
Parliamentary Amendments to Central Government Budget: comparing Brazil to OECD

Marcos Mendes*

Doctor in Economics. Associate
Researcher at Insper.

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I. Introduction

This text aims to compare Brazil to other countries on how much the Legislative intervenes in central government budget through parliamentary amendments.

The number and mandatory execution of parliamentary amendments made to the National Federal Government Budget have been on a rise since 2015.

In March 2015, the constitutional amendment (CA) #86 fixed a mandatory minimum amount for individual amendments for spendings chosen by each parliamentarian, which corresponds to 1.2% of current net revenues of the Federal government¹. Prior to this, the Executive power had the prerogative of whether to execute these expenses or not. The enforcement of CA86/15 brought such discretionary decision to an end.

In June 2019, CA #100 included in the set of mandatory amendments those proposed collectively by representatives of each state. Consequently, another instalment - which initially corresponded to 1% of the Current Net Revenues and is adjusted annually through inflation rates - was considered mandatory spendings.

In December 2019, CA #105 granted use of individual amendments to transfer financial resources directly to the State or municipality with no ties to any projects or activities of any sort. The direct transfer of financial resources lacks transparency and gives way to corruption and political manipulation.

Yet another step was taken through the Law of Budget Guidelines for 2020, when the use of “Rapporteur amendments” was approved. Through these, the parliamentarian acting as General Rapporteur may amend the Executive Budget Proposal and allocate resources to new or existing expenditure items. This practice was also approved

for budgets of 2021 and 2022.

Rapporteur amendments are distributed behind curtains to the parliamentarians who belong to the same political groups of congressional leaders. In practice, these alterations have become an expansion of individual amendments, financing projects that are of individual political interest of each parliamentarian who included these to budgets through the general rapporteur.

It is difficult to identify which parliamentarian has appointed which expense. Amendments are signed off by the general rapporteur, however, the real persons of interest of each expense are not identified in these amendments. Local Press has dubbed this practice “the secret budget” and Supreme Court has ruled that Congress must disclose all information of values and names of parliamentarians who have proposed such expenses, however, Congress has yet to comply.

Table 1 shows that the total value of amendments Congress has made to the budget Executive for 2022 has already reached approximately ¼ of all discretionary expenditure plus amendments (resources not previously allocated for salaries, social security and social assistance benefits, and other mandatory expenditures).

| Table 1 | Value of discretionary expenditures and parliamentary amendments to budget approved 2022 (R\$ billion)

Source: Senate. Sistema Siga Brasil. Prepared by the author

	R\$ Billion	% total
Discretionary	112	76%
Amendments (B)	36	24%
Individual amendments	11	7%
State parliamentary benches	6	4%
Commission amendments	2	2%
Rapporteur amendments	17	11%
TOTAL (A)+(B)	147	100%

¹ This amount began to be adjusted annually through inflation rates in 2017.

Most amendments are related to local expenses, focused on specific municipalities, or states and attend electoral or personal interests of each parliamentarian.

On one side, financial analysts and politicians show that the amounts involved, and the Modus Operandi of Brazilian parliamentary amendments are detrimental and lead to low quality public policy, higher expenditure, the manipulation of national electoral process and the loss of governance of Federal Executive².

On the other, defenders of the practice and recent expansion of Parliamentary amendments argue this is common practice in democracies and other countries also do so.

This analysis aims to compare the level of intervention and control that Legislative has over Brazilian federal government budget to the same practice in other countries. Data will show that intervention and distortion in Brazil /are far more exacerbated. To claim that such practice in Brazil is common practice around the world is hardly justifiable.

II. OECD Statistics

The Organization for Economic Co-operation and Development (OECD) created a data bank of budget processes covering its countries members. It also developed a similar databank for Latin America³.

Gathering information from this data bank, along with further data from other sources allows to

elaborate a comparison between Brazil and other nations.

Table 2 answers the following question: “In the last fiscal year, what has been the total size of changes made by the Legislature to the budget presented by the Executive?” It therefore aims to measure legislative interference in budget and its final amounts.

Such changes do not necessarily imply in an increase of total spendings proposed by the Legislative. It can be, merely, a shift in priorities. Even when there is no change to total amounts, legislative may still reallocate the expenditure. This is what happens in Brazil, once the constitution determines a spending cap for expenses, which puts a limit to the primary total expense. Not only can Parliamentarians cut expenses proposed by Executive to accommodate their own, but in Brazil, budget is already approved by the Executive with resources previously reserved to be allocated by the legislative.

Table 2 shows the amount of money involved in alterations made by legislative as a percentage of discretionary primary expenses of each country.

Original values of the OECD database are presented in nominal values of local currencies. They were divided by the amount of mandatory expenses of the budget of each country.

As is known, each country budget has considerable mandatory and fixed expenses which are extremely hard to change. These are mainly, wages, expenditures with social security and assistance benefits, as well as interest on public debt.

Data from the IMF (Government Financial Statistics – GFS) was used to reach a proxy of primary discretionary expenses of each country, excluding from total expenses all spending with social security, personnel, payment of interest and social assistance and welfare benefits⁴.

The total of alterations made by the Brazilian Legislative is much greater than of other countries

² For example:

Hartung, P., Mendes, M. and Giambiagi, F. (2021) As emendas parlamentares como novo instrumento de captura do orçamento. *Conjuntura Econômica*, Sept/21. Available at: https://ibre.fgv.br/sites/ibre.fgv.br/files/arquivos/u65/09ce2021_macro_paulo_hartung.pdf

Tollini, H., Bijos, P. (2021) Por um novo modelo de emendas ao orçamento. *Research # 22/2021*. Consultoria de Orçamentos e Fiscalização Financeira da Câmara dos Deputados.

³OECD International Budget Practices and Procedures Database. Available at: <https://qdd.oecd.org/subject.aspx?Subject=7f309ce7-61d3-4423-a9e3-3f39424b8bca>

in Table 2. The parliaments of Germany and Norway did not increase or replace expenditure, they only marginally reduced the expenditure proposed by the Executive, without putting others in place.

In 14 countries, legislative made hardly any or no amendments to budget, below 0,021% of discretionary primary spendings. In other 10 countries, this number is still under 2%. Only in the U.S.A, Slovakia and Estonia numbers are above 2%. In Brazil no less than 24% of total spending is adjusted by parliament, a huge diversion to what happens in other countries.

| Table 2 | Alterations made by legislative to central government budget. Fiscal year 2012 – 2013 (% of discretionary primary revenues)

Sources: OECD (International Budget Practices and Procedures Database) <https://qdd.oecd.org/subject.aspx?Subject=7f309ce7-61d3-4423-a9e3-3f39424b8bca>
e FMI – GFS <https://data.imf.org/?sk=a0867067-d23c-4ebc-ad23-d3b015045405>. Prepared by author.
Note: Poland, Mexico, Chile, Greece and Hungary have been excluded for lack of data

Germany	-0,08%	Spain	0,00%
Norway	0,00%	Austria	0,01%
Australia	0,00%	Turkey	0,03%
Canada	0,00%	Switzerland	0,06%
Czech Republic	0,00%	France	0,09%
Denmark	0,00%	Finland	0,12%
Ireland	0,00%	Korea	0,32%
Israel	0,00%	Slovenia	0,40%
Italy	0,00%	Portugal	0,48%
Japan	0,00%	Luxemburg	0,77%
Netherlands	0,00%	Iceland	1,17%
New Zealand	0,00%	United States	2,40%
Sweden	0,00%	Slovakia	5,53%
Great Britain	0,00%	Estonia	12,13%
Belgium	0,00%	Brazil (2022)	24,20%

⁴ Items officially excluded are: “Compensation of employees”, “interest expense” and “social benefits”. Information used is from the “Central Government (excl. social security funds)” expenditures.

To ascertain the soundness of values calculated, another item from the OECD research which requires countries to inform how much parliament interferes as proportion of the proposed budget was used (“If possible, please estimate and write the size of the changes as a percentage of the proposed budget”). It was not possible to use this data directly since it considers the budget in its entirety – including mandatory expenses and interests. However, the data presented is consistent with that presented in Table 2, even if marginally lower. The exception is Estonia, which presents a calculated value of 12,13% and registered value of the country of 4,4%. It is worth mentioning that, contrary to Brazil, the budgets of the countries of OECD tend to have less expenses with interest, wages, social security and benefits. This is the reason the distance between both statistics is not as great.

OECD research on budget practices in Latin America was carried out in 2005- 2006. It is not as recent as the research done on countries members, and even though is quite old and presenting some gaps, it still contains relevant information.

Table 3 shows the answer of each country to the question “at what level of detail does the Legislature approve budget appropriations?” As we know, public budgets are divided in different levels: global expenses, divided by ministries, which then poured into spending programs, which are detailed in specific measures and actions and these, into specific expenses.

The table shows that in Latin America, only Brazilian and Chilean parliaments have the authority to alter budgets down to details, altering items within the classification level of spending programs. In Chile, however, legislative cannot increase spending nor revenue projections and, if any alterations are made, they must be downwards.

Therefore, compared to other countries, even before the current process of increasing parliamentary amendments, Brazilian parliament already had the prerogative to change the details of the budget, making decisions on the increase or reduction of specific spending items, rather than deciding just in terms of the big numbers and top priorities.

This micromanaging is typical in parliamentary amendments which are mostly used to approve work in specific municipalities. In many cases, these decisions are in direct conflict to general guidelines of public policy. For instance, building a hospital in a specific municipality may not be deemed adequate to the Health Ministry which may find a smaller health unit more effective given the low demand for hospitals in the area.

| Table 3 | Level of detail in which Legislative approves budget proposed by the Executive – Latin America 2005 and 2006

Sources: OECD (International Budget Practices and Procedures Database) . Prepared by the author. <https://qdd.oecd.org/subject.aspx?Subject=7f309ce7-61d3-4423-a9e3-3f39424b8bca>

Argentina	Items aggregated by institutional classification, object of expenditure and source of funding
Bolívia	Programs
Brazil	Below program levels
Chile	Below program levels
Columbia	Levels of programs and ministries
Costa Rica	Programs
Equador	Ministry
Guatemala	Ministry and type of expense (current, investments and debt)
Mexico	Programs
Panama	Programs
Paraguay	Programs
Peru	Ministries
Uruguai	Ministries
Venezuela	Projects and governmental main measures

Another point that stands out in Brazil is the number of amendments presented and approved each year. In the last 6 years, an average of 8.2 thousand amendments were submitted annually of which 7.7 thousand approved, as shown in Table 4.

| Table 4 | Number of parliamentary amends to Federal government Budget approved from 2017 to 2022.

Sources: Senate. Siga Brasil. Painel Execução de Emendas e Informativo Conjunto PLOA (2017 and 2019), edited by the Federal Senate and Chamber of Deputies Budget Advisory Departments. Prepared by author.

	Submitted	Approved
2017	7.834	7.230
2018	8.323	7.743
2019	9.379	8.886
2020	9.384	8.994
2021	7.512	7.021
2022	7.014	6.522
Average	8.241	7.733

There isn't enough time to analyze the merit or consistency of such a large number of amendments. There is a slice of the budget that is given to the decision of individuals or groups of parliamentarians, and the money is spent without any concern for the costs and benefits involved.

The OECD does not disclose data related to the number of amendments presented or approved by the parliaments of countries members of the organization. There is, however, recent information on Portugal which shows yet again, how Brazilian practices diverge from international conduct.

A recent report published by the Unidade Técnica de Apoio Orçamental (UTAO) (Budget Support Technical Unit) of the Portugal Government Assembly⁵ analyses the issues in the Portuguese budgetary process⁶.

The report shows the number of parliamentary amendments (in Portugal, called “Propostas de Alteração” – PA/ “Proposal of Alteration”) presented to yearly budgets, shown in Table 5.

| Table 5 | Number of proposals of alterations submitted and approved in the Portugal Budget from 2017 to 2021.

Source: UTAO (2022).

Budget Year	Submitted	Approved
2017	510	213
2018	707	217
2019	991	234
2020	1333	287
2021	1547	291

The Portuguese UTAO report stresses the excessive number of amendments as one of the main triggers to the low quality of budgetary process and public spending in Portugal.

⁵ UTAO is a technical center similar to budgetary consultants of Senate and Chamber of Deputies in Brazil

⁶ Portugal. Republic Assembly. UTAO – Unidade Técnica de Apoio Orçamental (2022). Reforma do processo legislativo orçamental e reestruturação da UTAO. UTAO Report # 4/2022. Available at: <https://app.parlamento.pt/webutils/docs/doc>.

It is worth highlighting the following points from the report:

“ So many proposals to alter the POE (State Budget Proposal) to discuss and vote for every year in such a short period is a serious issue and is aggravated as of late. (...)”

The PAs are delivered without any type of technical support. This means they are decided upon and voted on without any technical reasoning of their purpose, nor evidence that they are executable or even whether Public Administration is capable of their operational execution. There is even less technical information on the financial consequences for taxpayers, or results to those who should benefit, neither on those who would be negatively impacted by these measures.

Having reached this extreme situation, it is time citizens and politicians question the sanity of the process. Shouldn't there be a better, more sensible way to deliberate on State Budget for the following year and uphold respect for democracy?(...)”

These points resonate perfectly with what happens in Brazil, and still, in Brazil the scale of the problem is many times greater. Comparing Tables 4 and 5, there is evidence of how much higher number of amendments are in Brazil and how distorted the model is⁷.

III. The USA.

In the U.S.A an N.G.O called Citizens Against Government Waste (<https://www.cagw.org/>) monitors budget amendments similar to parliamentary amendments in Brazil.

These amendments are known as “pork barrel projects”, which is defined by Investopedia.com as:

“Pork-barrel politics is the legislator’s practice of slipping funding for a local project into a budget. The project may have nothing to do with the bill and may benefit only the legislator’s home district. Before a bill gets to a vote, pork-barreling has often greatly inflated its costs through the addition of various legislators’ pet projects.

CAGW established seven criteria to identify budget expenses as ‘pork’. The expense must meet at least two of the seven criteria below to be in the list:

- 1) Requested by only one chamber of Congress;
- 2) Not specifically authorized;
- 3) Not competitively awarded;
- 4) Not requested by the President;
- 5) Greatly exceeds the President’s budget request or the previous year’s funding;
- 6) Not the subject of congressional hearings; or,
- 7) Serves only a local or special interest.

These are extremely similar to the amendments which attend to specific interests of parliamentarians and their regional electoral base in Brazil.

Table 6 shows the total value of pork barrel projects in the U.S. federal budgets in 2019 and 2021, comparing these to total budget. Although not clear in the data, it is implied that these amendments were approved and effectively included in budgets.

It is noticeable that even when only taking discretionary expenses into account, excluding defense expenses, pork amendments are of very little relevance: no more than 2,3% of expenses in the strictest of concepts, confirming the order of magnitude presented in Table 2.

In numbers of amendments, in 2019 there were 282 amendments and in 2021, 285, numbers much lower than Brazilian standards and closer to the Portuguese figures (see Tables 4 and 5).

⁷ As seen in Table 2, the figures involved, as proportion of the total discretionary expenses are also far lower in Portugal.

| Table 6 | Pork barrel budget amendments in the USA in proportions of primary expenses in 2019 and 2021 (USD billions)

Sources: CAGW column (A). Congressional Budget Office column (B), (C) and (D) year 2019 and Budget of the US Government for 2021. Prepared by the author

	Total pork	Discretionary primary expenditures excluding defense	Total primary discretionary expenditures	Total primary expenditures	(A)/(B)	(A)/(C)	(A)/(D)
	(A)	(B)	(C)	(D)			
2019	15	661	1.338	4.072	2,3%	1,1%	0,4%
2021	17	733	1.486	4.496	2,3%	1,1%	0,4%

To compare the USA to Brazil we need to identify which Brazilian budgetary amendments are closest to the pork barrel concept.

They are resources appointed to public investments of local interest (states, or municipalities). Therefore, we selected a subset of parliamentary amendments that propose investments and identify the state or municipality that is the beneficiary.

The subset of amendments is shown in column (A) of Table 7. In 2022 alone, 3.563 amendments were approved, from a total of 6.522 proposed (55%). This figure represents a total of 11,6% of all discretionary expenses plus amendments, 5 times greater than pork barrel projects in the strictest of concepts of discretionary expense in the USA (2,3%) shown in Table 6. Once again, Brazil exacerbates any measures seen in international scenario.

| Table 7 | Amendments appointed to investments in specific states, cities and municipalities and other amendments to 2022 budget (R\$ Billions).

Source: Senate. Siga Brasil. Painel Execução de Emendas. Prepared by author.

	Investments in specific locations	Others	Total
	(A)	(B)	(C)=(A)+(B)
Amendments (I)	17,0	18,6	35,6
Individual amendments	5,3	5,7	10,9
State parliamentary benches	3,1	2,8	5,9
Commission amendments	0,3	2,0	2,3
Rapporteur amendments	8,4	8,1	16,5
Total discretionary expenditure + all amendments (II)	147,2	147,2	147,2
(I)/(II)	11,6%	12,6%	24,2%

IV. Conclusion

This report shows that Brazilian parliamentary amendments alter the Executive budget proposals far more than the countries members of the OECD. The argument that what is done in Brazil is common practice in many democracies is proven otherwise by data.

Given all distortions and costs which stem from the current budgetary process, it is advisable to review limits and procedures related to budgetary amendments in an attempt to align practices to the highest standards of international practices.