496 and PROES)	9.8
Other credits	1.2	Renegotiation (Law nº 8,727/93)	0.6
		Restructured debts	0.1
		Other Debts	1.1
<b>3. MUNICIPAL GOVERNMENTS</b>	<b>0.1</b>	<b>3. MUNICIPAL GOVERNMENTS</b>	<b>1.9</b>
Revenues to collect	0.0	External Debt	0.1
Deposits on demand	0.1	Renegotiation (MP 2112/2000)	1.5
		Renegotiation (Law nº 8,727/93)	0.0
		Other Debts	0.2
<b>4. STATE-OWNED COMPANIES</b>	<b>1.4</b>	<b>4. STATE-OWNED COMPANIES</b>	<b>1.6</b>
4.1 Federal	1.4	4.1 Federal	0.6
4.2 States	0.0	4.2 States	0.8
4.3 Local Governments	0.0	4.3 Local Governments	0.1
<b>TOTAL</b>	<b>76.0</b>	<b>TOTAL</b>	<b>117.0</b>

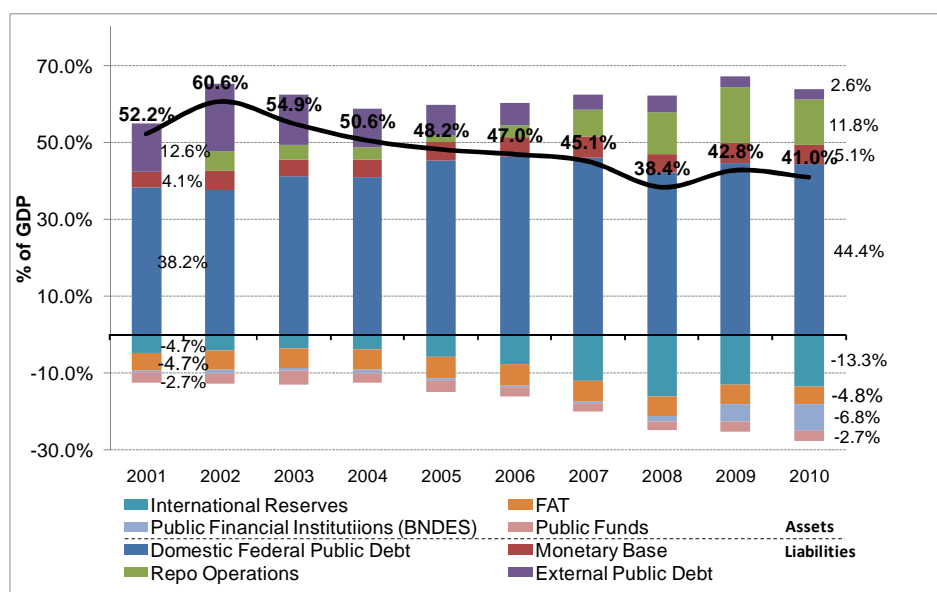
Source: Central Bank

Roughly, one can say that the current evolution of the NPSD in Brazil depends basically of four items of assets and liabilities. On the liabilities' side, apart from the National Treasury's external and domestic debt and the repo operations, which relevance had already been demonstrated in the previous GGGD comments. The monetary basis appears, as a result of the BCB's inclusion in the indicator.

On the assets side, it's important to highlight the weight of the international reserves, which participation as a percentage of GDP almost equals the contribution of the other important items in aggregation, represented by the resources allocated to funds and development institutes (here are included the credits to the BNDES) and labor support fund (FAT).

<sup>8</sup> The items related to the negotiation processes (Law 9.496, Law 8.727 and PROES) and restructured debts evolving credits originated from state debts (including its banks) and municipalities assumed by the federal government, by the BCB and by federal state companies.

**Graph 6: NPSD – Total Size and Main Breakdown – As % of GDP**



Source: Central Bank. Note: as of Nov-10.

As illustrated in the graph above, the NPSD picks up all the public indebtedness in the market, including the result of the liquidity-absorbing operations, represented by the volume of the repo operations. The NPSD also includes the BCB, since the monetary authority’s final result is transferred to the National Treasury, and because it’s the institution responsible for the collecting of the so-called “inflationary tax”. Thus, this indicator allows the capturing of the international reserve’s financial costs, by the differential between its returns and the repo operations’ cost. Furthermore, it provides a view on the monetary base, making clear the financing of the government made with its expansion.

From the main asset’s point of view, like previously said, the NPSD includes all the government lending to financial development institutions, specially the BNDES, and the international reserves. Besides that, all funds that don’t show characteristics of financial intermediation are considered, that is, those which funding sources are originated from fiscal or quasi-fiscal contributions.

One can say that the NPSD, as it is calculated in Brazil, is effective, but conservative, as it takes into account non-callable federal government’s liabilities, like the monetary basis, and only financial assets, excluding assets with lower liquidity, as those of patrimonial nature. Furthermore, including all the non-financial public sector, it captures the fiscal reality of all public entities capable of accumulating debt, reducing considerably the risk of creation of public liabilities that are not monitored by the economic policy managers.

Moreover, it presents a more complete vision of a country’s solvency when compared to the GGDG indicator. That happens because it considers assets of great market liquidity which, in fact, can be used to pay debt in moments of financial stress, for an example, the international reserves. And also because it also accounts for assets that, although may not be liquid, will generate additional inflows to the government’s

primary surpluses in the future, like the payments of the renegotiated state and municipal debts, which should in the next 30 years generate around R\$ 30 billion per year in revenue to the federal government, and the assets against BNDES.

At last, but not least important, because only financial assets are considered, the government avoided to include receivables that could be questionable from the liquidity point of view, capacity of revenues generation or uncertainty, like properties and oil reserves. However, even though corporate stocks and shares held by the public sector were disregarded, it should be noted they not only pay dividends, but can be sold to the market, if necessary.

## **Final Remarks**

Initially, this report aimed to demonstrate the way BCB calculates the GGGD, emphasizing the advantages of the new methodology, adopted since 2008. As shown, the inclusion of the totality of the Brazilian National Treasury securities in the monetary authority portfolio overestimates the government's indebtedness level because, as these bonds can be seen in practice as perpetuities, they do not demand additional fiscal effort, nor present refinancing risks to the public debt neither have impact in the federal securities domestic market. Moreover, its accounting keeps the GGGD from capturing the improvement in the country's fiscal situation as a result from further fiscal surpluses accumulation, as expected to the forthcoming years.

After that, the NPSD methodology was also detailed, and this is a key indicator for the Brazilian government for defining the public sector's primary balance target and for Central Bank's monitoring of the public debt impacts on monetary policy. The inclusion of the state-owned financial assets against the other agents, assets which are liquid and certain, increases the capability of assessment of the fiscal sustainability and public sector's impact over the aggregate demand.

On one hand, it is possible to understand the challenges faced by rating agencies, when evaluating, for example, if a given country assets should, according to sound fiscal governance rules, be considered in their net debt. On the other hand, by ignoring any asset, in opposition of what many critics say, one may distorts the indicator, handling debtors with structural differences under the same metric. In this context, it is encouraging the efforts of some analysts that search and excel to calculate a net debt indicator to each country, based in its own criteria, although being often conservative, with the purpose of better capturing the government's real ability to service its debt obligations.

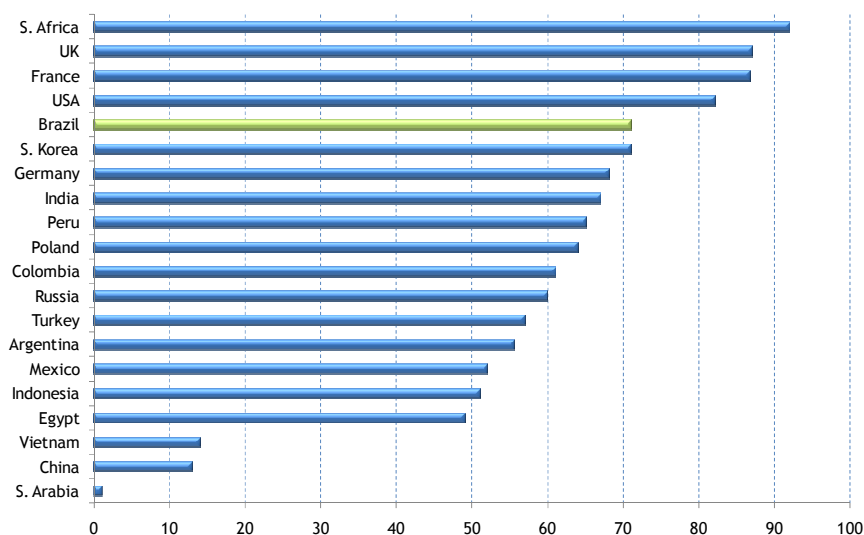
It is well worth mentioning the International Monetary Fund's initiative, through its Government Finance Statistics Manual 2001 – GFSM 2001, where it encourages the adoption of a “net worth” indicator, calculated from the difference between public liabilities and assets, also considering among them non-financial assets, as long as provided of any economic value to the government and accounted by their real market value. Given the IMF's importance as a benchmark creator of international standards for public

finance management, the Brazilian government already put in place a working group dedicated to fulfill total convergence of public accounts disclosure to GFSM 2001 standards as of 2013.

Facing the challenge to have to a consensual fiscal indicator, all-fitting for international comparisons and, at the same time, to consider each country's particularities, it is important, anyhow, to mention the commitment to transparency held by the Brazilian government. By monthly disclosing fiscal indicators that are largely accepted by economic agents (case of the GGGD and the NPSD), detailing all of its components and its methodologies and moving towards implementing new standards defined by recognized institutions local authorities allow many agents interested in the Brazilian fiscal reality, like credit agencies, investors and multilateral organisms, to capture the real impact of the public sector's movements in the local economy. In addition the country's evolution in terms of its ability to honor its financial commitments can be evaluated accurately. Moreover, the maturity and transparency of the process of generating and disseminating statistics, reflected by the exposure of the chosen methodologies to public ballot, opens room to exchange information and improvements in the adopted methods.

Finally, it's important to say that this commitment has been recognized by many international organisms. The International Budget Partnership, for example, an institute that supports the adoption of a transparent budgetary process as a way to increase the efficacy of public policies to reduce poverty, on its Open Budget Survey 2010, has defined Brazil as one of the few countries that provide its citizens with enough information so they can understand the public budget (as shown in Graph 7).

**Graph 7: Open Budget Survey**

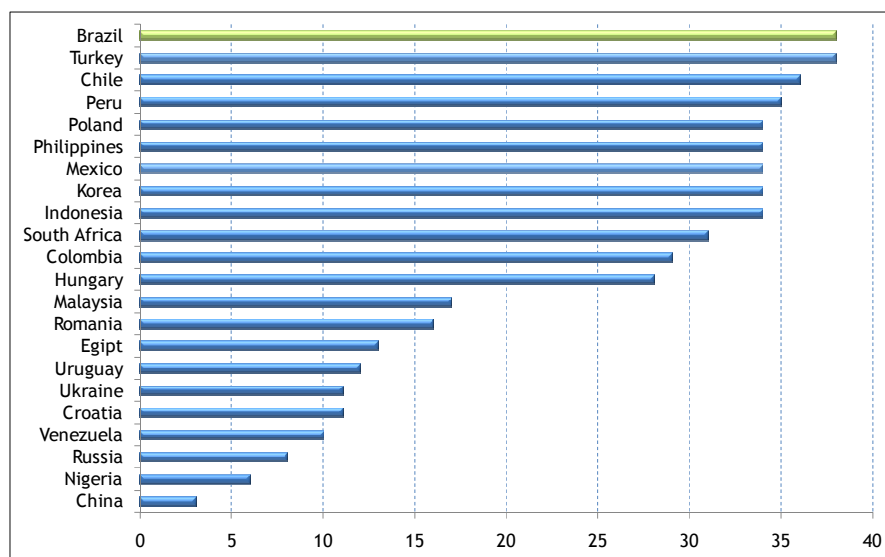


Source: International Budget Partnership

From the public debt managing point of view, it's important to mention the Institute of International Finance – IIF Annual Report, in which Brazil once again reached the maximum score in the evaluation of Investors

Relation's practices and information transparency. This survey evolves the most active emerging countries that are debt issuers, as the following graph illustrates:

**Graph 8: Investor Relation's Practices and Transparency**



Source: IIF

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