Brazil – Ministry of the Economy: Analysis of Key Functions and their Operational Macroprocesses

Institutions for Development Sector

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Benchmarking Operational Macroprocesses with Experiences from Canada, France, Mexico, Peru, Spain, the United Kingdom, and the United States

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BRAZIL
MINISTRY OF THE ECONOMY

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ABSTRACT

This technical note benchmarks Brazil's Ministry of the Economy (ME) value chains and macroprocesses against relevant management models and practices used by ministries of finance, economy, or equivalent in selected Latin American and Organization for Economic Co-operation and Development (OECD) countries. This analysis, undertaken in the context of the creation of the ME by merging five former ministries, was intended to help identify gaps in current practices and propose recommendations for enhancing specific macroprocesses in Brazil. A team, including former ministers of finance and experts from these selected countries, participated in the technical analysis and discussions with public officials together with specialists from the Inter-American Development Bank. The findings show: (i) positive initial results after the merge in terms of policy coordination, coherence, and efficiency; (ii) recent policy reforms in line with OECD practices, some of which have just started to be implemented; and (iii) opportunities to continue enhancing management practices in selected macroprocesses.

JEL Codes: H10, H11, H50, H60
Keywords: public management, policy coordination, budget management, Brazil, Latin America, OECD

CONTENTS

ACRONYMS

CBO	U.S. Congressional Budget Office
ENAP	National School of Public Administration (Escola Nacional de Administração Pública)
IBGE	Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatistica)
IDB	Inter-American Development Bank
ME	Ministry of the Economy
MMM	Multiannual Macroeconomic Framework (Marco Macroeconómico Multianual)
OECD	Organization for Economic Co-operation and Development
OIRA	U.S. Office of Information and Regulatory Affairs
OMB	U.S. Office of Management and Budget
PGFN	National Treasury Attorney's Office (Procuradoria-Geral da Fazenda Nacional)
PILPI	Integrated Long-Term Infrastructure Plan
PPA	Multiannual planning (Plano Plurianual)
SECAP	Secretariat for Evaluation, Planning, Energy and Lottery (SECAP).
SECINT	Special Secretariat for Foreign Trade and International Affairs (Secretaria Especial de Comércio Exterior e Assuntos Internacionais)
SEDDM	Special Secretariat of Privatization, Disinvestment, and Markets
SEDGG	Special Secretariat for Debureaucratization, Management and Digital Government (Secretaria Especial de Desburocratização, Gestão e Governo Digital)
SEGES	Secretariat of State for Management (Secretaria de Gestão)
SEME	Special Secretariat for State Modernization – Presidency of the Republic (Secretaria Especial de Modernização do Estado, Presidencia da República)
SEPEC	Special Secretariat of Productivity, Employment, and Competitiveness (Secretaria Especial de Produtividade, Emprego, e Competitividade)
SEPPI	Special Secretariat of the Investment Partnership Program (Secretaria Especial do Programa de Parcerias de Investimentos)
SERFB	Special Secretariat of Revenues (Secretaria Especial da Receita Federal)
SEPRO	Federal Data Processing Service (Serviço Federal de Processamento de Dados)
SETO	Special Secretariat of Treasury and Budgeting (Secretaria Especial do Tesouro e Orçamento)
SDI	Secretariat for Infrastructure Development (Secretaria de Desenvolvimento da Infraestrutura)
SOE	State-Owned Enterprises
SPU	Secretariat of Coordination and Governance of the Union's Patrimony (Secretaria de Coord. e Governança do Patrimônio da União)
SSA	Social Security Administration
TCU	Federal Court of Accounts (Tribunal de Contas da União)
U.K.	United Kingdom

EXECUTIVE SUMMARY

This document is part of an ongoing cooperation program between the Inter-American Development Bank and the Brazilian Ministry of Economy that aims to support the process of continuous improvement of the ministry's new organizational structure, the framework for policy coherence, and the political alignment of the government's priorities.

The objective of this report is to benchmark the ME's value chains and macroprocesses against relevant management models and practices used by ministries of finance, economy, or equivalent in selected Latin American and other countries in the Organization for Economic Co-operation and Development (Canada, France, Mexico, Peru, Spain, the United Kingdom, and the United States). This analysis was intended to help identify gaps in Brazil's current practices and to propose recommendations for improvement in specific macroprocesses.

The creation of the ME in January 2019 was an ambitious public management reform with great potential to enhance the effectiveness of public policies that contribute to economic growth and job creation while also achieving important efficiencies. Almost three years after its creation, and operating half of that time during the COVID-19 crisis, the initial results appear to be positive for both objectives. Policy coordination and coherence were strengthened across the different value chains and important efficiencies were obtained.

The analysis identified several strengths across the ME's integrated value chain, which comprises 29 macroprocesses and seven management and support functions. Additionally, the analysis identified relevant international practices that may contribute to strengthening eight macroprocesses that were prioritized by the ME for this study:

1 **Formulation, implementation, and evaluation of fiscal, tax, and social security policies.** Regarding fiscal policies, Brazil could benefit from exploring the adaptation of practices from the United States, Spain, and Peru related to incentive frameworks, independent fiscal institutions, policy coordination, and long-term projections, as well as those related to strengthening human talent. Regarding tax policies, the United States' experience and institutional settings show the benefits of implementing more open policy dialogue and involving key stakeholders in analyzing tax policy to improve policy content

and sustainability. For Brazil, this would imply a more open policy-making process that goes beyond the Special Secretariat of Revenues (Secretaria Especial da Receita Federal). Regarding social security policies, making progress in the agenda to create a unique identification will be critical, and there is also potential for a closer and more strategic integration with the agencies in charge of statistical information to inform these policies.

2 **Budget management.** The experience of the U.K.'s Treasury could be of interest to Brazil, specifically the Green Book, the multiyear budgeting system, and the functional model for government, which ensures coherence across corporate functions, along the lines of Brazil's TransformaGov[1] and other efforts by the ME on information and communication technologies and logistics. The U.S. federal government's work modernizing its performance framework and its links to the budget process could also enhance this macroprocess for the ME.

3 **Management of commercial and financial integration policies in the global economy.** Mexico's experience regarding this macroprocess with its Foreign Trade Council (Comisión de Comercio Exterior) could be of interest for Brazil. The case highlights the importance of checks and balances in the decision-making processes since sometimes vested interests can influence decision-maker agencies. Further, the case highlights the importance of checks and balances to ensure the coherence of commercial and financial policies.

4 **Management of disinvestment actions.** The experiences of Mexico, the United Kingdom, France, and Canada demonstrated how adopting centralized strategies could push reforms ahead. The U.K.'s management arrangements for implementing privatization programs show that a small and empowered team with a combination of public servants and private sector experts could be a relevant model to consider. For the related macroprocess of real estate management, the experiences of the United Kingdom and South Korea could bring interesting perspectives for the work undertaken by Brazil's Federal Asset Management Secretariat.

1 TransformaGov is the short form for the Programa de Gestão Estratégica e Transformação do Estado, which is the Strategic Management and State Transformation Program.

5 **Simplification and debureaucratization of the business environment.** Spain's public–private experience managing simplification of business licenses and operations with a multilevel governance approach could contribute to enhancing the successful work on digital government led by the ME. Also, the U.S. Paperwork Reduction Act could be a good reference for enhancing this macroprocess.

6 **Development of national infrastructure.** Various international practices provide examples that could help Brazil strengthen this macroprocess. Mexico's and Peru's experiences in the public investment management cycle could be interesting references for Brazil. Spain's multi-level governance arrangements include a strategic plan for infrastructure and an observatory for transport and logistics that run across government levels. In the United Kingdom, the Major Projects Leadership Academy enhances civil servants' capabilities to manage infrastructure projects. Finally, following the experiences of Peru and other countries, Brazil could consider innovations such as incorporating Project Management Offices, New Engineering Contracts, and Building Information Modelling technologies, among others. Such innovations could allow better investment processes in terms of transparency, design, and cost-efficiency, and help overcome other key weaknesses and low execution rates.

7 **Optimized management of organizational models.** Experiences from both the United Kingdom and the United States show that there should be a single team in government with oversight and advance warning of government reorganizations. Such a team needs centralized capability, a clear mandate, clear objectives, and consistent high-level ministerial support. In the United Kingdom, the Public Bodies Act prevented the buildup of duplicate or redundant public bodies. The process for introducing the Act started with a consultation, which led to a review and a white paper. The National Audit Office reviews organizations to check compliance with this policy.

8 **Efficient management of market and product regulation.** The experiences of the U.S. Office of Information and Regulatory Affairs regarding, for example, cost–benefit analysis of regulations, the Paperwork Reduction Act, and public comments on proposed rules could be good references to continue enhancing this macroprocess in Brazil.

The seven internal management and support functions of the ME contribute to the achievement of each value chain's policy objective. Remarkable efficiencies were achieved in a short period of time, particularly in managing and administering corporate information technology and in logistics.

Integrating of distinct administrative cultures usually takes time; however, the ME's results so far are impressive according to all sorts of managerial criteria. The ministry's new organizational design could be adopted by other complex and fragmented government sectors, such as justice, energy, social development, and infrastructure. Brazil has committed to working toward meeting best practices from OECD countries. Consideration of some of the valuable international lessons summarized above presents a great opportunity to further enhance the ME's management model to continue delivering more effective and efficient public services in Brazil.

INTRODUCTION

BACKGROUND

This document is part of an ongoing cooperation program between the Brazilian Ministry of the Economy (Ministério da Economia, or ME) and the Inter-American Development Bank (IDB) that aims to support the process of continuous improvement of the ministry's new organizational structure, the framework for policy coherence, and the political alignment of the government priorities. It was based on meetings and interviews between ME authorities and civil servants, IDB officials, and international experts.

In January 2019, the government of Brazil launched a reorganization and integration of several institutions to overcome the obstacles generated by the traditional organization in silos. Five former ministries (finance, planning, labor, industry foreign trade and services, and social security) were merged into one ministry, the ME. The result was the creation of seven ME special secretariats and the National Treasury Attorney's Office (Procuradoria-Geral da Fazenda Nacional, or PGFN) coordinated and supported by the Executive Secretariat.[2] Each ME special secretariat has between one and four secretariats or equivalent units (see Appendix 1 with the ME's organizational chart as of April 2021). In addition to the thematic complexity of the ME's scope of work, in 2019 the ministry had approximately 42,000 civil servants, a payroll of R$2 billion (Brazilian real) per month, and more than 1,300 buildings.

The ME has been thoroughly reviewing its organization to strengthen its management and spending functions, as well as those that boost development, economic, and fiscal priorities. This effort seeks to address the challenges of consolidating fiscal policy while achieving sustainable growth.

To ensure the fulfillment of its objectives and to contribute to the government's priorities, the ME's institutional strategy[3] organizes its objectives into three value chains:

1. **Fiscal management**, with the value proposition being the recovery of fiscal balance.

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2 There were two main organizational changes after the creation of the ME: (i) in February 2020, the Special Secretariat of the Investment Partnership Program moved from the Office of the Chief of Staff (Casa Civil) to the Ministry of the Economy; and (ii) in July 2021, the Social Security and Labor Special Secretariat was eliminated after the creation of the Ministry of Labor and Social Security. As of December 2021, the ME had seven special secretariats.

3 For more information see ME's Institutional Strategy.

2. **Improvement of governance and public management**, with the value proposition being improved quality of public services.
3. **Development and economic efficiency**, with the value proposition being an increase in the economy's productivity and competitiveness.

The ME uses a total of 29 macroprocesses, each contributing to a specific value chain. In addition, the ME has created a governance model with eight cross-sector committees (with participation of staff from the different special secretariats) and the Ministerial Governance Committee with the participation of the top internal authorities.[4] The use of committees, which the National Treasury Secretariat (Tesouro Nacional) had already been using, has been helping ME staff become more familiar with each other and deal with matters of common interest. Cross-sector committees and the development of in-house solutions have greatly facilitated the operation and efficient functioning of the ME. The committees have also helped tackle the recurring challenges of risk aversion and diffusion of responsibilities.

To further develop and operationalize its transformation, the ME needs a management model that sets organizational and operational rules and arrangements for the special secretariats to coordinate, make decisions, and implement the 29 macroprocesses. To this end, Brazil can gain great value from considering the practices and experiences of selected Latin American and other OECD countries that made progress in implementing similar management models.

This report was prepared in the context of IDB's work for the modernization of Ministries of the Economy and Finance in Latin America and the Caribbean. Ministries of Economy and Finance have, among their key functions, the definition of macroeconomic policy (together with the Central Banks that conduct monetary policy), the management of fiscal policy, the public financial administration, the financial policy of the Government, and the participation in the definition of national development policies.

The *traditional* organization and operation of these ministries are focused on the functions related to the administration and control of public resources, which allow them to fulfill these functions in the short term, closely controlling the fiscal cash flow, although with little capacity for multiannual projection of the potential performance of public finances. Ministries that have adopted a more *modern* set of functions are capable to better plan and project public finances, with more strategic and quality management functions that

4 For more information see ME's Governance Model.

influence public policies, programs, and spending. This, in turn, contributes to reinforce fiscal responsibility and sustainability. Achieving this status involves an evolutionary trajectory.

The traditional functions of Public Financial Management and Control are the basic foundations for overseeing fiscal activity, insofar as they make it possible to ensure that allocated public spending is executed as planned in the budget cycle. These functions were progressively complemented with other fiscal, financial, and economic functions that strengthened the capacity of the Ministries of the Economy and Finance to oversee fiscal sustainability.

By evolving towards modern functions of Strategic Management of Public Finances, the Ministries of the Economy and Finance began a process of transformation of the organizational culture, where the control management function is complemented by strategic management functions that aim to strengthen fiscal sustainability with tools for inter-temporal planning of public finances, as well as tools for better design, implementation and evaluation of management and expenditure of policies and programs. A new organizational culture that goes beyond budget control and focuses and orients itself on budget results. [5]

5 A. Arenas de Mesa and E. Mosqueira (2021).

THE REPORT

The objective of this report is to benchmark the ME's value chains and macroprocesses against relevant management models and practices used by ministries of finance, economy, or equivalent in selected Latin American and other countries in the Organization for Economic Co-operation and Development (OECD) (Canada, France, Mexico, Peru, Spain, the United Kingdom [U.K.], and the United States [U.S.]). This analysis was intended to help identify gaps in Brazil's current practices and to propose recommendations for improvement in specific macroprocesses.

This report analyzes eight ME macroprocesses comprising several of the ministry's key responsibilities.

1. Formulation, implementation, and evaluation of fiscal, tax, and social security policies;
2. Budget Management;
3. Management of commercial and financial integration policies in the global economy;
4. Management of Disinvestment Actions;
5. Simplification and debureaucratization of the business environment;
6. Development of National Infrastructure;
7. Optimized management of organizational models;
8. Efficient Management of Market and Product Regulation.

The analysis includes the following:

- Main findings and challenges to enhancing implementation of the ME macroprocesses
- Lessons learned from ministries (e.g., finance, economy, treasury) of selected countries (Canada, France, Mexico, Peru, Spain, the United Kingdom, and the United States) about effective and efficient implementation of similar macroprocesses
- Conclusions

The conceptualization and design of the report content responds to the technical discussions held with the ME authorities, as well as the review of key literature on the topic (Allen, Hurcan, Queyranne, et al., 2015; Arenas de Mesa and Mosqueira, 2021; Blöndal, 2002; Hadley and Welham, 2016; Redburn and Posner, 2015; Schick, 2019; Stein, Talvi, and Grisanti, 1998).

The analysis uses a benchmarking methodology to compare the operational arrangements of the eight ME macroprocesses studied, including procedures, routines, and reports, with similar macroprocesses used by the comparator countries. The methodology was implemented in four stages:

- **Planning** included selecting macroprocesses[6] for more in-depth analysis; identifying relevant international experiences; and identifying ME special secretariats, secretariats, and other organizational units responsible for operating these macroprocesses.
- **Preliminary analysis of ME macroprocesses** to understand the current situation of all 29 macroprocesses, including progress made so far after the creation of the ME, challenges, and opportunities for improvement. This analysis was completed through interviews with key public officials in charge of the macroprocesses.
- **Identification and analysis of key comparators for the prioritized macroprocesses**, where similar macroprocesses of selected countries were identified, prioritizing those most relevant to Brazil, as well as lessons that may help to address the ME's challenges and opportunities for improvement on the selected macroprocesses. Specific experiences from the selected countries for each macroprocess were presented to the Executive Secretariat's team in a set of workshops.
- **Preparation of final report**, which reflects the findings of the previous stages.

6 While originally the list included nine macroprocesses, the macroprocess Management of Labor Policies and Promotion of Employment and Qualification was not benchmarked because there was no comparable in the countries selected for benchmarking, thus leaving eight macroprocesses in the analysis.

ACKNOWLEDGEMENTS

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The benchmarking analysis was prepared by a team consisting of Edgardo Mosqueira (team leader, Coordinator of the Public Administration Transformation Cluster, IDB); Mariano Lafuente (co-team leader, Lead Public Sector Management Specialist, IDB); Jorge de Leon, Azul del Villar, Francisco Gaetani and Thyago Gatto (Consultants, IDB); and the following external experts:

- Sir Francis Maude (former Minister for the Cabinet Office, former Minister for Trade and Investment, and former Financial Secretariat to the Treasury, U.K. Government)
- Nicholas Hurd (former minister in several posts in cabinet and former senior public official, U.K. Government)
- José Antonio Gonzalez (former Minister of Finance and Public Credit, Mexico)
- Alonso Segura (former Minister of Economy and Finance, Peru)
- Phil Joyce (Associate Dean, University of Maryland's School of Public Policy, United States)
- Salvador Parrado (Professor of Public Administration at the Hertie School in Berlin and expert on European Public Administration)
- Fernando Rojas (expert and former Lead Public Sector Specialist, World Bank)

The team worked under the guidance of Morgan Doyle, IDB's representative in Brazil, and counted with the support of Roberto de Michele, Head of the Innovation for Citizen Services Division, IDB.

ANALYSIS OF PRIORITIZED MACROPROCESSES

FORMULATION, IMPLEMENTATION, AND EVALUATION OF FISCAL, TAX, AND SOCIAL SECURITY POLICIES

Diagnostic

Governments' use fiscal policy (i.e. the use of government spending and taxation to influence the economy) to promote strong and sustainable growth and reduce poverty. Preparing and analyzing fiscal policies is a macroprocess consisting of the stages of policy formulation, implementation, and monitoring, which require the participation of several ME secretariats.

At a strategic level, the creation of the ME improved coordination among the special secretariats and established the basis for further improvement in the three stages of the policymaking cycle. However, there are still challenges to be addressed to ensure that responsibilities and routines are coordinated; that systemic dialogue among policy formulators and operators is made routine; and that outcomes and reports on key fiscal calculations and figures reach increasingly better-quality standards. The expected outcome should be a more coherent fiscal policy expressed in an evidence-based narrative, which will require organizational and procedural arrangements for an intense but organized dialogue, managerial arrangements to solve discrepancies, and incentives for collaboration among all the stakeholders.

At a tactical level, the macroprocess stages of policy formulation, implementation, and monitoring are currently fragmented. Several secretariats, directorates, and units within the special secretariats have responsibilities and control of the stages, inputs and outputs of the policy cycle, with limited mechanisms for coordination and information sharing. Addressing these challenges requires implementation of operational arrangements to facilitate all stakeholders being informed about and understanding each other's roles and responsibilities. It also requires using programmatic tools to improve the quality of inputs and outputs of the three policy stages.

At an operational level, policy roles and organizational arrangements need to be consistent; data and information sharing would strengthen evidence-based dialogue among the responsible secretariats, directorates and units;

modelling practices and exercises would facilitate dialogue; and committees may provide a catalyst effect in the policy discussion.[7] These horizontal governance arrangements would facilitate producing, implementing, and monitoring fiscal policies.

Fiscal Policies: International Experiences

The cases of Peru, Spain, and the United States include practices and lessons that may help address the ME's challenges and opportunities described in the previous paragraphs. Of particular relevance are the lessons learned in relation to (i) incentive frameworks and independent fiscal institution, (ii) policy coordination and long-term projections, and (iii) skilled human capital.

1. Incentive frameworks and independent fiscal institutions

Fiscal management is increasingly becoming a strategic tool to ensure that government spending is aligned with government goals. The strategic use of fiscal policy requires not only well-designed rules, but also organizational and procedural arrangements for the fiscal policymaking cycle. The fiscal policy macroprocesses interact with strong incentives, leading national and subnational government agencies to sustain fiscal rigidities and budget inertia—with minimal consideration to performance—and thus preventing adjustments required to address fiscal or other policy needs. This situation makes it necessary to define a new incentive framework and/or use tools that facilitate the strategic management of fiscal and budget resources.

Independent fiscal institutions provide good lessons to overcome this tendency toward budget rigidity and to strengthen the reliability of fiscal policymaking. Independent fiscal institutions have worked in countries like Peru, Spain, and the United States, among others. Fiscal councils with professional and skilled staff reviewing fiscal policies and monitoring results in accordance with the country's priorities and/or targets have proven to be very effective. One key element for the effective and efficient operation of these institutions is the fiscal council's degree of independence from the government's executive branch, which is closely linked to the mechanism for appointing fiscal council members.

7 The experience of collegial governance of the Secretariat of Treasury was an important source of inspiration for the dissemination of governance committees across special secretariats.

These are some of the possible mechanisms used for appointments:

- Members are named or ratified by congress. In theory, this is the best mechanism to ensure independence. However, Peru's experience shows that pronounced partisanship in congress and negative precedents in terms of appointment of other high public officials can undermine this objective.
- Members are proposed by the government's executive branch to ensure they have a high degree of independence as they are recognized in the academic and professional fields. This is the model implemented in Spain and Peru.[8]
- Members are proposed by the Ministry of Finance as advisory councils. These have the least degree of independence.

Another good example of independent fiscal institutions is the U.S. Congressional Budget Office (CBO), which has attempted to remain relatively moderate in economic assumptions employing a group of private and academic macroeconomists for advice. The CBO uses a standard set of assumptions to provide estimates of costs that are based on objective factors, rather than politics; using consistent assumptions does not give the advantage to some policies over others. In the United States, the CBO has served to keep the President's Office of Management and Budget, other executive institutions, and the U.S. Department of the Treasury more objective with respect both to underlying economic growth assumptions and to estimates of the economic effects of changes in policies. Most of the countries' experts highlight the importance of taking away the role of estimating from those who have a vested interest in understating or overstating economic effects. In the U.S., presidential budgets tend to be more optimistic than those of the CBO.

8 In Peru, only the first members of the council were proposed and selected by the executive branch. Legislation establishes that after those first members finalize their mandate, future members are to be proposed by the council itself.

PERU'S FISCAL COUNCIL

In 2013, a fiscal council (consejo fiscal) was created in Peru. In 2015, the first council members were appointed to oversee fulfillment of the fiscal rules and other relevant matters in fiscal policy. Although they are named by Supreme Resolution (with the signatures of the president and the minister of finance), appointees have always been perceived to be independent of the executive branch. Councilors have academic and professional backgrounds that guarantee the suitability of their non-binding opinions. The first fiscal council president, who was ratified for a second term, is the current Minister of Economy and Finance, a former public official, and an academic. The current fiscal council president is a former Minister of Economy and Finance, with prior experience at multilaterals, and academics.

Although the creation of fiscal councils has usually been related to the need to face adverse fiscal scenarios through fiscal consolidation processes or has been pushed by regional blocs, Peru's case is different. Fiscal credibility and sustainability were not an issue at the time. The fiscal council was established to foster transparency in fiscal policy, to constitute an important guardrail going forward, and to comply with international standards.

The purpose of Peru's fiscal council is to contribute to the independent technical analysis of fiscal policy by issuing nonbinding opinions through reports on the following matters:

- The compliance of subnational governments with the macrofiscal rules and fiscal rules.
- The quality of macroeconomic projections contemplated in the Multiannual Macroeconomic Framework (Marco Macroeconómico Multianual, or MMM).
- The evolution of public finances in the short, medium, and long terms.
- The methodology for calculating the structural fiscal result included in the MMM.

The fiscal council is autonomous in terms of its administrative and technical decisions. It does not respond to any type of directive from the executive branch. The reports issued by the fiscal council are published on its institutional portal.

The members of the fiscal council (councilors) are appointed for a period of four years, extendable for an additional period. The position of member of the fiscal council ceases due to expiration of their term, resignation, or duly proven serious misconduct. The fiscal council has a technical secretariat, and the council has absolute independence in designations and other administrative and technical issues.

The members of the fiscal council are remunerated with per diems. Their activity on the council does not disqualify members from performing any other public function or private activity. An issue that was debated at inception of the fiscal council was whether to ban conflicts of interest. It was decided not to introduce explicit restrictions avoid limiting the pool of candidates, but rather being very careful about avoiding such conflicts.

2. Policy coordination and long-term projections

As in other countries, in Brazil budget allocations and expenditures are affected by stakeholder pressure and lobbying activities, which strengthen budget rigidity and inertia. This situation weakens the links from government priorities and goals to sector plans and budgets, but it also undermines the influence that fiscal risks should have on the fiscal parameters that sustain budget size and composition. Some experiences from the selected countries show arrangements geared toward establishing checks and balances within the administration, as well as between the executive and legislative branches, to establish institutional arrangements for a unified, aligned, and coordinated fiscal policy.

U.S. estimates of long-term fiscal policies and risk programs for fiscal sustainability are good examples of policy coordination for long-term projections. The baseline estimates in the president's budget, the budget resolution, and the CBO baseline cover 10 years, which is a reasonable medium-term horizon. In addition, annually, the CBO publishes a long-term projection of spending, revenues, the deficit, and debt. These estimates typically extend at least 30 years in the future and have sometimes covered more than 50 years (although there is some consensus that the 30- to 50-year estimates may not be that useful). The CBO also publishes a document including policy options to reduce the long-term budget deficit and debt. Every two years, the Government Accountability Office publishes a list of high-risk programs, which are defined as those that pose long-term fiscal or policy risks to the nation.[9]

Despite the current process in the United States, U.S. fiscal policymaking is fragmented, largely due to budget rules and congressional committee jurisdiction. It would make sense to consider all of the policy tools that could be used to address a particular policy problem (e.g., affordable housing, climate change, or rural health) together, with the aim to select the best mix of tools.[10] Redburn and Posner (2015) suggested a reform called "portfolio budgeting" that would encourage the president (in the president's budget proposal) and the Congress (in the budget resolution) to do just that. This is not currently a practice in the United States, but it would be a desirable change.

3. Skilled human capital

In the United States, there are many analytical institutions (the Office of Management and Budget [OMB], CBO, the Department of Treasury) with highly skilled staff that have a great deal of expertise and institutional knowledge. The United States has benefited from the fact that the majority of OMB and Treasury staff are "career" employees, which means that they remained in place even when the president changes. These staff have an ethic of neutral competence, meaning they can serve to support disparate policies of different presidents. This has made transitions between administrations smoother than would otherwise be the case. Finally, many staff in these institutions come from the nation's academic programs, many with graduate training in public policy, public administration, or economics. Some of the reasons they remain in their positions are the benefits offered (e.g., attractive retirement plans, good health plans, and job security).

9 The most recent list includes 37 items, among them climate change, Medicare, Medicaid, and cybersecurity (see https://www.gao.gov/high-risk-list).

10 Thanks to the creation of the ME there is room for the Federal Budget Secretariat and the National Treasury Secretariat to work closer together on approaches such as portfolio budgeting. The National Treasury Secretariat is responsible for accounting and cost systems, which may help the Special Secretariat of Treasury and Budgeting—previously the Special Secretariat of Finance—to improve policy coordination during budget execution. Similar synergies are now possible thanks to the proximity between the Special Secretariat of Treasury and Budgeting and the Special Secretariat of Debureaucratization, Management, and Digital Government since the latter is responsible for organizational structures, creation of posts, pay negotiation for civil servants, and authorizing recruitment and selection processes.

Summary

Brazil has two plausible ways to adopt what was learned regarding independent fiscal institutions. The first is to enrich the existing institutional arrangements. The Brazilian Senate has created a fiscal think tank to monitor financial and economic government data. Policy dialogue with the Senate and other potential co-sponsors would be required to incorporate the functions of advanced independent fiscal institutions described in this report into current institutional settings. The alternative for the ME is to propose the creation of an independent fiscal council with participation of public and/or private stakeholders, which would require a consensus-building process to ensure the proposal credible and sustainable.[11]

However, the ME and other institutions already perform several of the proposed functions for the fiscal council described in the preceding paragraphs. Unlike other Latin American countries, Brazil has a strong permanent civil service and its technical staff at the ME—especially at the Special Secretariat of Treasury and Budgeting and at the Special Secretariat of Revenues—are committed to a reliable fiscal policy. Also, Brazil's external control institutions are strong and have been relevant in the oversight of fiscal policies. Thus, the technical work of an independent fiscal institution would not be difficult. The greatest challenge might be finding the human capital to fit comfortably within the institutional arrangements eventually adopted by the leaders of all branches. The ME's civil service professionals are in high demand from other secretariats and federal government institutions. Further, it is difficult to move public servants among the ME special secretariats and more generally within the federal government.[12]

Tax Policies: International Experiences

In the U.S. executive branch, the same organizations that are responsible for formulating tax policies also evaluate those policies: the Council of Economic

11 It is important to mention the role of the Institute of Applied Economic Research (Instituto de Pesquisa Econômica Aplicada, IPEA) in supporting modelling of long-term financial projections. The ME has worked much closer with the Institute's teams than when the Institute was subordinated to the Ministry of Planning. The Institute has been a decisive partner in macroeconomic scenario–building exercises within the Secretariart of Economic Policy, under the umbrella of the Special Secretariat of Treasury and Budgeting.

12 Managing the allocation of civil servants is a strategic challenge in Brazil, as each of the several existing careers has its own mobility rules. Despite this general mobility challenge, 60 percent of budget officials are not currently working in the Federal Budget Secretariat and 45 percent of Treasury officials are not working in the National Treasury Secretariat. These professionals are in high demand within Brazil's public sector.

Advisers, the National Economic Council, and the Department of the Treasury. The Joint Committee on Taxation does some evaluation of tax policies, but there are also two key congressional agencies that also complete such evaluations:

1. The CBO has a Tax Analysis Division that focuses on potential changes to the tax code and on the potential distributional effects of current and potential tax policy.
2. The Congressional Research Service evaluates tax policy and publishes an evaluation of tax expenditures.

The practices of these U.S. agencies are grouped into five processes: (i) consensus (or competitive) revenue estimation, (ii) tax expenditure estimation, (iii) distributional analysis, (iv) tax gap estimation and assessment, and (v) data development. These processes suggest organizational and institutional arrangements that may help address most of the ME's challenges and opportunities in formulating and evaluating of tax policy.

1. **Consensus (or competitive) revenue estimation.** The existence of multiple highly qualified agencies in both the U.S. executive and legislative branches that have forecasting capabilities increases the accuracy of tax estimates. This is true for revenue forecasts and for estimating the cost of individual tax policy changes. Competitive revenue estimation is important not only because these agencies do not want to be embarrassed by estimates that lack credibility, but also because they work to share information. Many U.S. states explicitly estimate revenue by consensus between the legislative and executive branches. This is not true for the federal government and, in practice, the competition between agencies often results in a consensus forecast. Revenue estimating is particularly important at times when the congress and the president are trying to meet a particular budget target.
2. **Tax expenditure estimation.** In recent decades the United States has substantially expanded the use of the tax code to provide direct benefits to citizens as an alternative to spending. Spending through the tax code is referred to as a "tax expenditure," and it includes both income that is not taxed (e.g., employer contributions to health benefits) and tax credits (e.g., for low-income individuals). The executive and legislative branches have thus had to estimate tax expenditures, especially for income tax. The U.S. president's budget proposal includes detailed estimates of the 10-year cost of tax expenditures, enabling policymakers to understand the value of the benefits provided. While the ability to estimate these benefits is a positive aspect of the U.S. system, these tax provisions often do not

get the same scrutiny as equivalent spending policies (and tax expenditures are not subject to the same budget constraints).

3. **Distributional analysis.** In the late 1980s, more attention began to be paid not only to the cost of tax policies, but also to their distributional effects. Since then, increasingly, in many countries, there are analyses of how a particular change in policy will affect different income groups. In the United States, the CBO routinely publishes reports on how tax policy affects the distribution of income across different portions of the income distribution (e.g., by quintile, for the top 5 percent, or the top 1 percent). The attention to distributional concerns has affected debates on tax policy so that questions are asked not only about total revenue effects but also how different policies affect different groups.
4. **Tax gap estimation and assessment.** The U.S. tax system is based on an assumption of voluntary compliance and on enforcement. Therefore, it is important to know what the gap is between taxes paid and taxes owed, and to understand the target for enforcement efforts. The Internal Revenue Service has developed a relatively sophisticated model to estimate the tax gap.
5. **Data development.** All of these analytical efforts require data on individual and corporate taxpayers to be collected and to be accurate. These data are widely available to government organizations, academics, and think tanks that seek to analyze tax policy. Great care is taken to protect the identity of individual taxpayers in reporting these data. The importance of accurate data, estimates, and assumptions that build trust and confirm transparent decision-making and accountability has been increasing.

The ME's civil servants are more than qualified to join these debates at the international level. However, the Special Secretariat of Revenues' (SERFB) could eventually benefit from more mechanisms for policy dialogue, allowing the special secretariat to feed the discussion and add content to the policy-making process. The creation of the ME improved cooperation between the SERFB and other ME special secretariats and agencies, such as the Digital Government Secretariat within the Special Secretariat of Debureaucratization, Management, and Digital Government, and the IBGE. Further, the increasing importance of big data is crucial to promoting digital transformation and assessing tax gaps. However, there are teams of civil servants at the Treasury; the Secretariat for Evaluation, Planning, Energy and Lottery (Secretaria de Avaliação, Planejamento, Energia e Loteria); the Executive Secretariat; Ministry Cabinet, and so on that could also contribute enormously to accelerating the modernization and rationalization processes that currently take place at the SERFB. Also, working groups and exchange programs for civil servants between the SERFB and the Special Secretariat of Treasury and Budgeting—for example, including SERFB's Customs and Taxes Study Center—could be important instruments to continue enhancing cross-sectoral cooperation for this macroprocess.

Joining the OECD is a long, ongoing process that may help the ME improve its efforts at policy coherence and should help SERFB to open their discussions on tax policies at least within the ME. Participating in international forums is critical to enabling internal debate at home. Cooperation within different ME special secretariats is fundamental for SERFB to deepen its international integration.

Social Security Policies: International Experiences

In the United States, the Social Security Administration (SSA) and its Office of the Chief Actuary are responsible for projecting financing of the Social Security program, particularly the funding status of the trust funds. For example, current projections are that the trust funds will reach insolvency in 2033 unless changes are made to tax and/or spending policy. One of the most significant characteristics of the Chief Actuary is that this role is independent and nonpartisan. There is also an SSA Office of Policy, which does more future-oriented policy analysis on options for Social Security reform. Finally, there is an Annual Trustees Report, from the statutory trustees of the SSA, which includes two members who represent the public, in addition to several public officials.

The practices followed by these U.S. agencies are grouped into four processes: (i) long-term forecasts to ensure solvency, (ii) independent actuarial assumptions, (iii) enumeration at (or near) birth, and (iv) coordination between social security spending and tax policy (because of earmarked taxes). These processes suggest organizational and institutional arrangements that may help address most of the ME's challenges and opportunities in formulating and evaluating social security policy.

1. **Long-term forecasts to ensure solvency.** Defined benefit retirement programs must face the challenge of ensuring that there are sufficient funds to meet future retirement demands. It is important to focus not just on the financial liabilities for the next several years, but on the financial liabilities for decades into the future. Doing this involves developing so-

phisticated and accurate models to project future revenues and spending. Among other things, this requires developing a clear understanding of the future demographic trends in the country. This is necessary for government-run pension systems, and the government needs to understand the fiscal situation of state or local and private pension systems, because insolvency of those systems can increase demands on government.

2. **Independent actuarial assumptions.** Because there are numerous organizations that prepare estimates of future social security revenues and spending, there is a high degree of consensus around the future trajectory of the program. The most important role is that of the Social Security Administration's Chief Actuary, who operates largely outside of political influence and prepares the estimates that go into the Trustees Annual Report.[13] Other organizations, especially the CBO and the Government Accountability Office in the legislative branch, also analyze social security, including options for reform. In each of these cases, the credibility of the long-term forecasts is enhanced by the reputation of these organizations for providing objective estimates.
3. **Enumeration at (or near) birth.** Getting people enrolled in the system, both for tax collection and future benefit purposes, is crucial. For this reason, social security has moved to a system where social security numbers are issued very early in a person's life (at or near birth) even though most will not pay into the system for decades after that point. This early enumeration also assists with general tax collection, particularly for individual income tax, as social security numbers assist with both tax collection and enforcement.
4. **Coordination between social security spending and tax policy (because of earmarked taxes).** Having a single source to collect taxpayer identification numbers can promote more efficient tax and spending policy. Social security numbers are used as identification to collect both social security payroll tax and individual income tax, hence, compiling these numbers enhances the ability to administer both taxes. Finally, since many states, and some local governments, also have their own income tax, the single source for taxpayer information also promotes the ability of these governments to administer their income taxes.

In Brazil, the use of social security numbers is consolidated at the federal level, but not at state and municipal levels, which the Treasury is aware of. Subnational governments did not promote the essential reforms that were successfully implemented at the national level. Coordination between the Federal government and the states and municipalities on fiscal imbalances,

13 For more information see https://www.ssa.gov/OACT/TR/2020/.

intergovernmental transfers, and social security spending and tax policy is challenging. Reviewing the U.S. experience in depth could be helpful for the ME.

The creation of a unique citizen identification, being implemented could dramatically reduce transaction costs. The topic is a priority for the Secretariat for Digital Government (Secretaria de Governo Digital, within the Special Secretariat of Debureaucratization, Management and Digital Government), but accelerating its implementation requires a policy coalition among the Management Secretariat (SEGES), the Ministry of Labor and Social Security (formerly the Special Secretariat of Labor and Social Security) and SERFB, in addition to the Presidency's Special Secretariat for State Modernization and the Superior Electoral Court.

The ME has a good opportunity to work closer with IBGE, as a critical source of statistical information that can support policymaking processes. Evidence-based policymaking demands official data collection to be performed properly. The advent of artificial intelligence will make data collection and maintenance more and more important. Similar to the case of the IBGE, the potential for a closer and more strategic integration of the Institute of Applied Economic Research (*Instituto de Pesquisa Econômica Aplicada*) is another opportunity that seems to have emerged with the creation of the ME.

BUDGET MANAGEMENT

Diagnostic

Budget management is a key macroprocess for government performance and service delivery. Efficiency in allocating budgets and productive efficiency require adequate organizational and procedural tools, as well as institutional mechanisms and functions to implement strategic use of the public funds. At a strategic level, current institutional arrangements in Brazil face significant challenges because the budget is trapped in a rigid architecture with weak functionality. In addition, the Fiscal Responsibility Law needs complementary legislation to ensure stability, predictability, and compliance.

At a tactical level, the creation of the ME opened opportunities for fiscal and budget management improvements as all instruments of fiscal policy are under a unified command. However, the dispersion of instruments among several organizational units within different secretariats requires stronger coordination processes and routines. Further, anticipating and monitoring fiscal impacts require the development of new skills and capacities,[14] with more personnel capable of conducting cost–benefit and value-for-money analyses as well as digital tasks.

At the operational level, the integration efforts—like the incorporation of budget and treasury under the same special secretariat—brought new opportunities for further improvements in budget management. It also created strategic opportunities, such as linking the budget with results-oriented programs (with specific outcomes monitored by indicators).

The formulation, negotiation, allocation, execution, and monitoring of the federal budget are supported by processes, protocols, process timelines, and routines that may not be as strong as in OECD countries. As such, responsibilities within the ME, of its public officials, and across different levels of government can sometimes have overlaps or vacuums, which can negatively affect budget management. The ME currently has the capacity, mandate, and opportunity to induce policy change in-house and continue moving away from working in silos.

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14 For example, the ME successfully developed important institutional capacity for Regulatory Impact Analysis (Análises de Impacto Regulatórios, or AIR) in the last years. This could be a relevant case to consider as a reference.

International Experiences

The review of experiences from comparator countries shows 10 policy options the ME could explore: (i) an ME Green Book; (ii) a multiyear budgeting system; (iii) a functional model of government; (iv) precise budget calendars; (v) integrated, statutory routines to improve or drive performance; (vi) priority setting across agencies; (vii) strategic priorities within agencies; (viii) coupling transparent performance reporting and external oversight; (ix) clear lines of responsibility; and (x) appointment of an official to coordinate government-wide activities.

1. **ME Green Book** (from the United Kingdom).[15] The Green Book is the U.K. government's formal guidance for public servants on how to appraise and evaluate all policies, projects, and programs. It drives decision-making based on value for money, which is based on SMART criteria (specific, measurable, achievable, realistic, and time-limited) objectives, net present value, and risk costs. The Green Book is used alongside specialized guidance on specific areas of public spending to mitigate the risk of government only focusing on projects whose impact is easily rendered in monetary terms. It is published by the Treasury and is periodically updated to ensure its interpretation of value for money matches the nation's actual needs. The U.K. government also runs a Green Book user network, which organizes regular events to support users in sharing expertise and developing a wider community of practice. The purposes of an ME Green Book would be to (i) ensure that all decision-making across government is kept at consistently high standards and delivers value for money, (ii) facilitate comparisons between different areas of government and enable identification of poor or wasteful decision-making, and (iii) enhance accountability, leading to better decision-making and thus better outcomes for the government.

15 While the ME has developed different guidelines and manuals on themes such as ex ante and ex post public policy evaluations, project management, or cost–benefit analysis—available here—the Green Book's nature and objectives are different because it is oriented toward promoting greater internal accountability.

OTHER INTERNATIONAL BENCHMARKS

Some countries have an official spending guide equivalent to the U.K. Green Book:

- In Germany, the federal government has three separate guides on cost–benefit analysis for transport alone. For example, it conducts Spatial Impact Assessments to evaluate the quality of accessibility and connectivity for different regions.
- The New Zealand Treasury publishes a Guide to Social Cost–Benefit Analysis like the Green Book.
- Australia uses a handbook of cost–benefit analysis.
- In France, the requirement for cost–benefit assessment is enshrined in the legislation for major public spending.

2. **Multiyear budgeting (MYB) system.** Brazil's fixed four-year system means that actual funding predictability across years is low. By the end of the four-year period, government entities do not know their future funding. Disbursement data show a persistent gap between committed and executed funds. Therefore, when adopting a rolling MYB system, budgets are set across multiple years at a time—typically, three to four years (3-year: the United Kingdom, Canada, and Sweden; 4-year: Australia, New Zealand, and Germany; and 5-year: the United States). If a budget is set for three years, in the first year of operation, the budget is set for the following three years and as the systems progresses final adjustments are made to the incoming year's budget and a new budget year is added onto the end.

   Effective rolling MYB is longer, broader, and deeper than an annual or fixed multiyear budget process. It is longer because, under the MYB system, government entities always have reliable budget allocations set for the next three years, enabling them to plan and manage their spending with certainty and therefore more efficiently. It is broader because MYB enables the Center of Government to confidently build in the presidential priorities for the next three years, reducing the need for disruptive additions to expenditures within a year. It is deeper because MYB drives the need for deep and coordinated analysis of the costs and benefits of both new initiatives and business as usual, enabling medium-term trade-offs to be decided on the basis of good information and agreed analysis. It is important that the MYB timeline is realistic because it is difficult to predict budget needs more than three to four years in advance.

3. **Functional model of government.** In any government, there are several cross-cutting functions that are recognizable as the same wherever they exist. These horizontal functions include financial management, procurement, information technology (IT), major projects, human resources management, and internal audit. In most governments, these functions operate in rigidly separated vertical silos: the line ministries, secretariats, and other entities.

   Although Brazil has started to move away from the model of vertical silos (e.g., through TransformaGov[16]), most of its functions are still siloed (Figure 1). This scattering of capabilities creates the risk of there being no center of technical expertise for specific functions and makes it hard for the Center of Government to question the line ministries' analyses of new proposals and projects. It also means that the only flow of management information to the Center of Government comes from the top of the separate entities and, as a result, the true situation only comes to light much later, making effective intervention impossible.
   The functional model of government directly addresses these challenges. Successful implementation of the model could deliver huge benefits for the government, enabling substantial savings in the running costs of the government in ways that have no negative impact on the public. But to be successful, implementation requires very precise engineering. The ME has started to move to the functional model of government in human resources, information and communications technology (ICT), and logistics. This centralization should become the norm for all cross-cutting functions, as in the U.K. case. The lessons learned include focusing on the quality of expenditures and better judgment, and using real information in program processes.

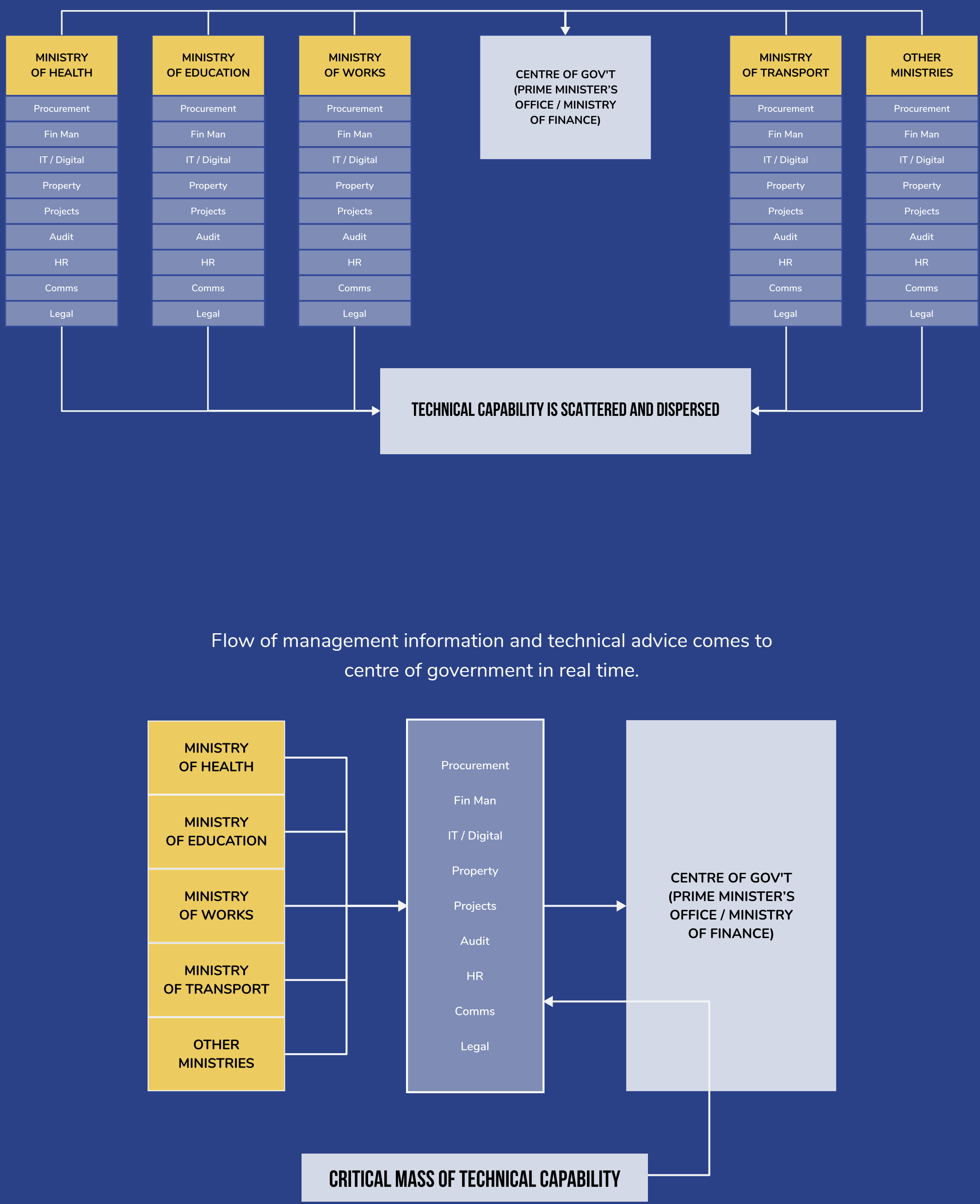
4. **Precise budget calendars.** The goal is to define budget calendars with clear responsibilities for the executive and legislative branches. For example, Peru and Mexico have strict calendar schedules and rules. Although Brazil has its calendars defined by legislation, in practice, they have not been observed.

5. **Integrated, statutory routines to improve or drive performance.** In the United States, the government has considered it important to lay out a clear strategy for the federal performance framework. The federal government is assisted in this policy option by the fact that some of these roles (performance improvement officers, the Performance Improvement

16 For more information visit TransformaGov's website.

Figure 1. Siloed Model vs. Functional Model

Flow of management information and technical advice comes to centre of government out of the tip of each ministry.



Source: Francis Maude Associates.

Council, strategic reviews, and cross-agency goals) are specified in the 2010 Modernization Act, which amends the 1993 Government Performance and Results Act. This means that new presidential administrations cannot just throw away the requirements. Also, the connection of the strategic review process to the annual budget process by linking it to the spring budget review makes it more likely that there will be a connection between performance objectives and resource allocation. This has carried out through a focus on things like institutional risk management and evidence-based policy, enabling agencies and programs to ask what factor (such as unnecessary risk, inadequate data) might be impeding their ability to achieve results.

6. **Priority setting across agencies.** As in Brazil, one of the biggest challenges that some governments have faced when it comes to performance and accountability is that there are frequently many different agencies with responsibility for outcomes and it can be difficult to coordinate their actions. Hence, specifying cross-agency goals near the beginning of a presidential administration increases the chance that these disparate agencies will focus on them. Clearly identifying an official who oversees each of these goals[17] gives that person the responsibility for coordinating these cross-agency activities.

7. **Strategic priorities within agencies.** Going back to the original U.S. Government Performance and Results Act (GPRA, 1993),[18] much attention was paid to strategic planning, setting priorities, and developing measures of performance. The focus on agency outcomes has in many cases moved the focus away from input controls (and the type of spending: discretionary, mandatory, or tax expenditures) to a focus on what is necessary to achieve results. More recently, the model has shifted to one where strategic priorities are set every two years (in line with the average tenure for the secretariat role in government), performance measures are established to track progress toward those goals, and then performance reports are prepared that disclose that progress.[19]

8. **Coupling transparent performance reporting with external oversight.** Since the GPRA first started requiring annual performance reports in the United States, most agencies have made substantial progress in providing transparent information on the results achieved. However, many agencies

17 In some cases, there are two goal leaders: one at the Center of Government and one at the institution mainly in charge of delivering that priority.

18 Available at: https://www.govinfo.gov/content/pkg/STATUTE-107/pdf/STATUTE-107-Pg285.pdf

19 For more information see: www.performance.gov

have continued to face challenges in measuring outcomes, as opposed to outputs. The oversight exercised by the agency's Office of the Inspector General, the Government Accountability Office, and some congressional committees has encouraged the development of better and more transparent performance reporting. However, it is true that U.S. congressional interest in performance is a little inconsistent, with the appropriations committees among the least enthusiastic. The development of the Performance.gov website as a place for the public and public officials to look for performance data has been a positive development, but until recently the website was not very user friendly, particularly if the goal is to educate the public.

9. **Clear lines of responsibility.** Over the past 30 years, the U.S. federal government has made substantial efforts to create institutional structures to coordinate activities across the government, specifically with the following:
   - The President's Management Council, including deputy directors of major federal agencies
   - Performance improvement officers in agencies
   - The Chief Financial Officers Council reporting to the head of the Office of Federal Financial Management within the OMB

   The ME could consider having central staff lead the performance agenda, with chief performance improvement officers in the line ministries (with an overall view of the ministry and focusing on the priorities, as opposed to staff from specific secretariats each with a more siloed vision or political staff assisting the minister or head of the institution with limited technical knowledge).

10. **Appointment of an official to coordinate government-wide activities.** In pursuit of cross-agency priority goals, such an official would promote more comprehensive attention to those activities.

The recent transformation of the Special Secretariat of Finance into the Special Secretariat of Treasury and Budgeting is a powerful signal that the ME is pursuing more integration of these two areas of government. There are still some policy actions to be explored, such as the ones proposed in the paragraphs above, but these policy changes depend on the new secretariats' approach toward the problems of executing budgets. These organizational adjustments should underpin the incorporation of the good practices and lessons from other countries described above, and they could be the basis of a new financial and legal framework for budgeting.

The transference of pluriannual planning to the Secretariat of Budgeting may help further changes toward a MYB framework, a move in line with best practices adopted by most developed countries.

Furthermore, having both the Special Secretariat of Treasury and Budgeting (responsible for overall government planning) and the Special Secretariat for Debureaucratization, Management, and Digital Government (in charge of defining guidelines for institutional strategic planning and digital government across the executive branch of the federal government, formerly under the Ministry of Planning) under the same ME umbrella contributes to better collaboration and to empowering these agendas in the dialogue with the line ministries.[20]

20 For a more specific review of medium- and long-term planning, please see analysis of the specific macroprocess in the next section of this report.

MANAGEMENT OF COMMERCIAL AND FINANCIAL INTEGRATION POLICIES IN THE GLOBAL ECONOMY

Diagnostic

At a strategic level, the inclusion of international trade as one of the functions of the ME[21] enabled more unified policy leadership, while the centralization of trade negotiations set the basis for improvements in policy consistency, cohesiveness, and coherence, increasing the bargaining power of the fiscal areas on these topics. This reform will need further steps for its consolidation as many stakeholders are still adapting; policies aimed at opening trade and the economy will need gradual adjustments and persistence to reach consistency. The creation of capacities and tools for an evidence-based policy decision-making process will raise the transaction costs of vested interests to influence the open trade and economy agenda.

At a tactical level, as the policy-making process on international trade requires the participation of the special secretariats in charge of trade, taxes, and fiscal management, tensions will arise, which is an opportunity to implement routines that facilitate negotiation and mediation. The consolidation of trade and integration policies creates opportunities to consolidate the powers of the special secretariats to set the policy agenda and to identify and close any gray areas on policy decision-making.

At an operational level, implementing a new, open approach to trade and integration will require institutional support, new mindsets, and to foster a new relationship with Congress as a key stakeholder on this agenda. Some key measures to address these challenges include capacity-building activities to create and incorporate human talent with new skills, including international trade, behavioral skills for negotiation, and data analytics.

21 The Ministry of Foreign Affairs retained the attribution of trade promotion.

International Experiences

The experience of Mexico brings useful examples in how to address some of the challenges faced by the ME on this macroprocess. Regarding regulations, Mexico's experience shows that it would be important to limit the number of trading tools (e.g., tariffs, quotas, nontariff barriers), as fewer instruments are easier to manage. At a strategic level, Mexico shows that achieving quick gains and focusing on less controversial products is a good strategy to make concrete progress. Finally, Mexico's experience highlights the importance of checks and balances in the decision-making processes because sometimes vested interests can influence decision-maker agencies.

The Mexican case also highlights interesting practices in functional and organizational arrangements. First, in terms of functions, policymaking on trade and integration is a competence of the Mexican Foreign Trade Commission. The commission's key stakeholders are part of the executive branch (as shown in Figure 2), while the commission presidency is assigned to the Ministry of Economy (in charge of economic development, productivity, and competitiveness).[22] Second, operationally, the Executive Branch, typically the Ministry of Economy, makes a proposal to create, increase, decrease, or eliminate tariffs. The Foreign Trade Commission evaluates the tariff proposal either at an ordinary (scheduled typically once a month) or an extraordinary (can be convened as soon as needed to deal with urgent matters) meeting. Each of the eight members of the commission makes an explanatory statement and votes on the tariff proposal (yes, no, abstention). In the case of a tie, the commission chair has a vote. The commission develops a report about each session that includes each member's statement, the results of the vote, and the commission's final recommendation. The Ministry of Economy then sends the tariff modification request to the Ministry of Finance for signature and then it is sent to the president for publication in the government's official gazette. The tariff comes into effect.

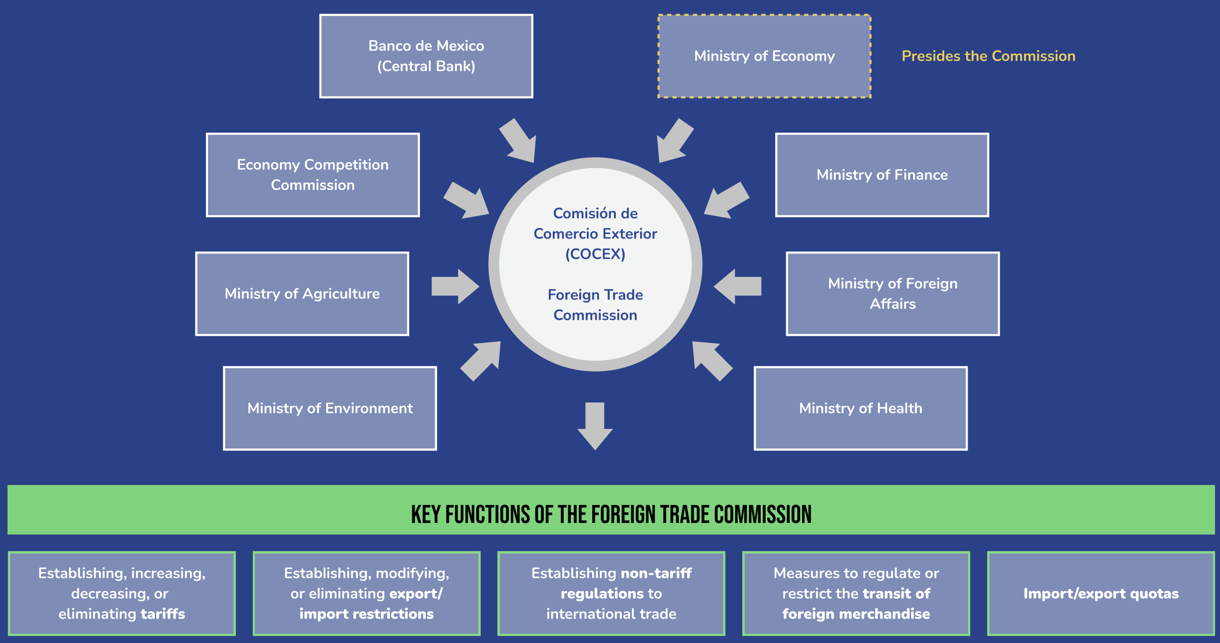
Some important lessons are distilled from these arrangements. First, the composition of the commission incorporates all the key public sector stakeholders for trade and integration to create a single channel for trade and a consilidated policy discussion. The roles of the Ministry of Finance (sign the

22 The Ministry's mission is to develop and implement integrated innovation, productive diversification, and productive and commercial inclusion policies, and to promote national and foreign investment, taking advantage of mineral resources and boosting productivity and competitiveness of sector industries that allow its integration into regional and global value chains, with the final objective being to contribute to the welfare for Mexican citizens.

approval of tariffs changes) and the Ministry of Economy (manage the commission) ensure the agenda is aligned with government priorities, and the arrangement controls the approval of new policies and decisions because the Minister of Finance has the final say as they sign any tariff proposal before it is sent to the president for publication and implementation.

The wise design of governance mechanisms in charge of international policy, combined with the appointment of officials that sponsor the Ministry of Finance's view, is key to ensuring organizational alignment between the political views of the government and the operational orientation of the committees in charge of the subject.

Figure 2. Mexico's Foreign Trade Commission



Source: Author's elaboration.

MANAGEMENT OF DISINVESTMENT ACTIONS

Diagnostic

Reducing the size of government has been a priority during Brazil's current administration. The country is in the process of implementing a privatization program that reduces the size of its parastatal sector. As of September 2021, Brazil had 158 state-owned enterprises (SOEs), representing around 10 percent of GDP.

At a strategic level, the ME created a Special Secretariat of Privatization, Disinvestment, and Markets (SEDDM) to tackle big government, eliminate inefficient expenditures, and improve delivery of services especially through the privatization of SOEs. The ME also brought under its umbrella the Special Secretariat of the Investment Partnership Program (Secretaria Especial do Programa de Parcerias de Investimentos [SEPPI]), which has a critical role in the appraisal of priority disinvestment projects, is responsible for the secretariat of the National Privatization Program and for coordinating the structuring of disinvestment projects together with the Brazilian Development Bank (BNDES). Some of the challenges ahead will require enhancing communication strategies to approach disinvestment policies with a whole-of-government perspective. Also, coordination will be required to ensure consistency in policy decision-making as several special secretariats have roles in their implementation (SEDDM, SETO,[23] SEPEC,[24] SEPPI, and PGFN), in addition to BNDES.

At a tactical level, the ME is facing constraints in moving ahead with the agenda. Until recently, SEDDM's mandate was focused on the oversight of SOEs - through its Secretariat for Coordination and Governance of SOEs - while the mandate for privatization was managed through the Special Secretariat's Cabinet. SEDDM's oversight parameters and aims needed to be adjusted to the disinvestment policy to facilitate the special secretariat fulfilling its role as the ME's lead institution for the privatization process. Within that context, a recent reform allowed for the creation of a new secretariat focused on privatization, which is expected to give more traction to this policy area.

At an operational level, there is a need to clarify responsibilities for coordination and organize participation of the involved secretariats. The SEDDM needs

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23 Special Secretariat of Treasury and Budgeting (Secretaria Especial do Tesouro e Orçamento)

24 Special Secretariat of Productivity, Employment, and Competitiveness (Secretaria Especial de Produtividade, Emprego, e Competitividade)

to be more empowered by the Center of Government to lead the macroprocess. And, the capacities of SEDDM could be strengthened to launch a pipeline and a timeline for disinvestments. Privatization of state assets will need to incorporate human talent with new skills in the agencies in charge, as well as new procedures and protocols. These new competencies include real estate evaluation, negotiations, and auctions.

International Experiences

The experiences in Mexico, the United Kingdom, France, and Canada offer context and lessons for Brazil's efforts on this macroprocess. In the early 1980s, Mexico was in a very difficult position. In 1983, there were 1,155 SOEs, from Pemex and the electric utility (Comisión Federal de Electricidad), to hotels, restaurants, telecommunications companies, and all commercial banks. In total, SOEs accounted for around 18 percent of GDP. In the following years (1988–1994), the government disinvested in practically all areas of economic activity. By the end of 1994, the number of SOEs was reduced to 219, accounting for around 10 percent of GDP (out of which Pemex represented 7 percent of GDP, the electric utility represented 2 percent of GDP, and the rest were mostly on the way to being liquidated). The main lessons distilled from this experience are as follows:

- Information and communication are crucial and need to be effective during all phases of privatization to ensure that objectives and expectations are well managed.
- Rescue of SOEs should be subject to rigorous analysis and an SOE's size should not be a consideration for avoiding a decision (there is no "too big to fail" SOE) nor a mechanism to avoid privatization (through merging).
- Resistance from vested interests needs to be carefully assessed and strategies to mitigate their opposition implemented.
- Clear definition and distribution of regulatory, service delivery, and control functions need to be established by a coherent regulatory framework.

In the 1980s, the U.K. government undertook a world-leading privatization program that included British Telecom, British Gas, the electricity industry (generation, transmission, and distribution), and water. These were followed in the 1990s by railways. Although the companies were 'essentially owned by individual ministries (the ministries of industry, energy, environment, and transport), a single dedicated team in the Treasury was ultimately responsible for the overall privatization program and strategy. Today, in the United Kingdom each sponsoring department makes decisions on a case-by-case basis. As part of the role of the U.K. Treasury to oversee public funds, it is responsible for holding regular reviews of public assets. The Treasury owns UK Government Investments, a government company that plays the shareholder function for various SOEs and government-owned assets. The lessons learned from the U.K. experience include the following:

- A secretariat or special team should be responsible for supporting the Minister of Finance in centrally managing a program of disinvestment. Since the 1980s, the process of privatization (even though less prominent today) has been closely directed by the center of government, especially the Treasury (a small unit); now UK Government Investments is responsible for managing the government's financial interests in a range of SOEs. In Brazil, this secretariat or special team must be directly accountable to the Minister for the Economy.
- Decisions on modalities, structures, and timetables need to reflect the political vision of the government and its leading ministers. The requirements may need to be altered on very short notice, and market conditions can change from one month to another. It is essential that decisions can be made quickly at the most senior level.
- The secretariat should enforce a clear strategy of disinvestment for the whole government. It is essential to run a coherent and all-inclusive strategy rather than opportunistically looking at the individual sale of an SOE.
- The program of disinvestment should be an overall program that the whole of government can follow. Line ministries have a strong understanding that it is being managed from the central government despite being the owners of the SOE. In the U.K. example, part of the role of the Treasury is to oversee public funds, but it is also responsible for regularly reviewing public assets and is very well-informed in the negotiation process.
- The secretariat should analyze the options for individual SOEs, with assessments of how different approaches will deliver different objectives. Providing analysis to individual SOEs or the ministries that "own" the SOEs supports the sometimes complicated process of disinvestment. An example is the sale of Eurostar in 2015. The United Kingdom learned it needed more detailed business cases to help inform decisions on how and when to sell, and to evaluate advice from external sources.
- The secretariat should be relatively small, consisting of maybe 20 to 30 people, including able career civil servants who understand government and experts from the private sector (who can be secondees). The secretariat should include legal expertise and experience in corporate finance and financial markets. While not all members are there to carry out all the

necessary tasks, it is essential that they are capable as strong and knowledgeable clients for the outside bankers, lawyers, and others.

- Though not a principal requirement, the secretariat needs some technical and technocratic capability. Each individual disinvestment requires specialist knowledge and capability, which needs to be brought in from the outside, generally including bankers, accountants, and lawyers.
- Some of this capability should be provided by standing advisors to the minister, which could be a firm with senior principals who themselves have hands-on experience of disinvestment as practitioners. These standing advisors could play a key role in reality checks for what the bankers are saying and maintaining credibility.

In France, the government shareholding agency (Agence des participations de l'État) was created in 2004 to manage 85 enterprises. It was part of the Ministry for the Economy and Finance, but has been autonomous since 2011. Its main roles as an investor in equity in strategic (public) companies are to (i) stabilize capital (e.g., supporting companies in COVID times); (ii) support development or transformation; (iii) manage the sale of shares in the stock market; and (iv) intervene with minority shareholdings in partnership with other investors in small- and medium-sized enterprises through the French Public Investment Bank (Banque publique d'investissement). The shareholding agency redefined its shareholding strategy to focus on enterprises that are strategic for national sovereignty (defense and atomic energy), that have customers who cannot be sufficiently protected by legislation, and whose disappearance could entail a systemic risk.

A more-defined governance strategy in France was introduced in 2014, from which the following lessons can be distilled:

- A distinction should be made between managers representing the state and the state official in charge of regulation (similar to the lesson learned from Mexico).
- The state can propose a representing manager from the private or the public sector, which is an interesting alternative to a collaborative governance arrangement because it may introduce the private sector perspective to privatization decision-making.
- The agency should provide a coherent framework for action adapted to the different sectors in agreement with the "parent" ministries of the SOEs.

The international experiences show the adoption of centralized strategies to push reforms ahead. However, there are two potential courses of action:

creating—or not—a specialized agency to take care of disinvestments. These reforms require high levels of political power and technical expertise to succeed. In Brazil, the creation of a special agency needs to be considered very carefully because the National Bank for Economic and Social Development (Banco Nacional de Desenvolvimento Econômico e Social, or BNDES) may perform some of these functions.

Therefore, the calculation of the costs and benefits of delegating this role to a new organizational body needs to be pondered carefully.

SIMPLIFICATION AND DEBUREAUCRATIZATION OF THE BUSINESS ENVIRONMENT

Diagnostic

At a strategic level, the Brazilian government and the ME have made important advances in implementing this macroprocess, including delivering continuous and consistent outcomes. For example, the ME prioritized digital transformation (e.g., over 118 million people registered in the government's portal and over 73 percent of federal services available digitally), launched a single window to open new companies, and created a National Data Protection Agency (Autoridade Nacional de Proteção de Dados) as well as policies for cyber security and unique identifications for citizens.

In addition, the creation of the ME has allowed for a better alignment of public policies that contribute to this macroprocess (previously fragmented across ministries with different views) and better coordination of the key drivers to enhance the business climate (e.g., market regulation, infrastructure promotion, and development of human capital), now under one ministry with a single economic orientation.

Other gains include stronger coordination among the Special Secretariat for Debureaucratization, Management and Digital Government (Secretaria Especial de Desburocratização, Gestão e Governo Digital, or SEDGG), SERFB, and SEPEC (all of which implement this macroprocess, and previously worked in a much more fragmented basis), and stronger coordination between the ME and the Presidency (Special Secretariat for State Modernization, or SEME), a key strategic partner for integrating actions outside the ME.[25] These outcomes establish the base and provide lessons for deepening the simplification and debureaucratization agenda.

At a tactical level, the provision of ICT services by SOEs has been impressive despite its limits. Digitalization of citizens' interfaces and the Gov.br website are outstanding cases. The simplification agenda has reduced business costs,

25 For example, SEME launched the National State Modernization Policy in January 2021, which contributes to this macroprocess and mandates the need to coordinate with subnational governments; SEME led the Doing Business study at the subnational level, published in June 2021, which identifies good practices and opportunities for improvement across the country's 26 state capitals. Both actions were closely coordinated with SEDGG.

and small firms and start-ups have been the subject of targeted enabling policies. There are three key opportunities to continue achieving good results for this macroprocess:

1. The National State Modernization Policy, approved in January 2021, opened a good opportunity for better integration with other public sector stakeholders critical for the simplification policy (e.g., congress, the judiciary, state governments and municipalities) but will need persistent effort and joint work with SEME to make this happen.
2. The restructuring of the ICT SOEs SERPRO[26] and DATAPREV[27] would help enable a specific long-term approach.
3. Digital government efforts and implementation of the 2020–2022 Digital Government Strategy represent a big opportunity for deeper reforms across the public sector.

At an operational level, the National School of Public Administration (Escola Nacional de Administração Pública, ENAP) and the ME have begun to tackle the digital capacity gaps in the public administration, which is a crucial foundation for designing and implementing the government transformation. Data regulatory issues need to be addressed by the National Data Protection Agency, and cyber security policies are crucial to ensure trust and credibility.

International Experiences

Spain's experience provides lessons that can be applied and adapted by Brazil's ME to strengthen this macroprocess. Spain is a multi-level government country, with high degrees of autonomy at the subnational levels. Following are descriptions of reforms implemented in Spain to create a comprehensive macroprocess to simplify business licenses and operations. Before implementing the reforms, the legal, regulatory, and operational systems for businesses licenses and operations were fragmented, managed by several public agencies at all levels of government, and supported by several legal and regulatory frameworks as well as operational arrangements and systems.

26 The Federal Data Processing Service (Serviço Federal de Processamento de Dados, or SERPRO)

27 The Social Security Technology and Information Company (Empresa de Tecnologia e Informações da Previdência, or DATAPREV)

In Spain, simplification policies and macroprocesses are managed by the Ministry of Industry, Commerce, and Tourism, and more specifically by the General Directorate for Small and Medium Enterprises. Although in Brazil simplification and debureaucratization have already reduced business costs, the reforms implemented in Spain have reduced business costs and brought considerable, additional benefits, such as expanding services for business creation and operation.

The first reform is the Entrepreneur Service Points (or PAE) program, which regulates, processes, approves, and supports the creation of private and public PAEs.[28] The PAE program has subsumed all previous programs and systems for creating businesses. PAEs typically provide the following services (although not all PAEs offer the same services): creating and closing a business, transferring a business, several procedures for during the life of a business, and counselling for legal and financial support. Overall, there were 3,836 PAEs in the whole Spanish territory as of May 2021. The network of PAEs is integrated by public and private operators that sign a Memorandum of Understanding with the ministry.

Regardless of the private or public nature of a given PAE, they all need to display the same corporate identity. There is a handbook of corporate identity, and the same logos need to be displayed in all offices. The ministry offers a specific portal for PAEs. Any organization wishing to create a PAE can access the system without previous registration to test its possibilities. Some services of private PAEs are free; for others, businesses pay a fee (e.g., for advice on the juridical form or to change the administrator of a company for social security purposes). Each PAE charges a different fee for its services.

The next reforms involved creating of the Business Information and Network Creation Centre (Centro de Información y Red de creación de empresas, or CIRCE) and the Unique Online Application (Documento Único Electrónico, or DUE), which complement PAEs and organize the different processes required to simplify business creation and operation.

The key element of the system is the DUE, which contains all the requirements needed to open a business. It compiles all the forms (15 for most cases) requested by different agencies from different levels of government (central, regional, provisional, and municipal) and is adapted to the juridical

28 Public PAEs include agencies, city councils, chambers of commerce, and not-for-profit foundations. There were 791 public PAEs in May 2021 (21 percent of the total). Private PAEs include professional associations, business associations, and notaries. There were 3,045 private PAEs in May 2021 (79 percent of the total).

form of the private company. It can be filled directly online by the person who wants to open a business, or that person can go to a PAE, where the DUE is filled in for the person by an official. If the DUE is done online, it is checked by staff working in a PAE before it is digitally sent and uploaded to all the different agencies involved. Although the DUE platform has built-in automatic checks to make sure all fields are filled, a manual check is needed for some forms. The next step is uploading the application into the CIRCE, which works as an exchange platform and performs automatic tasks. The platform communicates with different databases for the agencies involved, automatically sending each form to the appropriate agency: commercial register, national tax agency, regional tax agency, social security (if workers are contracted), employment office, trademark office, data protection, and notary.

To sustain the integration and simplification of procedures and approvals in a single platform and to avoid additional requirements outside the DUE system, regulations were enacted to ensure that any public agency creating new requirements for entrepreneurs or forms for them to fill out are obliged to sign a Memorandum of Understanding with the ministry to integrate their procedures and to exchange databases.

The main incentives for the system include the following:

- The reduction in average time needed to start a business, from 30 days if all procedures are done physically through a PAE to 3 days using the DUE.
- Elimination of the need to access different public authorities from different levels of government since the application proceeds automatically to different central, state, regional, and local agencies.
- The availability of physical PAE offices and skilled staff to complement online applications with professional advice for legal, financial, and business issues.

A legal and regulatory framework was also created to support these processes. The whole process relies on the transition from a licensing system—in which the business can only operate after receiving a license or authorization—to a statement of responsibility system—in which the business applicant declares when submitting the DUE application that all facts and documents are true. This applies to some sectors, but not yet to all. With the statement of responsibility, business applicants receive authorization to open, subject to monitoring and inspection by the authorities. Given the interoperability among different public databases, this monitoring process can be done automatically for some dimensions, but not all.

Currently, 79 percent of PAEs in Spain are private. This is a good example of an institutional arrangement that keeps regulation and supervision functions in the public sphere, while allocating the delivery of services (licenses and operation approvals) to private sector providers.

Implementation of the ME's simplification and debureaucratization macroprocess could be further strengthened based on the Spanish experience by combining public sector regulation and privatization of public services (PAEs). The U.S. Paperwork Reduction Act (1980), which is explained in more detail in the Product and Market Regulation macroprocess, could also contribute to this macroprocess. This law requires any government agency to have the approval of the OMB before requesting most types of information from firms and citizens.[29] In doing so, it reduces and simplifies requests.

Brazil is a federation. Spain, a centralized country, decentralized most of its policies more radically than Brazilian intergovernmental policies. Hence, the Spanish case may be particularly useful for the special secretariats responsible for small- and medium-sized enterprises, start-ups, government technology, and entrepreneur programs. Also, the U.S. Paperwork Reduction Act could be explored as a very concrete contribution to simplifying any interaction of the private sector with public sector agencies.

29 More information about this practice can be found here.

DEVELOPMENT OF NATIONAL INFRASTRUCTURE

Diagnostic

At a strategic level, the ME is responsible for designing a framework of infrastructure policies that can provide signals to the markets regarding public investment expectations. The ME also coordinates regulatory policies regarding ministries and agencies, and it is a key player in the definition of strategic investments. The main challenges in these functions include the incipient institutional settings needed to provide credibility to the policies; the need to improve organizational arrangements among sectors regarding infrastructure management; and the need for the ME to continue providing qualified advice based on empirical evidence to persuade investors.

At a tactical level, there are multiple roles that overlap in the ME; it exercises indirect oversight over infrastructure regulatory agencies; and it has accumulated expertise in concessions and privatizations. These current conditions set some challenges: the need for enhanced coordination to address conflicting objectives and establish a common perspective on the regulatory framework; and the need for the ME to strengthen its capacities for modelling using strategic data.

At an operational level, there is still work needed to fix organizational arrangements. Currently four secretariats participate in the management of this macroprocess; strategies to manage external communications with investors need to be agreed to; and fiscal, competition, and regulatory matters need to be more cohesive and coherent to be more credible to the market.

An important first step for the modernization of the infrastructure planning governance was achieved with the creation of the Inter-Ministerial Committee for Infrastructure Planning and the Integrated Long-Term Infrastructure Plan (PILPI).[30] The Committee aims to promote further effectiveness and transparency in investment decisions by ensuring that all large projects under the federal government's responsibility have integrated assessments and socio-economic appraisals from the preliminary planning stages. The PILPI presents the results of this work to society, as well as other standardized premises to

30 Decree No 10.526 of October 20th, 2020.

be used by the national sectorial plans for transport, energy, water resources, etcetera. The first version of PILPI was approved in December 2021,[31] and will be updated every two years.

In addition, the Inter-Ministerial Committee for Governance (CIG) approved a Public Investment Governance Model, proposed by the ME's Secretariat for Infrastructure Development (SDI), which identifies key stakeholders, flows, processes, legal framework, methodology, and tools. The governance model includes the systematic evaluation of public investment projects, a planning cycle which requires CIG's approval, and an independent quality control mechanism which issues opinions on the proposed projects.[32]

SDI published a Guide to Cost–Benefit Analysis of Infrastructure Projects, with the objective of standardizing ex ante project appraisal methods,[33] including economic, social, and environmental impacts of infrastructure projects. The Guide was endorsed by the Federal Court of Accounts (TCU). In coordination with the National School of Government (ENAP), SDI has led training initiatives on socioeconomic cost–benefit analysis and five case model reaching over 300 planners and decision-makers. In December 2021, SDI and ENAP announced the development of massive open online courses for federal and state level public servants covering cost–benefit analysis, five case model, impact evaluation (ex post), and long-term infrastructure planning.[34]

Finally, SEPPI has played an important role in the evaluation, coordination and structuring of priority projects on concessions, supporting studies and partnerships with BNDES and Caixa, and disseminating good practices.

International Experiences

With the Brazilian government's infrastructure agenda valued at more than US$25 billion, it is critical that the ME successfully delivers on its large-scale infrastructure projects. The cases of the United Kingdom, Peru, Mexico, Canada, and Spain provide lessons on how to manage infrastructure macroprocess that can be useful for the ME.

31 Resolution No 3 of December 14th, 2021.
32 CIG's Final Report, August 2020.
33 An updated version of the guide was published in October 2021.
34 ME creates training program in infrastructure planning (December 2021).

The creation of a central body to manage the infrastructure macroprocess seems to be a successful experience in countries like the United Kingdom and Canada, where a central agency is responsible for decision-making and monitoring all government major projects. The guiding principle behind this organizational arrangement is that, as infrastructure involves fiscal resources, there needs to be accountability. An example is that Canada has a government department called Infrastructure Canada, which oversees and supports the development of infrastructure with a direct mandate from the prime minister.

A necessary condition for a successful infrastructure program is appropriate strategic planning. This requires identifying what investment should be undertaken, determining the essential components, needs and trade-offs, and how they should be prioritised. Conversely, weak or insufficient planning often impedes their successful implementation and operation later in the project cycle. The reason why designing a clear and coherent strategic vision is difficult stems essentially from the complex nature of infrastructure investment. To address this issue, several OECD governments have also created institutional arrangements to develop a strategic vision for infrastructure and coordinate among key stakeholders the preparation of national and regional infrastructure plans with the aim to identify focal areas for investment (Infrastructure Australia, UK National Infrastructure Commission). [35]

Another critical lesson from international examples is to strengthen management capacity to ensure that units responsible for identifying, preparing, and structuring projects have the required composition of human talent, information, and technology. Training of project leaders is a good practice from U.K. Infrastructure (see box below). Defining a specific process for eligibility of infrastructure projects that entails fiscal resources is also a consolidated practice in Peru. Increasing private participation through arrangements like the National Infrastructure Fund in Mexico may establish a foundation to catalyze private sector participation in infrastructure development. Simplifying infrastructure schemes may help to expand efficient lower-cost projects.

The ME could consider ENAP to perform the functions of the Project Leadership Academy in the United Kingdom. The school is mature enough and it may host international expertise. It is connected globally. It has permanent staff able to broker projects customized to address ME needs. Moreover, the school may be an institutional locus not only for policy learning but also a

35 OECD (2017), Getting Infrastructure Right: A framework for better governance, OECD Publishing, Paris.

THE PROJECT LEADERSHIP ACADEMY: THE CASE OF THE U.K.

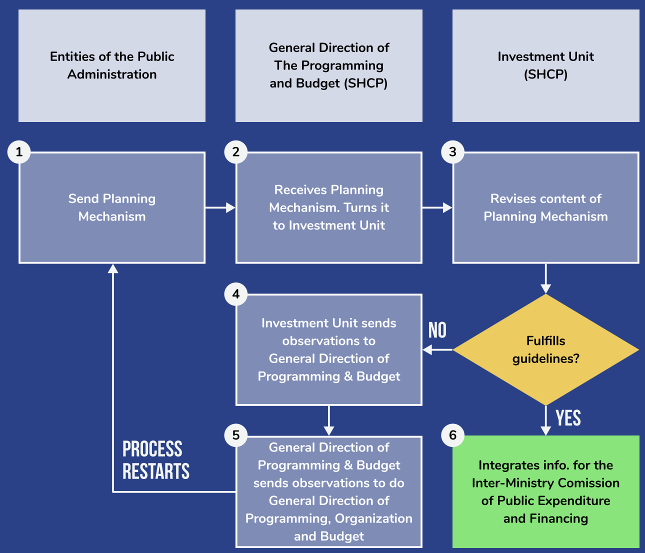
In 2010 the United Kingdom was facing high project failure rates. A prime cause of this was poor personnel capacity, in particular project leadership experience. The Major Projects Leadership Academy (MPLA) addressed the need. Every senior project manager was required to attend the MPLA, which not only trained them to a high standard and generated valuable professional networks, but also made it much easier to match up projects with appropriate leaders. Both these factors contribute to a high chance of success in the project the leaders are responsible for. As of 2020, over 2000 civil servants have enrolled in the MPLA and its complementary Project Leadership Program created in 2015 for junior project leaders.

A training program such as the MPLA in Brazil for the ME is possible, but one has not yet been created. The ME could establish a leadership course or academy for all infrastructure project leaders to attend. This course could be in conjunction with a university or business school in Brazil to ensure high levels of teaching. The course is not so much about detailed project management but instead about (i) leadership in large scale projects, (ii) preventing delays or overruns, and (iii) building up the project knowledge base.

knowledge base that works as a memory and hub for broader policy uses at national and subnational levels.

In Mexico, the process for financing and authorizing infrastructure projects has been strengthened over the years. When the Ministry of Programming and Budgeting was combined with the Ministry of Finance and Public Credit in 1992, the Investments Unit became part of the latter and since then has been the unit responsible for evaluating and approving all infrastructure projects that require fiscal resources. In 1997, following the "Tequila Crisis," the National Program to Finance Development (Programa Nacional de Financiamiento del Desarrollo, or PRONAFIDE) was created to ensure the financial and fiscal viability of government programs and infrastructure projects. More recently, in 2008, the federal government created the National Infrastructure Fund (Fondo Nacional de Infraestructura, or Fonadin) to promote financing schemes that encourage the development of – partnerships with federal and

Figure 3. Mexico's Process for Financing and Authorizing Infrastructure Projects



Timeline

- Press release to public entities: March
- Last business day in May: deadline to send information to General Direction of Programming and Budget
- June-July: revision of Planning Mechanism by the Investments Unit.
- July-August: Investments Unit sends analysis to the Inter-Ministry Commission of Publis Expenditure and Financing.

Source: Author's elaboration.

local government participation. To allocate fiscal resources to investment projects, the Planning Mechanism must be completed for a project.
The Planning Mechanism is a document that establishes an investment project's objectives, strategies, and priorities. The project must be aligned to the National Development Plan and the sectoral programs that arise from it.

After the planning mechanism document is completed, a cost–benefit analysis is prepared by the government entity in charge of the project and, after its approval by the Investment Unit, the project is registered in the public investment portfolio. After that, the Investment Unit double-checks that the fiscal resource assigned are in line with spending ceilings and includes the project in the budget. Once implementation starts, the government entity implementing the project sends information on physical and financial progress to the Investment Unit (monthly). The Investment Unit consolidates the information for all projects and sends a report to Congress. In addition, the Investment Unit also leads an annual report that compares projected indicators in the project proposal with actual indicators and recalculates the actual benefits of the project. Finally, after completion of projects, the Investment Unit selects a group of projects each year for ex post evaluation by independent consultants and the evaluation is published by the Ministry of Finance.

In Peru, the four phases of public investment management are intertwined with the budget process, with an institutionalized mechanism for analyzing public infrastructure investment projects in the context of the budget formulation process.

In the multiannual programming phase, medium-term planning (with a minimum three-year horizon) matches the demand for project funding with the availability of funding. The first year of the multiannual programming is binding, while the other years are indicative, but the overall envelope must be in line with the medium-term forecast of available funding. Each public sector entity prepares a Multiannual Investment Program (MIP) proposal, which is sent to the Multiannual Programming of Investments General Directorate within the Ministry of the Economy and Finance (MEF). The General Directorate prepares a consolidated MIP, which includes the infrastructure and public services gaps, the prioritization criteria, and the portfolio of projects from the public sector entities. The MIP must be consistent with the annual budget programming, which is prepared by the MEF's Public Budget General Directorate. After a review, the MIP is adjusted depending on available budget resources. This phase also considers the published projections and reports of the General Directorate of Macroeconomic Policy and Fiscal Decentralization and the General Directorate of Public Indebtedness and Treasury (DGTP).
In the formulation and evaluation phase, public sector entities conduct the pre-investment studies of projects included in the MIP. It requires funding allocated by the Public Budget General Directorate to specific projects, in some cases, with the participation of the Public Treasury General Directorate.
In the execution phase, there are interactions between public sector executing entities with MEF's general directorates for investment, budget, treasury, and public procurement to ensure the allocation of funding and procurement processes proceed according to plan. This phase usually faces controversies in the bidding processes, delays, cost increases, and so on. All the above-mentioned general directorates must make decisions to reallocate resources when needed and prioritize the execution of ongoing projects to ensure their completion.

Finally, in the operation phase, public sector entities are required to include all operation and maintenance expenses in their budget requests for the ongoing annual budgets. Prioritizing such expenses is the responsibility of the entities and has precedence over budgetary requests for new projects.

Spain has tried to address several infrastructure challenges through an integrated infrastructure development approach, an experience that could be useful for Brazil. A quasi-federal policy needs an even and equitable approach to infrastructure for economic and social development. Hence, Spain's infrastructure program has been developed using the following tools:

- Prospective analysis to assess movement of people and goods considering real demand (for instance, avoiding the enlargement of the building or ports or airports with limited connection to national or international markets)
- Multimodal systems to facilitate the connection of different but complementary transportation means to create networks among railways, roads, airports, and ports
- Links of those networks to logistic centers (different strategic areas for storing and distributing goods), giving preference not to isolated infrastructure (railway stations, for instance) but to the whole value chain of transporting goods and persons
- Adequate financing that includes private initiative with appropriate risk assessments, which entails access to financial resources provided by private firms with payments deferred until the future (for instance, long-term contracts with private consortium for infrastructure financing, building, and operation)

Since the 1950s, Spain has launched various strategic plans for infrastructure. The latest strategic plan covers the period 2012-2024 and includes housing (Plan de Infraestructuras, Transporte y Vivienda 2012-2024). The Spanish infrastructure program includes the following elements and instruments:

- Observatory for Monitoring Logistics (Observatorio de la Logística y el Transporte, or OTLE), is a consultation tool for all operators in transportation and logistics. The web portal – led by the Ministry of Transportation, Mobility and Urban Agenda (MITMA) – offers open-source data to be used by private and public actors. The Ministry, the independent authorities in charge of ports, airports, and other transportations systems provide the data of the system. Some private operators also provide data to the Observatory. This allows businesses, for example, to assess the best routes for getting and sending goods to national and international destinations.
- The Innovation Plan for Transport and Infrastructures 2018-20 focuses on how to enhance the experience of users, build up from smart nodes and smart infrastructures, and achieve energy efficiencies.
- The Plan of Logistics for Infrastructure focuses on the interconnectedness of several infrastructure networks and logistics nodes.
- Governance: Network of ministries and autonomous agencies (and SOEs) for ports, airports, railways, and roads.

Conflict resolution mechanisms: In theory, there are two technical bodies are in charge of solving technical disputes among different infrastructures: (1) the Council of Public Works, which is composed of public servants with at least 15 years' work experience, focuses on conflicts related to public contracting, and (2) the Council of Experts of Infrastructures (required by the European Union), made of external experts, which is consulted on matters related to planning and investments. However, the reports from these technical bodies are neither binding nor public and therefore are not very effective. In practice, there are two types of conflicts: (i) Conflicts within different transportation systems (airports, ports, railways, and roads), each one supervised by one director-general of the MITMA; and (ii) intergovernmental conflicts: in a quasi-

SPAIN'S TRANSPORTATION AND LOGISTICS NETWORK

Rail

- A network of railways with high-speed trains (above 200 km per hour) competes for passengers with air and road transportation.
- Since 2010, Spain ranks as the top European country in terms of the length of its high-speed railway. World-wide, Spain is second to China.
- The length of tracks increased from 476 km in 1992 to 3,402 km in 2021.
- In Spain, 9 of 10 citizens live within 30 km of a train station with high-speed service.
- On high-speed lines, the daily traffic between close cities (distance of 100 km or less) has increased, raising the transfer of population from more to less populated areas.

Air Traffic

- Worldwide, Spain is one of the top air traffic operators by number of passengers at 743 million in the three years before 2020 (the years that preceded the outbreak of COVID 19).
- Transportation of goods by air grew from 651.23 million kg in 2012 to 1,010.87 million kg in 2019.*

Ports

- Ports manage 53 percent of commercial relations with European Union and 96 percent with other countries.

* https://es.statista.com/estadisticas/541017/volumen-de-carga-aerea-total-transportada-en-espana/

federal policy, the location of infrastructure is key for the political support of the territorial constituencies. Although the infrastructure plans are approved at the national level, the political support in Parliament depends on the party configuration. Therefore, the configuration of the Parliament at the time of launching one long-term infrastructure plan is key. The conflicts that affect the location of the infrastructure in the territory have not been solved.

Historically, infrastructure has increased (even if not needed) in regions and cities where political support in the federal Parliament was key. This non-evidence-based decision-making in infrastructure investments was flagged in the 2020 Independent Authority for Fiscal Responsibility (AIReF) Spending Review.

Despite the difference in sizes, the Spanish case could be interesting for Brazil given the Spanish emphasis on logistics. The Logistics Observatory should be analyzed carefully because these institutional arrangements may provide a lesson in handling lobby pressures and public needs in a more balanced and transparent way, especially in the case of railways.

Finally, following Peru's practices (some of them developed as a response to the corruption crises related to infrastructure projects in early 2017), Brazil could consider innovations such as incorporating project management offices (PMO), new engineering contracts (NEC), and building information modelling (BIM) technologies, among others, which should allow better investment processes in terms of transparency, design, and cost efficiency, and should help overcome other key weaknesses and low execution rates. The following are instruments introduced relatively recently in the Peruvian public sector in order to improve on the delivery of public infrastructure.

- **Project management offices (PMOs)** — External consulting firms are hired in a supportive role to support public entities in managing and improving infrastructure processes. PMOs can be assigned to a single project, a program (involving more than one project), or a portfolio of projects, and they are in charge of specific functions.[36] PMOs are more useful in complex projects or with entities with low capability and signifi-

36 Some of the functions that PMOs can perform when contracting with the public sector according to current legislation include: i) supporting in the planning, organizing, and managing of investment projects/programs/portfolios; ii) following up and controlling processes including project formulation, contract management, and management of programming, costs.; iii) proposing improvements on investment processes at all three levels; iv) assisting in risk (and opportunities) management and early warning systems; v) assisting in evaluating and approving technical and pre-investment studies, contractual negotiations/modifications, and supplier selection; vi) evaluating the organization and structure of the (public) entity in order to gain efficiency in processes; and vii) assisting in developing efficient tools to better manage documents and other types of physical and electronic information.

cant resources. The first PMO was introduced in 2015 for the renewal of the main national oil refinery in Peru (Talara Refinery), at an approximate cost of US$5 billion. The second one was in 2017, to build the infrastructure and help organize the 2019 Pan American Games, at a cost of about US$1.2 billion; that project included several infrastructures and complex logistics. In the case of the Pan American Games, it was accompanied by a government-to-government (G2G) contract with the U.K. government and NEC contracts, among other features. The third experience with a PMO, also as part of a G2G contract with the U.K. government, starting in 2020; it is devoted to the reconstruction and improvement on the infrastructure damaged in nine regions because of the Niño Phenomenon of 2017. After a three-year delay and extremely low execution, the G2G/PMO arrangement with the British aims to execute with an initial budget of US$2 billion to rebuild dozens of schools and health centers, as well as providing solutions to several river basins, ravines, and drainage systems. PMOs have a cost. They should be deployed in limited numbers strategically to improve upon the quality and timeliness of projects. In the case of Peru, an Infrastructure Delivery Unit was created prior to the introduction of PMOs. It makes sense that PMOs report information to the Delivery Unit, which can then act based on systematically collected information.

- **New engineering contracts (NECs)**. NEC is a family of standardized contracts for engineering, construction services, supply, dispute resolution, other areas. First introduced in the U.K. in 1993, NECs have been used in Peru since 2017 (with NEC3 and NEC4). NEC contracts abide by three key principles:
  - **Clarity** — They are easy to read and understand, with little legal terminology, using modular structures, with clear roles for all parties involved, and including specific processes, actions, and timelines.
  - **Flexibility** — They can be applied to any sector, for any level of complexity, for any procurement methodology, risk allocation, and payment methods.
  - **Incentives to good management** — NECs are based on collaborative management (permanent communication mechanisms between the parties), clear timeframes, permanent risk management techniques based on early warning systems ("no surprise") and (monetary) incentives to raise and address issues, pre-assessment of changes with compensation mechanisms, and embedded dispute resolution options.
- In the case of projects, the engineering and construction contracts, may be of six different modalities: priced contracts with activity schedules or priced contracts with bills of quantities (which transfer most or all risks to the contractor), target contracts with activity schedules or target contracts

with bills of quantities (in which the risks are shared), and reimbursable contracts or management contracts (where risks are retained by the public entity). The first case of applying the NEC3 suite of contracts was for the 2019 Pan American Games.

- Building information modelling (BIM)—Cost and time reductions are the main gains from this technology. Defined as “The use of a shared digital representation of a built asset to facilitate design, construction and operation processes to form a reliable basis for decisions” in the ISO 19650 (2019), BIM is a collaborative approach based on the use of a data management dynamic software for a construction project and covering its life cycle, including design, construction, and management. As opposed to traditional construction design based on two-dimensional drawings, BIM also incorporates time, cost, sustainability analysis, geospatial information, and management throughout the life cycle of the project.
- BIM helps reduce the time to completion and reduce contingencies by reducing uncertainty and sharing information that allows preparing for and avoiding contingencies. BIM presents a virtual construction prior to the actual physical construction, which helps prevent problems and analyze potential impacts. Given that subcontractors can access and provide advice into the model before construction, parties are able to iron out problems and prepare accordingly. BIM can be used to help increase efficiency and minimize waste.
- After BIM was first used in the Peruvian public sector (in some of the constructions for the 2019 Pan American Games) a plan for the progressive implementation of BIM in public investment was approved in 2019. The plan mandates that, by 2030, all public investment projects will have to be executed through BIM. BIM is already used in private projects and public-private partnerships.

In contrast with the other countries in question and regarding infrastructure, Brazil has a distinctive factor: the National Bank for Economic and Social Development, BNDES. The existence of long-term funding mechanisms—and professional expertise—makes a lot of difference. However, BNDES is not a substitute for the remaining gaps of internalized expertise at the ME. It is important to strengthen specific skills within the ME’s workforce in line with the reforms that are pursued. Some socioeconomic cost–benefit analysis and five case model courses have been implemented, but there is a massive demand for forming cadres in project finance, modelling infrastructure projects, and specification of concessions projects, among other topics (as potential new ones in case some of the recommendations included on this section are undertaken), in addition to those topics to be covered in the program announced by SDI and ENAP in December 2021.

OPTIMIZED MANAGEMENT OF ORGANIZATIONAL MODELS

Diagnostic

The implementation of public policies requires organizational models to tackle extremely challenging problems through complex, multi-sector policies that are constantly evolving. The public administration needs to be able to adopt new organizational models capable of adapting to new circumstances, needs, and resources.

At a strategic level, organizational modelling is a challenge at the ME, as it is in all Latin American public administrations. While there are some mechanisms to assess the benefits and costs of alternative organizational arrangements, there are huge challenges to use them in practice and the enforcement to implement them has important room for improvement. Some mechanisms used in OECD countries, such as performance contracts, are not common in Brazil's federal government. The design of organizational arrangements should be based in efficiency and efficacy for service delivery. The complexity in the management of this macroprocess goes beyond the mandate of the Secretariat of State for Management (Secretaria de Gestão, or SEGES), as an optimized management of organizational models should engage in legal, managerial, budgetary, and service delivery analysis, and it should reach SOEs and other public organizations. The creation or reform of public institutions should be preceded by an ex ante evaluation (as established in the guidelines published by the Office of the Chief of Staff).

At a tactical level, the links between the incentives framework and organizational modelling are not well understood. Some of the main challenges of this macroprocess include the need for a unified perspective, where all the secretariats and units within the ME and with functions related with the definition of organizational models are integrated under a common framework that allows for models to be designed that consider the dimensions and impacts in legal, managerial, budgetary, and service delivery aspects. While there is room for improvement, it is also true that the existing organizational structures have a logic built over the years, and many times affected by the legal framework. Until recently, the revision of organizational structures occurred on demand. A recent law approved in September 2021 mandates all federal institutions to review their organizational structures and increases the flexibility to enhance organizational structures (reducing the legal requirements to make adjustments).[37]

At an operational level, the current structure of the ME has an additional level of hierarchy—the Special Secretariat for Debureaucratization, Management, and Digital Government (Secretaria Especial de Desburocratização, Gestão e Governo Digital, or SEDGG)— which must review any proposals by SEGES before forwarding them to the Office of the Chief of Staff (Casa Civil). There is a need to establish objective metrics as there is difficulty in measuring the effectiveness of change in terms of quality and impact as there are no feasible indicators to measure the outcome. Currently, the Department of Organizational Models (Departamento de Modelos Organizacionais, DEMOR) within SEGES is mostly limited to checking compliance with regulations. On the other hand, the integration of Budget and Treasury is a step in the right direction. The strategic use of the budget process—through performance agreements that allow for a stronger accountability—would allow the ME to introduce performance management arrangements as well as powers and incentives to allow public agencies to adapt their organizations and operation when needed (please see Budget Management section above).

International Experiences

It is not enough for governments facing fiscal pressure to simply cut budgets. The challenge of doing more with less requires a commitment to innovation in service delivery, which in turn requires strong capacities for organizations in public administration to be adaptable. One of the advantages brought about by the creation of the ME is its role as one of the key stakeholders in the Center of Government, which gives the ME the power to become the driver of new ways of doing things in the public administration.

Based on the experience of the United Kingdom and the United States, the ME could consider supporting a Center of Innovation accountable to ministers. This consideration should draw on a deeper review of international good practices and be tailored to Brazilian priorities and context. It would only be worth doing with centralized capability (i.e., in-depth knowledge of current

37 Law No 14.204 of September 16th, 2021.

organizational structures and arrangements, as well as innovative practices outside the federal government), a clear mandate, clear objectives, and consistent high-level ministerial support. There should be a single team with oversight and advance warning of government reorganizations.

The experience in the United Kingdom suggests the design of a strategy and implementation of processes for active management of non-departmental public bodies (see details in the box below). This should start with a functional review to: (i) establish what existing functions, processes, and resources are pertinent and useful for implementing key government goals at the sectoral level; (ii) determine if outcomes are best delivered through the existing organizational model; and, (iii) identify opportunities for reducing running costs, improving accountability, and improving effectiveness. In terms of the organizational structures of ministries, digitizing public services, automating processes, and increased transparency regarding personnel and structures helped achieve important efficiencies. Successes between 2010-15 were a result of centralized capability, a strong mandate, and good collaboration between the center and other departments.

In the United Kingdom, government reorganizations within departments (ministries) are initiated by the prime minister and are implemented by the ministers taking advice from the cabinet secretariat. Departmental ministers are responsible for reorganization within their arm's lengths bodies. A small team within the Economic and Domestic Affairs Secretariat in the Cabinet Office provides analysis of the likely costs and benefits of reorganization. Also, the Public Bodies Act (2011) prevented the build-up of duplicate or redundant public bodies. The process for introducing the act started with a consultation, which led to a review and a white paper. The National Audit Office reviews organizations to check the compliance with this policy.

In the United States, there are many analytical institutions with very skilled staff that add up to a great deal of expertise and institutional knowledge. Many of these departments have activities that are under the jurisdiction of multiple congressional committees. There are also many cases where multiple agencies work on a single topic, such as environmental protection, affordable housing, or drug enforcement and addiction. Coordination of these activities can be challenging, and this is largely managed through the OMB.

EFFICIENCY AND SAVINGS IN THE UNITED KINGDOM

In 2010, a new government inherited a landscape of 900 non-departmental public bodies. Shock treatment was required because of the culture of proliferation that had not been managed properly.

A functional review led from the Center of Government resulted in legislation that reduced the number of bodies by 300 and increased accountability to ministers, parliament, and the public. These changes delivered £2 billion of cumulative savings in 5 years. The Public Body Strategy was refreshed under a new government in 2016–20, demonstrating continuity in active management by the Center of Government of the landscape of "arm's length" public bodies sponsored by departments.

In the United Kingdom, shock treatment was required because of the culture of proliferation that had not been managed properly. This reform had to be led strongly by the Center. The reform successfully reduced costs and changed behavior and attitudes to setting up new public bodies. There was transparent consultation and scrutiny of the process by Parliament. One measure of success is continued commitment by successive governments to active management, ongoing review, and improvement to governance and accountability.

Organizational modelling has been a topic that has received increasing attention at SEGES and SEDGG through the TransformaGov program, which includes institutional arrangements and organizational structures as one of its dimensions.[38] Important efforts have been made. However, more could be done. For example, it could be considered in light of "contractualization of results", a much broader and meaningful framing. The United Kingdom provides the world's benchmark on agencification because of both its successes and failures. The ME's Executive Secretariat, the SETO, and SEGES would benefit from a closer look of the British experience. Finally, the ME may consider the possibility of taking charge of the process because of its importance to any "whole-of-government" approach in the future. Highest-level political support is especially critical in this area.

38 For more information visit TransformaGov's website.

EFFICIENT MANAGEMENT OF MARKET AND PRODUCT REGULATION

Diagnostic

One of the key strategic objectives of the ME is to create and consolidate market economy institutions. This objective has aligned several functions of special secretariats to push forward the implementation of regulatory public institutions and create a competitive business environment. At a strategic level, this alignment faces some challenges because advocacy for these aims requires a solid communication strategy, and regulatory and competition aims need a coherent set of institutions with clear roles, powers, and responsibilities.

At a tactical level, the regulatory legal framework and its regulatory impact analysis (RIA) are huge advances that require enforcement mechanisms. At the same time, pursuing a business-friendly environment requires continuous effort and coordination from the Center of Government with a whole-of-government view.

At an operational level, the ME has improved the quality of regulatory institutional arrangements, and the coordination of ME and SEME (Presidency) is crucial as well to consolidate cooperation incentives among SEDGG, SERFB, the Special Secretariat for Productivity and Competitiveness (Secretaria Especial de Produtividade e Competitividade, SEPEC), the Special Secretariat for Foreign Trade and International Affairs (Secretaria Especial de Comércio Exterior e Assuntos Internacionais, or SECINT), and the Attorney General of the National Treasury (Procuradoria-Geral da Fazenda Nacional, or PGFN) to keep them engaged in improving the business environment.

International Experiences

Considering the current situation and challenges ahead, there are several reasons to believe that the experience of the United States is relevant to the ME. The United States has attempted to pursue regulatory policies that promote benefits to the broader society without imposing undue burdens on businesses, which appears to be a goal in Brazil as well. The U.S. Office of Management and Budget (OMB), through its management of regulatory processes and exercise of centralized regulatory control, plays a crucial role in providing guidance to regulatory agencies, like the role played by the ME in Brazil.

As a long-standing OECD country, the United States has led and followed international practice in regulatory policy. Below are the most relevant lessons from the U.S. regulatory policy and experience to promote government efficiency as a key element in promoting better and credible communication as well as aligning and regulating government affairs.

Changing national and international perceptions regarding doing business takes time. Digital transformation, cutting transaction costs, and reducing administrative burdens should be the focus.

As in any country, there are major regulatory agencies in the United States, but the centralized activities in the OMB's Office of Information and Regulatory Affairs (OIRA) have proven key. OIRA was created in 1980 under the Paperwork Reduction Act. Its role was expanded to include regulatory review (which is now its main function) under an executive order by President Reagan in the early 1980s. Subsequent executive orders limited that review to "significant" rules; what is defined as "significant" is determined by OIRA. OIRA requires that regulations be based on the need for, and consequences of, federal action, and that they maximize net benefits to society. The OIRA Administrator is a political appointee who must be confirmed by the U.S. Senate.

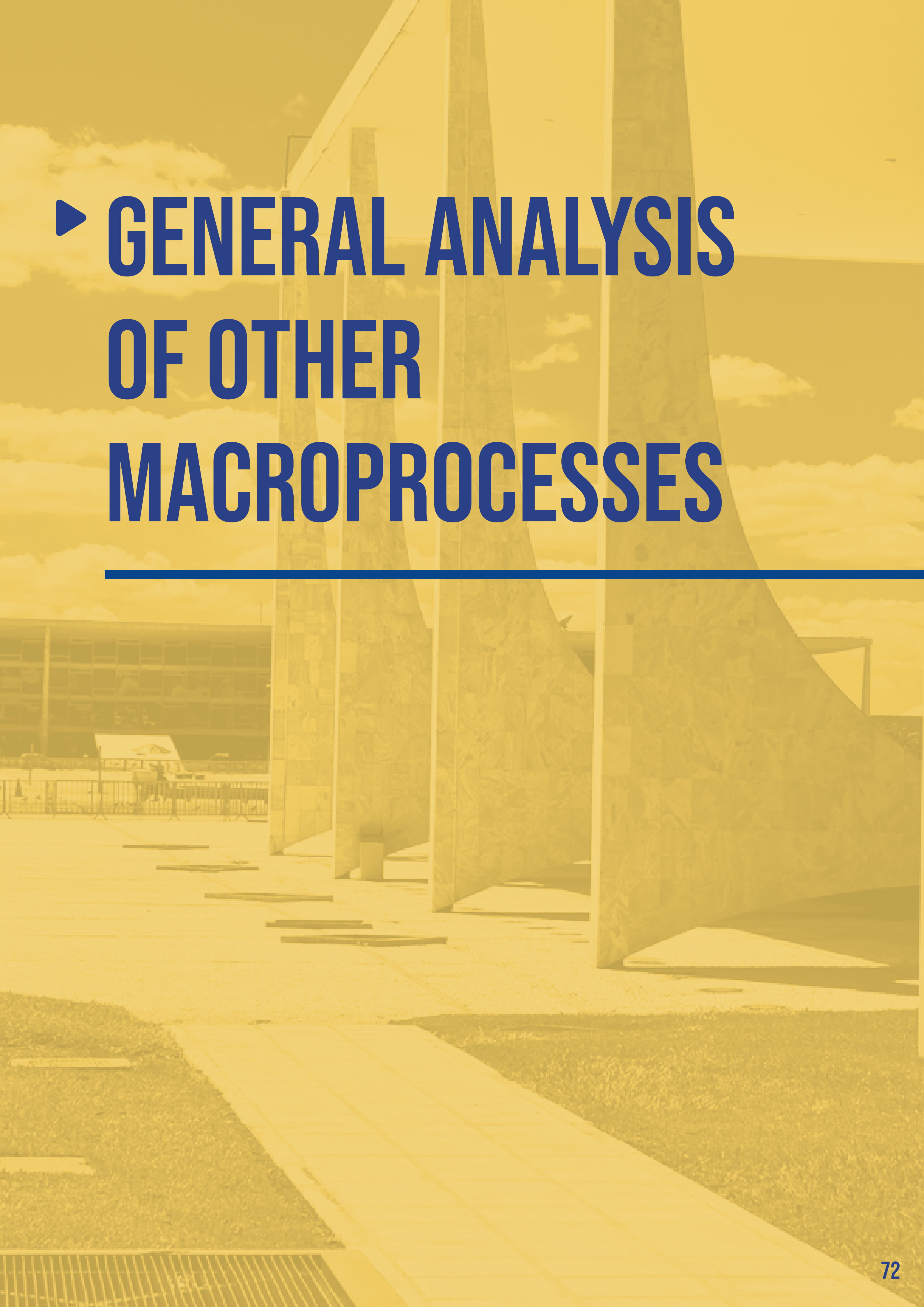
The following are the centralized activities in OIRA and relevant to the case of Brazil:

- **Cost–benefit analysis**. OIRA must review significant regulatory actions prior to their publication in the Federal Register for public comment. This review can last 90 days (and sometimes more, although the average is around 60 days). About 500 proposed regulations are reviewed annually. Since cost–benefit analysis can be changed based on assumptions, sometimes OIRA has been charged with manipulation based on political goals. Agencies are responsible for conducting cost–benefit analyses of proposed regulations, and they only propose regulatory changes where the benefits exceed the costs, normally significantly. This requires OIRA, in its regulatory reviews, to assess the methodology and conclusions of these analyses. OIRA employs economists to conduct these reviews.

- **Public comments on proposed rules**. The process for public comment on proposed regulations is outlined by the Administrative Procedure Act of 1946. Once OIRA has reviewed and approved a proposed regulation, it is then published in the Federal Register. There is a public comment period, which normally runs from 30 to 120 days. While the public may comment on these proposed rules during this period, it is normally lobbying organizations (interest groups) that are most aware and most active in providing comment. After the comment period closes, the agency reviews the comments and publishes the final rules. While there is no specific requirement to change a regulation based on public comment, if the comments are ignored it may provide a basis for the rulemaking agency to be sued later.
- **Paperwork Reduction Act**. Under the Paperwork Reduction Act (PRA), OIRA must review information requests from agencies of the public. The obvious goal is to reduce the burden of information requests made by the government to the public. This covers any agency collection of information from 10 or more people, or any policy that requires 10 or more people to retain or disclose information. While the initial law mentioned "paperwork" a lot of the current types of requests would involve requests processed electronically. OIRA reviews over 3000 agency collections each year. The PRA includes a significant number of provisions related to information technology policy, but most of those are now carried out by the OMB's Office of E-Government and Information Technology (E-Gov) policy.
- **Chief Statistician of the United States**. The Chief Statistician chairs an interagency council of statistical policy and oversees statistical policy for the government, including setting standards for data quality, establishing geographic statistical areas, and reporting racial and ethnic data. Credibility and transparency of data management is very important in the United States because the statistics used for assumptions and analyses have a huge reputational component that government officials take very much into consideration.
- **Capacity building on regulatory governance and management**. OIRA has approximately 45 full-time career civil servants who work with agency officials on specific issues and regulations. All OIRA career staff possess graduate-level degrees and have historically come from backgrounds in economics, law, policy analysis, statistics, and information technology. However, with the growth of science-based regulation and issues of information quality, several staff members also have expertise in public health, toxicology, epidemiology, engineering, and other technical fields.

OIRA is an example and source of enormous expertise for the ME, which performs a similar role in a tacit and limited way, especially after the approval of the regulatory agencies law. The ME has also provided training, international cooperation, and technical assistance to regulatory agencies in areas such as regulatory impact analysis (RIA) and cost–benefit analysis. The ME could benefit significantly from interacting more systematically with the United States in both matters, provided it decides to prioritize the improvement of business environment via a better regulatory framework.

Regarding the role of official statistics for the efficient management of market and product regulation, the rise of the big data agenda transformed statistics into a strategic asset to perform analytics. The IBGE is important for policy formulation, resource allocation, monitoring, and evaluation. The U.S. experience suggests that recognizing the centrality of data in government is a just matter of time—a matter of when, not if. The Executive Secretariat may not be the final destination of the IBGE interactions, but it may prove critical to provide special attention to this institution.



GENERAL ANALYSIS OF OTHER MACROPROCESSES

FISCAL MANAGEMENT VALUE CHAIN

The creation of the ME has resulted in productivity and efficiency gains across the institution, most notably in internal management. The ME moved toward a corporate organizational mode–in style and substance. However, the biggest management and coordination challenges lie in the policy areas, which are the core business of the ME. The following section addresses some of the challenges and opportunities in the fiscal management value chain—whose value proposition is the recovery of the fiscal balance—based on the interviews undertaken for this study.

Financial and Accounting Management

This macroprocess includes planning, programming, accounting, and treasury functions, including management of the Single Treasury Account. Integration of the National Treasury Secretariat (Secretaria do Tesouro Nacional) and the Federal Budget Secretariat (Secretaria de Orçamento Federal) under the same Special Secretariat (SETO) brought a lot of gains in aligning objectives, improved governance, and more efficient production of information for the minister. However, there are still opportunities for further enhancements. At the functional level, the integration could benefit from a redefinition of roles and responsibilities for each area to better organize their contribution to the different functions, eliminate overlapping of activities, and eliminate bottlenecks inherited from the (old) line ministries or generated because of the integration. A functional review, followed by a process reengineering exercise, would contribute to improving operations and coordination among several units.

Revenue Collection and Management of Public Finance Credits

This macroprocess has opportunities to strengthen its operations, which could lead to improved revenue collection outcomes. One possibility is a more intensive use of data analytics and artificial intelligence to collect better information and achieve better management results in tax administration areas, like tax credits and tax litigation management. The recent experience of the National Customs Superintendency of Peru (Superintendencia Nacional de Aduanas y Administración Tributaria) could be of interest for its example.

Tax Inspection and Compliance

The creation of the ME reduced the degree of insulation of Special Secretariat of Revenues (Secretaria Especial da Receita Federal, or SERFB) and contributed to the integration of the special secretariat within the economic team. Impressive innovation processes are ongoing, such as advance information to citizens about their income taxes and improved communication with citizens and firms. There are ongoing experiments in behavioral economics methodologies to align incentives regarding taxpayers and government. The macroprocesses regarding SERFB are evolving, but they could benefit from more external interaction with other partners such as OECD, IMF, IBGE, ENAP, and others.

The tax burden may be reduced through digital transformation and simplification procedures without necessarily changing the law. Reducing administrative burdens may contribute to reducing the costs citizens and firms are forced to assume in order to deal with a complicated tax system.

Pursuing the tax gap is a permanent challenge for SERFB. It may be pursued endogenously or with partners. There are international good practices on these matters that could be analyzed by the Brazilian government to support its assimilation by ME. As of February 2022, SERFB in partnership with IBGE, was working on a tax gap study using big data and statistical and econometric tools.

Real Estate Management

The SPU has made progress on modernizing asset management with digital tools. These efforts have allowed for more effective actions related to sales, concessions, and regularization of properties owned by the federal government.

The United Kingdom has made substantial progress on this agenda. The primary lesson learned is that it is impossible to effectively manage the government property portfolio without having the details of the whole property estate. Once this data is collected, it becomes clear where property is being used inefficiently. This is often due to government entities not communicating with each other about their space needs and availability. For example, in the United Kingdom it was found that departments were renting expensive offices privately, while other departments had vacant buildings that could be used instead.

The United Kingdom identified three avenues for efficiency in real estate usage:

- Setting standards for key metrics such as the amount of office floor space required per civil servant. These standards are used to identify government entities that have excess space and consolidate them into a smaller footprint (fewer properties). This tends to drive productivity gains as well as cash savings.
- Reassessing geographical needs in order to move out of expensive prime location properties.
- Accessing capital by unloading property that had been freed up. In the United Kingdom, a famous example of this is the sale (with some restrictions on use) of Admiralty Arch, a large building in a prime location that functioned poorly as an office.

A strong mandate for the central function is essential. Without that, it's impossible to collect the comprehensive cross-government data that is required. A comprehensive register of assets owned and/or occupied by government entities is the first need. A small unit with real expertise and experience is essential so that the data can be quality assured. The mandate must be drafted with great care and precision to avoid the requirements being gamed and circumvented by line ministries and entities.

The second need is control that enables a minister at the center of government (in the case of Brazil, the ME) to refuse consent to any other entity in government to take on a new lease or buy a new property. This negative control is what enables the effective and efficient use of existing assets and can stimulate co-location of different ministries and other entities. In turn this enables properties that are not needed to be released so that they can support economic development.

The SPU could enhance these practices–including using digital innovations–through considering the experience from the United Kingdom, described above, as well as from other advanced countries on the management of real estate assets, for example South Korea.

There is a recurrent debate in Brazil regarding the transformation of SPU into an agency. The idea is plausible and has its merits, particularly on the grounds of specialization and professionalization. However, the political counter-arguments are important. First, it would be an extremely powerful organization. Second, it would be hard to oversee. Another alternative could be moving toward public–private arrangements, which would accelerate the state assets moving toward public and private productive use via sales, rent, or donations.

Management of Government Assets and Holdings

The creation of the ME helped the government focus on selling its assets, whether real estate, state-owned enterprises, or shares of private firms. Taking advantages of the potential synergies depends on a clear determination by the top decision-makers of ME because these are sensitive matters that may become business opportunities instead of areas of jeopardy for the federal public administration.

Based on international experience, it is best to optimize the flow of demands, increase internal information to the National Treasury Secretariat, and increase information among other areas to disseminate information and facilitate decision-making. Also, the possibility of bringing real estate management closer to the cash management (treasury), debt and accounting should be evaluated.

Liability Management

One important step to strengthen fiscal sustainability and budget credibility would be adequately managing contingent liabilities. The Treasury and the budget offices of the ME could set a routine exercise of estimating the contingent liabilities in order to ensure adequate budget provisions each year. Several tools that have been built through the years allow the ME to strengthen budget information on this topic. The Fiscal Responsibility Law of 2000 requires that official estimates of fiscal risks and contingent assets and liabilities of the government are included in annual budgets. The methodology to compile such estimates has been significantly refined over the years, to bring it more into line with good practices. Annex V of the 2019 Draft Budget Guidelines Law (Projeto de Lei de Diretrizes Orçamentárias) presents an overview of contingent assets and liabilities of the federal government whose realization is considered possible.

Administrative and Judicial Tax Dispute Management

The excessive judicialization has been transforming the Administrative Council of Tax Appeals (CARF) into a common instance for taxpayers. Another issue is the differentiated legal regime between the representatives of the National Treasury (career public servants, with the guarantees inherent to their position) and the taxpayers' counselors (honorary public agents, with lower remuneration and without the rights resulting from the statutory regime).

Some of the recommendations are reforming tax litigation to address the challenge of dealing with high volume lawsuits pending before the judiciary branch (eliminating overlap with the judicial phase); institutionalizing alternative methods of resolving disputes in the administrative sphere; using jurimetric tools more often to optimize analysis of data relevant to administrative litigation; assessing administrative litigation according to the international standard established in the Tax Administration Diagnostic Assessment Tool; adopting alternative methods for conflict resolution; and progressively adopting a data-driven culture, which includes rational and economically efficient solutions to reduce litigation. As of February 2022, SEFRB was working on several of these initiatives, some with IDB support.

Finally, the management of liabilities ended up staying within the tax area, which consumes energy from the Treasury team. This is a good example of predictable expenditures that should be anticipated in fiscal and legal terms. The Treasury, SERFB, and PGFN have worked together on this issue, but there is room to improve modelling exercises regarding fiscal risks. Therefore, the ME would benefit from a proper redistribution of roles within these three areas. This redistribution would provide a more balanced perspective on topics that include fiscal concerns, revenues judicialization, and legal processes.

Management of Social Security Systems and Pensions

Although this macroprocess is no longer within the scope of the ME after the reform in July 2021, creating a new Ministry of Labor and Social Security, the merging of these two policy areas brought positive results. There were several optimizations in the actions of the former Ministry of Labor that might not have been effectively communicated to citizens. Some social security services and several restructured contracts were digitized, and there is a great window of opportunity to exploit these gains.

A potential area for enhancing coordination of this macroprocess could be aligning the competences of the recently created Ministry of Labor and Social Security with specific other areas within the ME. Other consideration is the dependence on the performance of other bodies or entities, such as DATAPREV, the National Institute of Social Security (Instituto Nacional do Seguro Social, INSS), the Superintendence of Private Insurance (Superintendência de Seguros Privados, or SUSEP), and the Secretariat for Management and Personnel Performance (Secretaria de Gestão e Desempenho de Pessoal, or SGP, under SEDGG).

Social security matters will continue to be important for a long term because of a mixed bag of factors: data accuracy, federal matters, implementation issues, social security services digitalization, and the preparation of the next reform some years ahead. Keeping the scope of the macroprocess in the new ministry will enable the continuous pursuit of improving social security management.

Promotion of Improvements in the Fiscal Management of States and Municipalities

The steps taken by the federal government to deal with the fiscal crises of some states and generally to promote fiscal adjustment more actively at the subnational levels of government show the importance assigned to this macroprocess. It is essential, however, that states and municipalities do in fact undertake the structural reforms needed to sustain their revenues and to effectively contain the growth of their spending, especially on pensions and payrolls.

Mechanisms to monitor trajectories and composition of current expenditures at a subnational level of government can improve the results of this macroprocess. The mechanisms implemented in Colombia by the Fiscal Support General Directorate of the Ministry of Finance and in Peru by the General Directorate for Fiscal Decentralization and Social Affairs of the Ministry of the Economy and Finance could be of interest to Brazil. These mechanisms allow the supervision of subnational government on their compliance of the fiscal responsibility laws as well as the implementation of agreements for the provision of technical support from the ministries of finance to the subnational governments and related to fiscal consolidation.

The existence of an undersecretariat in charge of states and municipalities fiscal matters at the Treasury is a positive signal to recognize the importance of their role. There are topics regarding states and municipalities managed by other special secretariats (for example, at the Secretariat of Management within SEDGG and at the Disinvestment Special Secretariat). Their perspectives need to be integrated in a shared framework. That's the whole point of the creation of the ME; however, reducing the agenda of states and municipalities to fiscal matters makes it harder for the ME to tackle them. The challenges—social security, personnel, and others—are intertwined.

Management of Government Transfers

Improvement in this macroprocess can benefit from experiences of Colombia and Peru in the management of the transfers systems. This would imply that some of the key ME supervision and monitor functions on the transfer system, as well as the implementation of standard and rudimentary reports, should be reengineered and strengthened. The ME could explore some mechanisms and cases from Colombia and Peru for the specific reform actions as follows: (i) assess the need for decentralization of some administrative units, as is the case with the Treasury, which has a unit to respond to judicial demands from states and municipalities in relation to transfers, or in the case of the internal affairs actions carried out within the Internal Revenue Service;
(ii) review operational problems of systems such as SIAFI (the integrated system of federal government financial information) and Plataforma + Brasil, and problems with data reception; (iii) address current challenges in managing the large volume of information generated in processes to promote improvements in the fiscal management of states and municipalities; (iv) push forward the development of the Fiscal Analysis module at Siconfi, which helps both in

communicating with entities and in information management; and
(v) consider the possibility of having the undersecretariat for intergovernmental financial relations become a special secretariat.

Fiscal Transparency

Brazil is one the most advanced countries in the world in fiscal transparency. It ranked 6th out of 117 countries in the latest version of the Open Budget Survey in 2019, with 81 out of 100 possible points. During the period of analysis of the report, the further disclosure of the union's accounting, budgetary, and fiscal information and reports, and the disclosure of the federation's budget, accounting, and tax information, have been positive steps forward. Other positive steps are increasing the efficiency and transparency of state-owned companies as this works toward improving and integrating the economic-financial monitoring systems and improving the management of these companies.

IMPROVEMENT OF GOVERNANCE AND PUBLIC MANAGEMENT VALUE CHAIN

The value proposition of this value chain is to improve the quality of public services provided to citizens. The ME leads several cross-cutting policies that directly impact the quality of public services: strategic planning, personnel management, digital government, public procurement, administrative simplification, and regulatory governance, among other.

Preparation and Deployment of Medium- and Long-Term Federal Planning with a Focus on Monitoring Results

There is a potential gap in integrating the Federal Development Strategy with multiannual planning (Plano Plurianual, or PPA) and the institutional strategic plans. As the PPA is a law and the Federal Development Stategy is a decree, the link between the two instruments should take place at the managerial level with intermediate results. It is important to foster the routine of using key indices in the Federal Development Strategy as an integral part of the institutional strategy and to achieve results; this also helps ensure continuity of a transversal agenda for several governments with a long-term vision of the public sector. At the same time, there is no area responsible for the United Nations Sustainable Development Goals and it is important to review with Government Secretariat of the Presidency of the Republic (Secretaria de Governo da Presidência da República) the implementation of these actions. Monitoring processes need to be developed so that public policies are enhanced using evidence.

The strategic planning cycle still needs to be improved in public administration. Today, the results achieved are collected, but rarely analyzed in depth. A critical evaluation of the results achieved could be beneficial for the enhancement of this macroprocess.

The relatively limited participation of strategic level officials in the multiyear planning exercise seems to be a potential risk. If the strategic level of the government pays little attention to the multiyear plan, this may occur also at the tactical and operational levels. This problem is partially mitigated by the demands of the Federal Court of Accounts (Tribunal de Contas da União, or TCU), requiring greater attention from the executive branch to the PPA.

The analysis of the budget management macroprocess includes the U.S. federal government's experience on strategic planning and a performance framework, which could also contribute to rethinking the current tools and practices.

Management of Actions toward Simplification, Cutting Red Tape, and Digital Transformation of Public and Administrative Services

The work done by the Special Secretariat for Debureaucratization, Management and Digital Government (SEDGG) on this macroprocess has been empowered by the creation of the ME and important results have been achieved. The productivity leaps—some measurable—have been extraordinary. Digitization of public services has been implemented quickly and ambitious goals have been set in the Digital Government Strategy 2020-2022. Brazil has also achieved remarkable progress in international rankings such as those by the United Nations in their online service index (in the top 20 in the world and first in Latin America and the Caribbean), the World Bank's digital government maturity index (ranked seventh of 198 countries), and the OECD's Digital Government Index (ranked above the organization's average score).

Going forward, the ME could benefit from further strengthening the digital skills of current public servants and attracting and retaining digital talent in a way that responds to the dynamic digital labor market (e.g., the recent Startup Gov.br program). At this point, it is necessary to confront the bottleneck caused by the lack of qualified personnel in the ME to meet the demand for technological support. Further, there needs to be a prospective analysis on the institutional arrangements for providing technological services by SERPRO and DATAPREV.

Management of Services Provided by the ME to Citizens

The corporate logic as adopted by the ME has produced unprecedented economic gains in the federal public administration. Implementing a digital requalification program would continue to improve services and deepen the digital transformation processes. Research carried out by the ME and ENAP mapped 4.949 interfaces so far between the federal government on the one side and citizens and firms on the other side. Of these, 3.613 (73%) were completely digitalized.

The challenge now lies in expanding farther to firms and to support states and municipalities in the same direction. The interfaces between citizens and governments are more frequent at state and local levels, but once the federal government develops and implements methodologies and procedures, digital transformation will be much easier for the state and local levels.

Development of Integrated Management Policies for the Federal Public Administration

Launched in 2020, TransformaGov has been an innovative and successful program to promote simplification and coherence of core public management practices across the federal public administration. SEGES within SEDGG acts as an integrator of other areas of the ME and other institutions that provide solutions, but also depends on the pace of these partners.

While the merger of the ME has facilitated work across its different policy areas and strengthened the program along line ministries, in some cases it has been difficult to integrate systems of the former bodies in the ME. Data discrepancy between systems has been an issue as well when unique criteria for registration and accounting was not used. A Subcommittee on Cross-Sector Systems (Subcomitê Gestor dos Sistemas Estruturantes) was established in 2019 in the context of the creation of the Digital Government Committee within the ME and has continued to work on these specific issues.

As the program matures, it would be important to promote the use of its findings to formulate a strategic career management policy and allocation of the workforce of the various agencies of the federal public administration (people analytics) as well as to implement continuous improvements in payroll management. Some countries, have specific functions (like Peru, at its Ministry of Economy and Finance) aimed at controlling the distribution and fiscal impact of the workforce across the public sector.

Promotion of Legal Certainty in the Positions of the ME

The legal team of the ME absorbed specific matters from the former ministries, which demands specialization in the subject. The legal advisory teams of the five ministries are temporarily in the PGFN. When they leave, they will leave an insufficient quantity and possibly a loss of experience. Hence, the legal area must work proactively with the Office of the Attorney General (AGU) to address pending issues related to the areas of management, concessions, budget, and finance.

DEVELOPMENT AND ECONOMIC EFFICIENCY VALUE CHAIN

The value proposition of this value chain is to increase productivity and competitiveness of the Brazilian economy. To contribute to this objective, the ME's institutional strategy includes nine macroprocesses, which run across seven of the ministry's special secretariats.

Management of Market Development Policies

This macroprocess involves the developing actions and initiatives aimed at expanding investment in the country and increasing the production chain. This macroprocess also involves articulating, coordinating, implementing measures to improve the operational and social efficiency of federal state companies. While the merger of the ME certainly brought better coordination, the organizational units related to the promotion of competition and development of markets could benefit from further integration.

Management of Companies' Innovation and Productivity Policies

The creation of the ME enabled proactive policies regarding competitiveness, innovation, and productivity to be integrated into a broader fiscal framework. These policies included promoting competition, opening the economy, supporting startups, supporting the productivity of SMEs, incentivizing horizontal industrial policies, and developing human capital in order to improve the business environment. Some of these areas are dispersed within SEPEC, SETO, and SECINT. The ME's internal cross-sectoral committees can improve their coordination.

There are inherent tensions in the process of putting together line areas (such as those in charge of innovation, competitiveness, and productivity) and those linked to fiscal policies (such as budgeting and treasury). The impetus for each of them can contribute to conflicts. One plausible course of action is to create incentive structures that ensure that resources generated by SEPEC initiatives are reinvested in their priorities.

Management of Labor Policies and Promotion of Employment and Qualification

During the preparation of this report, the ME became no longer responsible for this macroprocess.[39] However, this section recounts both positive outcomes and gaps for possible lessons to be learned. The creation of the ME and its institutional strategy integrated labor policies within a growth framework. Thus, there was a change in the way government interacts with labor market needs: it became demand-oriented. The qualifications of workers were previously concentrated in general skills. SEPEC integrated policies and programs to focus on developing work and employment, with policies focused on production and competitiveness.

The administrative cultures of the two former ministries (Industry and Commerce; Labor) were mixed and they both had their constituencies. Now teams of both previous ministries work together in order to design and implement integrated policies oriented toward making the labor market flexible.

A positive outcome was increasing the budget to fund professional qualification and productive restructuring actions aimed at digital transformation and digital skills. The promotion of a better calibration and greater alignment of the offer of professional qualification with the demand of the productive sector, with special attention to the training of workers, was overdue. Areas related to the "upskilling" of labor are within the Special Secretariat for Productivity and Competitiveness (SEPEC). Initiatives aimed at industrial labor and services are not included.

39 The new Ministry of Labor and Social Security was created in July 2021, absorbing the ME's former Special Secretariat for Social Security and Labor and the Secretariat of Public Policies for Jobs (which was under ME's Special Secretariat for Productivity, Jobs, and Competitiveness, SEPEC).

Management of Policies to Prevent and Combat Corruption, Money Laundering, and Terrorist Financing

The creation of the ME improved alignment with anticorruption practices thanks to three factors. First, the ME works more closely with the Comptroller General of the Union (Controladoria-Geral da União) than in the past given their mutual interaction at CMAP. Second, the Executive Secretariat (through its secretariat for corporate management) introduced cross-sectoral transparency, enabling all special secretariats to tackle inefficient and irregular practices. Third, the combination of digital technologies, tax modernization, and fiscal expenditure management contributed to significant gains in productivity and monitoring, gains that that were unthinkable before. The synergies allowed by the creation of ME accelerated all initiatives that were previously fragmented and costly.

There are, however, some challenges ahead to continue enhancing this macroprocess—for example, strengthening cybersecurity, working closer with the Central Bank, and ensuring SERPRO and DATAPREV continue their modernization.

Customs Administration

Customs processes should continue to move toward greater digitalization, with the use of big data, artificial intelligence, and remote inspection. Compliance and risk management are already part of SERFB's management model. Ensuring that the workforce inspecting for narcotics and other contraband products is up-to-date with the latest practices and technology is critical.

MANAGEMENT AND SUPPORT

Perhaps one of the functions that experienced the benefits (and transaction costs) of the merger and the creation of the ME more than others was management and support. The internal management functions of the ministry–which run across its nine special secretariats and contribute to the achievement of each value chain's policy objectives–had the challenge of merging immediately and adapting fast. Four former executive secretariats had to merge into one, among other challenges. This section briefly analyzes six cross-cutting functions.

Institutional Management and Control

Thanks to the work performed during the transition period, which included a detailed "x-ray" of all organizational units of all ministries involved in the merger, the ME was created digital, transparent, and corporate. It incorporated all information systems that the Ministry of Planning had previously developed. The Executive Secretariat absorbed all these panels and tools, which then allowed its Secretariat of Corporate Management to pursue a strategy of continuous refinement of the organizational modelling at the new ministry.

The merger of all control units of the five ministries is an ongoing process that has had to deal with the previous capacity deficits of these areas. The scope of activities is huge and some areas—such tax inspection and real estate management—have decentralized units throughout the country. The centralization facilitated the interaction with Comptroller General of the Union and TCU. It also forced distinct areas of the ministry to come to terms with conflicting views of internal matters.

Internal and external areas of control that deal with the public have a unique opportunity to adopt new technologies to improve the quality and quantity of those interactions. The use of machine learning, chatbots, artificial intelligence, and other new digital tools should improve the effectiveness of control activities within the ME. Thanks to the merging to create the ME all these possibilities are under the new ministry umbrella.

Institutional Communication

There is a widespread view that the merger has dramatically improved communication among the various unified special secretariats under the umbrella of the ME. This interaction has also become considerably less politicized, which has facilitated a more technical, rational, policy-oriented treatment of the issues under discussion.

The socialization of subjects and their treatment, in most cases by professional staff and state bureaucracies, introduced a new perspective on the socialization of information.

Administrative Legal Consultancy

The creation of the ME led to the fusion of the legal teams of four former ministries (and other areas) by PGFN. PGFN has traditionally cooperated and had permanent dialogue with other areas that are part of AGU (for example, through permanent committees and chambers). However, the profile of PGFN lawyers is different from the AGU professionals of the previously existent ministries—recruited through a different kind of public selection. During the ME's first years, the new PGFN team worked together across careers to share technical knowledge of the subjects under the new ministry's responsibility. However, given the number and complexity of these areas—and especially in the scenario of adopting some of the international practices summarized in this report—the organization of specialized executive training programs should be considered to support PGFN in its multiple roles within the ME.

Corporate People Management

The creation of the ME brought various civil servants' careers under the same jurisdiction and command. There is room to maneuver, to merge some of these careers in areas such as budgeting, treasury, public management, planning, external trade, and other high-level groups. There are also other cadres, such as tax inspectors and infrastructure analysts, that play an important role in the federal administration.

The strategic management of high officials' careers is an important managerial and political tool that has never been exercised. The creation of ME enabled a broader space for decisions to be explored and made, both internally at the ME and beyond its borders. There is a potential for people analytics to be explored within the ME; the Treasury is already developing efforts in this direction.

The ME has the resources required to promote cutting-edge innovative approaches in personnel management provided it prioritizes the agenda. The frontier of human resources management in developing countries combines digital tools with management of teams. The quality of the manpower at the ME is among the best in the federal government.

The ME controls all critical variables of human resources management, including pay, political appointees, public and competitive selections, training, career design, and performance management. The merger of the previous ministries provides a unique opportunity to promote significant reforms that maximize talent management at an institution that is critical for Brazil.

Corporate IT Management

The merger of the previous ministries created an opportunity for a more efficient IT management within the ME. The Executive Secretariat took over different contracts and providers and was able to ensure continuity of key services, make important progress toward IT integration, achieve substantial economic gains, and improve enormously the productivity gains in IT management.

The centralized management for renovating contracts with public and private providers of the four ministries achieved annual savings for over R$ 307 million (approximately US$ 61 million), when comparing 2020 and 2019.. Also, a specific area within the Corporate Services Secretariat (SGC) was created to ensure coordination and alignment of the IT solutions to the business strategies pursued by the ME's policy areas. This area supported policy areas to jointly find the best solutions for their needs, seeking efficiency in the use of resources, reducing duplications or overlaps, and creating more visibility for the value added by the IT solutions delivered, with evidence of their results. In October 2019, the ME's Executive Secretariat produced an Integrated IT Strategy, with participation of all special secretariats and PGFN. The strategy was validated by the ME's Digital Governance Committee and led by the IT Directorate within the Executive Secretariat's Corporate Services Secretariat. Another important milestone in 2019 was the preparation and approval of the ME's IT Master Plan, which was aligned to the ME's Strategy and to the Federal Administration's Digital Government Strategy. Derived from that, the ME approved an ICT Portfolio Management Policy, which established an annual project plan for IT, an instrument that consolidates all IT projects that will be executed annually by the ME. The plan follows the priorities defined by the ME's Digital Governance Committee and is a part of ME's IT Master Plan.

During 2020, the ME's IT support ensured business continuity, allowing a large number of ME staff to work remotely during the COVID-19 pandemic. Despite the challenges, the ME was able to deliver on key policies, such as the Emergency Benefit paid to over 67 million Brazilians. Existing IT products, such as eSocial, CADPREV Web, and Carteira Digital, were enhanced to allow for a fully digital delivery of services to citizens.

Finally, the Executive Secretariat also worked on the unification of all technological environments from the former ministries, including the migration of all email services to a cloud platform, and making available corporate tools for sharing information and better collaboration, with the adequate security levels and performance. These resources enhanced the communication of the ME's teams, thus reducing time and costs for the execution of key processes.

Integrated Administration and Logistics

Like the IT management function, the merger of the ME created opportunities for efficiencies and optimizing management in the logistics of the new ministry. The efficiencies were achieved in different areas: financial costs, contracts, space management, logistics, real estate management, rents, transports, accounting systems, budgeting procedures, auditing practices, and procurement. The current patterns and standards can't be compared with those before the merger. The ministry now is managed as modern corporation despite the unfinished tasks ahead.

Some of the first measures included the optimization and rationalization of several contracts with service providers in the areas of security, cleaning, and maintenance. Several contracts were canceled or consolidated in these three areas, leading to annual savings equivalent to R$32 million (approximately US$6 million). The use of electronic communications reduced annual costs for mail and other delivery mechanisms by over R$3.4 million (US$0.6 million). Similar measures for other administrative services followed, leading to total overall savings (excluding IT) of R$522 million (approximately US$104 million) when compared the committed costs of the years 2018 and 2021 (until August).

In terms of real estate management, supply chain management and transportation, the ME developed a new system and a transition plan, ensuring an adequate management and control of these processes. In the case of real estate, the ME manages a total of 1,345 buildings across Brazil. The ME also joined the national virtual warehouse, which promotes the centralized purchase of common consumption goods, thus contributing to savings.

The logistics revolution that took place within the ME was possible only because of these two factors: the centralization of the decision-making process at the top of the ME and the strong political support given to the Executive Secretariat/SGC to implement sometimes difficult measures with the objectives to simplify, modernize, and make the institution more cost-effective. This process is ongoing because of the wide scope of the new ministry, but the gains made thus far are impressive. Even if the old ministries were to be recreated, they would start from a new baseline of efficiency.

Budgetary Financial and Accounting Execution

The centralization of the managerial process of the ME at the Executive Secretariat liberated special secretariats from administrative burdens and enabled them each to pursue their policies for their line. This strategic choice was particularly successful with respect to budgeting, financial, and accounting systems.

The decision-making process became more transparent, rational, and cost effective. A logic of appropriation was implemented which gave more rationality to situations previously defined by inertial and power criterion. Logical criteria were introduced to distribute resources, for example, allocating personnel, workspace, and ICT equipment. Accrual accounting and budgeting standards were introduced, helping management better evaluate costs and their decisions.

CONCLUSIONS

The creation of the ME in January 2019 was an ambitious public management reform with great potential to achieve two goals: (i) enhance the coherence and effectiveness of public policies aimed to contribute economic growth and job creation while also (ii) achieving important efficiencies. Almost three years after creating the ME, and operating half of that time during the COVID-19 crisis, the initial results for both objectives appear to be positive. Policy coordination—across several former separated ministries, secretariats, and administrative units—is being strengthened under the organizational umbrella of a single ministry. For this aim, the ME tested and implemented several organizational arrangements to promote coordination in the operation of the macroprocesses. This testing and implementation contributes to enhancing coherence among the policies and policy-making processes under the mandate of the ME, which in turn contributes to the effective implementation of priority policies.

Given the scale of the merger that was implemented, the governance mechanisms installed at the ME that contributed to these positive results were original and bold. An enabling role was attributed to the Executive Secretariat, but without all the policy power to oversee the special secretariats. On the one hand, the design provided all special secretariats with a direct line of communication to the Minister of the ME. On the other hand, the centralization derived from this kind of managerial arrangement in the context of a public sector organization with such a large portfolio involves more complexity in the decision-making processes.

The creation of committees mitigated the predictable problem of siloes. The governance situation created a consensus-building environment that forced special secretariats to find common ground in their eventual disagreements—a frequent situation given the normal divergences between line ministries and economic ministries.

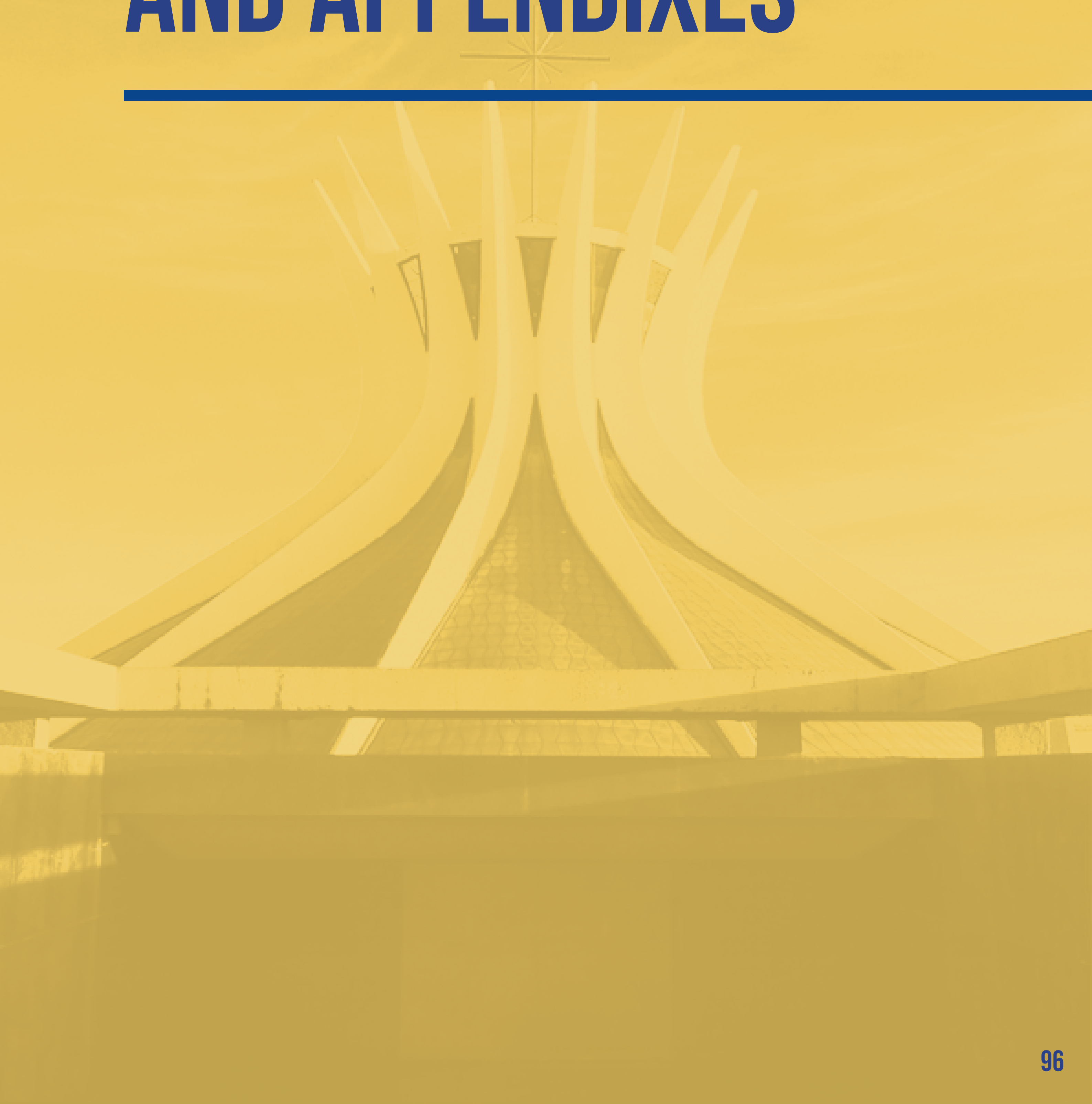
The triangulation between the Minister, the Executive Secretariat, and the special secretariats created a strong structure for the ME, and it allowed the ME to function consistently based on the amalgamation provided by the governance committees.

The integration of distinct administrative cultures usually takes time. The ME introduced several organizational changes with policy implications. There's still work to be done for integration and the sense of belonging to the ME has not spread fully yet, but the results achieved so far are impressive according to all sorts of managerial criteria.

The ME design solution may be adopted by other complex and fragmented government sectors such as justice, social development, infrastructure, and others. Some states have adopted similar solutions. The corporate managerial principles behind these reforms were successfully tested and evidence of the results are available. The questions remaining refer to how they have supported sectoral policy agendas so far and how they will continue to support those agendas.

While Brazil's federal government presents advanced sectoral policies and practices in the macroprocesses led by the ME, this report includes important opportunities for enhancing the delivery of the eight of them considering relevant practices from Canada, France, Mexico, Peru, Spain, the United Kingdom, and the United States. Brazil's commitment to moving toward and embracing best practices from OECD countries presents a great opportunity to incorporate these and other valuable lessons to continue delivering more effective and efficient public services to Brazilian citizens and firms.

REFERENCES AND APPENDIXES



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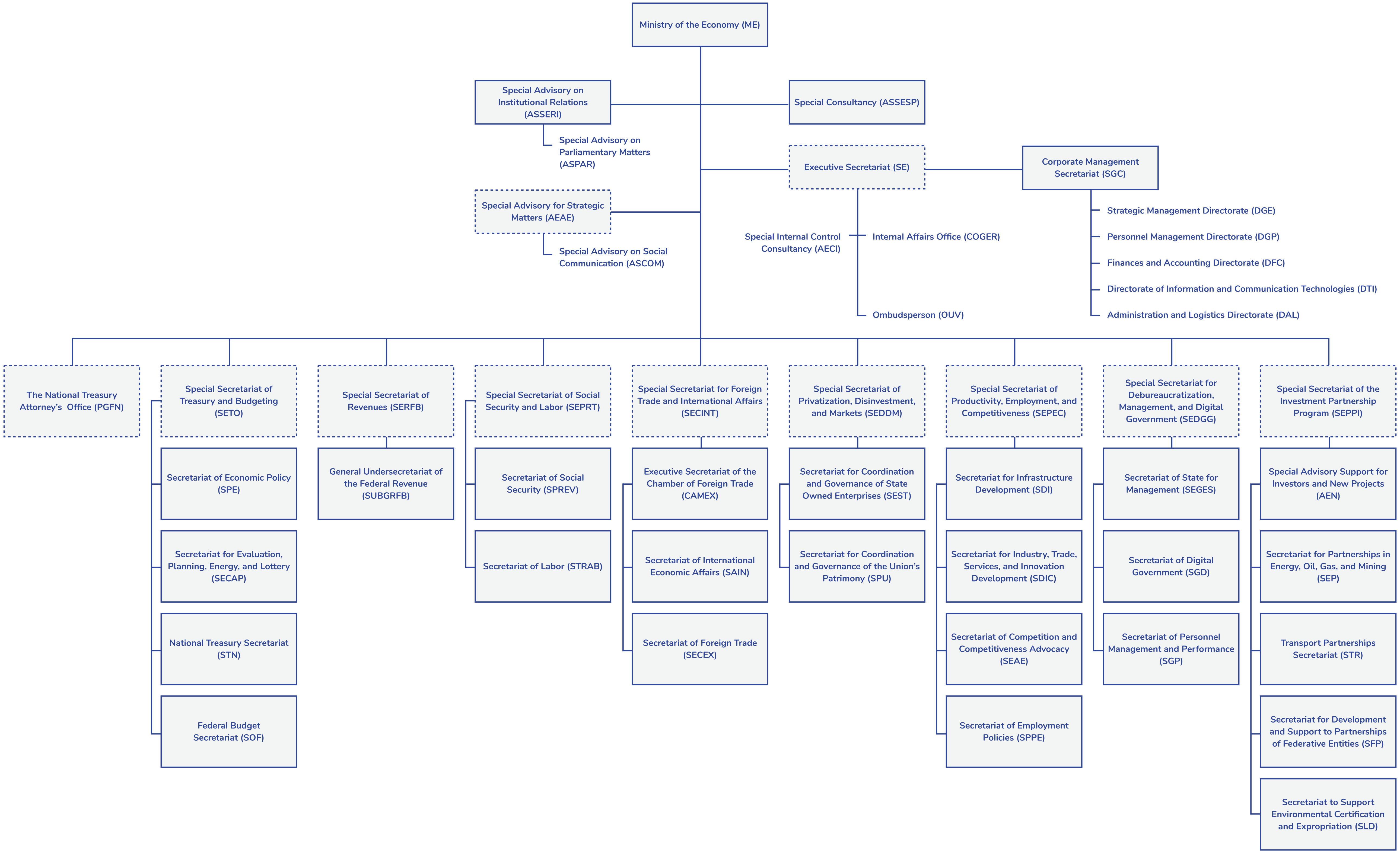
APPENDIX 1. MINISTRY OF THE ECONOMY'S ORGANIZATIONAL CHART[38]



38 Simplified version updated on July 13, 2021. Full version in Portuguese available here. As of December 2021, SEPRT and SPPE were within the Ministry of Labor and Social Security. The organizational chart was also updated in April 2022 through Decree No. 11.036.

APPENDIX 1. MINISTRY OF THE ECONOMY'S ORGANIZATIONAL CHART (CONT'D)

Related Entities

Independent Institutions

- Central Bank of Brazil
- Securities Commission – CVM
- Superintendence of Private Insurance – SUSEP
- National Superintendence of Complementary Pension – Previc
- National Institute of Industrial Property – INPI
- National Institute of Metrology, Quality, and Technology – Inmetro
- Manaus Free Trade Zone Superintendence – Suframa
- National Institute of Social Security - INSS

Public Companies

- Brazilian Mint – CMB
- Federal Data Processing Service – SERPRO
- Caixa Econômica Federal Bank
- Asset Management Company – Emgea
- Social Security Technology and Information Company – Dataprev
- Brazilian Agency for Management of Guarantee Funds and Guarantees S.A. – ABGF
- National Bank for Economic and Social Development – BNDES
- Company of General Warehouses of São Paulo - CEAGES

Mixed Economy Societies

- Banco do Brasil SA
- Banco da Amazônia SA
- Banco do Nordeste do Brasil SA

Foundations

- National School of Public Administration – Enap
- Brazilian Institute of Geography and Statistics Foundation – IBGE
- Institute of Applied Economic Research – Ipea
- Foundation of the Complementary Pension for the Federal Public Servant of the Executive Power - Funpresp-Exe
- Jorge Duprat Figueiredo Foundation for Occupational Safety and Medicine - Fundacentro

Collegial Bodies

- National Monetary Council
- National Council of Finance Policy
- National Financial System Resources Council
- National Council of Private Insurance
- Resource Council of the National System of Private Insurance, Open Pension, and Capitalization
- Administrative Council of Fiscal Resources
- Brazilian Nomenclature Committee
- Foreign Credit Assessment and Renegotiation Committee - Comace
- Management Coordination Committee of Federal Public Financial Institutions

- Simples Nacional Steering Committee
- Export Financing and Guarantees Committee
- National Council of Social Security
- National Council of Complementary Pension
- Chamber of Complementary Pension Resources
- Social Security Resources Council
- External Financing Commission - Cofiex
- Cartography National Commission - Concar
- Classification National Commission - Concla

- National Council for Development and Collaboration - Confoco
- National Council of Metrology, Standardization, and Industrial Quality - Conmetro
- National Council of Export Processing Zones - CZPE
- National Council of Labor
- Council of Trustees of the Severance Indemnity Fund
- Deliberative Council of the Laborer's Support Fund
- National Council for Solidarity-Based Economy – CNES
- Advisory Council of the National Program for Focused Productive Microcredit
- National Microcredit Forum
- Board of Directors of the PIS - Pasep Fund

- Council of Trustees of the Salary Variation Compensation Fund
- Committee for the Management of the National Network for the Simplification of Companies and Businesses Registration and Legalization - CGSIM
- Foreign Chamber of Commerce - Camex

APPENDIX 2. MINISTRY OF THE ECONOMY'S INTEGRATED VALUE CHAIN

Tax Management

1- Formulation and evaluation of fiscal, tax and social security policies

2- Budget management

3- Financial and accounting management

4 - Collection and management of public finance credits

5- Tax inspection and compliance

6 - Property management

7 - Management of government assets and holdings

8 - Management of divestment actions

9 - Liability management

10 - Administrative and judicial litigation

11 - Management of pension systems

12 - Promotion of improvements in the fiscal management of states and municipalities

13 - Government transfer management

14 - Fiscal transparency

Recovery Fiscal balance

Formulation and evaluation of fiscal, tax and social security policies

15 - Preparation and deployment of medium and long-term federal planning with a focus on monitoring results

16 - Management of actions toward simplification, cutting red tape, digital transformation of public and administrative services

17 - Management of the provision of services of the Ministry of Economy to the citizen

18 - Development of integrated management policies for the Federal Public Administration

19 - Optimized management of organizational models

20 - Promotion of legal certainty in the positions of the Ministry of Economy

Improving the quality of public services for the citizen

Growth and jobs

Development and Economic Efficiency

21 - Simplification and debureaucratization of the business environment

22 - Management of market development policies

23 - Management of companies' innovation and productivity policies

24 - Management of commercial and financial integration policies in the global economy

25 - Management of labor policies and promotion of employment and qualification

26 - Development of national infrastructure

27 - Management of policies to prevent and combat corruption, money laundering and terrorist financing

28 - Customs administration

29 - Efficient management of market and product regulation

Increased productivity and competitiveness of the Brazilian economy

Management and support

- Institutional management and control
- Institutional Communication
- Administrative Legal Consultancy
- Corporate People Management
- Corporate ICT Management
- Integrated Administration and Logistics
- Financial and Accounting Budget Execution

BRAZIL
MINISTRY OF THE ECONOMY

Analysis of Key Functions and Their Operational Macroprocesses

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