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SUBJECT

SEP 26 70 42 AM '67 DEPARTMENT OF STATE

INFO. AMERICAN EMBASSY
BRASILIA, BRAZIL

INFO. Brasília, Belém, Recife, Salvador, Belo Horizonte,
São Paulo, Curitiba, Porto Alegre

FROM : AmEmbassy, RIO DE JANEIRO

September 19, 1967.

SUBJECT : August Fiscal Data

REF. : CERP B-2502

SUMMARY DATA

1. According to preliminary data the end August fiscal position was as follows:

a) Cash Deficit: NCr\$ 1166.7 million compared to a revised program target of NCr\$ 1,017.0 million; rather than diminishing by NCr\$ 147.0 million over the June-August period as projected by the revised cash program, the deficit has increased by NCr\$ 23.4 million;

b) Cumulative Revenues: NCr\$ 4,127.8 million compared to a revised program target of NCr\$ 4,283.6 million;

c) Cumulative Expenditures: NCr\$ 5,294.5 million compared to a revised program target of NCr\$ 5,300.6 million.

EMBOFFICE
Brasilia

Attached as Enclosure 1 to this airgram is a table comparing cumulative fiscal performance by month with the original and revised cash programs.

Enclosures:

1. Cumulative Fiscal Data
2. Draft Carry-Over Decree (free translation)
3. Disbursement Authorizations as of 8/31/67

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CARRY-OVER DECREE

2. The Embassy has obtained a copy of the draft decree designed to forestall obligation of expenditures to be cut from the original 1967 cash program, thereby minimizing expenditure carry-overs into 1968. The draft decree prohibits the obligation of capital expenditures and transfers not authorized by the Financial Programming Commission. For the decree to be fully effective, the Finance Minister must have identified those expenditures which are to be cut from the original program and to have informed respective Ministers of these cuts as of the date of decree issuance. Debate over these cuts within the administration (between the Finance and Planning Ministers in particular) is apparently delaying issuance of the decree. A free translation of the decree is attached as Enclosure 2 to this airmail.

REVENUES

3. The cumulative revenue shortfall declined from an end July peak level of NCr\$ 193.0 million to NCr\$ 155.8 million as of end August. A drive to improve collections efficiency plus increased business activity helped to produce this revenue upturn. The following table compares actual with revised program monthly revenue totals (in NCr\$ millions):

<u>Month</u>	<u>Revised Program</u>	<u>Actual</u>
June	638.1	546.1
July	664.3	609.8
August	729.6	766.8

EXPENDITURES

4. Counteracting the effect of the revenue upturn, the cumulative expenditure shortfall vis a vis revised program levels declined from a NCr\$ 150.8 million end June peak to NCr\$ 6.1 million as of end August. The following table compares actual monthly expenditures with those projected by the revised and original cash programs (in NCr\$ millions):

<u>Month</u>	<u>Original Program</u>	<u>Revised Program</u>	<u>Actual</u>
June	706.0	600.0	516.4
July	720.9	630.0	659.6
August	775.3	655.0	770.1

EXPENDITURES AUTHORIZATIONS

5. New expenditure authorizations, which were slightly under revised program levels during June and July can be expected to exceed the level projected by the revised program for August by at least NCr\$ 50 million despite receipt during the month of NCr\$ 53.0 million in repayment of advances made earlier to local governments and to the DNER ^{1/}. The following table compares actual monthly expenditure authorizations totals with those projected by the original and revised cash programs.

<u>Month</u>	<u>Original Program</u>	<u>Revised Program</u>	<u>Actual</u>
June	706.0	600.0	590.1
July	720.9	630.0	622.8
August	775.3	655.0	705.0 (est.)

6. The last expenditure authorizations sheet (dated 8/31/67) made available to the Embassy excludes the "Reopened Accounts and Outstanding Checks" item carried on previous sheets, totalling NCr\$264.7 million and considered by the Embassy to constitute expenditure carry-over into 1967 just as do amounts included under the "Transfers and Restos" item. This appears to confirm information received earlier as to the GOB's decision to exclude year end balances in agency accounts and outstanding checks from its NCr\$ 600 million (or NCr\$ 800 million - depending on revenues) limit on carry-overs into 1968. Account balances and outstanding checks roughly equal the difference between cumulative disbursement authorizations and cumulative expenditures. As of August 31, this difference amounted to approximately NCr\$ 145 million.

7. Aside from agency balances and outstanding checks it is difficult to assess the rate at which carry-over into 1968 is accumulating vis a vis the original cash program. Wage and other current payments funded from appropriations included in the budget and pay raise laws appear to have been on schedule as of August 31 while, as of that date, special credits, "Transfers and Restos" carried over from 1966, interest payments and "Financiamentos" were NCr\$243.5

1/ Of NCr\$ 173.4 million in resources advanced to local governments, the BNDE, the DNER and the RFFSA during the first semester, NCr\$ 90.2 million had been repaid by Aug. 31; NCr\$ 48.7 million by local governments and NCr\$ 41.5 million by the DNER.

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million in excess of totals prescribed for the entire year by Decree 61,005. Offsetting this, disbursement of about NCr\$ 450 million in capital appropriations incorporated in the Decree 61,005 cash program remained unauthorized as of August 31. Attached as Enclosure 3 to this airgram is an abbreviated version of the authorizations sheet as of August 31.

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Enclosure 1

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CUMULATIVE FISCAL DATA

(in NCr\$ millions)

(variations positive unless otherwise indicated)

	<u>Original Program Period</u>					<u>Revised Program Period</u>			
	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Yr.End</u>
1. Actual Data									
Rev.	515	874	1,349	1,765	2,205	2,751	3,361	4,128	
Exp.	530	1,138	1,984	2,636	3,348	3,865	4,524	5,295	
Def.	- 15	- 264	- 635	- 871	- 1,143	1,114	-1,163	-1,167	
2. Program Projections									
Rev.	283	637	1,153	1,673	2,303	2,890	3,554	4,284	7,387
Exp.	354	807	1,283	1,813	2,494	4,016	4,646	5,371	8,141
Def.	- 71	- 170	- 130	- 140	- 191	-1,126	-1,092	-1,017	- 754
3. Absolute Variation from Program									
Rev.	232	237	196	92	- 98	- 139	- 193	- 156	
Exp.	176	331	701	823	854	- 151	- 122	- 6	
Def.	- 56	- 94	- 505	- 731	- 952	- 12	71	150	
4. Percentage Variation from Program									
Rev.	82.0	37.2	17.0	5.5	-4.3	- 4.8	- 5.4	- 3.6	
Exp.	49.7	41.0	54.6	45.4	34.2	- 3.8	- 2.6	- 0.1	
Def.	373.3	55.2	388.5	522.1	498.4	- 1.1	6.5	14.7	

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DRAFT CARRY-OVER DECREE
(free translation)

The President of the Republic, under authority conferred by Article 83, incise II of the Constitution of Brazil, and having in view the dispositions of Article 17 of Decree Law No. 200 of Feb. 25, 1967, decrees:

Article 1 - As of the date of publication of this decree, all budgetary or supplemental credits appropriated for 1967, save those covering personnel and other current costs, not included in the disbursement schedule formulated by the Financial Programming Commission may not be obligated, liquidated or drawn down.

Article 2 - This decree shall enter into effect as of the date of its publications, all dispositions to the contrary being revoked.

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DISBURSEMENT AUTHORIZATIONS AS OF AUGUST 31, 1967
(values in NCr\$ millions)

	<u>Cumulative</u> <u>8/31/67</u>	<u>Already</u> <u>Authorized</u> <u>for balance</u> <u>of year</u>	<u>Total</u> <u>Authorized</u>	<u>Total</u> <u>Projected</u> <u>by Decree</u> <u>61,005</u>	<u>Balance</u>
I Disbursement Authorizations					
1. Budget					
a. Personnel	1651.5	260.1	1911.6	2418.5	- 506.9
1/b. Allocations to Fiscal Agents & Treasury	1015.2	199.6	1214.8	1636.0	- 421.2
c. Other budgetary expenditures	594.4	186.6	781.0	1236.7	- 455.7
2. Special Credits	181.4	27.0	208.4	178.0	+ 30.4
2/3. "Transferencias de 1966 e Restos"	602.8	19.1	621.9	562.8	+ 59.1
II Bank of Brazil Repasses 3/					
4. Participation Funds	314.0	-0-	314.0	700.0	- 386.0
5. BNDE - income tax	90.8	-0-	90.8	80.0	+ 10.8
6. BNDE - Merchant Marine Fund	47.5	-0-	47.5	60.0	- 12.5
7. BNDE - Energy Fund	59.8	-0-	59.8	110.0	- 50.2
8. Minerals Tax	17.3	-0-	17.3	70.0	- 52.7
9. Interest	169.8	-0-	169.8	52.0	+ 117.8
10. Petroleum Products Tax	594.2	-0-	594.2	1037.0	- 442.8
III "Financiamentos"					
11. Sugar subsidy	6.9	-0-	6.9	-0-	+ 6.9
12. Others	29.3	-0-	29.3	-0-	+ 29.3
IV Total	5374.9 4/	692.4	6067.3	8141.0	- 2073.7

1/ Primarily salary and materials cost allocations to defense agencies.

2/ Excludes NCr\$ 264.7 million carried over from 1966 in form balances in agency accts. and outstanding checks.

3/ Except when funds have been advanced by the Treasury in anticipation of repasses accruing in the future, these amounts are a function of the rate at which revenues are received and can only be retained by the Bank of Brazil as the result of special intervention by the Finance Minister.

4/ This 8/31/67 total is preliminary in the sense that interest payments, repasses and other disbursements subsequently entered into the books can be expected to increase it by at least NCr\$ 50 million.