A Plan to End Brazil's Fiscal Deficit

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A significant strand of economic thought both within and outside the Brazilian government, as well as a goodly share of the institutions and corporations responsible for the country's Gross Domestic Product (GDP), will be represented at a dinner tonight in the federal capital.

The centerpiece is an idea that has been filling newspaper pages in recent weeks, eliciting praise from entrepreneurs, members of the government, and opposition leaders, but drawing strong criticism from the Left and civil society: to eliminate the country's fiscal deficit.

The reception is being organized by ex-Minister of Finance, Federal Deputy Delfim Netto, from the PP (Partido Progressista - Progressive Party) of São Paulo.

The Brazilian government currently runs a primary surplus - which means that it spends less than what it collects, provided debt interest expenses are disregarded.

So, despite large primary surpluses, the country continues to run a deficit, due to interest expenses. Delfim Netto's idea is to eliminate this deficit.

The country's fiscal commitment targets (roughly, what the country pledges to save to cover its debts) are mainly intended to maintain the confidence of society and the markets in the country's ability to pay what it owes, which is largely reflected in the country risk assessment made by specialized agencies.

The country's current fiscal policy is to obtain a primary surplus (federal government receipts minus expenditures, excluding interest and amortization payments) equivalent to 4.5% of the GDP.

That is, the country saves the equivalent of 4.5% of the GDP, savings used to pay interest on the debt.

One of the hypotheses for achieving the target proposed by Delfim Netto is to raise the Untied Portion of Federal Receipts (DRU), which presently allows up to 20% of the budget to be spent in areas not stipulated in the Federal Budget.

At least three Ministers are expected to attend the dinner: Antônio Palocci, of Finance, Paulo Bernardo, of Planning, and Jaques Wagner, of the Economic and Social Development Council (CDES, Conselho de Desenvolvimento Econômico e Social).

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