

SO, WHAT WAS STILL MISSING? Covid-19 and the disclosure of fiscal risks in Brazil

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Introdução

Covid-19 had consequences not only for healthcare, but also for the public finance due a negative impact in the tax revenue, to the increase in the public expenses with healthcare and the effective recognition of contingent liabilities (World Bank, 2020). There is evidence that the lack of disclosure of fiscal risks might bring on additional fiscal obligations for governments and greater public debts (Cebotari et al., 2008). Given this scenario, the transparency in the disclosure of the fiscal risks related to this period is a necessary measure to be taken by public entities (IMF, 2020).

Problema de Pesquisa e Objetivo

Did the state governments of Brazil disclose the possible fiscal risks caused by the Coronavirus pandemic in the AFRs published in the budgetary planning for the year 2021? The purpose of this article is to present how the Brazilian state governments disclosed the fiscal risks derived from the pandemic caused by the new Coronavirus in the Fiscal Risk Appendixes.

Fundamentação Teórica

Fiscal risks are any events that may impact the fiscal balance predicted by governments, including contingent liabilities (Petrie, 2002; Polackova, 1999). Transparency in the disclosure of these risks improves the quality of government's decision to take risks, provides support for anticipating risk responses, as well as the adoption of softer policies and strengthens the responsibility in their management (Cebotari et. al, 2008). In Brazil, the risks' transparency tool is the Fiscal Risks Appendix, that make part of the planning law (NTS, 2020).

Metodologia

The web pages of the Brazilian state governments were analyzed in order to obtain the Fiscal Risk Appendixes. The information was available in 20 federative unit of the 27 (74%). From this sample, a data matrix was integrated with the variables: total amount of resources transferred to combat Covid-19, number of people infected and level of disclosure of fiscal risks. The statistical model starts from the hypothesis of the existence of association between the variables financial transference and number of people infected with Covid-19. This empirical research is based on mixed methods.

Análise dos Resultados

Only 10% of Brazilian states fully comply with the disclosure of fiscal risks in their annual planning, 40% of them disclose solely qualitative information, while 50% of the states do not disclose qualitative or quantitative information, that is, they do not disclose the required information. States provide information about risks in two ways: 8 states mentioned the risk information and 2 (Ceará and Goiás) of them, in addition to mentioning the risks, also quantified these risks. Among the risks were found contingent liabilities destined to the acquisition of items to combat the pandemic.

Conclusão

On one hand, it was possible to identify that 50% of the analyzed states did not even mention the fiscal risks due to Covid-19, thus ignoring the preventive use of the appendix that follows the state planning. On the other hand, there was an effort by the other states in order to mention these risks, and two stood out for recognizing their financial impacts on the Fiscal Risks Statement, including those arising from contingent liabilities that may have negative impacts on the public accounts.

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