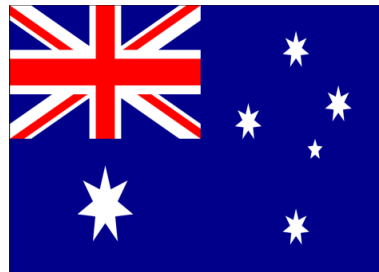


# A Council for coordinating fiscal policy in Brazil: Benefits, Costs and Australian experience



**Leonardo Ribeiro**

**Advisor to Senator Jose Serra for economic affairs, public finance specialist**

**Academic visitor at Victoria University, Melbourne, Australia**

While Brazil faces the worst economic crisis in its history, Australia presents about 100 trimesters of uninterrupted economic growth. Despite these differences in outcomes, Brazil and to Australia both share federal systems of government and face similar challenges in respect of fiscal coordination among the three levels of government...

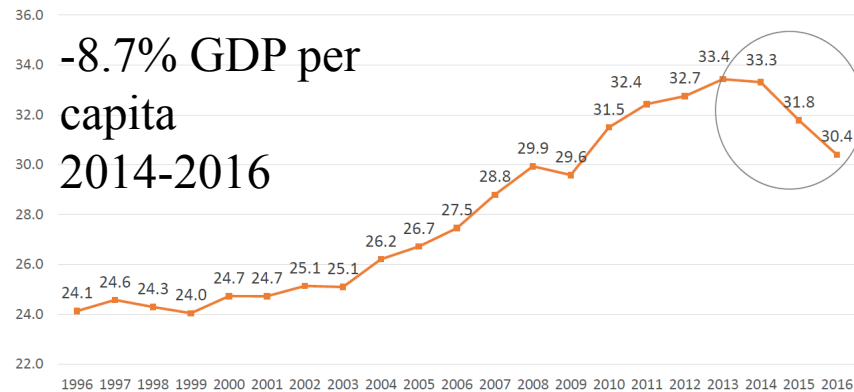
...Intergovernmental fiscal relations have moved towards greater centralization...

## Lessons are drawn from this discussion

- Brazil's worst economic recession is a **window of opportunities** for structural reforms
- Responsibility for macroeconomic stabilization should be assigned to the national government and requires coordination
- While Brazil is one of the most decentralized countries in the world, fiscal reforms in 1990s has transformed Brazilian federation into a tightly managed hierarchical fiscal regime (**market discipline more distant**)
- A Fiscal Council to promote intergovernmental fiscal co-ordination, as recently recommended by IMF and OECD, is key to the success of the current system relied heavily on restrictive central government regulations
- Intergovernmental Co-ordination is not a *free commodity* and the Fiscal Council should internalize properly costs
- Australian Federation has long and extensive experience with councils for coordinating fiscal policy with virtues and weakness

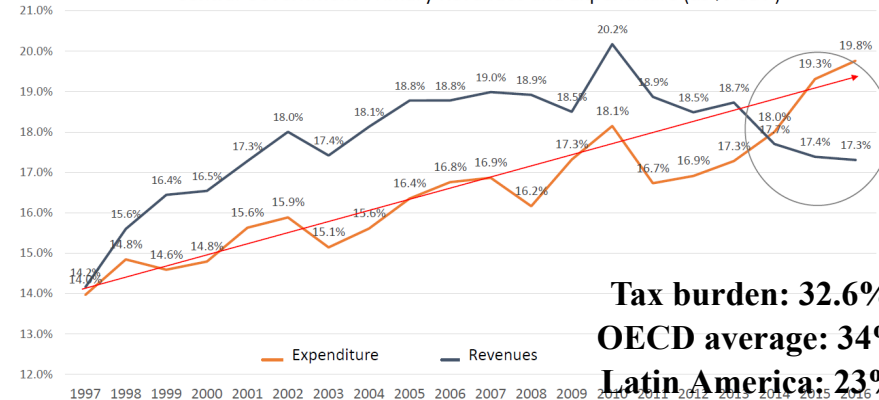
# Brazilian fiscal crisis, an era of austerity

GDP per capita (in thousands R\$, 2016)



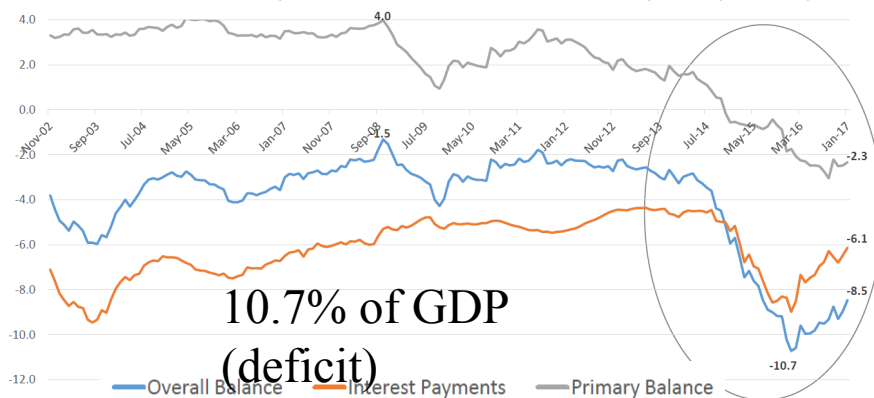
Source: National Treasury, Pedro Maciel

Central Government Primary Revenues and Expenditure (as % GDP)



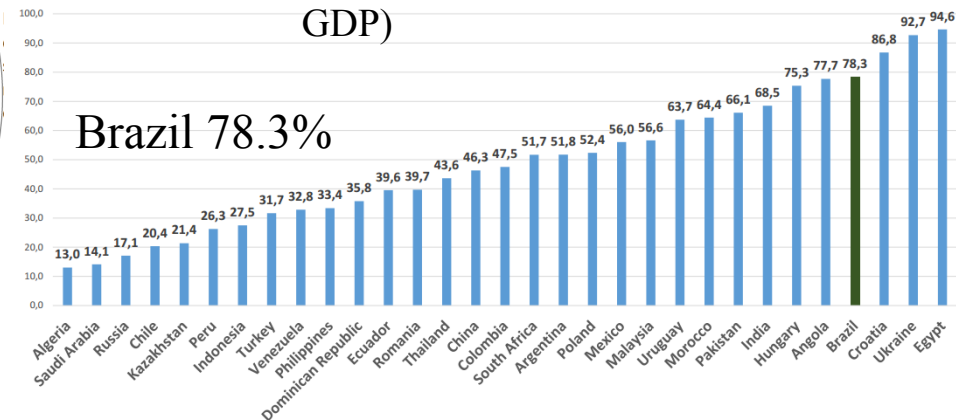
Source: National Treasury, Pedro Maciel

Public Sector Primary Balance, Overall Balance and Interest Payments (as % GDP)



Source: National Treasury, Pedro Maciel

Gross debt (as % GDP)



Source: IMF

**One of the highest indebtedness levels among developing countries**

Source: National Treasury, Pedro Maciel

<n>

# The crisis in a federal dimension

Ten largest subnational debtors\* constitute 91% of total subnational public debt

Since 2011, primary surpluses disappeared and indebtedness started to increase again. Interest payments of D-10 surpassed the primary balance, with the overall deficit becoming strongly negative

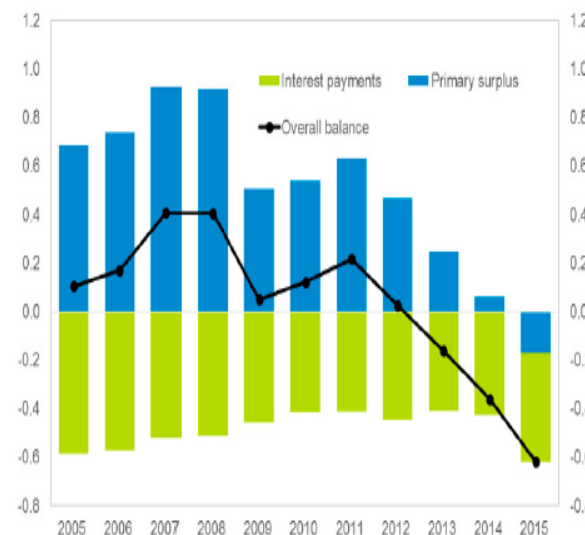
Falling revenue and rising salary and pension costs

A few are no longer servicing debts to the federal government

Some are not fully paying wages and salaries

\* São Paulo state, the municipality of São Paulo, Rio de Janeiro, Minas Gerais, and Rio Grande do Sul, Paraná, Goiás, Bahia, Pernambuco and Santa Catarina

Budget Balance of D-10 States, 2005-15



Sources: Fund staff estimates and based on SICONFI, Ministry of Finance.

# The crisis in a federal dimension

The current fiscal crisis has gripped the lower levels of government:

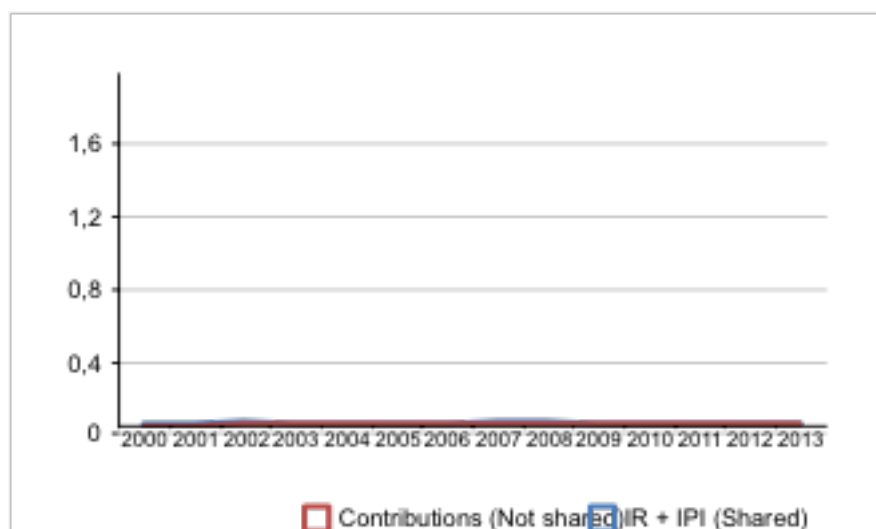
- difficult liquidity situation of many states, which are being severely affected by the decline in the ICMS
- Real revenue growth has been negative in most states since the beginning of 2015, while real personnel expenditures and retirement benefits have continued rising
- 20 states have increased their rates of indirect taxes (ICMS), most have reduced discretionary spending and some state governments have, reportedly, been postponing payments and expenditures and adopting “securitization” to raise money

# Recentralization in Brazil

## Recentralization

Recently federal government increased revenues not shared with subnational governments, at meantime they must support fiscal pressures (e.g. health) relating minimum levels mandated by Constitution

**Brazil. Evolution of IR and IPI (shared) and Contributions (not shared) (% GDP)**



Source: National treasury. Author's calculations

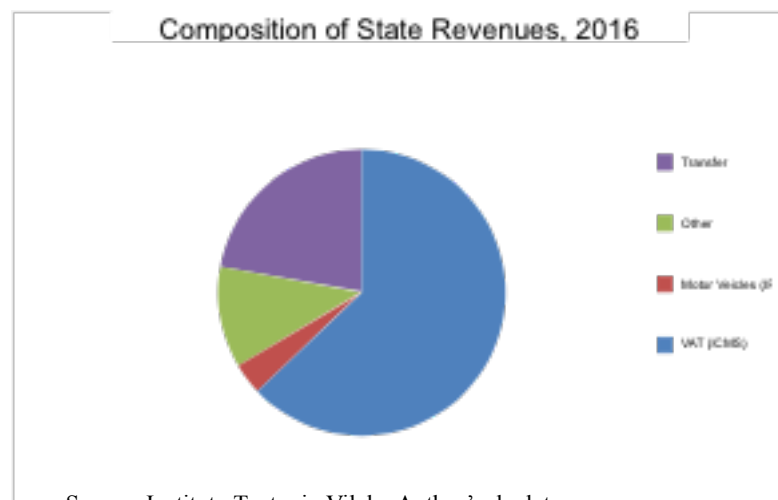
**Brazil. Government expenditures on Health (Total Spending in health)**



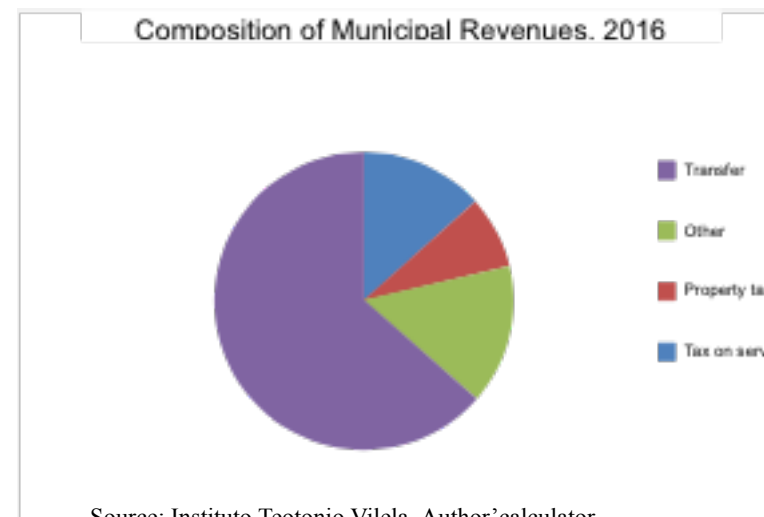
Source: Conass. Author's calculations

# Overview of Intergovernmental Relations in Brazil

## Taxation and distribution (Constitution of 1988)

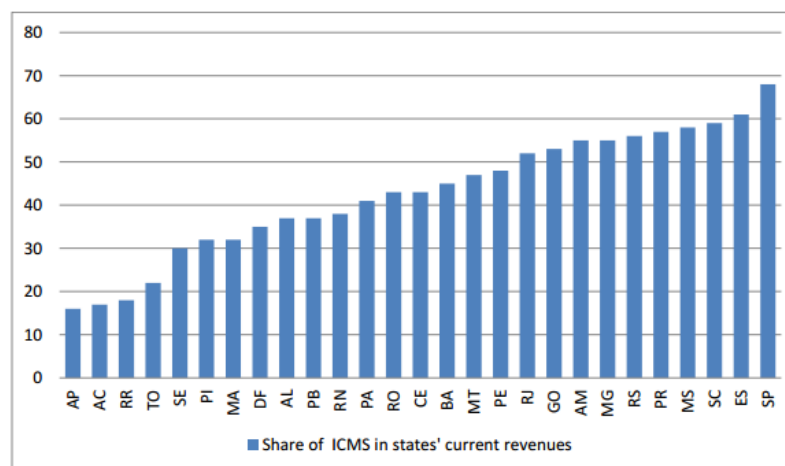


Source: Instituto Teotonio Vilela, Author's calculator



Source: Instituto Teotonio Vilela, Author's calculator

### Share of ICMS in States' Current Revenues, 2010 (as percent of total)



Source: Ter-Minassian (2012)



# Overview of Intergovernmental Relations in Brazil

## Brazil. Expenditure assignment

<i>Expenditure Function</i>	<i>Responsibility for Policy and Control</i>	<i>Responsibility for Provision</i>
<b>Defense</b>	Federal	Federal
<b>Foreign affairs</b>	Federal	Federal
<b>Foreign trade</b>	Federal	Federal
<b>Monetary and financial policies</b>	Federal	Federal
<b>Social security</b>	Federal	Federal, State
<b>Sectoral policies</b>	Federal, State	Federal, State
<b>Immigration</b>	Federal	Federal
<b>Railroads and airports</b>	Federal	Federal, State
<b>Natural resources</b>	Federal	Federal, State
<b>Environmental protection</b>	Federal, State	Federal, State
<b>Education</b>	Federal, State, Municipal	Federal, State, Municipal
<b>Health</b>	Federal, State	Federal, State, Municipal
<b>Social assistance</b>	Federal, State	Federal, State, Municipal
<b>Police</b>	Federal, State	Federal, State, Municipal
<b>Water and sewerage</b>	Federal	State, Municipal
<b>Fire protection</b>	Federal, State	State
<b>Parks and recreation</b>	Municipal	Municipal
<b>Roads</b>		
<b>National</b>	Federal	Federal
<b>State</b>	State	State
<b>Interstate</b>	Federal	Federal, State
<b>Local</b>	State	Municipal

Source: Afonso and Ramundo (1996), quoted in Ter-Minassian (1997).

# Reforms in Brazil

## Fiscal Consolidation

Strengthening fiscal institutions: control spending growth, compliance, transparency, fiscal risk mitigations.

### 1. Expenditure Ceiling (EC 95/2016) ←

- ✓ Ensure fiscal long-term fiscal sustainability and reduce the pressure to increase tax burden.

### 2. Social Security Reform

- ✓ Convergence to international standards and guarantee solvency of the system.

### 3. Expenditure Review

- ✓ Improve expenditure allocation and public policy effectiveness

### 4. New Public Finance Law

- ✓ Review and update all the procedures related to the budget process.

### 5. Strengthening Fiscal Responsibility Law and Regulate the Federative Fiscal Council ←

### 6. Review the system of guarantees related to subnational governments indebtedness

Source: National Treasury, Pedro Maciel

## Productivity Improvement Agenda

### 1. Tax Reform

- ✓ Simplify, increase efficiency and reduce justice litigations

### 2. Strengthening infrastructure regulatory framework

### 3. Bureaucracy reduction and administrative Reform

- ✓ Focus on essential activities of the public sector in order to provide services to citizens
- ✓ Reduce operational rigidities and provide instruments to public managers
- ✓ Result oriented administration

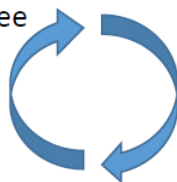
### 4. Improve business environment

### 5. Strengthening governance and compliance among state companies and public pension funds

### 6. Concessions and privatizations

### 7. Labour law modernization

### 8. Increase foreign trade



## The stabilisation function requires coordination

- Following Musgrave's classification, governments' functions are stabilization, redistributive and allocative function
- In countries with federal constitution **responsibility for macroeconomic stabilization should be assigned to the national government**
  - Application of stabilization policies by a single jurisdiction in isolation causes very strong spillovers of unpaid-for benefit for other jurisdiction
  - If all subnational government pursue stabilization policies independently, the result may be overexpansion of aggregate demand, for example
- There are significant interstate variations in the level of economic activity during the downswing of a business cycle and **regional orientation should be considered** (level of dependence on federal transfers, size of debt or wage bill, capacity building)
- The Fiscal Reform in 2000 imposes the same tight fiscal framework to all subnational governments and **mechanism for intergovernmental coordination need to be strengthened**

# One of the world's most decentralized federations



Brazil:

- **State** governments rely on own revenues more than on federal transfers
- States of North and Northeast are more dependent on inter-governmental transfers
- **Municipalities** are substantially dependent on inter-governmental transfers
- There is **substantial overlap** of spending responsibilities in the main functions of government (e.g. education, healthcare, social assistance)
- The **federal level exercises significant regulatory power** in a number of areas of state and local responsibility, and in doing so imparts substantial rigidities on subnational spending \*

Source: OECD/UCLG (2016), Subnational Governments around the world: Structure and finance

\* The federal level also exercises relevant regulatory power in tax and budget regulation and general norms of public employment

## Market discipline more distant (Rodden et al, 2003)

- The Brazilian states have been through three bailouts and distinct debt crises in the past decade (1989, 1993 and 1997)
- In each case, when faced with unsustainable debt levels, the states refused to bear the costs of adjustment and demanded that federal government assume their debt in some way
- **All three crisis episodes were characterized by high personnel expenditures and unsustainable borrowing**
- The **1997** bailout and the fiscal reform led by Cardoso administration transform one of the world's most decentralized federations into a tightly hierarchical fiscal regime and the prospect for effective market discipline among the Brazilian states seem more distant than ever before
  - **States inability to honor their debt obligation threatened Brazil's macroeconomic stability**
  - **Federal government assumed the states debts, and the costs have been shifted explicitly to the federal treasury**

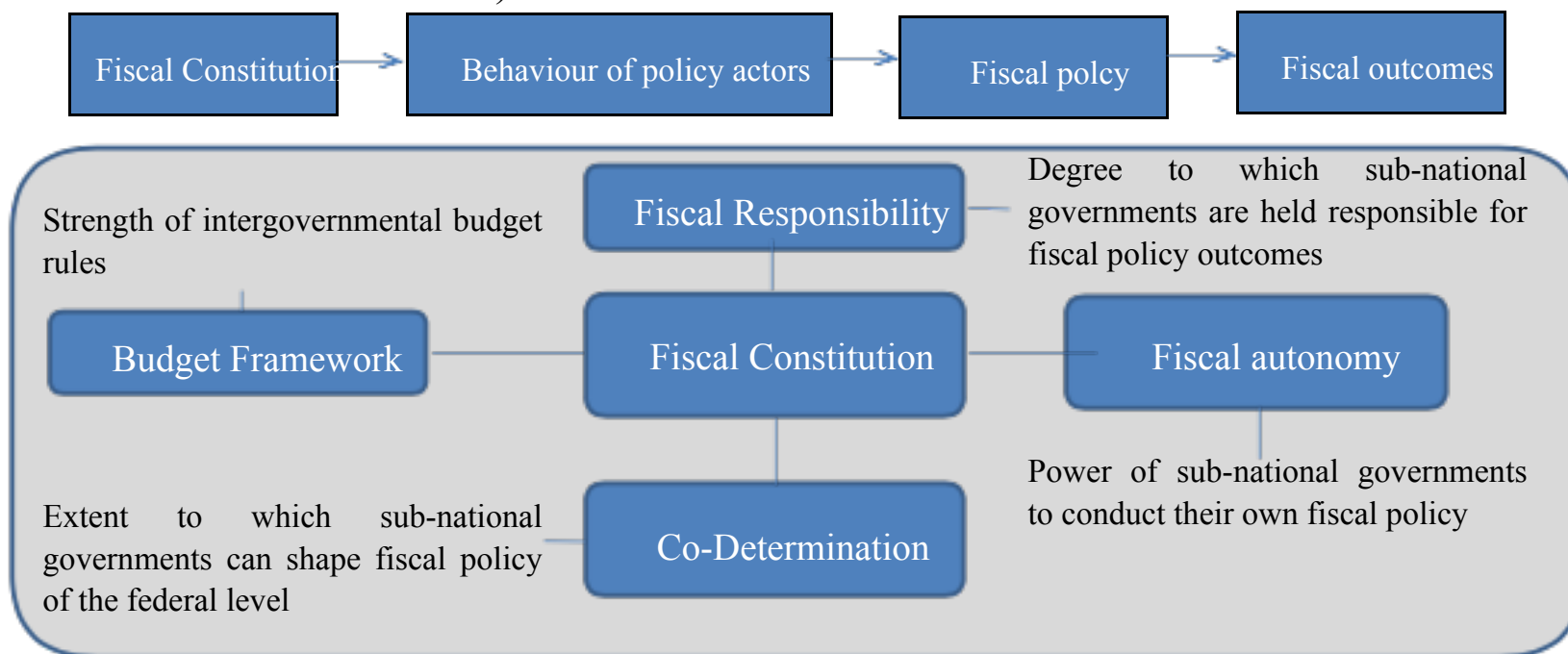
## Market discipline more distant (Rodden et al, 2003)

“The recent changes in legislation [FRL] have laid the foundation for a **rules-based system of decentralized federalism** that leaves **little room for discretionary policymaking at the subnational level**. It has been motivated by the recognition that market control over subnational finances should be replaced, or strengthened, by fiscal rules as well as appropriate legal constraints and sanctions for noncompliance at all levels of government. More importantly, **top-down coordination in intergovernmental fiscal relations** has been preferred to more horizontal, collegial or multi-level fiscal policymaking.”

Afonso and de Mello (2000), quoted in Roden et al (2003)

# The same landscape from another perspective

(Fiscal Constitutions, OECD  
2016)

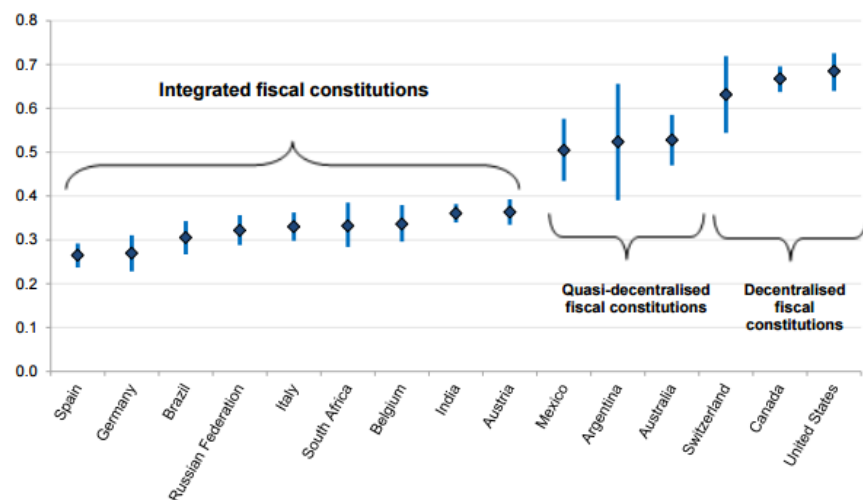


Fiscal constitutions vary in terms of coherence (or alignment) of institutional arrangements. Less coherent fiscal constitutions, for instances, by combining low tax autonomy with high spending autonomy or low responsibility for fiscal policy with a weak budget framework.

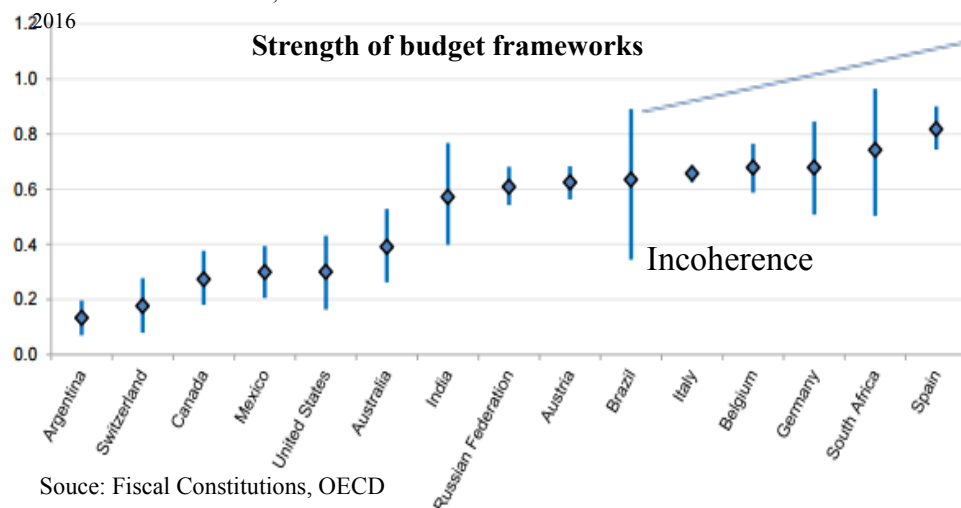
**Correlations suggest that fiscal outcomes are more closely related to coherence of constitutional decentralization**



# Fiscal framework with high degree of incoherence



Source: Fiscal Constitutions, OECD



Source: Fiscal Constitutions, OECD

2016

Note: The diamond show indicator levels, while vertical bars show indicator coherence. Longer bars depict less coherent constitutional arrangements

Fiscal Constitution:

- Set of fundamental rules and regulations, which guide decision making in the area of fiscal policy
- **Brazilian Fiscal Constitution is Co-operative**
- **Low level of fiscal autonomy and responsibility**
- **Strong fiscal rules and frameworks**

OECD, 2016:

- Federal government imposes tight fiscal framework to subnational governments through the Fiscal Responsibility Law
- Instruments are not uniform, where tight fiscal rules co-exist with weak procedural rules
- **A lack of a Fiscal Council for assessing compliance with fiscal rules**



## Fiscal Transparency report on Brazil (IMF, may 2017)

- Several states and municipalities are financially troubled
  - Falling revenue and rising salary and pension costs
  - A few are no longer servicing debts to the federal government (Bailout in 1990s)
  - Some are not fully paying wages and salaries
- Serious problems with the management of subnational risks, including weaknesses in the quality of fiscal reporting and monitoring
  - The lack of a fiscal council, as envisaged in the Fiscal Responsibility Law, makes it more difficult to ensure that governments implement appropriate reporting standards and that there is effective monitoring of fiscal statistics at all levels of government
  - Involving all levels of government, focusing on the harmonization of fiscal practices across the country, this council has not been implemented

# WHY NOT A COUNCIL FOR COORDINATING FISCAL POLICY IN BRAZIL?

- STABILITY COUNCIL (German)
- COAG (Australia)
- ACIR (EUA)
- CONAC (MEXICO)

# Federal Fiscal Council in Brazil provisioned by FRL

Article 67. The **ongoing monitoring** and evaluation of the policies and workability of the fiscal management must be performed by a fiscal management council, composed of representatives of **all Branches** and levels of government, the Office of the Public Prosecutor and technical **entities representing the society as a whole**, for the purpose of promoting:

I – **harmonization and cooperation** among the members of the Federation;

II – **dissemination of practices** resulting in greater efficiency in the allocation and execution of public expenditure, revenue collection, indebtedness control and transparency in fiscal management;

III – **adoption of rules for the consolidation of public accounts**, standardization of rendering of accounts and fiscal management reports and statements provided under this Supplementary Law, streamlined rules and standards for small Municipalities, as well as other standards required for social control;

IV – **disclosure of analyses**, studies and diagnoses.

§ 1. The council referred to in the caput must institute means of **rewarding** and publicly recognizing the Heads of a Branch who succeed in achieving praiseworthy results in their social development policies, coupled with the pursuit of a fiscal management based on the rules set in this Supplementary Law.

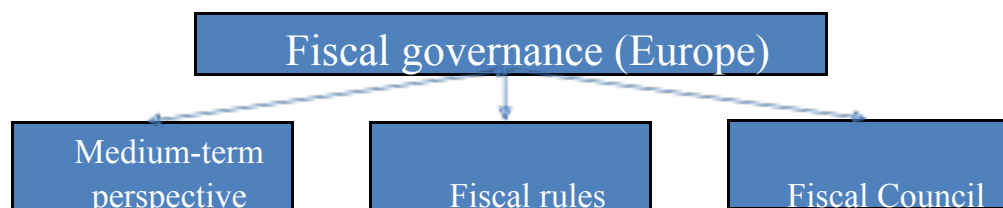
## Benefits:

- (i) To reconcile the principles of autonomy, direct control central and joint responsibilities
- (ii) To improve capacity building in the states for enabling them to develop new fiscal practices and institutional structures compatible with the goals of fiscal responsibility and sustainability

## Main challenge:

- (iii) How to put under one roof independent IDEAS from the political system and INTERESTS
- (iiii) After 17 years, the Council is not implemented

# Fiscal Councils on the rise (Calforms 2011, Debrun 2011)

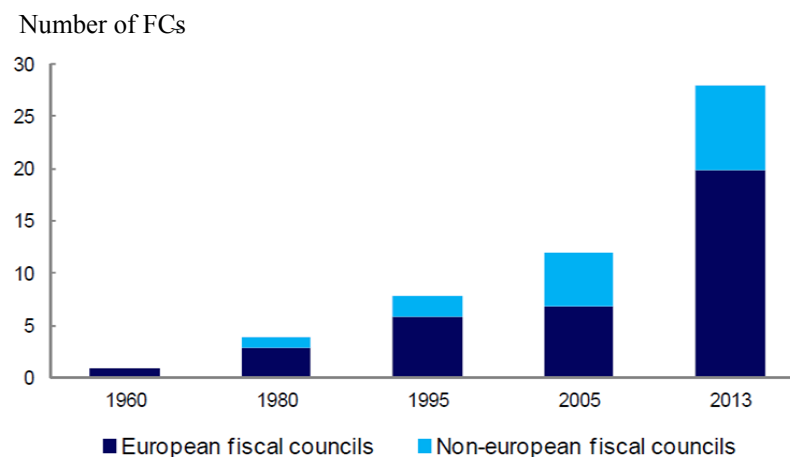


Fiscal councils are independent public institutions aimed at strengthening commitments to sustainable public finances (**transparency and accountability**)

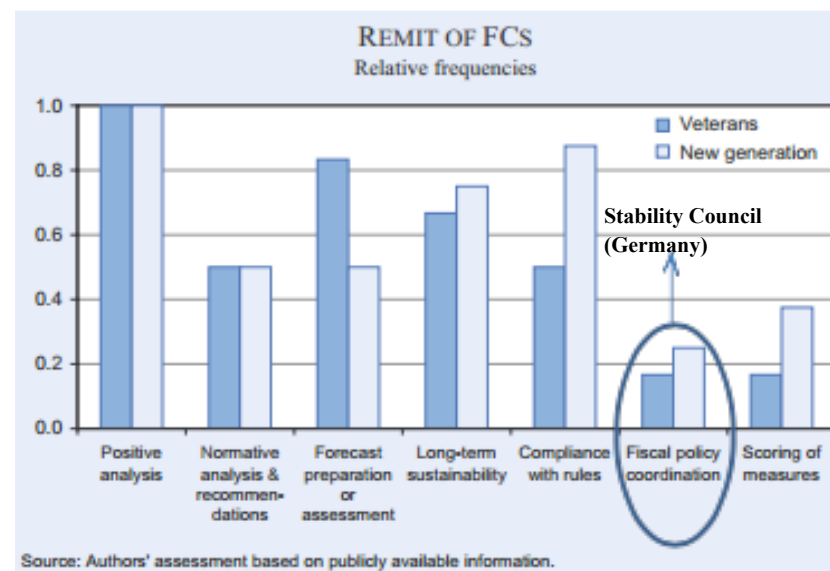
The common idea is that it should be possible to adapt the good experiences of independent central banking to the fiscal sphere

Fiscal council could help to make governments fiscally responsible and accountable, to help electorate evaluate government's fiscal decisions and also play a useful role in stimulating and summarize research

Few number of fiscal councils carries out fiscal policy coordination. German is an example



Source: IMF Fiscal Council Dataset.



Source: Authors' assessment based on publicly available information.

# An alternative to make Brazilian Fiscal Council independent

US Advisory Commission for Intergovernmental Relations inspired the Fiscal Council in Brazil

- **Fiscal Council in FRL was amended by the National Congress inspired by US ACIR (1959-1996)**

- US ACIR was permanent, **independent, bipartisan** agency that was established by law to the below objectives:

- (i) Bring together representatives of the federal, states and local governments for consideration of common problems

- (ii) Promote stronger intergovernmental communication, cooperation and coordination as the critical basis for an effective federal system

- Australia also had a Advisory Council for intergovernmental Relations (1974-1986)

- **Both American and Australian agencies were vertical and broadly-made up (members of legislative, executive and society)**

- Both agencies was terminated basically due to budget-cutting and partisanship (loss of consensus)

- **The main challenge of implement Brazil's fiscal council as envisaged in FRL is lack of consensus on how to make up the council considering its broadly-made up copied by US ACIR**

Council

Independent Staff

Co-ordination of budgetary policy across levels of governments in **Germany**

- The 2009 package of reforms established the Stability Council as a new body bringing together the finance ministers

- The Stability Council meets twice yearly and its tasked with monitoring the budgets of each of government entities on a regular basis, and implementing a “budgetary rehabilitation” procedure where a “budgetary emergency” is prospect

- The rehabilitation procedure has no direct enforcement mechanism: it is a matter for each government entity to implement the procedure “on its own responsibility”

- The budgetary innovations over the past number of years aim to strengthen this tradition by putting in place clear and binding fiscal constraints couple with national co-ordination and surveillance mechanisms

- Stability Council Act set indicators to allow for comparable monitoring of the current budgetary situation

- **Independent Advisory Council to the Stability Council was established in 2013**

**Brazil should establish a independent advisory council**

to the FFC  
Council

Independent Unit

# Organizational costs in a federal system (Breton & Scott)

- Functions should be assigned among different levels of government in such a fashion that the total organizational costs are minimized
- Two kinds of activity in which individuals and governments providing public good and services
  - Administration: Setting-up new legislatures, constructing new building, implement government policies and search new technologies
  - **Co-ordination: Exchange of information, meeting, conferences and liaison boards aimed at negotiations, consultations and bargaining**
- The most important of this formulation is the realism in recognizing that intergovernmental co-ordination is not a free commodity
- **Costs increase as bigger number of subnational government.**
- Main challenges for monitoring subnational finances according to OCDE, 2016
  - Scarcity of appropriation timely information on sub-central financial and debt situation
  - Scarce information on sub-central budgeting practices
  - Sub-central financial information is not always reliable
  - Sub- are hard to compare
- **The resources allocated must be commensurate with the mandate in order to fulfil it in a credible manner**

## Australian experience (Virtues and weakness)

- Australia federation comprises the federal (Commonwealth) government, six states, two self-governing territories, and over 700 local governments, which vary significantly in size, population, geography and economy
- Australia is one of the more centralised federations, with a high degree of vertical fiscal imbalance, extensive use of conditional grants to direct policy in areas of state responsibility
- Most taxation powers are concentrated at the federal level (broad based taxes including, personal and corporate income), which accounts for over 80% of total tax revenue when GST is taken into account, and States taxes account for 15% of the national tax revenue (mostly taxes on property)
- **Judicial review has strongly shaped taxing powers; the constitutional court ruled that all consumption taxes should be considered “trade taxes and excises” – the only constitutionally assigned to federal government**
- Spending responsibilities are defined by the constitution, and there is overlap in some areas of responsibility (Health)

## Australian experience (Virtues and weakness)

- Australian has a **long and extensive tradition of intergovernmental relations**, concentrated at the executive level
  - Council of Australian government (COAG) for intergovernmental relation coordination based on accountability and financial support
  - The Loan council, which was initially created to discuss and agree on borrowing limits, but now primarily focuses on ensuring Transparency of borrowing policies.
  - The Commonwealth Grants Commission, which aims to address the difference in revenues capacities and spending needs of the states through formulas widely seen as excen
  - The council of the Australia Federation, a horizontal coordination forum among states
- Parliamentary budget Office (PBO) established in 2012
  - **Significant institutional innovation**, where fiscal and budget policy has historically been tightly held in the executive
  - Australia has joined a global trend of countries creating independent fiscal institution tasked with strengthening fiscal accountability and budgetary analysis
  - **On December 2016, Brazil also established a Parliamentary Budget Office within Federal Senate**



## Australian experience (Virtues and weakness)

- **States can borrow freely (no limits imposed by the central government) but there are disciplining mechanisms**
- Financial markets and rating agencies act as important discipline mechanism and Australian Loan Council monitors borrowing by all levels of government seeking to foster transparency and accountability of public sector finances rather than securing adherence to strict borrowing limits
- The 2008 intergovernmental agreement on Federal Financial Relations sought to make additional progress through its focus on “outcomes and outputs” monitoring and improved public reporting by the COAG Reform Council
- However, the gap left in performance monitoring and reporting following the abolition of the COAG Reform Council needs to be filled through a new or existing entity, and NCA’s recommendation for the Productivity Commission to perform this role is sensible
- **In Federation without a strong underlying regional difference, centralization can be a long-run trend and fiscal transfers become powerful weapons for gaining influence (Central over States)**
- Otherwise, this movement for **centralization** over the last years **undermines the principle of subsidiarity** in Australia Federation, that suggests powers and responsibilities assigned to the lowest level of government

## Prof. Bhajan in 2004...

“It is clear that the new measures [Fiscal reform in 2000] are designed to send a positive and clear signal to the states that they need to be responsible for putting their fiscal budgets at firm footing. Given the recent episodes of wholesale bailing out of the states, however, the credibility of these **signals remains yet to be proved**.

It is important to note, however, that the Constitutional requirement of pension benefits puts a **straight jacket** on the states, giving rise to high personnel spending. The states are required by the constitution to recruit all employees under a single regime that entitles them to receive retirement benefits equal to 100 per cent of their final salaries.

...there is a great deal of emphasis in Brazil on penalties in cases of failure to reach budget targets, but little on **capacity building** in the states for enabling them to develop new fiscal practices and institutional structures compatible with the goals of fiscal responsibility and sustainability.”

## More details?

- Taxation and distribution in Brazil
- Expenditure assignment in Brazil
- Recentralization through not revenue-sharing in Brazil
- More details about US ACIR, the American commission for intergovernmental relations that inspired the fiscal council in Brazil
- An alternative to make Brazilian Fiscal Council independent

Please feel free to keep in touch  
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Thank you for your attention

Comments welcome to  
[Leocr@senado.gov.br](mailto:Leocr@senado.gov.br)

# Appendix

# One of the world's most decentralized federations

## Constitution of 1988 (Taxation and distribution)

- Constitution of 1988 gave a strong renewed impulse to decentralization
  - Expanded main revenues for the states
  - Increased the percentages of federal taxes shared with the states and especially the municipalities
- Union, States and municipalities can impose taxes under a complex system with a range of tax bases
  - Union: Income (IR), Industrial products (IPI), social security, contributions, others
  - States: Sales tax (ICMS, indirect tax), others
  - Municipalities: Services and urban property, others
- Two largest revenue sharing (formula-based)
  - Union shares IR and IPI with States and municipalities according to coefficients of horizontal distribution which are not appropriately equalizing in terms of revenue capacities or spending needs
  - States share ICMS with municipalities
- State governments rely on own revenues more than on federal transfers
  - although states of North and Northeast are more dependent on inter-governmental transfers
- Municipalities are substantially dependent on inter-governmental transfers

# One of the world's most decentralized federations

## Constitution of 1988 (Expenditure assignment)

- The 1988 Constitution set out the division of responsibilities among the three levels of government
- The federal government is exclusively responsible for only a few conventional functions such as defense, foreign affairs, immigration issues and regulation of international trade and financial matters
- There is substantial overlap of spending responsibilities in the main functions of government (e.g. education, healthcare, social assistance)
  - For example, in education
    - Federal government: setting national guidelines and public education at the university level is a service delivered mainly by the federal government
    - Pre-school and elementary education, however, are the responsibility of municipal governments
- The federal level exercises significant regulatory power in a number of areas of state and local responsibility, and in doing so imparts substantial rigidities on subnational spending
  - Constitution set out minimum spending requirements on education and healthcare
- The federal level also exercises relevant regulatory power in tax and budget regulation and general norms of public employment

# Overview of Brazilian federation

## Taxation and distribution

Brazil: Level and Composition of Tax Burden, 2016

	Billions of Reals	% of GDP	% of Total
Total	2049.4	32.7%	100.0%
<b>Federal</b>	<b>1339.4</b>	<b>21.4%</b>	<b>65.4%</b>
Taxes	441.6	7.0%	21.5%
Contributions	350.6	5.6%	17.1%
Social Security	333.8	5.3%	16.3%
FGIS	107.3	1.7%	5.2%
Other	106.1	1.7%	5.2%
<b>States</b>	<b>556.3</b>	<b>8.9%</b>	<b>27.1%</b>
VAT (ICMS)	408.5	6.5%	19.9%
Motor Vehicles (IPVA)	37.2	0.6%	1.8%
Other	110.6	1.8%	5.4%
<b>Municipalities</b>	<b>153.7</b>	<b>2.5%</b>	<b>7.5%</b>
Tax on services	56.4	0.9%	2.8%
Property tax	33.2	0.5%	1.6%
Other	64.1	1.0%	3.1%

Source: Instituto Teotonio Vilela, Author's calculator



# Overview of Brazilian federation

## Taxation and distribution

Share of Each Government Level in Total Revenues in 2016



Share of Each Government Level in disposable revenues in 2016



Composition of State Revenues, 2016



Composition of Municipal Revenues, 2016



# US ACIR (inspired the Federal Fiscal Council in Brazil provisioned by FRL)

- Origins
- In 1953, during the administration of President Truman, ‘the first hoover’ comission adressed itself to the intergovernmental relation, specially with the reference to the administration of grants
- One of reports recommended that a permament agency be created for study, information and guidance in the field of Federal-State relations
- Congress responded by authorizing the creation of a temporary commission made up of person appointed by the president and designated Members from both houses of Congress...Kestnbaum Commission by the name of its Chairman, the late Kestnbaum of Chicago
- After a relevant report, the House Intergovernmental Relations Subcomitte agreed upon a bill to create a permanent Advisory Commission on Intergovernmental Relations
- Public law 86-380, in 1959, provided for the establishment of the US ACIR, a permanent, bipartisan body of 26 members to study intergovernmental relations

# US ACIR (inspired the Federal Fiscal Council in Brazil provisioned by FRL)

- Objectives
- Bring together representatives of the Federal, State and local governments for consideration of common problems
- Provide a forum for discussion of the administration of Federal grant programs and Share- Revenues
- Make available technical assistance to the executive and legislative branches of the Federal Government
- Encourage discussion and study at an early stage of emerging public problems that are likely require intergovernmental cooperation
- Recommend, within the framework of the Fiscal Constitution, the most desirable allocation of government functions, responsibilities and revenues among the several levels of government
- Recommend methods of coordinating and simplifying tax laws and administrative practices to achieve a more orderly and less competitive fiscal relationship between the levels of government and to reduce the burden of compliance for taxpayers

# US ACIR (inspired the Federal Fiscal Council in Brazil)

## provisioned by FRL)

- Why was ACIR terminated?
- The Federal Deficit
  - During 1993, Clinton administration, the budget-cutting climate was ‘only the strongest will survive’
- Partisanship
  - Loss of consensus on many domestic policy issues made ACIR’s role more difficult
  - During the 1980s, most of ACIR’s research staff was replaced and some ACIR’s longtime policy recommendation were reversed, especially those pertaining to governmental fragmentation and the non-viability of small local governments
- Alternatives sources of information
  - Republicans took control of the 104th congress in 1995, when the value of nonpartisan information dropped for both political parties, while the value of partisan information from a large crop of new think tanks climbed rapidly
  - Some analysts believed that ACIR should have been involved in current political controversies
- Alternatives Forums for Negotiation
  - New pattern for other direct federal-state negotiations
  - Presidents of USA, Reagan and Bush, negotiated social reforms with the governors directly and ACIR’s new staff had no more resources to do a job