



NATIONAL REPORT
BRAZIL

REPORT ON THE COORDINATED AUDIT ON THE PREPAREDNESS OF THE FEDERAL GOVERNMENT'S IMPLEMENTATION OF SUSTAINABLE DEVELOPMENT GOALS - NATIONAL PHASE

Court of Accounts - TC: 029.427/2017-7

Audit: 421/2017

Rapporteur: Minister João Augusto Ribeiro Nardes

Modality: Performance audit

Origination act: Dispatch dated 10/17/2017 (TC: 019.552/2017-3)

Audit Objectives: to evaluate the presence of structures of governance within the Federal Government, for the implementation of the 2030 Agenda and target 2.4 of the SDGs in Brazil, and to consolidate these results on the matter with those of eleven other Supreme Audit Institutions of Latin America and the Caribbean. Specifically in target 2.4 (sustainable food production systems), to evaluate the monitoring and the revision of the tax exemption related to pesticides, their components, and similar products.

Act of designation: Planning Directive 1.109, dated 10/18/2017; Auditing, Conducting, and Reporting Directive 1.110, dated 10/18/2017.

Timeframe for Completion of the Audit: 04/03/2017 to 03/30/2018.

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Audited Units: Secretariat of Government of the Presidency of the Republic (Segov/PR); Chief of Staff of the Presidency of the Republic (CC/PR); Ministry of Planning, Development and Management (MP); General Secretariat of the Presidency of the Republic (SG/PR); Brazilian Institute of Geography and Statistics (IBGE); Institute of Applied Economic Research (Ipea); Ministry of Foreign Affairs (MRE); Ministry of Finance (MF); Department of Federal Revenue of Brazil (RFB/MF); Ministry of Industry, Foreign Commerce and Services (MDIC); Ministry of Agriculture, Livestock and Supply (MAP); Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA); Ministry of Environment (MMA); Brazilian Health Regulatory Agency (Anvisa); and Ministry of Health (MS).

Reference in the Brazilian Court of Accounts: Department of External Control - Agriculture and Environment.

PREPAREDNESS OF THE FEDERAL GOVERNMENT FOR IMPLEMENTATION OF THE 2030 AGENDA IN BRAZIL

What did the TCU find?

The TCU has verified that the institutionalization of the 2030 Agenda in Brazil has shown progress. However, there are still opportunities for improvement related to the adaptation of the goals to the national context, defining national indicators, the awareness of stakeholders, and the preparation of the national report. There are risks of discontinuity and inconsistencies in the process of institutionalization of the SDGs in the country.

It has been also concluded that the Federal Government does not possess a long-term plan. It does not integrate the activities of monitoring and evaluation of public policies. And it does not possess integrated mechanisms of risk prevention and management. This situation impairs the coordination and cohesiveness of the government's operation and execution of public policies, leading to risks of fragmentation, overlap, duplication, and gaps, and of waste of public resources and efforts.

Finally, it has been verified that the tax exemptions granted to pesticides in Brazil are not periodically monitored or evaluated by the government, and these concessions do not consider the toxicity and danger to the environment of these products. Consequently, the government has not presented any evidence of management of over a billion Reais from annual tax exemptions. Additionally, it has not factored in the social and environmental costs of pesticides.

What benefits are to be expected?

It is expected that the adoption of the proposed recommendations may contribute to strengthening the culture of public governance in Brazil, which will have positive consequences on the implementation of the 2030 Agenda and in the realization of the fundamental objectives of the Constitution of 1988. In this respect, it is expected that a basis for national long term planning will be created, that integrated risk management and prevention, and integrated monitoring and assessment of public policies will be formed, thus assuring continuity and sustainability in the implementation of SDGs in Brazil. Additionally, it is expected that risks of fragmentation, overlap, redundancies, and gaps in government performance, as well as waste of resources and efforts are mitigated.

Finally, it is expected that monitoring and periodic evaluation of tax exemptions for pesticides will be carried out, with transparency and integration of data and information, including a discussion of the possibility of factoring in social and environmental costs of these products within the tax structure.

In summary

Why was the audit carried out?

The UN's 2030 Agenda is an opportunity for national governments to evaluate their own performance in relation to sustainable development, considering the necessity for greater integration and coordination between the relevant parties, for coherent public policies, and for a long term vision at the national level. Ultimately, matters of public governance refer to the effectiveness of public policies, and the results delivered to society in the name of citizen's fundamental rights.

Therefore, the Supreme Audit Institutions have a major role in evaluating public policies, as they are responsible for the use of the public resources, and for promoting efficiency in public administration.

What are the main proposals?

The proposals of the auditing team are: perfecting the process of institutionalization of SDGs in Brazil; defining the process of preparing long-term national plans; the institutionalization of integrated prevention and risk management mechanisms within the government; the implementation of integrated monitoring and assessment of public policies having long-term effects on multiple sectors and levels; the monitoring and evaluation of tax exemptions granted to pesticides, including the definition of a managing agency; the detailing of data on tax expenses published by the Treasury Department; the analysis of the viability to use levels of toxicity and environmental danger in the setting the rate of taxes on pesticides.

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Introduction

1. The objective of this report is to present the results of the performance audit on the preparedness of the Brazilian Federal Government to implement the 2030 Agenda for Sustainable Development, as well as for implementing target 2.4, which refers to sustainable systems of food production. Specifically, in relation to the aforementioned goal, the governance of tax reliefs granted to pesticides in Brazil was analyzed in detail.
2. This audit is part of a broader project composed of several initiatives, detailed in Appendix A. One such initiative was the completion of a **Pilot Audit**, in which the initial preparations of the Brazilian government to implement SDGs in Brazil were evaluated, with a focus on target 2.4 (Court of Accounts, TC 028.938/2016-0; Decision 1.968/2017- Plenary Session). Based on the results of that initiative, a **Coordinated Audit** was carried out, in which more than ten Latin American Supreme Audit Institutions (SAI) participated in, with the objective to assess the preparedness of the respective national governments for the implementation of the 2030 Agenda and goal 2.4.
3. This coordinated audit was divided into two phases: national and Latin American. The national phase corresponds to the audit lead by the Federal Court of Accounts (TCU) in the Brazilian Government, whose results are presented in this report. Conversely, the Latin American phase was coordinated by the TCU, and relied on the support of the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) and the German agency for international cooperation *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ). The main results of this phase are presented in Appendix C, and when suitable, the data and analysis are compared to national results. The preparation of an executive summary of consolidated results is planned, aiming to provide a regional perspective regarding the level of preparedness of Latin American governments for the implementation of the 2030 Agenda.
4. It is noteworthy that the 2030 Agenda is a declaration of the General Assembly of the United Nations (UN), approved in 2015 by all of its member states, including Brazil. The 2030 Agenda is a plan of international action for reaching the seventeen Sustainable Development Goals (SDGs), detailed in 169 targets and 232 indicators, that approach several basic topics related to human development (Resolution A/RES/70/1, 2015).
5. This agenda considers actions and mechanisms for confronting existing and emerging challenges, such as global inequality, increased exposure of vulnerable populations to natural disasters, rapid urbanization, new human migration patterns, and the extreme consumption of energy and natural resources that threaten to intensify the effects of natural phenomena to dangerous levels with systemic global impacts, as is the case with global warming. The goals and targets of this interconnected agenda require a performance based in an integrated approach, in order to direct the world towards a more sustainable and resilient path.
6. The interconnection of the targets and goals of the agenda demands that national governments align diverse state public policies in order to achieve the desired results, with synergy. Therefore, the agenda constitutes an opportunity for national governments to evaluate their own performance towards sustainable development, considering the necessity of greater integration and coordination of the relevant parties, of coherent public policies, and of long-term vision at the national level.
7. The model of sustainable development proposed by the 2030 Agenda is based on the three dimensions of sustainable development: **social**, **economic**, and **environmental**. Beyond these dimensions, a fourth one was added: **institutional**. It advocates for strong institutions that can oversee the balance between the other three dimensions. This institutional dimension refers to public governance, as it relates to directing, monitoring and assessing public administration, and aiming to fulfill the needs of the population and other interested parties.

8. Within this context, the Federal Court of Accounts (TCU) decided to assess the preparedness of the Federal Government to implement the SDGs. The TCU defines the **preparedness of the government** as the presence of structures of **governance** within the central government and associated bodies that are responsible for public policies. Moreover, the current audit adopted a whole-of-government approach, seeking to evaluate cross-cutting and interconnected mechanisms that are necessary for systemic and coordinated government action.

9. From this perspective, the center of government must be understood as the institutional arrangement assisting the Presidency of the Republic in the process of making strategic decisions, when approaching the full scope of government action aiming to assure coherence and cohesion between the diverse initiatives proposed by the government.

10. In this manner, the components of governance at the center of government, focusing on the implementation of the 2030 Agenda, were assessed as a whole. At the sectorial level, the components of governance were assessed by themes related to sustainable food production systems, as referred to in the text of target 2.4 of the SDGs. It is described as follows:

By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, and that help maintain ecosystems, strengthen capacity for adapting to climate change, extreme weather, drought, flooding and other disasters, and that progressively improve land and soil quality. (UN, 2015)

11. The main Brazilian public policies regarding this target have been examined in the aforementioned Pilot Audit (Court of Accounts, TC 028.938/2016-0; Decision 1.968/2017- Plenary Session). In that initiative, fragmentation, overlap, duplication, and gaps were identified in the interrelationships between these policies, with an emphasis on tax reliefs granted to the import, production, and sale of pesticides; impacting the intention of the State to promote a transition in agriculture towards more sustainable systems of food production.

12. Therefore, the object of this audit also included tax reliefs referring to activities of import, production, and sale of pesticides in Brazil, in order to allow a more detailed look at the subject. The outcome of the audit related to this object also fulfills the decision of the Plenary Session of the TCU that units of the General Secretariat of External Control (Segecex) should carry out audits of public policies based on tax exemptions (Court of Accounts, TC 018.259/2013-8, Decision 1.205/2014 - Plenary Session, item 9.6.2).

13. The scope of this audit did not include an assessment of the actual implementation of SDGs in Brazil, because the process is currently in its initial phase. Additionally, the scope of the audit was not to evaluate the effectiveness of the public policies related to target 2.4. The details related to the scope and to what was not part of the scope of the analysis of governance regarding tax reliefs granted to pesticides are outlined in Section 2, due to their peculiarities.

14. The implementation of this audit was authorized by a dispatch of Minister Augusto Nardes on the 17th of October, 2017 (Court of Accounts, TC 019.552/2017-3, Section 6).

15. Among the criteria used for evaluation, Decree 9.203, dated 11/22/2017, it is noteworthy insofar that it instituted the Policies of Governance within federal public administration; and Decree 8.892, dated 10/27/2016, that created the National Commission for the SDGs (CNODS). Moreover, the criteria defined by the Federal Court of Accounts (TCU) in the Guidelines for Governance Assessment of the Center of Government (TCU, 2016) and in the Framework to Assess Governance in Public Policies were also used (TCU, 2014), as well as publications of the Inter-American Development Bank (IADB).

16. Regarding the methodology used, the team developed a model of auditing in SDGs based on a whole-of-government approach, evaluating the preparedness for the implementation of the SDGs at the center of government, within government bodies and public policies (Court of Accounts, TC

028.938/2016-0). This model favors a horizontal perspective on the coordination and the interconnection between public policies. The audit model is detailed in Appendix B.

17. The following auditing techniques were used, some of which are detailed in the appendix: Governance Evaluation Scale of SDGs and SDG Radar (Appendix C), Analysis of Fragmentation, Overlap, Duplication, and Gaps (Appendix D), online survey (Appendix E), as well as official requests and interviews.

18. In performing the evaluation, the TCU Auditing Standards (NAT), approved by Ordinance 280 of the TCU, dated 12/08/2010, as well as the Performance Audit Manual of the TCU, approved by Ordinance 4 of the Segecex, dated 02/26/2010, were observed. No restrictions were imposed upon the examinations carried out. In the conducting phase of the audit, specialists were consulted by means of the of a reference panel, aiming to with the collect objective technical elements for improvement of the analysis.

19. The preliminary version of the report was submitted for the responsible officials, in order to collect comments that could contribute to the improvement of the findings, conclusions and steering proposals made by the audit team. The final text of the report already includes eventual changes proposed by these comments.

20. To facilitate its understanding, the report was divided in two parts: Section 1 - Center of Government; and Section 2 – Target 2.4. Each section presents its respective general perspective, with the context of the object of audit, and the results of the evaluation. These results were organized in four findings: Advances in the institutionalization of the SDGs by the Federal Government, with some pending issues (Finding 1); Limitations in the system of governance necessary for the implementation of the SDGs (Finding 2); Absence of monitoring and evaluation of tax reliefs regarding importation, production and sale of pesticides (Finding 3) and Concession of tax reliefs to pesticides without distinction in rates regarding the level of toxicity to human health and the environment (Finding 4). Finally, the analysis of the comments of the responsible officials, the conclusion of the report, and the steering proposals are presented.

Section 1 - Center of Government

The 2030 Agenda for Sustainable Development

21. Brazil acceded to the 2030 Agenda for the Sustainable Development in September 2015, which was approved by the General Assembly of the UN. As previously mentioned, this agenda is a plan of international action for reaching seventeen goals (Image 1), outlined in 169 targets and 232 indicators, which approaches diverse topics fundamental to human development, in five areas: people, planet, prosperity, partnership and peace (Image 2). The agenda also has a section on methods of implementation and global partnerships, and a system of monitoring and evaluation.

Image 1 - The 17 Goals of Sustainable Development



Source: material sent by UNDP Brazil to the TCU.

Image 2 - The 5 Ps of Sustainability

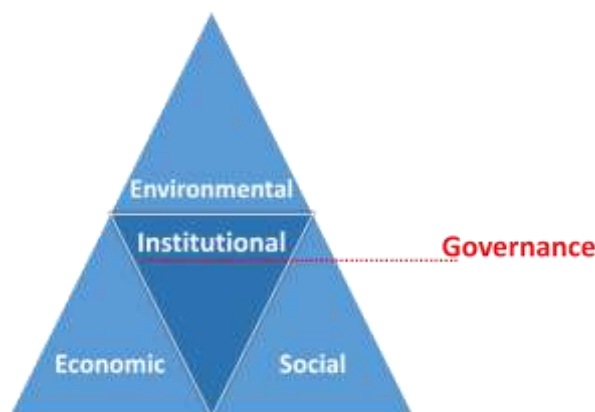


Source: Available in <http://nospodemos-sc.org.br/os-5-ps-da-sustentabilidade/>. Accessed on 03/20/2017.

22. The responsibility for the implementation of the agenda is **shared**. According to the text of the resolution approved by the UN, “the scale and the ambition of the new Agenda demands that a revitalized global partnership to guarantee its execution. (...) It will facilitate an intensive global involvement in support of implementation of all the goals and targets, bringing together **governments, private sector, civil society, the United Nations system and other actors**, and mobilizing all available resources” (UN, 2015, emphasis added).

23. It is noteworthy that the concept of **sustainable development** adopted by 2030 Agenda entails three integrated and indivisible dimensions: **economic**, **social** and **environmental**. To these three dimensions, there is also an **institutional** aspect; accordingly, national institutions must be strong so that they can carry out the implementation of this Agenda within the country, considering the balance between the other three dimensions. This aspect is materialized under the perspective of governance, as it is illustrated in Image 3:

Image 3 - Dimensions of sustainable development



Source: elaborated by the audit team.

24. An integral component of this agenda is the system of monitoring and evaluation established by the UN resolution that defines the goals and targets. According to this resolution, “targets are defined as aspirational and **global**, with each government setting its own **national** targets, guided by a global level of ambition, but taking into account national circumstances” (UN, 2015, emphasis added).

25. Still, the agenda establishes that “the goals and targets will be monitored and reviewed using a set of **global** indicators. These will be complemented by indicators at **regional** and **national** levels” (UN, 2015, emphasis added). To satisfy the demand for monitoring at a global level, the Inter-agency and Expert Group on the Indicators of the Goals for Sustainable Development (IAEG-SDGs) defined the final set of **232 global indicators** in July 2017, which were approved by Resolution A/RES/71/313. At a global level, countries will have to supply data and information necessary for international organizations to calculate these indicators.

26. It is important to emphasize that the UN itself recognizes that the data of reference for several of the targets are still unavailable, and that for some of these indicators, there is no consensus regarding the basic concepts or methodology of calculation (IAEG-SDGs, 2017). Therefore, one of the biggest challenges of the agenda is specifically the production of information for monitoring, evaluation and communication of advances within countries in relation to the goals and targets.

27. For the purposes of implementing the monitoring and evaluation system, the agenda outlines “regular and comprehensive revisions of progress in the subnational, national, regional, and global levels. (...) National reports will allow assessments of progress and identify challenges at the regional and global levels” (UN, 2015). The excerpt makes reference to the **Voluntary National Reviews**, documents to be produced by each country as they deem convenient, and whose purposes are to communicate national progress in relation to the SDGs.

28. Although the scope of the 2030 Agenda is ample and comprehensive, it may be noted that the established goals reflect positive aspirations already present in several Brazilian norms, as well as in the Federal Constitution of 1988, thus representing few innovations. The main innovation brought by the agenda is in regards to the approach proposed for confronting the challenges: “reflecting the **integrated approach** that we have decided on, there are deep **interconnections** and many **cross-cutting** elements across the new Goals and targets” (UN, 2015, emphasis added). Thus,

beyond the strategic long-term approach, the SDGs can be characterized by their cross-cutting elements, the Multi-stakeholder approach (multiple actors) and by their inclusivity (not leaving anybody behind).

29. Therefore, the implementation of the SDGs will demand the government to make an effort in integrating its actions, so it is able to face the complex problems outlined by the agenda. In other words, it shall adopt a **whole-of-government approach**. This approach is an umbrella term for a set of answers to the problem of increasing fragmentation of the public sector, and an aspiration of improving integration, coordination and capacity towards confronting these complex problems. In that respect, the current audit adopted a whole-of-government, seeking to evaluate cross-cutting and interconnected mechanisms that are necessary for systemic and coordinated government performance.

30. It is necessary to mention the role of Supreme Audit Institutions (SAIs) in this context. The responsibility for the implementation of the SDGs is shared, and the SAIs can also work positively for the successful implementation of the 2030 Agenda, due to the position they occupy within national systems, to its mandate in all areas of the governmental expenditures and to the active cooperation in the international organizations of global and regional scope. This relevance was affirmed by important international organisms, such as the UN and the International Organization of Supreme Audit Institutions (INTOSAI).

31. The General Assembly of the United Nations, by means of Resolution A/RES/66/209, dated 2011, recognized the important role of the SAIs and the INTOSAI in promoting efficiency, accountability, effectiveness and transparency of public administration, and also promoted national development towards international agreements, such as the Millennium Development Goals (MDG), effective at that time (2011). Similarly, Resolution A/RES/69/228, dated 2014, explicitly strengthened the role of the SAIs in this process:

The General Assembly (...)

2. Also recognizes the important role of supreme audit institutions in promoting the efficiency, accountability, effectiveness and transparency of public administration, which is conducive to the achievement of national development objectives and priorities as well as the internationally agreed development goals;

(...)

6. Acknowledges the role of supreme audit institutions in fostering governmental accountability for the use of resources and their performance in achieving development goals;

7. Takes note of the interest of the International Organization of Supreme Audit Institutions in the post-2015 development agenda;

8. Encourages Member States to give due consideration to the independence and capacity-building of supreme audit institutions in a manner consistent with their national institutional structures, as well as to the improvement of public accounting systems in accordance with national development plans in the context of the post-2015 development agenda; (...).

(UN, 2014)

32. In light of this, the TCU has already been developing since 2016 a series of initiatives towards the monitoring of the implementation of SDGs in Brazil (Appendix A). A Pilot Audit was carried out between May 2016 and March 2017 (Court of Accounts, TC 028.938/2016-0) in preparation for the Federal Government to implement the agenda. Decision 1.968/2017- Plenary Session, regarding the pilot audit, produced the following results with respect to the level of **center of government**:

- Regarding the process of **institutionalization** of SDGs, it was concluded that there were flaws in the manner in which this process had been carried out. The National Commission for the SDGs had not yet begun functioning, which hindered the initiation of other

relevant processes, such as the internalization of SDG targets and the definition of indicators for national monitoring;

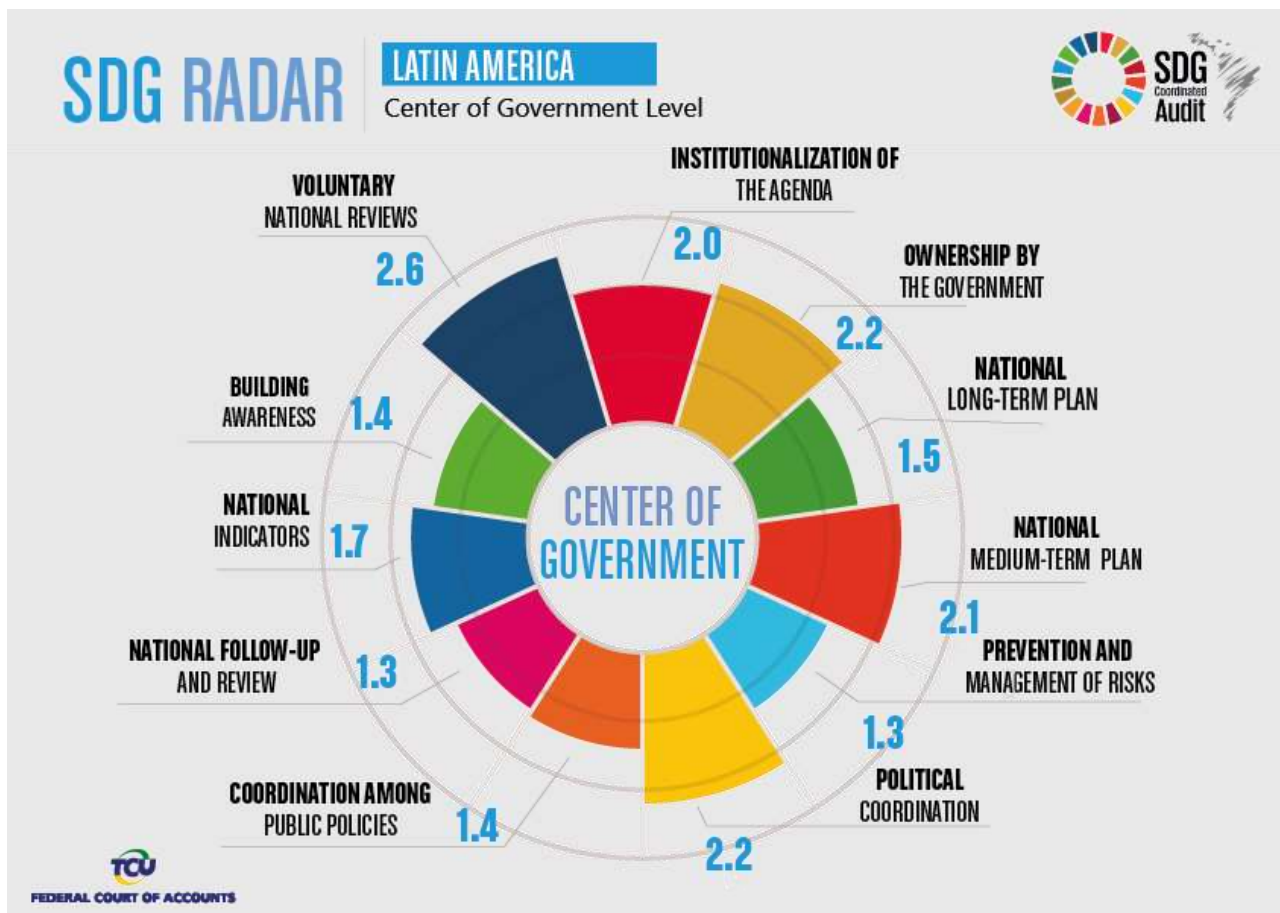
- Regarding **strategic** mechanisms, the nonexistence of national long-term planning was identified, which could make it difficult to internalize SDGs, as well as interfering with defining national priorities, and bringing with it risks of discontinuity and disorder within government functions; and,
- With respect to mechanisms of **supervision**, the nonexistence of integrated monitoring and evaluation of government actions was revealed, with potential negative impacts on transparency and feedback on the decision-making process within the scope of the Federal Government.

33. After the aforementioned Pilot Audit, a Coordinated Audit was initiated, whose international phase aimed to assess the preparedness of national governments in Latin America and the Caribbean for the implementation of SDGs. Regarding the results obtained in the Coordinated Audit, problems common to several Latin American countries have been identified, such as:

- Weaknesses in the processes of **institutionalization** and **internalization** of the 2030 Agenda;
- Absence of instruments of **long-term national planning**;
- Nonexistence of **integrated risk management** mechanisms required for the implementation of the 2030 Agenda; and,
- Weaknesses in the processes of **follow-up and review** of the SDGs in these countries and their effects on **Voluntary National Reviews**.

34. Finally, the results of the audits of the participant institutions in the Coordinated Audit were consolidated according to the criteria of the SDG Governance Evaluation Scale and represented in the SDG Radar, detailed in Appendix C. The graphic visualization of the results for each component of governance analyzed at the center of government is presented in the following image:

Image 4 - SDG Radar of Latin America - Center of Government



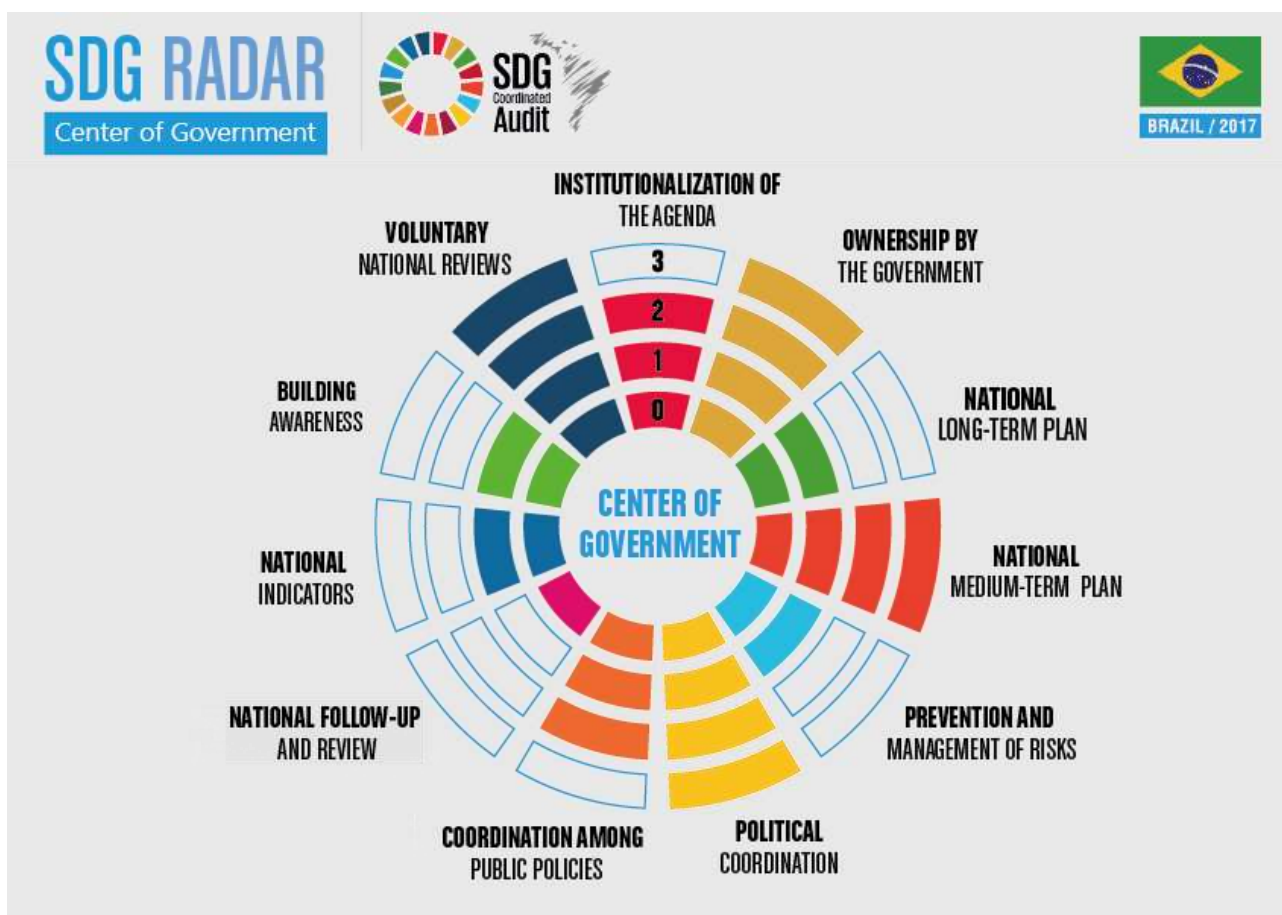
Source: elaborated by the audit team.

35. The eleven components presented in Image 4 were evaluated on a scale of 0 to 3, according to their degree of implementation in each country: no implementation (0), establishing (1), developing (2), or optimized (3). The scores presented in the radar are derived from the average scores obtained by countries in each component referring to the implementation of the 2030 Agenda as a whole, detailed in Appendix C.

36. According to the radar, it is observed that the components that are more developed in Latin America are: elaboration of voluntary national reviews (2.6); ownership by the government (2.2); medium-term national planning (2.1); and political coordination (2.2). The analysis has shown that the deficient areas in the region are: long-term national planning (1.5); risk prevention and management (1.3); integrated monitoring and evaluation (1.3).

37. The governance evaluations of center of government in Brazil are presented in the SDG Radar, Image 5:

Image 5 - SDG Radar Brazil - Center of Government



Source: elaborated by the audit team.

38. In the evaluation of governance of center of government, the Brazilian case echoes the Latin American reality, and its aspects have shown no difference in relation to the averages presented in the previous radar (Image 4). The main components in which Brazil has room for improvement are long-term planning, risk prevention and management, follow-up and review of public policies, national indicators, and awareness of the 2030 Agenda.

39. In the following chapter, the results of the national phase of the audit are presented, regarding the components of governance of the center of government for implementation of the Agenda.

Audit Results - Center of Government

Finding 1: Advances in the institutionalization of the SDGs by the Federal Government, with some pending issues

40. In relation to the institutionalization of the SDGs, it was observed that the Federal Government demonstrated several advances, especially regarding the definition of leadership and the establishment of instances of political coordination and articulation (National Commission for the SDGs), mapping of public policies in relation to the SDGs, planning of activities, mobilization of stakeholders and actions of awareness and communication of the 2030 Agenda. Although the implementation of some stages is still pending (such as the nationalization of the agenda and the elaboration of a communication plan for the SDGs), the majority of them is programmed in accordance to the Plan of Action of the National Commission for the SDGs 2017-2019. Additionally, some gaps have been observed, such as the absence of a long-term strategy for the committee and the

lack of definition of a process for the elaboration of the Brazilian National Voluntary Reviews. The stages pending and the gaps will constitute topics for the proposition of recommendations.

41. Regarding the process of institutionalization of the SDGs, it is noteworthy that Brazil is in a similar situation to the other participant countries of the Coordinated Audit. The Latin American results demonstrate that the countries have implemented distinct strategies to institutionalize the agenda in each national context, demonstrating some progress. Nonetheless, the majority of the countries have not yet concluded the stage of nationalization of the targets and indicators of the SDGs, demonstrating that there is space for improvement in this process at a regional level.

42. Next, the main advances found in this audit are presented, as well as the identified pending issues and gaps.

1.1 National Commission for the SDGs and Plan of Action

43. The National Commission for the Sustainable Development Goals (CNODS), created by Decree 8.892/2016 and established by Ordinance Segov 38, dated 05/24/2017, is functioning and has published a plan of action for the period from 2017 to 2019. However, it does not have a long-term strategy up to 2030, which may represent a risk to the continuity of its activities.

44. The documents sent by the Secretariat of Government of the Presidency of the Republic (Segov), which exerts the authority of the Executive Secretariat of the CNODS, show that the Commission has carried out ordinary and extraordinary meetings, discussing several matters that may be considered progress in the government's preparedness for the implementation of SDGs. One of these topics was the approval of the Internal Regulation that structures the Commission and details the functioning of its main processes.

45. The creation of the Commission accommodates, at the same time, the necessity of definition of leadership in the process of institutionalization of the 2030 Agenda, and the governance components related to political coordination and articulation (external to the Federal Executive Branch), in terms of **preparedness**. This can be confirmed by the composition of the CNODS, which comprises the participation of actors from other government levels, as well as from civil society and the private sector.

46. Another important topic was the approval of the Plan of Action 2017-2019 (attachment 170). This plan details several activities necessary to the preparedness for the implementation of SDGs in Brazil, such as dissemination, internalization and awareness of the 2030 Agenda, follow-up and monitoring of the agenda, and also activities of management and governance of the Commission. Except for some gaps, this plan of action encompasses a sufficiently broad spectrum of activities of preparedness, representing an important step in the institutionalization of SDGs in Brazil.

47. Notwithstanding, two gaps were observed in the performance of the Commission.

48. The first relates to the inexistence of thematic chambers established in Decree 8.892/2016, which may be relevant arenas for the coordination of actors interested in themes referring SDGs targets. The plan of action of CNODS in force foresees the creation of four thematic chambers until July 2019. In March 2018, a committee of installation of the Thematic Chamber for Partnerships and Implementation Methods was launched, which could be the first chamber to be created.

49. The second gap mentions the absence of a legalized strategy of performance of the Commission in the long term, considered the stated period of validity of the agenda. Decree 8.892/2016 determined that the CNODS will only be dissolved after the conclusion of the tasks foreseen in the 2030 Agenda (article 13). The plan of action of the Commission also establishes the vision of the Commission for 2030 ("To direct the implementation of SDGs, by means of a collaborative and participatory process, in order to achieve all goals and targets of Brazil's 2030

Agenda”), and oversees activities for the election of the new composition of this Commission for the next biennium (2019-2021).

50. However, it was verified that the long-term goals of the Commission have not been established. And also there are no tactical level details of the performance of the CNODS that translate the goals in the medium term throughout the term of the agenda, and that may guide the elaboration of future plans of action (operational level). Moreover, there is no prevision of a new plan of action after the current one in Decree 8.892/2016, the Internal Regulation of the CNODS or in the Plan of Action the 2017-2019. In other words, the system for the renewal of the plan of action after the current one has not been established.

51. Thus, a risk to the continuity of the CNODS activities was found, a fragility that may become critical in a scenario of governments succession, with potential alterations in the commands of bodies at the center of government. This risk may also interfere with the planning, monitoring and correction of the courses of actions of implementation of the SDGs, considering a long-term horizon.

52. A measure that can mitigate this risk is the elaboration and formalization of a long-term strategy for the commission, which constitutes a proposal of recommendation in the end of this report. It is not a matter of specifying the activities in the long term with the same degree of detailing presented in the 2017-2019 plan, but to establish long-term goals and milestones, as well as a system for the renewal of plans of action, and also to guide the tasks of the commission in its next compositions.

53. It is expected that, with the formalization of a long-term strategy, the CNODS can mitigate the risk of discontinuity of its actions regarding the implementation of the 2030 Agenda in the country. It is also expected that this strategy may provide clarity to long-term goals of the Commission and exactness for the tactical programming to reach them, as well as support to the elaboration of its future plans of action.

1.2 Referencing of public policies to the 2030 Agenda

54. The Ministry of Planning, Development and Management (MP), together with the Segov, made progresses in entailing federal public policies and SDG targets, based on the Pluriannual Plan (PPA) 2016-2019. Thereby, the Federal Government possess a mapping of the ministries and bodies working towards reaching each goal, as well as the resources and efforts referring to each goal in the federal scope. It is also possible to identify the targets of the SDGs already reached by governmental actions and the existing gaps, as well as potential synergies or conflicts between policies related to the same goal.

55. In 2016, the MP and the Segov initiated a process aiming to identify the correspondence between the attributes of the PPA and the goals and targets of the 2030 Agenda. According to the MP, this process involved 29 national ministries and departments (Section 97).

56. The task carried out gave way to the construction of seventeen SDG Agendas in the Integrated Planning and Budget System of the Federal Government (Siop), which are cross-cutting thematic agendas that congregate the attributes of the PPA related to each target of the SDGs. This form of visualizing the attributes of the PPA enables to understand how the goals within this plan are tied to each one of the SDGs. It also enables to appraise, by means of the budgetary actions associated to the goals of the PPA, the sum of budgetary resources destined to each SDG.

57. The commitment between the 2030 Agenda and the federal planning and budgeting can be considered progress in the institutionalization of SDGs in Brazil, but still there are opportunities of improvement in this process, that arise, for the most part, from the PPA's insufficiency for the monitoring and evaluation of the government's operations, because it is an instrument exclusively federal and guided towards the medium term (four years). The analysis of this instrument will be more detailed in finding 2, which refers to governance structures of the Federal Government

necessary for the implementation of the SDGs, thus it does not verify the necessity of proposal for the conduction of the mapping of the Brazilian policies in relation to the PPA.

1.3 Mobilization of stakeholders

58. The National Commission for the SDGs has been implementing initiatives to mobilize stakeholders in the implementation of the 2030 Agenda, including the ministries of the Federal Executive Branch, the subnational governments (state and municipal levels) and actors outside the public sector, such as the civil society, the academy and the private sector. Thus, it was verified that the Federal Government advanced in the assumption of the 2030 Agenda by the co-responsible actors for the implementation of SDGs, fomenting collaborative processes of decision for topics related to the agenda.

59. The Federal Government, by means of the CNODS, defined some strategies to mobilize stakeholders in the implementation of the 2030 Agenda. Generally, the plan of action outlines the elaboration of the Plan of Mobilization to take place on April 2018, with execution scheduled until July 2019. This plan will have to detail specific actions for the mobilization of leaderships, national and subnational bodies, and organizations engaged in the 2030 Agenda.

60. In relation to the mobilization of the Federal Executive Power, the auditing team applied in October 2017 an online survey to the 22 existing ministries at the time, as well as to the Chief of Staff's Office, the General Secretariat of the Presidency of the Republic, and the Brazilian Central Bank, aiming to evaluate the participation of these institutions in the preparedness for the implementation of the 2030 Agenda. The questions from the survey and respective results are presented in detail in Appendix E.

61. In the survey, 24 of 25 of the respondents (96%) informed they had been contacted by the Segov, in the role of Executive Secretariat of the CNODS, regarding the implementation of the 2030 Agenda. When questioned if the Segov had adopted actions to engage the ministries in the process of implementation of SDGs, 22 of them answered "yes" (88%). From the analysis of the open comment, it was confirmed that most of these actions correspond to initiatives of awareness and mapping of SDGs in the PPA, issue previously discussed in topic 1.2.

62. Still, at the federal level, it is important to mention that the Legislative and Judiciary Branches are not part of the CNODS, although the implementation of the agenda is a responsibility shared by the whole of public administration. In this respect, the Brazilian Voluntary National Review of 2017 mentions an initiative of the National Congress, the Joint Congressional Task Force of Support to SDGs of the UN. However, there is no mention of actions in the scope of the Judiciary, though SDG 16 relates to access to justice, promotion of the rule of law, and protection of the fundamental freedoms. To this point, a good practice in the Latin American phase of the Coordinated Audit was identified. The SAI of Paraguay registered that, by means of the Declaration of Concerted Powers of the Republic of Paraguay, the three powers reaffirmed their commitment with the SDGs.

63. Regarding the mobilization of subnational levels of government, the Plan of Action 2017-2019 of the CNODS details some important strategies: stimulation for the creation of state and municipal committees (subnational committees for SDGs); elaboration of a guide of implementation of SDGs at state and municipal levels of government; and awarding and dissemination of good practices.

64. Since the 2030 Agenda involves several public policies and Brazil is a federation, it is paramount to engage states and municipalities in the implementation of SDGs, which can be facilitated by the creation of subnational committees for the SDGs. In that respect, the CNODS has elaborated a decree draft that can be used by the subnational governments for the creation of their own committees, and has plans of supporting the structuring a pilot subnational committee in the beginning of 2018 (products E4.1.1 and E4.1.2 of the plan of action).

65. The plan of action also envisages the elaboration of guidelines for the implementation of SDGs in states and municipalities until July 2019. The responsibility for the elaboration of these documents was assigned to the National Confederation of Municipalities (CNM) and to the Brazilian Association of State Entities of Environment (Abema), representatives of the municipal and state levels of government in the CNODS, respectively. It is noted that this stage was already fulfilled at the municipal level, with the publishing of the “Guide for Localization of the Sustainable Development Goals in Brazilian Municipalities - what cities need to know”. As to the state level of government, the mobilizations registered are still isolated, according to the reply of the Segov to the questioning made by the TCU.

66. Finally, regarding the mechanisms for awarding and dissemination of good practices, the SDG Prize was established by Decree 9.295, dated 28/2/2018, whose purpose is to stimulate, to value and to give visibility to practices developed by states, the Federal District, and municipalities' administrations, and by civil society organizations that contribute towards reaching the goals of the 2030 Agenda. The first edition of this award is expected to be carried out until June 2019, according to the plan of action of the CNODS. Moreover, the presentation of a proposal for a virtual platform of systematization and publicity of good practices is scheduled for June 2018.

67. Regarding the civil society, the academy, and the private sector, the Brazilian Voluntary National Review of 2017 registers engagement of these actors in the implementation of the agenda. The main initiatives mentioned by the review are coordination and *networking*, promotion of forums of discussion, actions for promoting awareness and social engagement, as well as actuation in specific fields. In general, these actions are initiatives of the sectors themselves, and not of the government. However, it is noteworthy that the representation of these actors in the CNODS is already a form of mobilization of the sectors for the implementation of the agenda. The way these actors will be included in the Plan of Mobilization expected for April 2018 is still unknown.

68. Brazil stands out in the Latin American context regarding the engagement of stakeholders in the agenda, both inside and outside the Federal Government. In the component **C2 - engagement of the Government in the 2030 Agenda** of the Scale of Evaluation of Governance in SDGs, Brazil reached stage 3 - “optimized” -, while the majority of the participant countries of the audit registered stage 2 - “developing” -, having applied the same online survey to their respective bodies and entities. Regarding external stakeholders, the component **C6 - political coordination** was also evaluated in stage 3 - “optimized”-, while the majority of the countries registered stage 2 - “developing”. Brazil reached the optimized stage thanks to the composition of the National Commission, in which state and municipal levels of government are represented, as well as the civil society, the academy, and the private sector.

69. The conclusion is that the government made progress regarding actions for mobilization of stakeholders internal and external to the Federal Executive Power. Although some activities are still being implemented, they already have deadlines, products, and responsible managers established for them. Therefore, there is no need to propose recommendations regarding this topic at present.

1.4 National SDG targets and indicators

70. The processes of adaptation of SDG targets to national context (nationalization of the targets) and of definition of national indicators consist of the Plan of Action 2017-2019 of the CNODS, but it is unclear how these two processes will be led, especially regarding mechanisms of interaction between them and who will hold the power to decide the final set of national targets and indicators. This may hinder these processes, interfering also in the monitoring, evaluation and transparency of the Brazilian results in the 2030 Agenda.

71. In the 2030 Agenda, seventeen goals are detailed in 169 global targets and these, in 232 global indicators. The **global** indicators have been based on the **global** targets; in the same way, the

national indicators must reflect the **national** targets. The nationalization of targets and the definition of national indicators are complex tasks, that require several debates on concepts (for example, what is poverty, what is illiteracy, and what are sustainable systems of food production), methodology for data recollection and calculation of the indicators, availability of the information in both public and external sources, reliability of the data produced, amongst others. Therefore, these two processes must be led in tandem.

72. However, the Plan of Action 2017-2019 is not clear as to how these processes will interact. The plan details a list of the activities necessary to the achievement of the E3.1 result (“adequacy of global targets and indicators to the Brazilian reality”), as is presented in Table 1:

Table 1 - Products detailed in the E3.1 result of the Plan of Action 2017-2019

Product	Description	Deadline	Responsible Entity
E3.1.1	Global tier I indicators calculated and available in SDG indicators digital platform.	3/2018	IBGE
E3.1.2	Diagnosis (Base Line Report) established and publicized.	7/2018	Ipea and MP
E3.1.3	Proposal of adaptation of the targets to the Brazilian reality publicized.	7/2018	Ipea and MP
E3.1.4	Knowledge network for estimating global tier II and tier III indicators built.	7/2019	IBGE
E3.1.5	Set of National Indicators defined.	7/2019	IBGE

Source: elaborated by the audit team based on the plan of action.

73. The disclosure of the proposal of adaptation of the targets to Brazilian reality (product E3.1.3) is under the auspices of the Institute of Applied Economic Research (IPEA) and of the Ministry of Planning (MP), with a forecast delivery in July 2018. In turn, the chart of national indicators (product E3.1.5), under the responsibility of the Brazilian Institute of Geography and Statistics (IBGE), is planned for July 2019.

74. In the opportunity of discussing the draft version of the audit report, the IPEA provided updates regarding the conduction of the adaptation process of the SDG targets to Brazilian context. It informed that, during the months of October, November and December of 2017, a coordination committee on SDGs was created in the institute, identifying focal points for each SDG, and carrying out internal workshops. The data collected enabled the elaboration of technical charts on the targets, which will be the basis for a governmental workshop to be carried out at 12-13 of April 2018. In addition, the IPEA indicated that inter-ministerial work groups will be created to discuss the final proposal of adequacy of targets, which will be forwarded to the CNODS until June 2018.

75. In relation to the definition of the national indicators, the IBGE informed that seventeen thematic work groups had been created with the purpose of elaborating a plan of action for each SDG. These groups, which are coordinated by the IBGE and count on the participation of data producers, will have to include representatives of the civil society for the definition of national indicators, starting in 2018. In the commentaries to the preliminary report, the IBGE added that these groups will meet in thematic sessions in continuity to the definition of the indicators, their methodologies, and the corresponding databases, during the III Meeting for Producers of Information Aimed at the 2030 Agenda, to take place from 24 to 26 of April 2018.

76. A positive point is that both the IPEA and the IBGE are tied to the same ministry (MP), which favors reciprocal interaction. However, it was verified that the plan of action of the CNODS and the answers to official requests could not provide further details on how the two processes will be harmonized, and on delegating decision-making authority within the definition of national targets

and indicators. The plan informs that the IBGE will act “gathering inputs for the discussion concerning the definition and monitoring of national indicators” and that the IPEA “will be responsible for providing support in gathering information for the definition and monitoring of national indicators”. However, it is not clear if the indicators will be determined by these institutes, by the work groups, by the Ministry of Planning, by the CNODS or some other governmental body.

77. Given the complexity of the task, delegating decision-making authority to one of the bodies is indispensable, or the conclusion of this process may take longer than expected, affecting the monitoring, evaluation and transparency of the results of the implementation of the 2030 Agenda in the country.

78. Therefore, it is not clear how the processes of adaptation of SDG targets to the national context and the definition of national indicators will be connected, nor who will be responsible for final decision making on national targets and indicators. Thus, the audit team proposes that the CNODS detail these processes, in order to resolve both matters.

79. It is expected that the adoption of this measure will facilitate the work of the Brazilian government towards the adaptation of SDG targets to the national context in a synergistic and efficient manner, and the definition of national indicators in a timely manner, in order to enable the monitoring and evaluation of the Brazilian progress in the 2030 Agenda and its due transparency.

1.5 Awareness of the 2030 Agenda and communication of its results

80. With respect to the strategy of communication of the 2030 Agenda, it was verified that the existing **raising awareness** campaigns to the Agenda have been characterized as one-off actions, while the actions for **communicating the results** of government performance regarding SDGs are still being implemented. In the absence of adequate coordination of these actions there is the risk of fragmentation, overlap, and duplication, in association to inefficiency. Despite this, it is clear that the Plan of Action 2017-2019 outlines the elaboration of a plan of communication for the 2030 Agenda, which may mitigate this risk.

81. The Segov mentioned some of these actions, such as "Dialoga Brazil" and the "Participa.BR" Portal, platforms that allow social participation in the construction of federal public policies, but that are not directly related to the 2030 Agenda. It also mentioned the Platform "Agenda 2030", whose accomplishment is attributed to both the Ipea and the United Nations Development Program (UNDP). It mentioned, as well, other platforms maintained by organizations of the civil society. Moreover, the Federal Government has the "Portal ODS Brasil" (Portal SDG Brazil, in English), linked to the Segov *website*, that gathers several information on the 2030 Agenda, specifically about the CNOCS' performance. Moreover, initiatives of the IBGE for raising awareness of SDGs were also identified in its channel on YouTube. However, the answers to official documents from different stakeholders, together with the analysis of the plan of action, enable identifying some deviations in the listing of these actions.

82. The current **raising awareness** campaigns of the 2030 Agenda constitute individual initiatives of the bodies and entities that have implemented them. Although the mentioned initiatives are all positive – and it is beneficial that initiatives like these emerge in distinct public institutions –, in the absence of coordination mechanisms, risks of fragmentation, overlap, and duplication are anticipated within these actions, with potential inefficiency.

83. Regarding **communication** of results, the IBGE stated it is working to improve its digital platform to include components related to the 2030 Agenda, including the creation of a collaborative environment for the production of SDG indicators, publishing its results, and sharing information such as news and agendas. This information was confirmed by the reply of the Segov. Therefore, in relation to this matter, it is not necessary to put forth further recommendations.

84. Finally, though raising awareness campaigns and communication of results of the 2030 Agenda have not yet been implemented, the Plan of Action 2017-2019 details a Plan of Communication for SDGs until April 2018, to be implemented by July 2019. Thus, it is foreseen that this future Plan of Communication will be an opportunity to establish mechanisms of coordination for several existing awareness campaigns of the 2030 Agenda. This matter will be the object of the referral proposal.

85. It is expected that the inclusion of coordination mechanisms in the Plan of Communication for SDGs may mitigate the risk of inefficiency in these actions, resulting from possible fragmentation, overlap, and duplication.

1.6 Voluntary National Review (VNR)

86. Brazil has already published its first Voluntary National Review (VNR) for SDGs in 2017, and the Plan of Action 2017-2019 of the CNODS outlines the elaboration of a new review for March 2019 (product E5.4.2). However, the process of elaboration of this instrument have not yet been defined.

87. The Secretary-General of the UN submitted a report consisting of a set of orientations for the elaboration of voluntary national reviews (Document A/70/684, dated January 15th, 2016). The document defines principles and recommends a basic structure for the elaboration of the reviews, noting that this structure is flexible and a suggestion.

88. Brazil launched its first Voluntary National Review at the UN High-level Political Forum on Sustainable Development (HLPF) of July 2017. The elaboration of the instrument was coordinated by the Chief of Staff's Office, the Segov and the Ministry of Foreign Affairs (MRE), and had the participation of several sectoral bodies.

89. The analysis of the first Brazilian review enables to understand that the instrument was directed to actions of **preparedness** for the implementation of the agenda. First, the document brings information on the context of the 2030 Agenda, as well as general data about the country. After that, there are sections related to initiatives of preparedness that the country has been adopting to implement the SDGs. These initiatives include some of the aforementioned ones in this report, such as the mapping of the PPA according to the SDGs, and the definition of national indicators, as well as including actions external to the Federal Executive Branch, such as those of the Legislative Branch, subnational governments, civil society, and even of the TCU. After this, the document refers to the position of Brazil in relation to specific SDGs (1, 2, 3, 5, 9, 14 and 17, which have been emphasized in the HLPF 2017). Finally, the end of the review closes presenting the conclusions, challenges and next steps.

90. Although until the date of elaboration of this report Brazil had not yet formally communicated to the UN the intention of preparing a new VNR (<https://sustainabledevelopment.un.org/vnrs/>), the Plan of Action 2017-2019 informs that the CNODS intends to conclude the next review until March 2019, and claims that the frequency intended for the elaboration of this instrument is biennial.

91. The available information enables the understanding that the process of elaboration of this instrument is complex and demands time. The UN, in its document *Handbook for preparation of Voluntary National Reviews* (UNDESA, 2018), advises to establish **procedures** and a programmatic timeline for the integration of comments from within the government and from other stakeholders. In truth, the country is advised to outline a **work plan** to elaborate the VNR in this document.

92. However, when questioned about the process of elaborating this review, the Chief of Staff's Office and Segov stated that the process for performing the next Brazilian VNR has not yet been defined.

93. The necessity of structuring this process is not a mere formality. In the aforementioned *Handbook*, UN DESA states that the objective of VNRs is to monitor the progress of implementing SDGs in all countries, providing elements for countries to improve their planning of policies, structures and processes, and to review their national development goals towards effectively reaching them. It complements by saying that the process of elaborating VNRs may not be regarded as an independent process from the implementation of SDGs.

94. The Latin American stage of the Coordinate Audit brought elements that reinforce the importance structuring this process. Despite the fact that most countries reached Stage 3 (“Optimized”) in component **C11 - Voluntary National Reviews** of the Governance Evaluation Scale of SDGs, the quality of the information contained in these reviews is a subject of debate. The *Centro de Pensamiento Estratégico Internacional*, CEPEI (International Strategic Thinking Center, in English) analyzed eleven Latin American VNRs in 2017 and discovered evidence some common deficiencies, some of which are described as follows: (i) these reports are characterized as an accumulation of statistical data, without presenting an analysis based on this information; and (ii) the reports are presented as an “end of cycle” report, when they should be a part of the review cycle instead (CEPEI, 2017). This conclusion finds support in the evaluation of the component **C8 – National follow-up and review strategy** –, which received an average grade of 1,3 in Latin America, reflecting a situation where the production of data at national levels is unsatisfactory to provide the information necessary for the VNRs (a situation that will be discussed in Finding 2 of this report).

95. Considering the SDGs pose a challenge of integration and coordination for governments and other sectors, the 2030 Agenda is seen as an opportunity to promote integrated cross-cutting follow-up and review of public policies, aiming for a better understanding on the results of the myriad of public policies related to a common goal, and not just individually.

96. If the government does not structure the process for preparing future Voluntary National Reviews in Brazil, there is a risk this process will be carried out in a disorganized manner, affecting the quality of the information. Moreover, if the information flows for preparation of the VNR are not mapped (including data producers from the Federal Government, other federative levels, and also non-governmental stakeholders), the evaluations presented in the report may not take into account core SDG principles, such as considering cross-cutting issues (in the interactions among distinct public policies related to one same goal), carrying out a participatory process, with multi-stakeholder engagement (the evaluations must consider the points of view of different stakeholders), and promoting inclusiveness (leave no one behind), among others, enunciated in paragraph 74 of the document of the 2030 Agenda (Resolution A/RES/70/1, from October 21st, 2015).

97. Thus, the establishment of a process of preparation of the Voluntary National Review, defining activities, deadlines, responsibilities and information flows is important not only for the accomplishment of the 2030 Agenda, but also for an integrated follow-up and review process of Brazilian public policies.

98. It is expected that the definition of the process of elaboration of the Voluntary National Review will make it possible to provide cross-cutting evaluations of public policies results, communicating, under a whole-of-government approach, the progress of the country regarding the 2030 Agenda and its goals and targets. Another expected benefit is the promotion of a culture of integrated follow-up and review of public policies results, contributing to governmental transparency and decision making in government processes.

Finding 2: Deficiencies in the governance system necessary for the implementation of SDGs

99. This finding refers to **governance** mechanisms in the center of government with potential to contribute for the implementation of SDGs. Although their impact is not only limited to the 2030

Agenda, the SDGs' cross-cutting and long-term oriented perspective provides an opportunity for establishing a culture of governance in the country.

100. Before proceeding to the analysis of the situations found, it is important to note that, in November 22nd 2017, the Federal Government passed the Decree 9.203, which instituted the Governance Policy in public federal administration, ruling over principles, guidelines and mechanisms of public governance. This decree created the Inter-ministerial Committee of Governance (CIG), an administrative structure composed of bodies that integrate the center of government, with competence to present measures that meet the principles and guidelines of governance. Therefore, the aforementioned decree stands as an important framework of reference for monitoring the implementation of a governance culture in the federal public administration.

101. It must be noted that Bill (PL) 9.163/2017 is under consideration in Congress, and its purpose is to establish principles, guidelines and practices of public governance towards the improvement of organizations performance in accomplishing their institutional mission, as well as to strengthen Brazilian institutions, aiming to generate and preserve public value with transparency, effectiveness and accountability. This project refers to important mechanisms of governance, such as leadership, strategy and control (Article 5), and aims to extend Governance Policy to the Legislative and Judiciary branches, the TCU, the Public Prosecutor's Office, the Public Defender's Office of the Union, as well as to entities from other federative levels (states and municipalities) (Article 1, sole paragraph).

102. The exposition of motives of this bill refers specifically to the TCU's Basic Governance Reference Guide and to good practices from international organizations. Finally, it stresses its aim to consolidate best practices of governance, in order to strengthen a mutual reliable relationship between government and society.

103. Considering these frameworks, Brazilian legislation and specialized literature on the subject, it was verified that the Federal Government's governance system still presents deficiencies, especially regarding long-term national planning, integrated mechanisms for preventing and managing cross-cutting risks, and integrated national follow-up and review of the performance of Brazilian public policies. Given the importance of governance mechanisms for the outcome of the 2030 Agenda, these deficiencies represent risks to the effective implementation of the SDGs, to the continuity of these initiatives and to the accomplishment of the goals.

2.1 Long-term National Planning

104. Brazil lacks national strategy of long-term planning that would enable orienting multisectoral and multilevel government actions in the long term, including the implementation of the 2030 Agenda. The main planning document used by the Federal Government is the Pluriannual Plan (PPA), which is a federal plan for the medium term (four years) and predominantly sectoral, thus being insufficient for the approach proposed by the 2030 Agenda.

105. In the Pilot Audit on the Preparedness of the Federal Government for Implementing the SDGs (Court of Accounts, TC 028.938/2016-0, Decision 1.968/2017-TCU-Plenary Session), the TCU had already substantiated the absence of a long-term planning instrument. Although the PPA is not a tool exclusive for the 2030 Agenda, it does demonstrate great potential of contribution to the implementation of the Agenda, described as follows.

106. The objectives determined by the agenda are coherent with the Brazilian legal system, in particular with the programmatic norms established by the Federal Constitution of 1988 (CF/88). These norms express a variety of actions and programs for both State and society that translate into positive results of public policies that improve the population's living conditions. There are complex problems, such as the eradication of hunger, reduction of poverty, and improvements in education, that cannot be confronted with actions planned within the four-year limited period of the PPA.

107. Thus, the aspirations brought by the SDGs are not novel to the country; on the contrary, the 2030 Agenda is supported in a large extent by the national legal structure. This is why it is necessary to think about national public policies in the long term, a perspective that will also benefit the 2030 Agenda.

108. As indicated in topic 1.2 of finding 1, the PPA was elected as the instrument for linking public policies to SDG targets. In fact, the PPA is the main planning instrument of planning for the federal governmental action. However, this plan is limited to the federal level and to a midterm range, and predominantly organized by sectors. Although it is a useful instrument for the alignment of the federal performance to the 2030 Agenda, it is insufficient for the implementation of the Agenda as a whole, especially if considered that the SDGs require cross-cutting long-term actions for governmental integration of different sectors and levels.

109. Regarding the long-term perspective, the function of national planning must be emphasized as a State Policy, and not only as a Government Policy. State Policies are structural in nature and entail administrative structures of various bodies of the State, which are subject to Congressional oversight, or even to other departments of discussion approval, after undergoing technical studies, and analysis of horizontal and vertical impacts, and economic and budgetary effects (ALMEIDA, 2016).

110. Nonetheless, there is a gap in the constitutional law regarding long-term national planning (with a period longer than ten years). Combined to this legal gap, the aforementioned instrument lacks clarity in the definition of responsibilities for its production. It is verified that at least two institutions (The Secretariat-General of the Presidency of the Republic and the Ministry of Planning) possess attributions related to long-term national planning, although neither the role of each institution in this process, nor the way it must be led have been defined yet (Law 13.502/2017, article 7, I, “c”, and article 53, I).

111. It must be noted that the impacts caused by this gap are not restricted to the implementation of the 2030 Agenda, but affect government performance as a whole. The absence of long-term planning affects the definition of national priorities, generating misalignment and discontinuity in government actions. It also makes it difficult to efficiently allocate resources, since national strategies and priorities are unspecified. Ultimately, it jeopardizes public policies results as well as the compliance to the complex social demands established in the Constitution, mentioned at the beginning of this analysis.

112. A similar situation is found in other Latin American countries participating in the Coordinated Audit. In the majority of these countries the component **C3 - long-term national plan** of the Governance Evaluation Scale in SDGs was evaluated to be in stage “1”, meaning that it is being established. Stage 1 may indicate that either these countries do not possess this instrument or they are in the middle of the process of preparing it.

113. This understanding brings evidence of the necessity of a long-term national planning for the government as a Plan of State, characterized by the continuity of strategic actions independently from elective mandates. However, before that, it is necessary to clearly establish how the elaboration of this instrument must proceed, as well as the actors engaged on it and their respective roles.

114. In such context, there was some progress since the accomplishment of the Pilot Audit, in the shape of the institution of the Governance Policy in federal public administration, by means of Decree 9.203/2017. Although the decree does not specify a long-term national planning, it emphasizes the importance of the strategic component for public governance. The decree also creates the Inter-ministerial Governance Committee (CIG), conferring to it the responsibility to make sure that public governance guidelines related to the formalization of functions, competencies and responsibilities of institutional structures and arrangements are in place. Thus the CIG would be an important authority to start the construction of the necessary bases for the process of long-term planning in the country.

115. The Chief of Staff's Office and the Ministry of Planning informed that, in the first meeting of the CIG, in February 9th, 2018, the Ministry of Planning was advised to assign a body to outline and prepare the national strategy for economic and social development (Sections 180 and 183). This strategy is object of the bill PL 9.163/2017, whose articles 8 and 9 establish the elaboration and periodic review of a national planning for a twelve-year term, under the responsibility of the Ministry of Planning.

116. All these factors considered, it is necessary to recommend to the Chief of Staff's Office, acting as Executive Secretariat of the CIG (article 11 of Decree 9.203/2017), together with the Ministry of Planning and the Secretariat-General of the Presidency of the Republic, to present a proposal for the process of preparation of the Brazilian national long-term plan, defining the attributions of each authority and also taking into consideration the alignment of sectoral plans and plans of medium and short term.

117. It is expected that the implementation of this proposal will contribute to the establishment of a national long-term planning strategy, defining multisectoral priorities, from a whole-of-government approach. The formalization of this long-term planning will enable the government to coordinate its action towards the accomplishment of the SDGs.

2.2 Integrated risk prevention and management

118. Although the Federal Government has defined mechanisms and responsibilities for risk management in the organizational level, there are no mechanisms and responsibilities defined for integrated risk prevention and management for cross-cutting risks. The integrated risk prevention and management could contribute not only for the implementation of the 2030 Agenda, but also for governmental performance as a whole.

119. There is an effort by the Federal Government to convert risk management into part of the organizational culture of the Federal Executive Branch. In 2016, the MP and the Comptroller-General of the Union (CGU) approved the Joint Normative Instruction MP/CGU 1, which regulates risk management within the Executive, amongst other topics. In 2017, the President of the Republic published the Decree 9.203, which created the Governance Policy for federal public administration, including, among the public governance guidelines, the implementation of controls based on risk management, in order to prioritize strategic actions of prevention over sanctioning processes (article 4, section VI).

120. However, for the purposes of this finding, it is necessary to differentiate risk management at the **organizational** level from **integrated** risk management, which cuts across various institutions and public policies. While the first of them aims the individual objectives of an organization, the second one is part of the center of government's responsibility, as it can be inferred from the following extract of TCU's Guidelines for Governance Assessment of the Center of Government:

Prevention and risk management focus on efforts to prevent and identify risks and adopt actions to manage them. (...)The government faces the risk of producing inconsistent policies, especially if the objectives of the various ministries and bodies involved in a particular policy are divergent. In this case, only the Center can align these units to ensure that actions are consistent, coherent, and generate synergies that maximize their impact on citizens" (TCU, 2016, emphasis added).

121. On the subject of inconsistent policies, the TCU has examined the matter of coordination among public policies related to SDG target 2.4 (sustainable systems of food production) in the Pilot Audit (Court of Accounts, TC 028.938/2016-0, 1.968/2017-Plenary session). In that occasion, the Court detected misalignment in government functions related to this target, such as fragmentation, overlap, duplication, and gaps between policies, institutions, processes and systems. These misalignments are examples of cross-cutting risks that could be detected and resolved by mechanisms of prevention and risk management in the center of government.

122. It is important to emphasize that the existence of mechanisms of risk prevention and management in the organizational level does not conflict with the need for mechanisms of risk prevention and management in the center of government – nor does it fulfill that gap.

123. When questioned about the existence of mechanisms of risk prevention and management in the center of government that could be used to implement the 2030 Agenda, the Chief of Staff's Office stated that:

Prevention and risk management must be a part of well-structured planning, and they are always performed, in some degree, in the discussion over public policies. However, the institutional attribution to carry out risk management – including those for risk mitigation –, is more adequate to the sectoral level, since it increases granularity in processes and possible sources of risks. The agencies with characteristics of center of government would be responsible for the articulation of the various sectors in search of a minimum level of consolidation, aiming to promote practices of risk mitigation and regulating the actions of sectoral entities to adequate levels of tolerance to risk, defined either explicitly or indirectly, by means of other tools.

124. Although the responsibility for coordinating ministries, mentioned by the Chief of Staff's Office, may contribute for the mitigation of cross-cutting risks, this is only one of the activities necessary for this governance mechanism in the center of government, and one that presents a **reactive nature** for treating risks, as opposed to the **proactive mechanisms** of risk prevention and management.

125. The Brazilian norms do not address integrated risk prevention and management by the center of government. Law 13.502/2017, which defines the structure of the Presidency of the Republic, does not establish specific responsibilities related to integrated risk prevention and management. Moreover, federal laws regarding risk prevention management will only establish it in the organizational level, such as in the Joint Normative Instruction MP/CGU 1/2016 (articles 13 and 15) and Decree 9.203/2017 (article 17).

126. Thus, a gap regarding the responsibility for integrated risk prevention and management was observed in the level of center of government, which, if present, would enable the identification and management of cross-cutting risks. The absence of this mechanism makes public policies more vulnerable to the occurrence of misalignments, such as fragmentation, overlap, duplication, and gaps. The impacts of this situation are not limited to the accomplishment of the cross-cutting goals and targets of the 2030 Agenda. They also have as potential negative effects the inefficient public expenditure and non-synergistic institutions, which ultimately affects the policies results.

127. This situation is common to most the Latin American countries participating in the Coordinated Audit. It was observed, in the audit examinations, that part of the countries has not defined competences or mechanisms for integrated risk prevention and management at national level and, when these mechanisms exist, they are not used in favor of the 2030 Agenda. The average evaluation of component **C5 - prevention and management of risks** in the Governance Evaluation Scale in SDGs in Latin America supports this conclusion. The component reached an average stage of 1.3, which signals an absence of mechanisms of integrated risk prevention and management in most of these countries.

128. Considering the text of Decree 9.203/2017, it is recommended that the Chief of Staff's Office, as Secretariat-Executive of the CIG, prepares a proposal to establish mechanisms and responsibilities for integrated risk prevention and management, aiming to identify and to manage cross-cutting risks, such as fragmentation, overlap, duplication, and gaps in government actions.

129. It is expected, with the adoption of this measure, that the center of government will strengthen its decision-making process by the identification and management of cross-cutting risks, especially those related to fragmentation, overlap, duplication, and gaps between public policies, favoring synergy in delivering results to the society, which will also benefit the accomplishment of the cross-cutting goals and targets of the 2030 Agenda.

2.3 Integrated Monitoring and Evaluation at the national level

130. There have been found no integrated, multisectoral and multilevel monitoring and evaluation processes for assessing the performance of public policies, which are also necessary for the follow-up and review of the 2030 Agenda.

131. This matter has been examined in the Pilot Audit on the Preparation of the Federal Government for the Implementing the SDGs (Court of Accounts, TC 028.938/2016-0, Decision 1.968/2017-Plenary Session). At that time, although the audited government institutions had informed the audit team of some mechanisms for monitoring and evaluation that possessed some of these traits, the analysis concluded that they did not fulfill the need for long-term multisectoral and multilevel monitoring and evaluation at the national level.

132. According to the Guidelines for the Evaluation of Governance of the Center of Government of the TCU, endorsed in international literature related to the topic:

Thus, the monitoring of policy implementation, and evaluation of government performance help bring more horizontal consistency to achieve the governmental policy objectives. Therefore, it is necessary not only an assessment done by the line ministry, but also an evaluation of the multiple ministries, which should be held based on the collection of intersectoral information, with the ability to feed back into the decision-making process, **a responsibility of the Center of Government**. (Federal Court of Accounts - TCU, 2016, emphasis added).

133. This becomes even more critical in a country like Brazil, which is organized as a federation and whose successful public policies implementation depends, in fact, on the coordination of federal, state, and municipal government levels. Thus, mechanisms that allow the monitoring of statistical information at the **national** level in an integrated manner, and that may facilitate carrying out cross-cutting multilevel performance assessments on Brazilian public policies, including those for the 2030 Agenda, deserve special attention.

134. Among the existing monitoring initiatives in Brazil, the PPA, whose monitoring is aided by the Planning and Budget Integrated System (Siop), stands out. The Siop gathers information regarding the implementation of all its objectives and targets, and involves all government institutions responsible for them. However, as already demonstrated both in the Pilot Audit and in the topic 2.1 of finding 2 of this report, the PPA 2016-2019 and the Siop do not fulfill the necessity for an integrated monitoring and evaluation at the national level, because they are structured as predominantly sectoral, are restricted to the federal level and are oriented towards a medium-term horizon, and therefore subject to discontinuities.

135. Regarding mechanisms for evaluation of public policies, one of the initiatives found is the Committee for Monitoring and Evaluation of Federal Public Policies (CMAP). This committee works with a selected group of public policies, programs, and actions of the Federal Executive Authorities, and has a short-term and a medium-term agenda. The CMAP, by combining efforts from different stakeholders for its evaluations (such as Chief of Staff's Office, Public Ministry, Ministry of Finance, Ministry of Transparency, and the Office of the Controller General - CGU), appears to be an improvement on the multisectoral issue. Still, the CMAP is also restricted to the federal level and does not address policies in the long term.

136. Another mechanism of monitoring and evaluation identified was the Articulation and Monitoring Office of the Chief of Staff's Office of the Presidency of the Republic (SAM), a structure that integrates the structure of the Chief of Staff's Office. The SAM is responsible for priority projects of the Government, as defined by the President of the Republic. In spite of the national long-term impact of such projects, the effort of the SAM is limited to the presidential mandate.

137. It appears, therefore, that the initiatives of monitoring and evaluation of the Brazilian public policies do not currently fulfill the need for integrated monitoring with cross-cutting assessments at the national level of the performance of these policies.

138. In the Latin American context, the Coordinated Audit found similar results. As aforementioned in Topic 1.6 of finding 1, the component **C8 - strategy of national monitoring and evaluation** of the Governance Evaluation Scale in SDGs reached an average degree of 1.3 in Latin America, indicating an absence of structures and mechanisms for integrated monitoring and evaluation of the performance of public policies in most of the countries participating in the work.

139. The lack of implementation of this governance mechanism hampers the integrated decision-making process, which could otherwise allow for course correction within these policies. In addition, it compromises the transparency of governmental activities and their results. Regarding the SDGs, the absence of cross-cutting assessments of the performance of policies complicates the preparation of the Voluntary National Reviews, an instrument whose purpose is to follow up and review national progress towards the Agenda. Therefore, it is necessary to develop a strategy to implement the integrated monitoring and evaluation of policies at the national level, including adapting and utilizing already existing mechanisms.

140. Regarding this point, related to the production of information in the national ambit, it is important to mention that the PPA 2016-2019 provided actions that may contribute to the achievement of the informational structure required for the monitoring of the SDGs. The Objective 1160 of the PPA highlights the improvement of knowledge about the Brazilian context by upgrading the management of official statistical and geoscientific information as well as administrative records. The Target 04RM of that Goal – "to expand the organization and integration of the official information system's federal institutions, in order to meet the national demands and the needs of the international agenda, particularly those relating to sustainable development indicators" – demonstrates the transforming potential of the implementation of the 2030 Agenda in the governance of the Brazilian Federal Government. To achieve this goal, the Initiative 06LU provides, more concretely, the implementation of the infrastructure of the Official National Information System (SNIO). This system, as the name suggests, would expand beyond the federal level, hence being a valuable contribution to the cross-cutting initiatives of public policies performance evaluation, such as the one proposed in the 2030 Agenda.

141. Considering these factors, it is recommended that the Ministry of Planning, in conjunction with the IBGE and the Ipea, implement the integrated, multilevel and multisectoral, long-term monitoring and evaluation of public policies at the national level, considering initiatives already existing or under development, similar to the SNIO.

142. It is expected that the implementation of this recommendation may help fostering a culture of public policies results assessment, oriented towards goals, which will also contribute to strengthen decision-making processes and transparency in governmental actions. Regarding SDGs specifically, it is expected these actions may contribute to establish an statistical environment favorable to the preparation of Voluntary National Reviews, which will enable a better follow up of Brazilian progress towards the Agenda.

Section 2 - Sustainability of food production systems

Target 2.4: Sustainability of food production systems

143. The Pilot Audit (TC 028.938/2016-0) and the Coordinated Audit both have addressed the internalization of a specific target from SDG 2: "to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture." This target (2.4) states the following:

By 2030, ensure **sustainable food production systems** and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality. (UN, 2015, emphasis added)

144. The sustainability of food production systems is an issue that cuts across many areas of government action, such as agricultural production, environment, and health. Thus, the achievement of this target by countries will depend on the coordination of various government activities, including the articulation of the government with other participants. This **coordination** concerns the government acting in a cohesive, coordinated and integrated manner, at all levels, considering a whole-of-government approach.

145. One of the activities related to the coordination is the alignment of strategies so that public policies are coherent among themselves and with the long-term national planning, thus avoiding fragmentation, duplication, overlap, and/or gaps in programs, actions, and/or tasks performed by the various concerned governmental bodies.

146. As for the **coordination** governance mechanism in Brazilian public policies related to target 2.4 of the SDGs (sustainable systems of food production), the Pilot Audit found an absence of horizontal coordination between these policies oriented towards the definition of an integrated government strategy, in addition to misalignment between them that may lead to inefficiency and jeopardize the achievement of the target.

147. With respect to the results achieved in the Coordinated Audit at the SDG target 2.4 level, the Latin American participants found deficiencies in the coordination of their public policies related to the target 2.4, as well as in their mechanisms of integrated monitoring and evaluation of the outcome of these policies.

148. The following image shows the consolidated result of assessments carried out by the participating entities of the Coordinated Audit for each governance component analyzed at the SDG target 2.4 level. The methods and the details of the analysis can be found in Appendix C of this report.

Image 6 - Latin America SDG Radar - Target 2.4



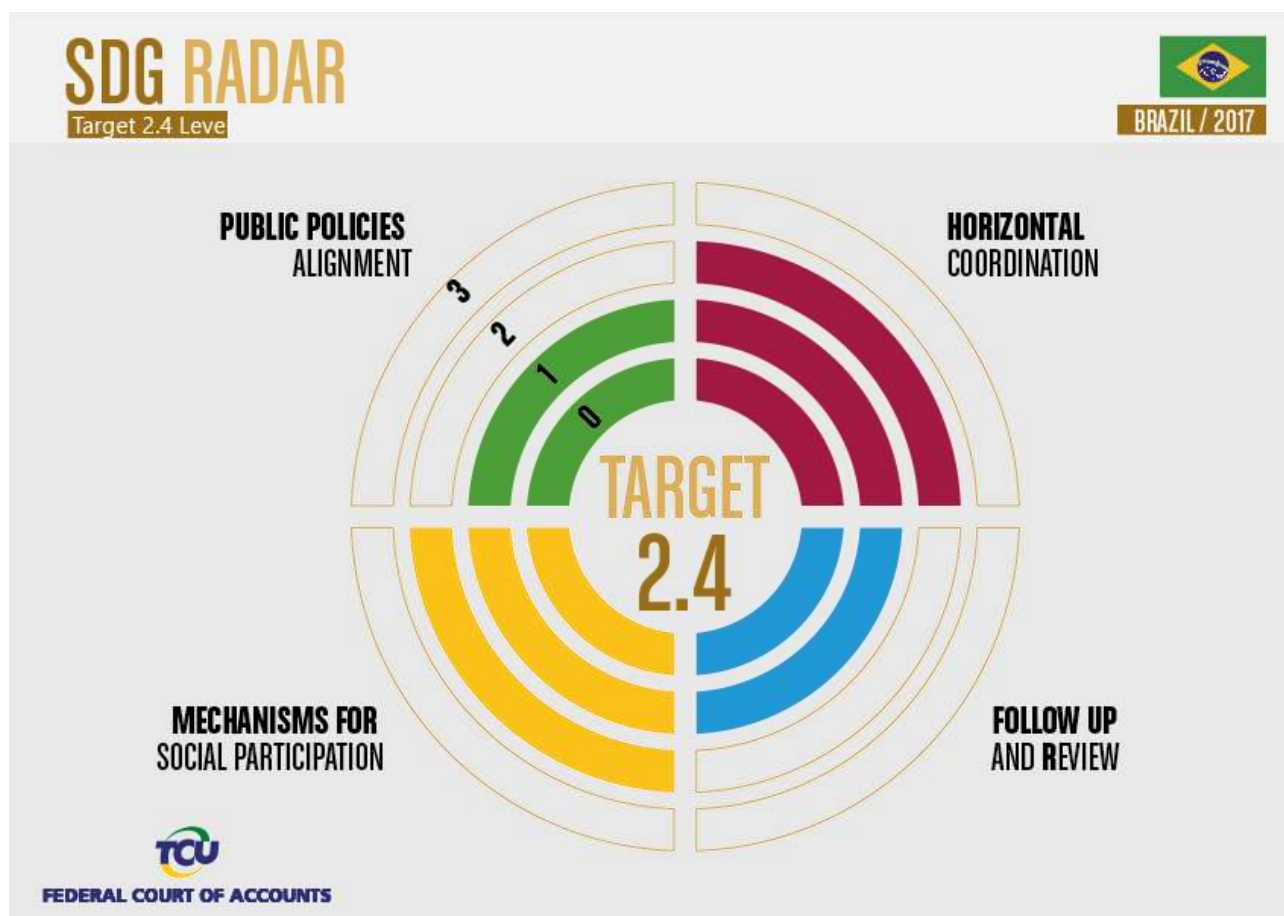
Source: Prepared by the audit team, based on the data produced by the SAIs participating in the Coordinated Audit.

149. The four governance components that appear in this image (SDG radar) were evaluated on a scale of 0 to 3, depending on the degree of their implementation in each country that participated in the Coordinated Audit: no implementation (0), establishing (1), developing (2) or optimized (3). The scores displayed on the radar of Image 6 come from the average of the scores obtained by the countries in each component for the implementation of target 2.4 of the SDGs.

150. As seen on the radar, the scores vary from 1.2 to 1.4, which represents an intermediate situation between the "implementing" and "developing" degrees. This result indicates that the process of implementing the target 2.4 is still in its early stages in the region, and that there are several opportunities for improvement in the governance components analyzed.

151. Similarly, the assessment of the preparedness for implementation of the target 2.4 in Brazil is displayed on the radar in the following image:

Image 7 - Brazil SDG Radar - Target 2.4



152. In Brazil, the components with lower scores refer to monitoring and evaluation and to alignment between public policies. In the Pilot Audit (Court of Accounts, TC 028.938/2016-0), TCU identified some public plans, programs, and policies in Brazil that pertained to sustainable systems of food production, including:

- National Policy and Plan for Agroecology and Organic Production (PNAPO and Planapo);
- National Policy and Program for Technical Assistance and Rural Extension for Family Farming and Agrarian Reform (PNATER and Pronater);
- Rural Credit and Rural Insurance;
- Low-Carbon Agriculture Plan (ABC);
- National Plan for Food and Nutrition Security (Plansan).

153. In order to check the alignment between these plans, programs, and policies, the Fragmentation, Overlap, Duplication and Gap Evaluation tool was adopted. This methodology was adapted from a guide prepared by the Government Accountability Office (GAO), the American Supreme Audit Institution (GAO, 2015). This adaptation was made in order to enable the use of the tool in an SDG preparedness audit, and the details can be found in Appendix D.

154. Thus, by using the adapted fragmentation, overlap, duplication, and gap methodology, misalignment occurrences were identified (fragmentation, duplication, inefficiency, and gaps) in governmental actions of key Brazilian public policies related to the target 2.4 (sustainable systems of food production). Among the misalignment occurrences identified in the Pilot Audit, one stands out, regarding incentives to the use of pesticides in the Brazilian agricultural production.

155. Although the purpose of using pesticides is to improve productivity, the intensive use of these products is associated with the degradation of the environment (soil, water, and air) and aggravations to the health of the population—to those who consume contaminated food, as well as to workers who deal directly with these substances (IBGE, 2015; ANVISA, 2016a; PINHEIRO and FREITAS, 2010 *apud* IPEA, 2012).

156. Instead of promoting the reduction of the consumption of pesticides in the country, the government encourages its use by means of tax reliefs granted to importers, producers, and interstate traders of pesticides. By reducing taxation, the Brazilian government encourages the use of these products, acting in a way that is both contradictory and counterproductive to the goals of the policies that seek to ensure sustainable systems of food production like PNAPO and the ABC Plan.

157. The following sections address more specific information about pesticides, the respective tax reliefs, and the structure of these tax exemptions, in order to contextualize the audit findings, discussed in the following two chapters of this section.

Pesticides

158. In accordance with Law 7.802/1989, pesticides and related items are products and agents of physical, chemical, or biological processes, intended for use in the sectors of production, storage, and processing of agricultural products, in pastures, in the protection of forests, whether native or planted, and other ecosystems, as well as in urban, water, and industrial environments, whose purposes are to alter the composition of flora or fauna in order to protect them from the destructive action of living beings considered harmful, in addition to the substances and products used as defoliants, desiccants, enhancers and inhibitors of growth (Article 2, item I).

159. Notwithstanding, other names are used: crop protection chemicals, livestock protection chemicals, herbicides, biocides, phytosanitary or agrochemical products (for example, Law 8.032/1990, Decree 6.759/2009, and Law 10.925/2004). This indiscriminate use of different names in Brazilian legislation generates misinformation about the tax incentives that are granted to these products, as well as confusion about regulatory matters for farmers, consumers, and the society in general.

160. Although beneficial in the uses to which they are intended, some pesticides and related items can pose risks to human health and the environment. For this reason, the legislation imposes several state control and regulation mechanisms, so that these risks are eliminated or minimized to an acceptable degree.

161. Pesticides can be divided into two categories (MMA, 2018):

- **Agricultural:** intended for use in the sectors of production, storage, and processing of agricultural products, in pastures, and in planted forests; and
- **Non-agricultural:** (i) intended for use in the protection of native forests and other ecosystems or water environments; (ii) intended for use in urban, industrial, and home environments, either public or collective, for the treatment of water and for use in public health campaigns.

162. For the purposes of this work, which relates to the sustainability of food production systems (target 2.4 of the SDGs), only those pesticides and related items for **agricultural use** were considered within the scope of the audit, and will be referred to in this report as "pesticides".

163. Table 2 shows the quantities of pesticides produced and imported in the period between 2010 and 2016, expressed in metric tons:

Table 2 - Quantities of pesticides produced and imported by Brazil between 2010 and 2016 (in tons of product)

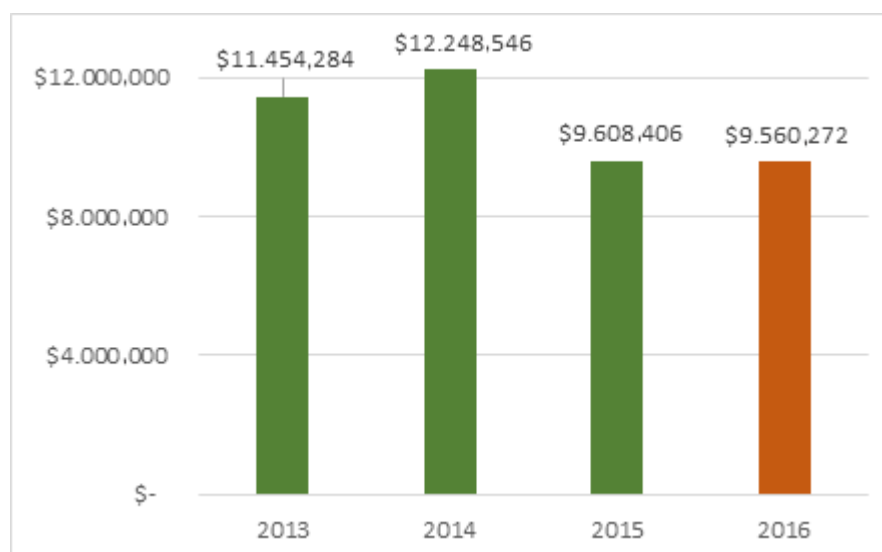
Year	Technical Material			Formulation		
	Domestic production	Imported	Total	Domestic production	Imported	Total
2010	90,937	120,345	211,282	718,287	119,788	838,075
2011	68,173	177,893	246,066	814,746	126,284	941,030
2012	78,021	193,352	271,373	971,619	148,213	1,119,832
2013	130,525	226,649	357,174	938,547	216,748	1,155,295
2014	86,694	248,503	335,197	898,636	342,969	1,241,605
2015	80,689	237,665	318,354	1,027,912	238,835	1,266,747
2016	75,781	314,925	390,706	922,226	241,469	1,163,695

Source: semi-annual reports published by IBAMA.

164. Under the terms of article 1 of Decree 4.074/2002, a technical material is what is obtained directly from raw materials by means of a chemical, physical, or biological process, intended for the manufacturing of formulations whose composition contains a defined content of active ingredient and impurities. In turn, the formulation is obtained from the technical material, through a physical process, or directly from raw materials by means of physical, chemical, or biological processes.

165. It is important to note that most of the inputs used in Brazil for the preparation of pesticides come from abroad. In the period between 2010 and 2016, imports accounted for a percentage between 57% and 80% of the technical material used in the country, as can be seen in Table 2. This denotes the growing Brazilian dependence on foreign manufacturers of technical materials.

166. According to data from the National Union of Industries of Plant Protection Products (Sindiveg), the pesticide industry grossed approximately 9.56 billion dollars (approximately 30 billion reais) in Brazil in 2016. Graph 1 shows the volume of total sales of pesticides in Brazil in the period between 2013 to 2016, US dollars shown in thousands.

Graphic 1 - The pesticide market in Brazil between 2013 and 2016 (US dollars shown in thousands)

Source: data published by the Sindiveg.

167. In Graph 1, it can be noted that the market for pesticides in Brazil comes to around ten billion dollars annually. The decline from 2014 to 2015 and 2016, according to Sindiveg, is justified by the devaluation of the real, by smuggling, by falling prices, by the incidence of pests in crops in each period, by the use of new control technologies, and by climatic conditions.

168. It is worth noting that the consumption profile of pesticides in major Brazilian crops (soybean, corn, sugar cane, and cotton) focuses on medium and large producers. Family agriculture uses fewer pesticides, for it produces far less soy and sugar cane, which are the most intensive users of these products.

169. Pesticides are an important input in the current model of Brazilian agriculture. Brazil is one of the largest consumers of pesticides in the world (FAO, 2018; PELAEZ *et al.*, 2016; CARNEIRO *et al.*, 2015). These products include a wide range of chemical substances, in addition to some of biological origin. If, on the one hand, these products help to control insects, diseases, and weeds that hinder the crops, on the other hand, they are potentially dangerous substances, many of which are difficult to eliminate from the soil, water, and from our own bodies.

170. As a result of their significant importance, both in relation to their toxicity as to their scale of use in the country, pesticides have a comprehensive regulation in Brazil (MMA, 2018). The most important legal reference is the Law 7.802/1989, regulated by Decree 4.074/2002, which regulates the process of registration, control, monitoring, and supervision of a pesticide.

171. In order to be produced, exported, imported, commercialized, and used, pesticides must be previously registered with a federal agency. The Decree 4.074/2002 defined a structure of authority for the granting of registrations in Brazil, shared between the Ministry of Health, through the National Sanitary Surveillance Agency (Anvisa), the Ministry of Environment, through the Brazilian Institute of Environment and Natural Resources (IBAMA), and the Ministry of Agriculture, Livestock, and Food Supply (MAPA). Anvisa verifies the toxicological safety issues; IBAMA, the aspects of environmental safety; and MAPA assesses the agricultural effectiveness of the product.

172. Despite the existence of a robust legal framework for pesticides, there are issues that need to be addressed by the Federal Government to improve its performance in controlling and monitoring the production chain of these products to ensure greater sustainability of food production in the country. Some of the challenges identified during the audit are: to combat smuggling and the illegal use of pesticides; the importation of products not allowed in the country; the application of a product in crops for which the product was not registered; the few pesticides registered for use in minor crops; the acute and chronic poisoning of the population; irregularities in the presence of pesticide residues in water intended for human consumption and in food; the lack of consumer information about the presence of pesticides in food; the imposition on agricultural workers to adopt a model of conventional production (obtaining rural credit conditioned to the use of pesticides), lack of adequate and sufficient technical assistance; the increased resistance of pests to pesticides; and the difficulty of access to information systems managed by the government. It stands out, however, that these issues were not part of the scope of this audit, and may be the object of future works by the TCU.

Tax relief for pesticides

173. The governance of tax relief in general was deeply evaluated in 2013 by the TCU's Secretariat of Government Macro-evaluation (Semag), which pointed out several weaknesses in the process of granting and evaluating tax exemptions in Brazil (TC 018.259/2013-8). Decision 1.205/2014-Plenary Session, as a result of that work, determined that the technical units of the Court included, in their planning, inspections of public policies based on tax exemptions (item 9.6.2). Accordingly, this audit, upon using the work carried out by Semag as a source of information, complies with the aforementioned item of the judgment in relation to the tax relief granted for pesticides.

174. It was found in this audit that the Brazilian government grants several tax reliefs to the importation, production and sale of pesticides. Within the scope of this report, the term **tax relief** is used in a broad sense, consisting of tax incentives that imply the reduction of the tax burden to certain economic activities, including both tax expenditures and other relief measures.

175. For pesticides, reliefs were identified in the taxes indicated in Table 3:

Table 3 - Norms that provide for tax relief for pesticides in Brazil

Tax	Norm	Program
Tax on Importation (II)	Law 8.032/1990, article 2, item II, letter "h"	Provides for the relief or reduction of importation taxes, and other provisions.
	Decree 6.759/2009, article 136, item II, letter "h", articles. 172, 173, 201, item VI	Regulates the management of customs activities, and the supervision, control and taxation of foreign trade operations.
	Resolution Camex 125/2016, Appendix I and II	Changes the Mercosur Common Nomenclature (MCN) and establishes the importation tax rates that make up the Common External Tariff (TEC) and the List of Exceptions to the TEC.
Tax on Industrialized Products (IPI)	Law 8.032/1990, article 2, item II, letter "h"	Provides for the relief or reduction of importation taxes, and other provisions.
	Decree 8.950/2016, Appendix	Approves the Incidence Table for the Tax on Industrialized Products (TIPI).
Contribution to Social Security Financing (Cofins) and Contribution to the Social Integration Program and to the Civil Servant Fund (PIS/Pasep)	Law 10.925/2004, article 1, subsection II	Reduces the rates of the PIS/Pasep and Cofins on the importation and commercialization of the domestic market of fertilizers and agricultural defense products and other measures.
	Decree 5.630/2005, article 1, subsection II	Provides for the reduction to zero of the rates of the Contribution to PIS/Pasep and Cofins on the importation and sale of composts, fertilizers, agricultural products and other products in the domestic market.
State Value Added Tax (ICMS)	Agreement No. 100/97 of the National Finance Policy Council (Confaz)	Reduces 60% of the ICMS tax base on interstate sales of pesticides

Source: developed by the audit team.

176. Some clarification is required regarding these taxes. The ICMS tax relief is not part of the scope of this audit, since it is a state tax. In turn, the federal taxes analyzed have specificities to be considered.

177. First, there is a difference between the concept of **tax relief** used in this report and that of **tax expenditure**, adopted by the Department of Federal Revenue of Brazil (RFB). Tax expenditure constitute a kind of tax relief under the following concept:

Tax expenditures are government indirect expenditures carried out through the tax system, in order to meet economic and social objectives and constitute an exception to the reference tax system, reducing potential collection and, consequently, increasing the taxpayer's economic availability (RFB, 2017).

178. That is, some specific operations, which would normally be taxed, are selected by the legislature to be exempt from the tax system of reference and, therefore, exempt from the tax that would be applied to them. This results in a reduction in tax collection and an increase in the economic

availability for taxpayers, which corresponds to the indirect expenditure of the State with the incentive to the relieved activity or taxpayer, in order to meet certain social and economic objectives. The adoption of such relief measure (tax expenditure) may result from compensation for the fact that the State does not adequately provide the services of its responsibility to the population, or to encourage the growth of a particular economic sector or a particular region.

179. The Department of Federal Revenue of Brazil publishes the Tax Expenditure Statement (DGT) annually, in which it presents estimates of the Federation's revenue exemptions, with the purpose of estimating the loss of revenue resulting from the granting of tax benefits, in order to subsidize decisions regarding the allocation of public resources in the budget process (CF/88, article 165, §6).

180. However, this statement does not include all existing federal tax incentives, since not all of them are included in the concept of tax expenditures. This concept does not cover the reliefs of II and IPI for pesticides, which are not part of the DGT. These reliefs would be part of the very structure of such taxes, due to their extra-fiscal and selective nature, trade agreements in force and trade defense measures. According to the RFB:

8. The tax expenditure is a kind of relief that consists of a deviation from the reference system of the tax. In the case of II, the referential taxation considers the extra-fiscal nature of the tax and, therefore, allows for differentiated rates for each type of tax, commercial agreements in force in addition to other trade defense measures. Therefore, the tax expenditures related to II are associated with personal incentives through which the benefit rule is linked to a characteristic of the person and not a product.

9. The IPI expenditures have a reference tax similar to that of the Importation Tax, but due to the selective character² of this tax, tax reductions and general exemptions are not considered tax expenditures.

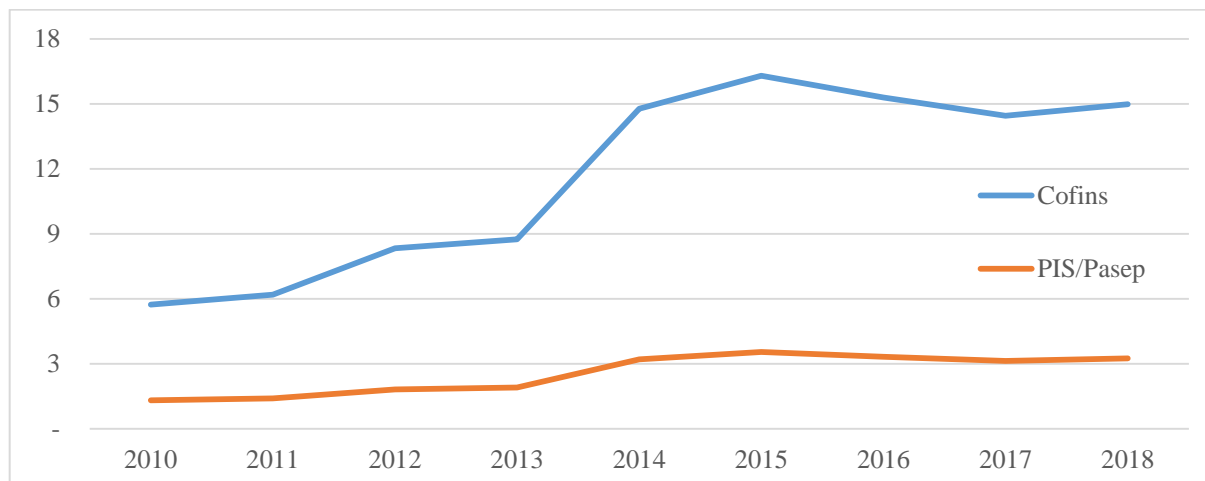
181. This way, the RFB does not calculate the impact of the incentives of II and IPI for pesticides.

182. On the other hand, tax relief for Cofins and the PIS/Pasep contribution is considered a tax expenditure, since there is an exception to the tax system for reference of these contributions, whose rate is reduced to reach a specific socioeconomic objective: to relieve the price of the staple food. The tax expenditure corresponds to the amount that would be collected if the normal rate for these contributions were applied.

183. The data are presented in the DGT in an aggregate manner, without distinguishing what refers to pesticides and what refers to the other items that make up this tax expenditure ("Agriculture and Agro-industry - Staple Food Relief"). This expenditure covers the following items:

Reduction of the PIS and COFINS rates on importation or trade in the domestic market for: composts, fertilizers and their raw materials; **agricultural defenses**; seeds and seedlings; soil corrective; beans, rice, cassava flour and sweet potatoes; agricultural inoculants; veterinary vaccine; corn; 1 (one) day old chicks; milk, dairy drinks; cheeses; whey; wheat flour; wheat; bread; vegetables, fruits and eggs; seeds and embryos; acetone; pasta; beef, pork, sheep, goats, poultry, fish; coffee; sugar; soy oil; butter; margarine; soap; toothpaste; floss; toilet paper. Presumed credit for agribusiness for the purchase of inputs from individual producers, cooperatives, legal entity producers. (RFB, 2018; emphasis added)

184. The mentioned tax expense had the following projections in the DGT of 2018: R\$14.991 billion in exemption of the Cofins and R\$3,251 billion in exemption of the contribution to PIS/Pasep. The projections for such reliefs have increased in recent years, as shown in Graph 2:

Graph 2 - Evolution of projections of tax expenditures for the Staple Food Relief (in R\$ billions)

Source: The DGT of 2010-2018, published on the website of the Department of Federal Revenue of Brazil.

185. These values refer to all products included in the item "Staple Food Relief", which include pesticides (agricultural defenses). The breakdown of these values is not available in the mentioned publication, and this is the reason why the audit team demanded RFB about the taxes relieved for pesticides. The RFB estimated the amounts of the waiver of income related to the zero rate of the contribution for PIS/Pasep and Cofins for pesticides in the period from 2010 to 2017, as shown in Table 4:

Table 4 - Estimated amounts of the waiver of income related to the zero rate of the contribution for PIS/Pasep and Cofins for pesticides in the period from 2010 to 2017.

Year	Value of the Cofins and PIS/Pasep exemption for pesticides <i>In R\$ millions</i>	Annual percent variation	Percentage of relief for pesticides in relation to the projection of the relief of staple food in the DGT <i>Cofins and PIS/Pasep only</i>
2010	588.46	-	8.4%
2011	607.87	+3.3%	8.0%
2012	905.95	+49.0%	8.9%
2013	1,225.80	+35.3%	11.5%
2014	1,302.92	+6.3%	7.2%
2015	1,365.92	+4.8%	6.9%
2016	1,440.76	+5.5%	7.7%
2017	1,536.22	+6.6%	8.7%
Total	8,973.90	-	8.2%

Source: RFB.

186. Thus, within the period from 2010 to 2017, it is estimated that nearly R\$9 billion were waived because of the zero rate for these contributions (COFINS and PIS/PASEP), aiming to reduce the costs of pesticides and, therefore, to lower the price of the basic grocery package. In that period, **the annual average of the tax relief for pesticides was over one billion reais**, representing around 8% of the total tax income waiver of contributions related to the relief of the staple food.

187. While such data are useful for understanding the volume of depleted resources, it should be noted that they are incomplete for three reasons. First of all, these are estimates calculated from the information that is currently available. Secondly, the data do not include the II or the IPI, as the reliefs of these two taxes do not constitute a tax expense. Finally, the calculation does not also cover

the reduction of the ICMS calculation basis, as it is a state tax. Thus, it is possible to infer that the tax relief for pesticides in Brazil is over one billion reais per year.

188. Notwithstanding the magnitude of these reliefs, they are not monitored or evaluated by the Federal Government due to the governance failures identified in findings No. 3 of this report. In addition, such tax incentives are granted to pesticides no matter their level of toxicity and their potential hazard to the environment, as it will be explained later in finding No. 4.

189. The structure of the taxes whose deductions are part of the scope of this audit is presented below.

Structure of relieved taxes

Tax on importation (II)

190. The importation tax is an extra-fiscal tribute under the responsibility of the Federal Government (CF/88, article 153, item I), relevant to the definition of exchange rate policy and the Brazilian foreign trade, with impact on the trade balance, on the industry protection of the national market and on the internal market supply. Its generating factor is the entry of foreign products into the national territory (CTN, article 19).

191. Import taxation is specific when the country is part of an economic bloc. The Common Market of the South (Mercosur) was established in 1991 as a free trade zone between Brazil, Argentina, Paraguay and Uruguay, so that these countries did not impose taxes or restrictions on reciprocal imports. Since 1995, the bloc has taken an important step towards the constitution of a common customs union, with the approval of the Common External Tax (TEC), by which the member countries started to apply the same importation tax rate for the products from countries outside Mercosur.

192. Such common customs union is called imperfect because it includes specific exceptions mechanisms to the TEC, such as in the case of importation of capital goods, computer and telecommunications equipment, and in the case of a shortage of the domestic market. The bloc allows its countries to establish a List of Exceptions to the TEC (Letec), in order to set differentiated rates that respect their socio-economic particularities and that protect their internal market.

193. As decided by the Common Market Council (CMC), Brazil may select, to be in force until 2021, one hundred exception codes to the TEC (CMC Decisions 58/2010 and 26/2015). Such temporary exceptions may include rates lower or higher than those defined in the TEC, provided they do not exceed the rates defined by the World Trade Organization (WTO). Every six months, Brazil may review up to a fifth (20%) of the codes provided in its list of exceptions.

194. In the structure of the Federal Executive Branch, the Chamber of Foreign Trade (Camex) is the responsible body to set the importation tax rates and responsible for the management of the Letec (Decree 4.732/2003, article 2, item XIV). The Camex is a collegiate body, which includes the Presidency of the Republic and deliberates through resolutions (Law 13.502/2017, article 2, paragraph 1, item VII). The Council of Ministers is the superior and final deliberation body of the chamber, composed of eight Ministers of State. In turn, the executive core of the chamber is the Executive Management Committee (GECEX). The composition of these two bodies is presented in the following table:

Chart 1 - Composition of Camex

Body represented	Council of Ministers	Executive Management Committee (Gecex)
Office of the Chief of Staff of the Presidency of the Republic (CC/PR)	Chief Minister (President of the Council)	Executive Secretary
General Secretariat of the Presidency of the Republic (SG/PR)	Chief Minister	Special Secretary for Strategic Affairs
Ministry of Industry, Foreign Trade and Services (MDIC)	Minister	Minister (President of the Gecex)
Ministry of Planning, Development and Management (MP)	Minister	Executive Secretary
Ministry of Foreign Affairs (MRE)	Minister	Secretary General
Ministry of Finance (MF)	Minister	Executive Secretary
Ministry of Agriculture, Livestock and Supply (MAPA)	Minister	Executive Secretary
Ministry of Transport, Ports and Civil Aviation (MTPA)	Minister	Executive Secretary
Chamber of Foreign Trade (Camex)	-	Executive Secretary (non-voting)

Source: Decree 4.732/2003.

195. These representatives deliberate upon proposals submitted to them by intra-governmental technical groups of the Camex, which produce studies and guide applications for changes in the import tax rate. One of these groups is the Technical Group on Temporary Alterations of the Common External Tax (GTAT-TEC), established in 2012, and composed of representatives of the ministries that comprise the council, with the task of giving professional opinions on the claims for inclusion, maintenance and exclusion of products in the Letec. In the process of analyzing the claims, Camex representatives may request technical notes from ministries, bodies and public entities that do not have representation on the Council of Ministers or the executive group, in order to obtain more information about the market in which the claimed product is present.

196. Accordingly, changes in the import tax rate are made by a Camex act, without the need for approval by the National Congress (CF/88, article 153, §1, STF, Plenary Session, RE-RG 570.680, DJe 4/12/2009). In addition, the rate changes of the II are not submitted to the process under article 14 of the Fiscal Responsibility Law (LRF), Complementary Law 101/2000, which requires a triennial estimation of budgetary and financial impact and demonstration of the forecast of the tax relief to the budget or compensation measures by means of increase of another tax (LRF), article 14, paragraph 3).

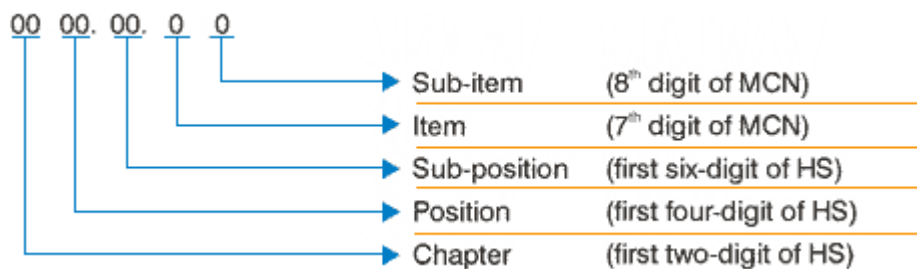
197. The tax structure approved by Mercosur includes increasing rates of two percentage points (2%), according to the degree of complexity of the product along its productive chain; that is, the higher the added value of the product, the higher the tax rate. In this way, the raw materials are taxed at rates ranging from zero to twelve percent (0-12%); capital goods are taxed at between twelve and sixteen percent (12-16%); and consumer goods are taxed between eighteen to twenty percent (18-20%).

198. The standardization of the classification of products traded on the international market is made through the Mercosur Common Nomenclature (MCN), created in 1995 based on the Harmonized Commodity Description and Coding System (HS), which is an internationally used method for classification of goods.

199. The purpose of the MCN is to facilitate the identification of the products, besides serving as a parameter in the taxation. The importer shall indicate on the importation license form the MCN code of the products which it intends to import. Likewise, the rates of II, IPI, Cofins and the contribution to PIS/Pasep are indicated in the legislation based on the MCN code of the products.

200. The MCN code consists of eight digits, which identify the chapter, position, sub-position, item, and sub item, as shown in Image 8:

Image 8 - MCN Code Structure



Source: adapted from Pelaez, *et al.*, 2012.

201. The first six digits of the code come from the HS, and the last two digits identify Mercosur own specifications. For example, Chapter 38 of that nomenclature concerns various products of the chemical industries. Within this chapter, position 3808 identifies the following products:

Insecticides, rodenticides, fungicides, herbicides, germination inhibitor products and plant-growth regulators, disinfectants and similar products, presented in forms or packaging for retail sale, or as preparations or articles such as tapes, sulfur candles and fly paper. (Decree 8.950/2016, Appendix)

202. In the scope of this audit, all products listed under position 3808 of the MCN, with the exception of disinfectants, are considered to be pesticides.

203. The rates of importation tax on pesticides for Mercosur countries vary between 8 and 14%, according to the table of the Common External Tax (Camex Resolution 125/2016, Annex I). However, the Brazilian list of exceptions to the TEC (Letec) reduces the rate for several pesticides to zero (Annex II of that resolution), as can be seen in Table 5:

Table 5 - II Rates for pesticides

MCN	Description	TEC	Brazilian Letec
	Insecticides based on acephate or <i>Bacillus thuringiensis</i>		
3808.91.91	Ex 001 - Based on <i>Bacillus thuringiensis</i> , var. <i>Kustaki</i>	14%	0%
	Ex 002 - Based on <i>Bacillus thuringiensis</i> , var. <i>Aizawai</i>		0%
	Ex 003 - Based on <i>Bacillus thuringiensis</i> , var. <i>Israelensis</i>		0%
3808.91.99	Other insecticides	8%	0%
3808.92.99	Other fungicides	8%	0%
3808.93.29	Other herbicides, germination inhibitors and growth regulators for plants	8%	0%

Source: developed by the audit team, based on Appendices I and II of Camex Resolution 125/2016.

204. Therefore, the Brazilian importation tax rate is zero for several pesticides classified in the MCN under codes 3808.91.91, 3808.91.99, 3808.92.99 and 3808.93.29.

205. Finally, it should be pointed out that the beneficiaries of the relief of II tax are not obliged to make any consideration to the State to enjoy the benefit, simply stating in the importation license that the imported product is included in the Letec code.

Tax on Industrialized Products (IPI)

206. The tax on industrialized products is an extra-fiscal tribute under the responsibility of the Federal Government (CF/88, article 153, item IV), concerning the aggregation of value in the chain of industrialization, through processes of transformation, processing, assembly, packaging, repackaging, renovation or reconditioning (Decree 7.212/2010, article 4). It is a selective tax, based on the essentiality of the product, also non-cumulative, and it is necessary to offset the amount due in each operation with what was paid in the previous ones (CF/88, article 153, paragraph 3, items I and II). Its main generating facts are the customs clearance of foreign industrialized products and the export of national products from companies based in the country (CTN, article 46).

207. The Executive Branch has constitutional and legal authorization to change the rates of the IPI, without the need for approval of a bill in the National Congress (CF/88, article 153, paragraph 1, Decree-Law 1.199/1971, article 4). In addition, the LRF does not require from the change in the IPI tax rate an estimate of the three-yearly budgetary and financial impact, a statement of forecast of the tax relief in the budget or the implementation of a compensation measure through revenue increase (LRF, article 14, paragraph 3).

208. Currently, the tax rates are defined in the IPI Incidence Table (TIPI), approved by Decree 8.950/2016, with subsequent amendments. In the case of pesticides considered in the scope of this audit, the IPI rate is 0% (MCN codes within position No 38.08, except for disinfectants, within sub-position 3808.94).

209. As for II tax, the beneficiaries of IPI tax relief are not obliged to make any consideration to benefit from the tax incentive, as it is enough to show that the product falls within the classification provided for in the TIPI.

Contributions (Cofins and PIS/Pasep)

210. The Contribution for Social Security Financing (Cofins) is a federal government tax, of which collection is intended to finance social security (CF/88, article 195, item I, Complementary Law 70/1991). Cofins applied to the monthly billing of legal entities under private law, and its collection includes the social security budget, destined to cover state expenditures with health, welfare and social assistance activities.

211. The contribution to the Social Integration Program (PIS) and to the Program for the Civil Servant Fund (Pasep) are intended for the program of unemployment insurance and salary bonus (CF/88, article 239, Complementary Laws 7/1970 and 8/1970). The PIS is intended for employees of private companies and Pasep, for public servants. This contribution applies to billing, importation and payroll of legal entities under private law.

212. Law 10.925/2004, ruled by Decree 5.630/2005, reduced to zero the rates of Cofins and the contribution to the PIS/Pasep applied the importation and the domestic market of fertilizers and agricultural defenses.

213. The tax relief resulting from this rate change generates a waiver of revenue. Therefore, there is incidence of article 14 of the LRF, which requires a three-year budget financial impact estimate, in addition to demonstrating that the waiver was considered in the budget or waivers compensation measure, through revenue increase.

214. Lastly, it should be noted that this waiver of revenue does not demand its beneficiaries to meet any requirements or conditions.

Finding 3: Absence of monitoring and evaluation of federal tax relief related to the importation, production and sale of pesticides

215. The Federal Government does not monitor and evaluate the tax reliefs of the Importation tax (II), the Tax on Industrialized Products (IPI), the Contribution for the Financing of Social Security (Cofins) and the Contribution to the Social Integration Program and to the Civil Servant Fund (PIS/Pasep), applied to the activities of importation, production and commercialization of pesticides. The few data available in public administration are not integrated and, when disclosed, are presented in aggregate form, which prevents their in-depth analysis. As a result, the tax relief granted to the pesticides sector, which exceeds one billion reais annually, undergoes no governmental management.

216. According to the Public Policy Governance Assessment Benchmark (TCU, 2014), public policies must include routines to follow up on their actions, so that the results can be measured and used in the improvement of the policy itself. Continuous monitoring and periodic evaluation of results are requirements for achieving the goals and for improving government performance. In order to accomplish that, some best practices stand out: sufficient availability of reliable and relevant data to support policy performance reports; identification of key players responsible for the provision and use of data and information; development of mechanisms to monitor, evaluate and report the results of cooperative efforts (TCU, 2014).

217. Tax reliefs – whether they are tax expenditures or not – are state incentives to the development of certain economic activities. Thus, the production of knowledge about the results of the reliefs is essential to give feedback to the governmental decision-making process regarding the maintenance, renewal, change or extinction of such tax incentives.

218. The TCU, in TC 018.259/2013-8, found several governance failures regarding the concession of tax exemptions in general in Brazil. In that report, the TCU determined to the Federal Government the adoption of actions to establish mechanisms for monitoring and assessment of tax benefits (Judgment 1.205/2014 - Plenary Session, items 9.2.1 and 9.2.2).

219. The importance of producing assessment information on tax relief has also been expressly mentioned in the Brazilian legal system, at various times.

220. In the 1988 Transitory Constitutional Provisions Act (ADCT), a reassessment of all tax reliefs granted until October 5, 1988, was established, automatically cancelling all those that were not confirmed within two years of that date, that is, until 5/10/1990 (Article 41).

221. The Fiscal Responsibility Act (LRF), Supplementary Law 101/2000, requires the assessment of budgetary and financial impact of any concession or extension of incentive or tax benefit that results in a waiver of revenue (LRF, article 14) In addition, it is necessary for the waiver to be considered in the estimate of revenue of the annual budget, or for a compensation measure to be applied through an increase in revenue, through a change in rate, base of calculation or creation of tax.

222. In the regulatory context, it is required that the normative drafts that generate income waivers include assessments on the impact of the measure on the environment and on other public policies, including possible interactions or overlaps (Decree 9.191/2017, article 32, item VI). In addition, the assessment, whenever possible, of costs and benefits of proposals for the concession of tax incentives was established as a guideline of public governance in the federal public administration (Decree 9.203/2017, article 4, item VII).

223. Moreover, a specific international criterion for pesticides can be found in a joint publication of the World Health Organization (WHO) and the World Food Organization (WFO). The International Code of Conduct on Pesticide Management recommends that governments collect and record data on imports, exports, manufacture, formulation, quality and quantity of pesticides, as well as their use (item 6.1.11 of such Code). The objective of this monitoring is to evaluate the possible

effects of these substances on human and animal health and the environment, in addition to monitoring the trends of pesticide use.

224. In this way, the literature on public governance, international documents and the Brazilian legislation itself recognize the relevance of the government to carry out routine monitoring and evaluation of tax incentives.

225. However, the Brazilian Federal Government does not have routines or methodology for monitoring and evaluating the tax reliefs of II, IPI, Cofins and PIS/Pasep contributions related to pesticides. There are no objectives, goals or indicators to measure the efficiency or effectiveness of such measures, so no evaluation information is produced in order to provide feedback to the decision-making process regarding the maintenance, renewal, change or extinction of each tax incentive.

226. One of the factors that causes this situation is the absence of a readily available definition of who is the governmental body responsible for managing these tax reliefs. This governance failure occurs in the tax benefits in general, as was already verified by the TCU, which recommended to the Federal Government to assess the validity of assigning to a body from the Executive Branch the role of supervising tax benefits without an identified responsible body (TC 018.259/2013-8, Judgment 1.205/2014-Plenary Session, item 9.2.1).

227. It was found that the legislation establishing tax reliefs for pesticides does not bring any orientations on the monitoring and evaluation of such measures (Law 8.032/1990, Camex Resolution 125/2016, Decree 8.950/2016, Law 10.925/2004). In addition, there is not even an informal definition of which body or entity of the public administration would have the duty to collect data regarding such reliefs, in order to produce evaluative information about its results.

228. The questioning of the audit team was addressed to the bodies that act in the tax policy (MF, RFB), in the registration and inspection of pesticides (MAPA, IBAMA, Anvisa), in budget planning (Ministry of Planning), in ministerial supervision (Office of the Chief of Staff of the Presidency of the Republic) and foreign trade policy (MDIC, Camex). The analysis of the answers leads to conclude that none of the consulted bodies and entities monitor or evaluates the tax relief for pesticides, because they do not consider themselves responsible for this matter.

229. The responsibilities that are closest to the monitoring and evaluation of tax reliefs are those of the Department of Federal Revenue of Brazil (RFB), provided for in items VII and XI of article 25 of Annex I of Decree 9.003/2017 (MF Bylaws):

Article 25. The Department of Federal Revenue of Brazil is responsible for: (...)

VII - **monitor** the implementation of tax and customs policies and study their social and economic effects; (...)

XI - **estimate and quantify** the waiver of applied revenues and evaluate the effects of tax reductions, tax exemptions and tax incentives or reliefs, except for the responsibility of other bodies that also deal with the matter; (...).

230. Thus, it is possible to interpret that it is under RFB's responsibility to carry out studies on the social and economic effects of the pesticide tax exemption policy, and to evaluate the effects of such tax incentives. However, the RFB understands that its attributions and regulatory responsibilities "do not include monitoring actions, qualitative evaluation and measurement of results of public policies funded by tax resources". The responsibility of the body would be limited to the preparation and publication of the statements of the fiscal effects of such measures.

231. This understanding was corroborated by the Ministry of Finance's response that the responsibility for assessing the impacts of these incentives would be on the **line ministry** which proposes the adoption of tax reliefs. The ministry also reported that it did not identify *ex ante* or *ex post* evaluations of its authorship on the relevance and financial or budgetary impacts of the II and IPI reliefs for pesticides, nor any studies prior to or following the adoption of the zero tax for Cofins and the contribution to PIS/Pasep on pesticides. Finally, the ministry argued that a presidential decree

could define the agency responsible for managing policies financed by tax expenditures or financial and credit benefits.

232. However, the line ministries do not monitor this. The Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) and the National Health Surveillance Agency (Anvisa) have stated that they do not have the responsibility to monitor, control or evaluate the results of pesticide tax reliefs. In addition, IBAMA has indicated that it is interested in knowing the effects of these reliefs, since they represent measures with potential to interfere in the production, importation, commercialization and consumption of pesticides.

233. The Ministry of Agriculture, Livestock and Food Supply (MAPA) only answered to the questions regarding the process of inspection of the importation, production and commercialization of pesticides, including the respective data. The ministry did not express its opinion on the tax reliefs because the matter was not under its responsibility.

234. The Office of the Chief of Staff of the Presidency of the Republic has stated that it has no legal responsibility or expertise to propose acts that result in tax reliefs, nor to monitor and evaluate any type of tax relief. Its responsibility to evaluate and monitor the governmental action and the management of bodies and entities of the federal public administration is exercised only in relation to the programs and projects deemed by the Presidency of the Republic as priorities (Decree 8.889/2017, Annex I, article 8, item II).

235. The Ministry of Planning, Development and Management (MP) has argued that it has no responsibility over the monitoring and evaluation of tax reliefs, according to Decree 9.035/2017. It mentioned the Federal Accounting System, whose purposes include the disclosure of the waiver of revenues by branches and federal entities (Law 10.180/2001, article 15, item VII). In this system, according to the MP, it would be the RFB's responsibility to monitor and evaluate the effects of the waivers, and the National Treasury Department's responsibility to disclose them in the accounts.

236. The Ministry of Industry, Foreign Trade and Services (MDIC) declared that it does not have access to information regarding the relief of the importation tax, and that it has no responsibility for monitoring, controlling and evaluating this tax incentive.

237. Finally, the Chamber of Foreign Trade (Camex) brought information about its operation in general. With regard to the TCU's inquiries, it was noted that data on pesticides exempt from importation tax are not available because the respective claims are outdated.

238. In conclusion, there is no formal or informal definition of a branch or federal entity responsible for monitoring and evaluating the tax reliefs granted to pesticides in Brazil. This corroborates TCU's findings in the governance survey of revenue waivers (TC 018.259/2013-8, Decision 1205/2014-Plenary Session).

239. Another relevant issue is the lack of legal provision for a term of validity of the tax reliefs granted to pesticides. The absence of a time frame for the end of the benefit causes it to never be evaluated by the government, meaning it ends up integrating the very structure of the tax and becoming part of the taxpayer's legal assets as a right. On the other hand, in cases in which tax relief is granted with a period of validity, a process of periodic reevaluation of the measure is executed, as the extension of the relief requires an unequivocal positive manifestation of the state's will.

240. Regarding the deadline, the TCU recommended to the Office of the Chief of Staff of the Presidency of the Republic that, upon analyzing proposals for normative acts that result in tax exemptions, to evaluate the tax term in order to guarantee periodic reviews of tax benefits (TC 018.259/2013-8, Decision 1.205/2014-Plenary Session, item 9.1.2).

241. In the case of pesticides, the first step the Executive Branch can take is to define a body responsible for managing and supervising each tax relief, as well as a methodology for data collection and evaluation, with objectives, goals and criteria. From these definitions, it will be possible to begin

the development of a process of periodic revaluations of these tax reliefs that allow to provide feedback to the decision-making process on their maintenance, renewal, change or termination.

242. Finally, another factor that contributes to the absence of a monitoring and assessment process of tax incentives is the lack of integration among public bodies responsible for state intervention in the pesticide market. Data and information on registration, importation, smuggling, agronomic prescription, inspection of the use, production and taxation of pesticides in Brazil, as well as on the development of more sustainable technological alternatives for control of agricultural pests are fragmented. This limits the performance of auditing entities and makes it impossible to produce evaluative information on the tax reliefs of this market.

243. It should be made clear that the Federal Government currently has some data on the pesticide market. However, there are several flaws related to the lack of cross-referencing of existing data, the lack of integration of databases, the disaggregation of available data and the lack of incorporation of relevant metadata into existing information systems.

244. For example, institutions responsible for registration of pesticides in Brazil (MAPA, IBAMA and Anvisa) still do not use an integrated information system. The Pesticides Information System (SIA), provided for in article 94 of Decree 4.074/2002, has not yet been implemented, making it difficult to obtain accurate information about the registered products. The TCU, upon monitoring the audit of the pesticide registration process, again determined the implementation of this system (TC 010.084/2017-7, Decision 2.253/2017-Plenary Session, TC 011.726/2013-0, Decision 2.303/2013- Plenary Session).

245. It was also found that there is no integration of data concerning national production and importation of pesticides.

246. The Phytosanitary Pesticides System (Agrofit), maintained by MAPA, contains the quantities of pesticides produced, imported and marketed in the country, by active ingredient, state and semester, based on information provided by the producing and importing companies (Article 41 of the Decree 4.074/2002). This system does not associate the products with their MCN code, which would be useful metadata in the system and would allow comparing the information with other governmental databases that deal with the importation of goods in the country.

247. The data on imported quantities of pesticides are also present in two other government databases: the International Traffic Information System for Agricultural Products and Inputs (SIGVIG) and the reports published by IBAMA, based on information provided by the companies that import, produce, export and formulate pesticides (Article 41 of Decree 4.074/2002). Although the data are conceptually the same, it has been found that there is inconsistent information across them, such as the total amount of pesticides imported in the years 2015 and 2016, so that a more detailed data cross-checking was not possible.

248. On the other hand, the Integrated Foreign Trade System (Siscomex), managed by the MDIC, contains data on import licenses for products, indicating the values by MCN code. However, the MCN codes assigned to pesticides do not allow the precise identification of the products. In addition, the platform that allows public access to part of Siscomex data is the Aliceweb, whose search mechanism allows to obtain only the information in an aggregated way, by MCN and period.

249. In addition, environmental and sanitary bodies and entities (MMA, IBAMA, MS, Anvisa) do not participate in the process of analyzing the claims for changing the tax rate on the importation of pesticides. Among the bodies responsible for registration of pesticides, only MAPA integrates the deliberative collegiate bodies for the Brazilian foreign trade policy.

250. Moreover, estimates of revenue waivers produced by the Department of Federal Revenue of Brazil on the staple food relief are published in the DGT in aggregate form, without identifying the amount of waiver that refers to the exemption of pesticides (agricultural defenses). These data do

not provide feedback to the production of knowledge about the pesticides market, which would be useful in planning the inspection actions of the competent bodies (MAPA, IBAMA and Anvisa).

251. The DGT is also not evaluated in depth in the process of federal budget planning, according to information from the Ministry of Planning (document 130, page 7), although it is a mandatory statement for budget consideration (CF/88, article 165, §6). Thus, the process of allocating budgetary resources does not include the possibility of reviewing tax reliefs, which reduce the potential of revenue collection by the State.

252. This situation arises from an organizational culture of isolation of public databases. In order to solve this problem, Decree 8.789/2016 determined the sharing of databases in federal public administration, excluding only the data protected by fiscal confidentiality, under the management of the RFB (article 1, paragraph 1). This rule helps to streamline data sharing, but does not address the previously mentioned issue of organizational culture.

253. It was also verified that some important data and information do not exist in the Federal Government. The Ministry of Finance did not locate the study on the financial and budgetary impact of the revenue waiver granted by means of the reduction of the Cofins tax rate and the PIS/Pasep tax contribution, nor did it assess the fiscal and socioeconomic effects of the relief (document 133, p.43). Also, there have been found no analyses prior to or after the granting of tax reliefs of II and IPI for pesticides (document 133, page 42).

254. In summary, the few data available on tax reliefs for pesticides are dispersed in the public administration and are not integrated in order to produce knowledge about the pesticide market in Brazil and to allow state intervention in the sector to make it more efficient and effective. The communication between state processes of pesticide registration, definition of foreign trade policy, estimation of tax relief and federal budget planning is poor. One possible way to mitigate this problem is to define a body responsible for managing tax reliefs granted to pesticides, to gather the information available and to demand data from public bodies and entities, in order to conduct periodic evaluations of the efficiency and effectiveness of these reliefs.

255. The main effect of the absence of monitoring and evaluation of the tax reliefs in force is the lack of assessment of the impact of tax incentives granted to the activities of importation, production and commercialization of pesticides. That is, there is no evaluation on whether the tax reliefs generate the expected results. Another immediate effect is the lack of knowledge by the government on the size and traits of the pesticides market, whose regulation is under responsibility of the State in several stages of the process (registration, review, importation, production, marketing, use, monitoring and control of residues, control of smuggling, among others). Consequently, there is no governmental management of tax reliefs granted to pesticides, whose estimate exceeds one billion reais per year.

256. Based on these considerations, it is recommended to the Office of the Chief of Staff of the Presidency of the Republic, jointly with the other branches and federal entities, members of the regulation system of the pesticide market in the country (MF, MAPA, MS, Anvisa, MMA and IBAMA), to assign the responsibility for supervising the tax reliefs commented in this finding, as well as for developing mechanisms for their periodic monitoring and evaluating, to a body or entity within the Executive Branch. In addition to that, it is recommended to the Department of Federal Revenue of Brazil to promote the disaggregation and dissemination of tax relief data for pesticides and similar items that make up the item "Staple Food Relief" in the DGT.

257. With the adoption of the recommended measures, the Federal Government is expected to be able to monitor and evaluate the tax reliefs granted to pesticides, with transparency and integration of the bodies involved, in order to provide feedback to the decision-making process regarding maintenance, renewal, change or extinction of these tax incentives.

Finding 4: Tax reliefs granted to pesticides without distinction of rates regarding the level of toxicity to human health and the potential hazard to the environment

258. The tax reliefs granted in Brazil to pesticides do not consider the level of toxicity and the potential hazard to the environment of these products, equally benefiting pesticides that are extremely or slightly toxic, and extremely or slightly hazardous to the environment. This may discourage the development of more sustainable alternatives for human health and the environment.

259. According to Law 7.802/1989 – which provides for the registration and classification of pesticides –, the production, handling, importation, exportation, sale and use of such products in the national territory can be only carried out with prior registration by the responsible federal body. One of the information contained in the registry is the description of the classification of toxicity to human health and the potential hazard to the environment. Thus, individual classifications are assigned for each pesticide in relation to the potential impacts on human health and the environment that may arise from its use.

260. **Toxicity** can be understood as a measure of the potential toxicity of a substance. The evaluation of the toxicity of a pesticide is performed by means of a study of the biological, biochemical and toxicological data of the product, with the objective of understanding its effect in test animals (lethal dosage) and to determine the risks to human health (RUPPENTHAL, 2013).

261. According to article 6, item I, of Decree 4.074/2002, the Ministry of Health is responsible for the toxicological classification of pesticides. Ordinance 03/MS/SNVS, of January 16, 1992, item 1.4.1, establishes for Brazil the following toxicological classification of pesticides:

Table 6 – Pesticides toxicity classes

Toxicity class	Description
I	Extremely toxic product
II	Highly toxic product
III	Moderately toxic product
IV	Slightly toxic product

Source: Anvisa website (www.anvisa.gov.br). Accessed on 12.2.2018.

262. The **potential hazard to the environment** is an assessment of how dangerous pesticides can be to the environment. The classification of potential hazard to the environment is based on the parameters of bioaccumulation, persistence, mobility and toxicity to aquatic organisms, birds, bees, mammals and organisms in the soil (IBAMA, 2018).

263. Article 7, item II, of Decree 4.074/2002, establishes that it is the responsibility of the Ministry of the Environment to classify the pesticides' potential hazard to the environment. By means of Decree 6.099/2007, article 1, item IX, IBAMA was delegated the responsibility to conduct this classification. The IBAMA Normative Ordinance 84, dated October 15, 1996, classifies such products according to the following framework:

Table 7 - Classification of pesticides' potential hazard to the environment

Classroom	Description
I	Highly dangerous product
II	Very dangerous product
III	Moderately dangerous product
IV	Slightly dangerous product

Source: IBAMA website (www.ibama.gov.br). Accessed on 12.2.2018.

264. Depending on the characteristics of the product, it is not classified as per its toxicity and/or its environmental hazard. It is the case of some biological control agents, biological and defensive insecticides based on semiochemicals, which are traps similar to natural pheromones.

265. In Brazil, there are 1,850 registered pesticides, according to data from the Pest Control System (Agrofit) made available by MAPA. Chart 2 shows the amount of pesticides registered according to their toxicity and environmental hazard classification:

Chart 2 - Number of pesticides registered according to toxicological and environmental hazard classification

	Potential hazard to the environment classification						Total
		I	II	III	IV	N/C*	
Toxicological Classification	I	43 (2.3%)	396 (21.4%)	187 (10.2%)	9 (0.5%)	-	635 (34.3%)
	II	14 (0.8%)	158 (8.5%)	86 (4.6%)	15 (0.8%)	-	273 (14.8%)
	III	13 (0.7%)	266 (14.4%)	302 (16.3%)	43 (2.3%)	-	624 (33.7%)
	IV	1 (0.1%)	39 (2.1%)	117 (6.3%)	110 (5.9%)	7 (0.4%)	274 (14.8%)
	N/C*	-	-	-	40 (2.2%)	4 (0.2%)	44 (2.4%)
Total		71 (3.8%)	859 (46.4%)	692 (37.4%)	217 (11.7%)	11 (0.6%)	100.0%

* N/C = not classified.

Source: developed by the audit team based on data from Agrofit 2017.

266. Chart 2 shows that the largest group of registered pesticides is highly toxic to humans (toxicological class I) and also very dangerous for the environment (environmental hazard class II), with 21.4% of total registrations. It also shows that about 35% of the registrations refer to pesticides that are Class I in the toxicity and/or environmental hazard.

267. Chart 3 shows the effective amount, in tons, of national production and import of pesticides by toxicological classification and environmental hazard:

Chart 3 - National production and importation quantities of pesticides in 2016, according to toxicological and environmental hazard classifications (in tons)

Toxicological classification	Environmental hazard classification	National production	Importation
I	I	530.187	1,568.025
	II	46,338.999	79,169.066
	III	6,073.943	15,650.779
	IV	31.976	381.786
II	I	2,578.787	3,997.564
	II	15,487.670	24,542.756
	III	2,224.604	6,429.434
	IV	50.366	167.835
III	I	57.552	0.246
	II	15,322.558	35,419.035
	III	46,230.803	140,528.004
	IV	559.335	458.892
IV	I	55.640	88.360
	II	5,069.492	5,541.890
	III	1,919.951	3,199.590
	IV	1,422.789	3,431.576
N/C*	IV	0.056	0.014
		143,954.708	320,574.852

* N/C = not classified.

Source: developed by the audit team based on a cross-referencing of the Agrofit data and IBAMA's semi-annual reports, based on the product registration number.

268. The data in Chart 3 demonstrates the distribution of the national production and importation of pesticides in Brazil according to their toxicological and environmental hazard classification. Pesticides that are extremely toxic (I) and very dangerous to the environment (II) accounted for one third of domestic production in that year (32%) and one quarter of imports (25%). Meanwhile, products that are moderately toxic (III) and moderately dangerous to the environment (III) accounted for another third of national production (32%) and 44% of imports. It is worth mentioning that these data are calculated by IBAMA based on reports delivered biannually by importing, exporting, producing and formulating companies, as per article 41 of Decree 4.074/2002.

269. Regarding the tax incentives for pesticides that were the object of this audit, none of the legal regulations defining the rates of II, IPI, Cofins and the contribution to PIS/Pasep refer to the level of toxicity to humans or the potential hazard to the environment.

270. In the case of II, the rates presented in the TEC for pesticides classified under position 3808 of the MCN range from 8% to 14% (Annex I to Camex Resolution 125/2016). This variation in rates is due to the level of product's value aggregation, aiming to tax more heavily the products with higher added value. Therefore, rate differentiation does not take into account toxicity or potential hazard to the environment.

271. On top of that, some pesticides are also present in Letec, so their II tax rate is zero (Table 5), regardless of its toxicological and environmental hazard classification. For example, the active ingredient for "clomazone" herbicides is used in the formulation of various pesticides classified as highly toxic (class I) and as very dangerous to the environment (class II). Notwithstanding, the tax rate for importation of this product is zero.

272. In addition, it was verified that in the period from 2015 to 2017, fourteen pesticides classified as extremely toxic (class I) and as highly dangerous to the environment (class I) were imported into Brazil (item 134). Ten of these fourteen products have their MCN codes listed in Letec, which means that II tax rate for them is zero.

273. Camex gave no explanation as to why these pesticides receive a zero rate for II. According to the body, the information on tax reduction claims prior to 2006 is not available, since the filing process was only defined and standardized in 2007, with the creation of a standard form.

274. As for the IPI, it was verified that the tax rate is zero for all products classified in position 3808 of the MCN, which is replicated in the Table of Incidence of the Tax on Industrialized Products (TIPI), included in the Annex to Decree 8.950/2016. The only exception is disinfectants (sub-position 3808.94), with rates ranging from 5% to 30%, but they are not part of the scope of this audit. Also in the case of IPI, it was found that the fixation of this rate does not consider the level of toxicity nor the environmental hazard of pesticides.

275. Lastly, the zero rate for Cofins and the PIS/Pasep contribution also does not take into account the level of toxicity or the environmental hazard of pesticides. According to Law 10.925/2004:

Article 1 The rates of the contribution to the PIS/PASEP and the Contribution to the Social Security Financing (COFINS) imposed on the importation and on the gross sales revenue in the domestic market of (...) are reduced to 0 (zero)

II - agricultural defense products, classified in position 38.08 of TIPI and its raw materials; (...)

276. Item II of article 1 of the law presents two interesting information. First, the rate of those contributions was reduced to zero for all products falling within position No. 3808 of the TIPI (MCN), without any distinction about level of toxicity and environmental hazard. Second, the term used to refer to pesticides is "agricultural defenses," as mentioned earlier in this report.

277. Thus, pesticides that are extremely toxic to humans and those that are highly hazardous to the environment benefit from the same tax reliefs granted to products that are less toxic and less dangerous to the environment. This may stimulate the use of pesticides that are more harmful to human health and the environment, rather than encouraging the use and development of less harmful alternatives.

278. By not considering the level of environmental hazard in these reliefs, the Brazilian does the very opposite of what is established in the articles 225 and 196 of the CF/88, as well as the Environmental Law of the polluter-pays and the precautionary principle.

279. According to article 225 of the Constitution, "All have the right to an ecologically balanced environment, which is an asset of common use and essential to a healthy quality of life, and both the Government and the community shall have the duty to defend and preserve it for present and future generations." In turn, the article 196 of CF/88 states that "Health is a right of all and a duty of the State and shall be guaranteed by means of social and economic policies aimed at reducing the risk of illness and other hazards and at the universal and equal access to actions and services for its promotion, protection and recovery." Thus, government has a key role in ensuring both the integrity of the environment and the integrity of the population's health.

280. The polluter-pays principle states that "national governments should encourage the internalization of environmental costs by the polluter, and the use of economic instruments that imply that the polluter should, in principle, bear the costs of environmental degradation." This principle was incorporated into the Brazilian legal system as of the signing of the Rio Declaration on Environment and Development, an official document approved by more than 170 countries at the United Nations Conference on Environment and Development, also known as "Rio 92".

281. In turn, the precautionary principle, also provided for in the Rio Declaration, establishes:

In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation. (UN, 1992)

282. These two environmental law principles state that the national authority should seek to promote the payment of environmental costs and the adoption of economic instruments as a means to prevent environmental degradation. The joint analysis of these principles along with the two previously mentioned constitutional excerpts leads to the understanding that the granting of tax reliefs to pesticides that are extremely toxic to human health and highly dangerous to the environment defies fundamental rights to health and the balanced environment, and is incompatible with the polluter-pays and precautionary principles.

283. In addition, Brazil has committed to implement the SDGS, including target 2.4, which seeks to ensure sustainable food production systems. In this sense, government actions are necessary to promote a process of transition to a more sustainable agriculture, including the reduction of risks and negative effects associated with the use of pesticides harmful to health and the environment.

284. FAO (2016) proposes, as a possible action for discouraging the use of highly hazardous pesticides, the adoption of financial incentives, such as subsidies or taxation, aiming to favor low-risk products such as biological control agents and bio-pesticides rather than dangerous products.

285. Some European countries, such as Denmark, Norway and France, have been adopting specific taxation systems for pesticides for more than a decade (BOCKER and FINGER, 2016). In Denmark and Norway, the tax on pesticides is paid in proportion to the health, environmental and groundwater impacts of the products. The pesticides with greater environmental and health impact are more heavily taxed, aiming to provide greater economic incentives for the use of pesticides with less impact on the environment and health. In France, taxation is determined in proportion to three categories of pesticides: (i) slightly toxic and dangerous to the environment; (ii) potentially hazardous to the environment; and iii) highly toxic to humans (BOCKER and FINGER, 2016).

286. Mexico introduced a proportional tax system for pesticides with higher toxicity in 2014 and reliefs for products with lower toxicity (OECD, 2015, KPMG, 2017).

287. Pesticides play an important role in maintaining and increasing agricultural productivity. Losses due to pests in agriculture, in the lack of mechanisms for their control, vary according to the fluctuations of agro-climatic, ecological and socioeconomic conditions, among others. Most scientific studies place these losses between 30% and 40% of the total crop, with highest values occurring in developing countries (YUDELMAN et al. (1998) *apud* SILVA and COSTA, 2012).

288. However, the use of pesticides that are highly toxic and highly dangerous to the environment generates negative externalities, such as contamination of agricultural land, food and water both on the surface and underground, causing negative effects on terrestrial and aquatic organisms and human intoxication (consumers, workers and farmers). The notifications of pesticide poisonings increased gradually between 2007 and 2014, according to Anvisa (ANVISA, 2016b).

289. A negative externality is a type of market failure that can be understood as a harmful effect caused by a given economic activity on third parties who are not involved in the activity. If the externality is not internalized in the production, this means that the product's price does not include the environmental and social losses of its production or consumption (environmental and social costs). For many authors, it is up to the state to prevent or inhibit the spread of negative externalities, through the use of economic instruments to internalize these social costs, such as taxation and/or subsidies (MOTTA *et al.*, 1996; JURAS, 2009; UNDP, 2017).

290. A tax on pesticides can help correct the market failure related to the inability to incorporate their social and environmental costs into the price of pesticides (UNDP, 2017). At the same time, the tax generates a revenue stream that could be directed to mitigate the environmental

impacts of pesticides, adopt more sustainable agricultural practices, and promote research and development of less harmful technological alternatives, as done in Denmark and France (BOCKER and FINGER, 2016). The objective of taxation is not only to make polluters pay for the damage (polluter-pays principle), but also to induce behavior changes, encouraging the use of less harmful products.

291. It is undeniable that pesticides can improve crop production, food safety and product quality, resulting in higher profits (and possibly more job positions) in the agricultural sector. Considering that, the objective of taxation is not to eliminate the use of pesticides, but to promote the transition to more sustainable agricultural practices, reducing the use of products that are harmful to the environment and human health, without affecting agricultural productivity (UNDP, 2017).

292. IBAMA commented on this issue when answering to the Federal Supreme Court in order to subsidize the judgment of the Direct Action of Unconstitutionality 5.553, proposed against the tax relief of IPI and ICMS for pesticides:

These tax benefits also do not distinguish the products by classes of environmental hazard or toxicity to the human being, equally contemplating all pesticides and similar items that have biocidal action. **We believe that subsidies in this sector should focus on products with less impact on the environment.**

293. Thus, IBAMA declared support to granting tax subsidies to products that have lower impact on the environment, which is not the case nowadays.

294. It should be noted that a study was already carried out in 2016 regarding the impacts of tax reliefs for pesticides according to their classification of toxicity and the environmental hazard (Project UNDP/SAF BRA/11/009, Contract 2016/009). This study gathered detailed information on the pesticide market, the profile of its use in agriculture, the tax burden of pesticides, and the tax on production costs. Based on the conclusions about the tax burden, the study presented a proposal for taxing pesticides based on their impact on human health and potential hazard to the environment, along with a proposal to offset the financial impact of this burden on production costs and revenues of the main crops cultivated in Brazil.

295. This study was developed for the Secretariat of Family Agriculture (SAF) of the then Ministry of Agrarian Development (later transformed into the Special Secretariat for Family Agriculture and Agrarian Development – Sead – of the Office of the Chief of Staff of the Presidency of the Republic). There is no evidence that there were any decisions or actions arising from the study for the adoption of such proposal.

296. In conclusion, the tax reliefs of II, IPI, Cofins and the contribution to PIS/Pasep concerning pesticides do not distinguish products by their classification of toxicity to human health and environmental hazard. Thus, pesticides that are extremely toxic to humans and highly dangerous to the environment benefit from the same tax reliefs granted to products that are less harmful to the human health and the environment.

297. From these findings and the good practices analyzed, it is recommended that the Federal Government evaluates the opportunity and the economic, social and environmental feasibility of considering the level of toxicity to human health and the potential hazard to the environment as criteria for the calculation of tax rates for pesticides.

298. The idea is to tax more heavily the pesticides that pose greater danger to human health and the environment, and to tax less those that are less dangerous. The aim is to stimulate the growth of a market of pesticides that are less aggressive to the environment and to health, and also to encourage their use instead of the most harmful ones.

299. It is expected that the implementation of this measure will promote the debate around tax reliefs for pesticides within the Federal Government, which may lead to an increase in tax collection, the promotion of the development and the use of alternatives to control agricultural pests that are less

harmful to the environment and less toxic to humans, the reduction of health expenses due to pesticide intoxication, reduction of environmental contamination (soil, air, water, fauna, etc.) and the promotion of the environmental and sanitary sustainability in the food production systems in Brazil.

Analysis of the comments made by auditees

300. The preliminary version of this audit report was sent to the auditees so they could present their comments, especially regarding the determinations and recommendations proposed by the audit team. The final version of this report already covers the changes resulting from the analysis of such comments.

301. The full analysis of the auditees' comments can be found in a separate document.

Conclusion

302. This audit aimed to evaluate the Federal Government's preparedness to implement the Sustainable Development Goals (SDGs). The concept of **preparedness** can be defined as the presence of governance mechanisms throughout the Federal Government, extending to both its central and sector bodies. In addition, the concept of preparedness included not only the actions carried out specifically to implement the 2030 Agenda, but also the already existing governance mechanisms that could benefit this process.

303. It has been found that the Federal Government has been actively working on implementing new mechanisms specifically designed for the 2030 Agenda, such as the National Commission for the SDGs, the adaptation of goals and indicators to the national context, and the identification of federal public policies that can contribute to achieve these objectives. Under the leadership of the Government Secretariat of the Presidency of the Republic, the process of institutionalizing the Agenda has been dynamic, often demonstrating advances and mobilizing a wide range of actors.

304. However, certain characteristics of the Agenda, such as its cross-cutting nature, the need for participatory and inclusive processes, the long-term vision and the balance between the three dimensions of sustainable development, present some challenges to the governmental action that, until then, has been fragmented (organized in silos) and oriented to the medium term. A step forward in this area is the Decree 9.203/2017, which institutionalized the Governance Policy in the federal public administration. However, there are still gaps in federal public governance, such as the absence of long-term planning, the lack of integrated risk prevention and management mechanisms, and the failure to promote integrated monitoring and evaluation of public policy outcomes, which represent a risk to the already mentioned institutionalization efforts of the agenda.

305. This audit identified an effort made by the government to include, in the Brazilian legal system, the principles and good practices of public governance of the Center of Government. In addition to Decree 9203/2017, the Executive Branch forwarded to the National Congress Bill 9.163/2017, mentioned several times in this report. Among other important advances in public governance, this proposal aims to consolidate the country's national planning instruments, including one that can be characterized as the twelve-year national long-term plan (Article 9). Although it is an initiative compatible with the governance framework of this Court, it is not yet in force, so it is recommended that the Executive Branch make efforts towards a process of long-term planning for the country.

306. The 2030 Agenda and the strengthening of the public governance are processes that tend to benefit each other. The SDGs, given their cross-cutting and multi-sectoral nature, can hardly be achieved if the government does not take action to integrate and coordinate its own initiatives, without a clear long-term strategy to achieve its own goals. On the other hand, the 2030 Agenda presents to

the government an opportunity to implement these good governance practices – institutionalized by Decree 9.203/2017 – in order to structure its operations in a more efficient and effective way, providing better results to society.

307. This is even more important in the current scenario of crisis that affects the country, in which greater intra-governmental coordination and mitigation of inefficiencies are indispensable, aiming at optimizing public spending and saving resources. Thus, this audit sought to show opportunities for improvement in the way the Federal Government operates, especially at a time when it is taking the first steps towards the ambitious goals proposed by the 2030 Agenda.

308. We should remember that the SDGs are not only an international commitment, but a set of objectives that Brazil has already committed to for a long time, through various norms, including the Federal Constitution of 1988. The 17 objectives of the 2030 Agenda are present in the whole Brazilian juridical framework and only reinforce a human development agenda that the country was already pursuing. Therefore, SDGs are an opportunity for national self-evaluation and international comparison, in order to improve public governance and the various public policies in Brazil.

309. It is important to emphasize that this approach is not an isolated initiative by the TCU. In recent years, important frameworks have been developed for the evaluation of governance in public policies and in the Center of Government, in cooperation with the Organization for Economic Cooperation and Development (OECD) and various government bodies. This partnership continues to be fruitful, and is currently aimed at developing a multilevel governance approach, jointly with efforts to improve the public governance index (IGG). This step is fundamental in the context of the 2030 Agenda, given the need for coordination and integration between the different levels of government (federal, state and municipal levels).

310. The challenges the government will have to face are not simple, such as coordinating various public bodies and entities across different federative levels, establishing a long-term vision that extends beyond mandates and possibly even reviewing and realigning public policies already in place. It is clear that only a coordinated and integrated government will be able to solve these conundrums effectively and without wasting resources.

311. The whole-of-government approach was used to assess SDG Target 2.4, which deals with sustainable food production systems, and analyze public policies horizontally, in order to understand how they interact and detect misalignment and inefficiency in the so-called **blind spots**. One of the misalignment occurrences detected was the granting of tax reliefs to pesticides, which impacts the sustainability of food production in Brazil.

312. The government, on the one hand, has policies aimed at sustainable practices for food production, encouraging, for example, organic production and low-carbon agriculture. On the other hand, though, it grants tax reliefs to products acknowledged as toxic to human health and potentially harmful to the environment, without monitoring or evaluating the results of such reliefs, nor graduating tax incentives, since tax reliefs do not distinguish pesticides for their toxicity or their environmental hazard. Thus, not only the accomplishment of SDG Target 2.4 is at risk, but also the very effectiveness of Brazilian policies related to sustainable food production systems.

313. The international stage of this Coordinated Audit in Latin America has shown that Brazil is not alone in this challenge. Many of the problems regarding the institutionalization of the 2030 Agenda faced in our country are shared with our Latin American neighbors. Regarding public governance, most of the countries participating in the Coordinated Audit, just like Brazil, have evidenced the absence of a long-term national planning, the nonexistence of mechanisms for risk prevention and management in an integrated manner, and lack of mechanisms for monitoring and evaluating the performance of public policies. In addition, most of these countries also identified misalignment among their policies related to sustainable food production, revealing deficiencies in the coordination among the institutions responsible for them.

314. In this sense, it is worth mentioning the international cooperation between Supreme Audit Institutions (SAI) that allowed the execution of the Coordinated Audit. One of the pillars of the 2030 Agenda is the establishment of partnerships and cooperation (SDG 17). The audit, in addition to providing a consolidated overview of the Latin American preparedness for the implementation of the Agenda, made it possible to share experiences and good practices among countries, allowing SAIs to make better contributions to their national governments on the issue of implementing the SDGs.

315. Now that this audit assessed the Brazilian Federal Government's preparedness to implement the 2030 Agenda, the next step is to move on to evaluating the implementation of this commitment, by means of auditing the public policies that are necessary for the success of the SDGs, from a whole-of-government cross-cutting approach.

316. It is expected that, by implementing this report's recommendations, based on the analyses carried out by the audit team, the Federal Government may act in a more coordinated, synergistic and systemic way, mitigating the risks of executing fragmented, duplicated or overlapping actions, with an inefficient use of public resources. In addition, it is expected that the government may improve the cohesion and the coherence of the many public policies, so they can be more effective and deliver better results to the society.

317. In light of these conclusions, the next section consolidates the proposals made during the analysis, seeking to strengthen federal governance for the implementation of the 2030 Agenda, the institutionalization of these goals, and the integration among government initiatives aimed at achieving sustainability of food production, which is the primary objective of SDG Target 2.4.

Proposed recommendations and determinations

318. In light of the previous analyses, the present report is submitted for consideration with the following proposals:

Recommendations

To recommend, based on article 43, item I, of Law 8.443/1992, combined with article 250, item III, of the Internal Rules of the Federal Court of Auditors:

- I. To the **National Commission for the Sustainable Development Goals**:
 - a) Establish who will ultimately decide on the set of national goals and indicators and establish mechanisms for interaction between the processes of adaptation of the targets to the national context and definition of national indicators, in order to promote the implementation of the 2030 Agenda in Brazil (item 78);
 - b) Formalize a long-term strategy for its own operation until the completion of the works needed to implement the 2030 Agenda, including long-term objectives, milestones and systematic processes of renewal of its short-term action plans, in order to mitigate the risk of discontinuity (item 52);
 - c) Establish mechanisms for coordinating the initiatives designed to raise awareness on the 2030 Agenda within the federal public administration level, in order to avoid fragmentation, overlap, and duplication between them (item 84);
 - d) Establish a process for the elaboration of the future National Voluntary Reviews of Brazil, defining activities, deadlines, responsible bodies and information flows, in order to stimulate systematic and continuous monitoring, as well as the cross-cutting evaluation of public policies, from a whole-of-government approach (item 97).
- II. To the **Office of the Chief of Staff of the Presidency of the Republic**, in the position of Executive Secretariat of the Intergovernmental Committee for Governance (CIG), jointly with the **General Secretariat of the Presidency of the Republic** and the **Ministry of Planning, Development and Management**: to develop a proposal for the process of preparing the long-term national planning instrument, defining responsibilities, and considering the alignment of medium and short-term plans and sector plans (item 116);
- III. To the **Office of the Chief of Staff of the Presidency of the Republic**, as Executive Secretariat of the Inter-ministerial Committee on Governance (CIG): to develop a proposal for mechanisms for integrated risk prevention and management, and define responsibilities, with the purpose of identifying and managing cross-cutting risks between public policies, such as fragmentations, overlaps, duplications and gaps, among others (item 128);
- IV. To the **Ministry of Planning, Development and Management**, jointly with the **Brazilian Institute of Geography and Statistics** and the **Institute of Applied Economic Research**: to establish an implementation strategy of national integrated monitoring and evaluation of Brazilian public policies (multisector, multilevel, and long-term), considering existing or developing initiatives, such as the National Official Information System (item 141).
- V. To the **Office of the Chief of Staff of the Presidency of the Republic**, jointly with the **Ministry of Finance**, the **Ministry of Agriculture, Livestock and Supply**, the **Ministry of Health**, the **National Health Surveillance Agency**, the **Ministry of Environment** and the **Brazilian Institute of Environment and Renewable Natural Resources**:

- a) To assign the responsibility for supervising the tax reliefs of II, IPI, Cofins and PIS/Pasep for the activities of importation, production and commercialization of pesticides to a body or entity within the Executive Branch (item 255);
 - b) To create mechanisms for the monitoring and periodic evaluation of the tax reliefs of II, IPI, Cofins and PIS/Pasep for the activities of importation, production and commercialization of pesticides, with the definition of a methodology for evaluating their efficiency, efficacy and effectiveness, defining also the schedule and periodicity of the evaluations, in order to verify if these measures achieve the expected results (item 255).
- VI. To the **Department of Federal Revenue of Brazil**: to promote the disaggregation and disclosure of data on the tax reliefs related to pesticides and other items that make up the tax expenditure "Staple Food Relief" in the Tax Expenditure Statement (DGT), in order to make the information on federal tax reliefs more transparent (item 255).
- VII. To the Office of the Chief of Staff of the Presidency of the Republic, jointly and in a participatory manner with the **Ministry of Finance**, the **Department of Federal Revenue of Brazil**, the **Foreign Trade Chamber**, the **Ministry of Industry, Foreign Trade and Services**, the **Ministry of Agriculture, Livestock and Food Supply**, the **Ministry of Environment**, the **Brazilian Institute for the Environment and Renewable Natural Resources**, the **Ministry of Health**, the **National Health Surveillance Agency** and **other stakeholders**: to assess the opportunity and the economic, social and environmental feasibility of using the level of toxicity to human health and the potential hazard to the environment, among others, as criteria in determining tax rates on importation, production and commercialization of pesticides (item 296).

Determination

To determine, based on article 43, item I, of Law 8.443/1992, combined with article 43, item I, of Law 8.443/1992, combined with article 250, item II, of the Internal Regulations of the Federal Court of Auditors:

- VIII. To the **Office of the Chief of Staff of the Presidency of the Republic**: to prepare, within 180 days, a plan of action for the implementation of recommendations II and III of this report;
- IX. To the **Ministry of Planning, Development and Management**: to submit to the TCU, within 90 days, an action plan for the implementation of recommendation IV of this report.

Report forwarding

- X. Forward the Report, Vote and Decision that may be issued to:
- 1) **Secretariat of Government of the Presidency of the Republic;**
 - 2) **National Commission for the Sustainable Development Goals;**
 - 3) **Office of the Chief of Staff of the Presidency of the Republic, with a copy to the Special Secretariat of Family Agriculture and Agrarian Development, as part of its structure;**
 - 4) **Inter-ministerial Governance Committee;**
 - 5) **General Secretariat of the Presidency of the Republic;**
 - 6) **Ministry of Planning, Development and Management;**
 - 7) **Brazilian Institute of Geography and Statistics;**
 - 8) **Institute of Applied Economic Research;**
 - 9) **Ministry of Foreign Affairs;**
 - 10) **Ministry of the Environment;**
 - 11) **Brazilian Institute of Environment and Renewable Natural Resources;**
 - 12) **Ministry of Finance;**
 - 13) **Department of Federal Revenue of Brazil;**
 - 14) **Ministry of Industry, Foreign Trade and Services;**
 - 15) **Foreign Trade Chamber;**
 - 16) **Ministry of Social and Agrarian Development;**
 - 17) **Ministry of Agriculture, Livestock and Food Supply;**
 - 18) **Ministry of Health;**
 - 19) **National Health Surveillance Agency;**
 - 20) **Committees of the Chamber of Deputies:**
 - i. **Committee on Agriculture, Livestock, Supply and Rural Development;**
 - ii. **Committee on Finance and Taxation;**
 - iii. **Committee on Financial Inspection and Control;**
 - iv. **Committee on Environment and Sustainable Development;**
 - v. **Committee on Labor, Administration and Public Service;**
 - 21) **Committees of the Federal Senate:**
 - i. **Committee on the Environment;**
 - ii. **Committee on Agriculture and Agrarian Reform;**
 - iii. **Committee on Transparency, Governance, Supervision and Control and Consumer Protection;**
 - 22) **Joint Parliamentary Front to Support the UN Sustainable Development Goals, of the National Congress;**
 - 23) **Working Group on Pesticides and Transgenics of the 4th Coordination and Review Chamber of the Attorney General's Office;**

24) Office of the Minister of the Supreme Federal Court Edson Fachin, Rapporteur of the Direct Action of Unconstitutionality 5.553.

Other proposals

- XI. **To authorize the Secretariat of External Control of Agriculture and the Environment** to proceed with the monitoring of the resolutions that may be issued in the present process;
- XII. **File** the records.

ADRIANO MARTINS JURAS

Signed Electronically

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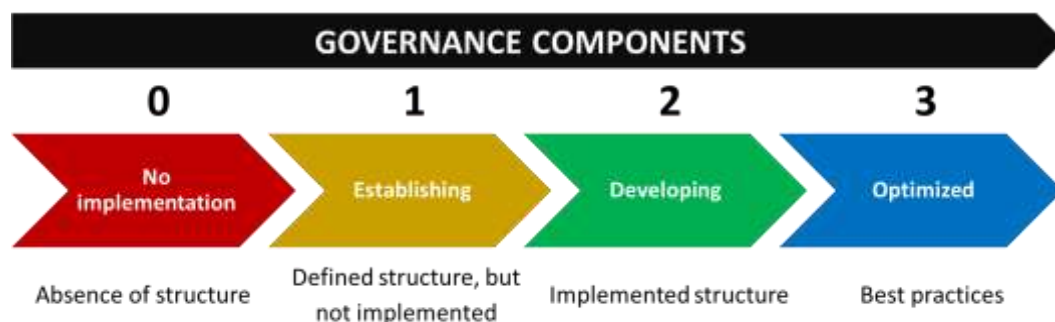


Appendix C
SDG Governance Evaluation Scale and SDG Radar

SDG Governance Evaluation Scale

1. The SDG Governance Evaluation Scale is an important tool developed under the SDG Project for the application of the audit model in SDGs. This scale presents a graduation to evaluate the governance components according to their degree of implementation: No implementation (0); Establishing (1); Developing (2); and Optimized (3). The image illustrates this scale:

Image 9 - SDG Governance Scale



Source: prepared by the auditing team.

2. The scale was applied in the auditing of eleven governance components of the Government (numbered C1 to C11) and for four governance components towards target 2.4 (numbered M1 to M4):

Chart 4 - Governance components assessed by the scale

LEVEL OF GOVERNANCE	GOVERNANCE MECHANISM	GOVERNANCE COMPONENT
GOVERNMENT	Institutionalization	C1. Process of institutionalization and internalization
		C2. Ownership of the 2030 Agenda by the Government
	Strategy	C3. Long-term national plan
		C4. Medium-term national plan
		C5. Risks prevention and management
	Coordination	C6. Political coordination
		C7. Coordination among public policies
	Supervision	C8. National follow-up and review strategy
		C9. National indicators
	Transparency	C10. Building awareness of the 2030 Agenda
		C11. Voluntary National Review
TARGET 2.4	Internalization	M1. Public policies alignment
	Cross-cutting coordination	M2. Horizontal coordination of the goal
	Integrated monitoring	M3. Follow-up and review
	Transparency and participation	M4. Mechanisms for social participation

Source: developed by the audit team.

3. This scale was used by the TCU for the Brazilian context and by the SAI of the other 10 countries participating in the Coordinated Audit for the respective national governments. It also

played a role in the auditing of the SAI of the province of Buenos Aires, which provided a perspective on the implementation of SDGs at the local level.

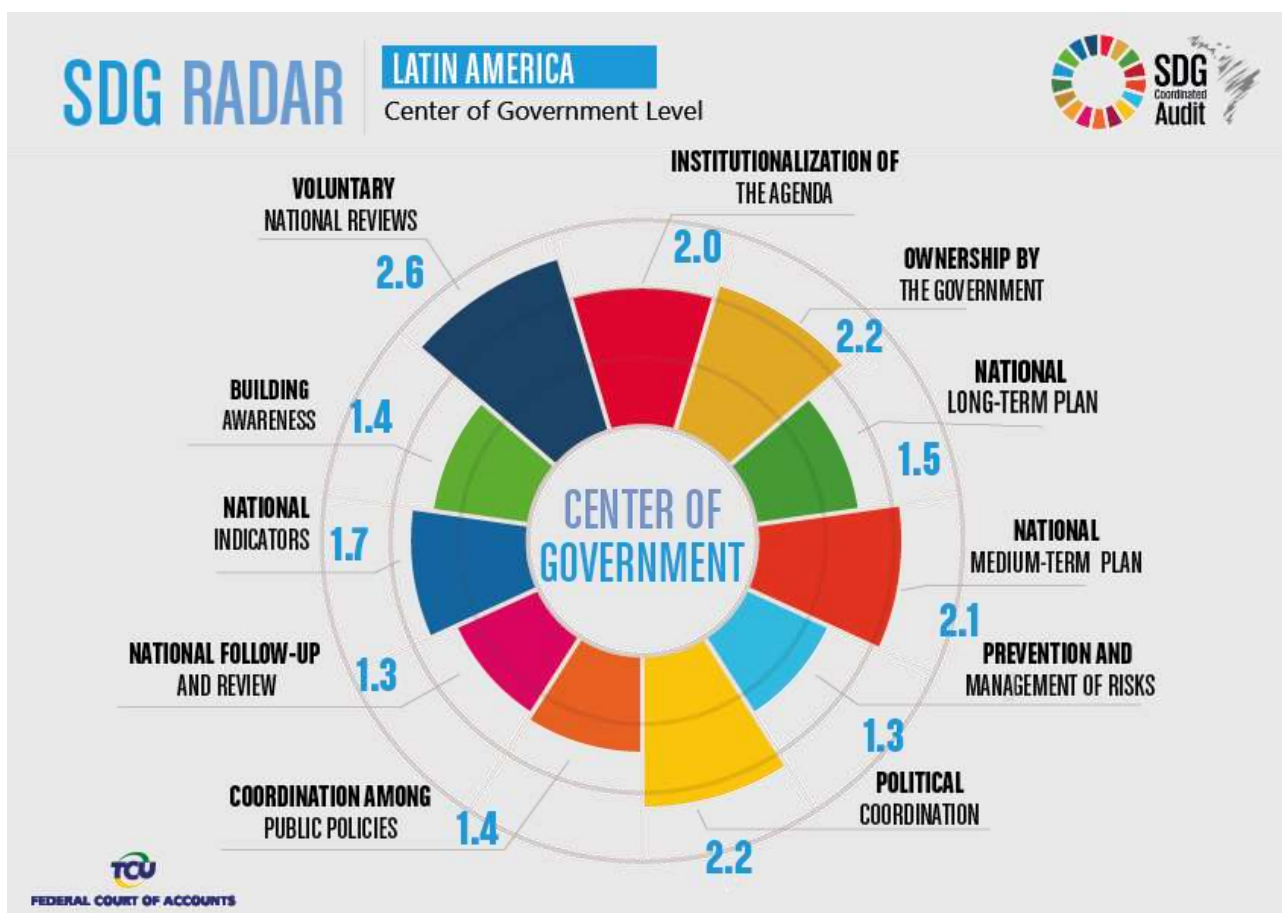
4. The results of this governance evaluation presented below were divided into two parts: consolidated results from Latin America and specific results from Brazil. Each part is subdivided into sections and subsections, according to the two levels of governance (Government and Target 2.4) and governance components evaluated (C1 to C11 and M1 to M4). Their respective SDG Radars – charts that represent the scores achieved by each governance component – are presented at the beginning of each section.

Latin America Results

Center of Government

5. Image 11 presents the consolidation of the results of the governance evaluation at the Government level in Latin America:

Image 10 - Latin America SDG Radar - Center of Government



Source: developed by the audit team.

6. The process of **institutionalization and internalization of the 2030 Agenda (C1)** is shown to be a developing governance component in Latin American countries, since the average scores obtained were 2.0. The cause indicated by SAIs for this degree of implementation of the component is that, in several cases, the governments do not possess formal plans or strategies for institutionalizing the 2030 Agenda and SDGs, nor supporting actions to strengthen this process and that of internalization (adaptation of the targets to the national context).

7. SAIs evaluated the **ownership of the 2030 Agenda by the government (C2)** based on the results of an online survey. This component reached an average of 2.2 (developing component), which points to a diffusion of initiatives related to SDGs in several government branches.

8. The lack of **long-term national planning (C3)** in most Latin American countries caused the score on this component to be low (1.5), indicating an initial degree of implementation of the component (establishing component). In some cases, responsibility definitions are in place, but there is still no structured process implemented for the preparation of a long-term strategic instrument, that covers a period from ten to twenty years.

9. On the other hand, **medium-term national planning (C4)** reached a higher score in Latin America: 2.1, corresponding to a developing component. The national plan instruments usually cover the period of presidential mandates, and, in most cases, their preparation process is structured in a clear manner.

10. Latin American countries, in general, do not appear to possess mechanisms for **risk prevention and management (C5)** at the national level, as to make it possible it to prevent and manage cross-cutting risks of public policies related to the SDGs. This component reached an average score of 1.3.

11. Regarding **political coordination (C6)**, responsibilities for interacting with other branches (Judiciary and Legislative), other federative levels (states and municipalities), civil society and private sector are defined formally and informally in the countries that participated in this audit. This component reached an average of 2.2 in the region (establishing component).

12. On the other hand, the component related to the **coordination among public policies (C7)** reached a low average of 1.4, as, in general, it was not possible to verify the existence of mechanisms for the prior and subsequent identification of misalignment between public policies (thus, being considered a establishing component).

13. The **national follow-up and review strategy (C8)** obtained an average of 1.3, indicating this is an establishing component in the region. Countries appear to be facing difficulties in implementing processes of follow-up and review of the SDGs and definition of national indicators, noticeably due to the fact that there are no responsibilities defined specifically to these processes at the national level.

14. The process of defining **national SDG indicators (C9)** is still in progress, reaching an average score of 1.7 (establishing component).

15. Regarding the transparency, the actions for **building awareness of the 2030 Agenda (C10)** in Latin American countries appear to be one-off actions that lack coordination, so the component reached an average score of 1.4 (establishing component).

16. Finally, with regard to the preparation and dissemination of the **Voluntary National Reviews (C11)**, the average score was 2.6, which indicates that most Latin American countries have already prepared their national reports (developing). However, there are no defined processes for the preparation of national reports in many of these countries.

Target 2.4

17. Image 12 shows the consolidated results of Latin America for the governance components related to target 2.4:

Image 11 - Latin America Radar - Target 2.4



Source: developed by the audit team.

18. The component of **alignment of public policies related to target 2.4 (M1)** reached an average score of 1.2 in Latin America (establishing component). This indicates that key public policies related to the target have been identified, but, in most countries, there are no mechanisms to ensure the alignment and coherence between them.

19. Regarding the **horizontal coordination of the goal (M2)**, in Latin American countries there are instances of coordination for some public policies related to the goal, as this component reached the average score of 1.2 (establishing component). However, these bodies in an isolated manner, without an integrated approach for public policy coordination.

20. On the other hand, the component of **monitoring and evaluation (M3)** obtained an average score of 1.3 (establishing component), which points to the existence of individual monitoring systems for some public policies, but without structures that allow the integrated and cross-cutting monitoring and evaluation of policies related to target 2.4.

21. Finally, with regard to the component of **social participation mechanisms (M4)**, it was found that information on public policies related to target 2.4 is available to the population, but there are no communication channels to receive public feedback. The average score for this component was 1.4 points (establishing component).

Results in Brazil

Center of Government

22. Image 13 shows the consolidation of the results of the governance evaluation scale of the Brazilian Government:

Image 12 - Brazil SDG Radar - Center of Government



Source: developed by the audit team.

23. In Brazil, the process of **institutionalization and internalization of the 2030 Agenda (C1)** received a score of 2 (developing component). This process is being led by the National Commission for the Sustainable Development Goals (CNODSS), created by Decree 8.892/2016. The Committee is already in operation, has an internal regiment and a plan of action for the next two years. However, as detailed in Finding No. 1 of this report, there is room of improvement, especially regarding the adaptation of the goals to the national context, the definition of national indicators, the actions for building awareness among stakeholders and the preparation process of the national report, under risk of discontinuity and inconsistencies in the institutionalization of SDGs in the country.

24. The **ownership of the 2030 Agenda by the Brazilian Government (C2)** is high, and it is possible to identify several initiatives related to SDGs in several government bodies, as verified by the results obtained in the online survey.

25. As for the strategy mechanisms, **long-term national planning (C3)** is nonexistent in the country, although there are norms that assign the responsibility for the process to the Ministry of Planning, Development and Management (MP) and to the General Secretariat of the Presidency of the Republic (SG-PR). This point is further explained in Finding No. 2 of this audit report, and a recommendation is proposed.

26. Meanwhile, **medium-term national planning (C4)** reached its maximum score (3) on the Brazilian governance scale due to the Pluriannual Plan (PPA), a tool with a constitutional base and clear definition of activities, duties, responsibilities, deadlines, and products, and whose duration extends to four years.

27. Regarding **risk prevention and management (C5)**, only initial steps were taken to establish this processes, and restricted to organizations, which is this component reached a score of

1. There has been found no integrated risk prevention and management process for the public administration as a whole, which constitutes the subject of a proposed recommendation in this report. A deeper analysis of this component can be seen in Finding No. 2.

28. The **political coordination (C6)** for the implementation of the 2030 Agenda reached a maximum score of 3 because of the CNODS, whose composition includes states, municipalities, the productive sector and civil society.

29. The **coordination among public policies (C7)** in Brazil reached a score of 2, due to the existence of mechanisms to identify misalignment during the design stage of public policies, such as the Committee on Monitoring and Evaluation of Federal Public Policies (CMAP) and the Sub-office on Articulation and Monitoring (SAM) of the Office of the Chief of Staff of the Presidency of the Republic.

30. It was verified that there is no integrated, multisector, multilevel, long-term **national follow-up and review strategy (C8)** in Brazil, as detailed in Finding No. 2 of this report.

31. Regarding the **national indicators of the SDG targets (C9)**, the process is being established (score 1 on the scale). The PPA 2016-2019 mentions actions towards the establishment of a National Official Information System (SNIO) (Objective 1160, Initiative 06LU), and IBGE has been working to formulate the national indicators for monitoring the SDGs in Brazil.

32. In Brazil, no governmental strategy for **building awareness of the 2030 Agenda (C10)** for the population were identified. It was verified that the CNODS intends to elaborate a strategy to make Brazilian population aware of the SDGs, but it has not yet been implemented, hence the score 1 given to this component.

33. Finally, the Brazilian **Voluntary National Review (C11)** was finalized in 2017, which resulted in this component reaching a score of 3 points (optimized). However, this does not mean that there is a defined process for preparing the report, as explained in Finding No. 1, which brings a recommendation on the matter.

SDG Target

34. The **alignment between the public policies related to target 2.4** component (**M1**) obtained a score of 1. This indicates that Brazilian Government has already identified key public policies related to this target, but there is misalignment and inconsistency between some of them, as evidenced by the Pilot Audit (TC 028.938/2016-0).

35. As for the **horizontal coordination of the goal (M2)**, which scored 2, there are coordination instances formally institutionalized for most of the public policies related to the target. However, these structures operate in an isolated manner, without an integrated approach to public policy coordination.

36. The **monitoring and evaluation** component (**M3**) scored 1, as there are individual monitoring systems for public policies related to the target, but there are no structures in the Brazilian government that allow for the integrated monitoring and cross-evaluation of such policies.

37. Finally, with regard to the component of **social participation mechanisms (M4)**, it was observed that, in Brazil, data on public policies related to Target 2.4 are accessible to the population, and there are communication channels to receive public feedback, which means this component obtained a score 2.



Appendix D
Analysis of fragmentation, overlap, duplication, and gaps

Fragmentation, Overlaps, and Duplication Analysis

1. The whole-of-government approach advocates that state actions must be integrated and coordinated at several levels to be effective. This form of government action is hindered by the existence of fragmentations, overlaps, and duplication in public policies. Thus, identifying these issues is important in order to improve the state's performance for the benefit of society.

2. The Government Accountability Office (GAO), the United States Supreme Audit Institution (SAI), has developed a guide for identification of fragmentation, overlap, and duplication. This guide is composed of two parts. The first one is designed for public policy analysts, such as auditors, and the second for policy makers and implementers.

3. This document includes an adaptation of some of the steps in the first part of the GAO guide to enable its application in the context of an audit to verify preparedness of national governments to implement the 2030 Agenda for Sustainable Development. The objective of these guidelines is to assist the work of the Supreme Audit Institutions (SAI) of the Organization of Latin American and Caribbean Supreme Audit Institutions (Olacefs), which will participate in the coordinated audit of the Sustainable Development Goals (SDGs) in Latin America and the Caribbean in 2017.

4. In this document, we present two stages for the application of the adapted fragmentation, overlap, and duplication method. The first concerns identification of fragmentation, overlapping, duplication, and gaps in the main public policies related to the target selected for analysis (SDG Target 2.4 on sustainable food production systems). The second stage concerns the identification of potential and actual negative and positive effects of these issues. The findings of the application of this methodology will be analyzed by the concepts and good practices of good governance in public policies.

1- Identification of fragmentation, overlap, duplication and gaps in key policies related to target 2.4

a) Identify the factors that influence sustainable food production systems in the country (Target 2.4);

b) Based on the factors identified above, identify key national public policies related to such factors and Target 2.4 (sustainable food production systems);

c) Collect essential information on identified public policies:

c.1) Objectives and potential results;

c.2) Beneficiaries, clients and target population;

c.3) Key benefits, services and products;

c.4) Government institutions responsible for formulation and management;

d) Gather additional information on identified public policies;

Possible sources of information on public policies identified: legal norms, performance reports, previous work carried out by the SAI, official databases, expert opinions, etc.

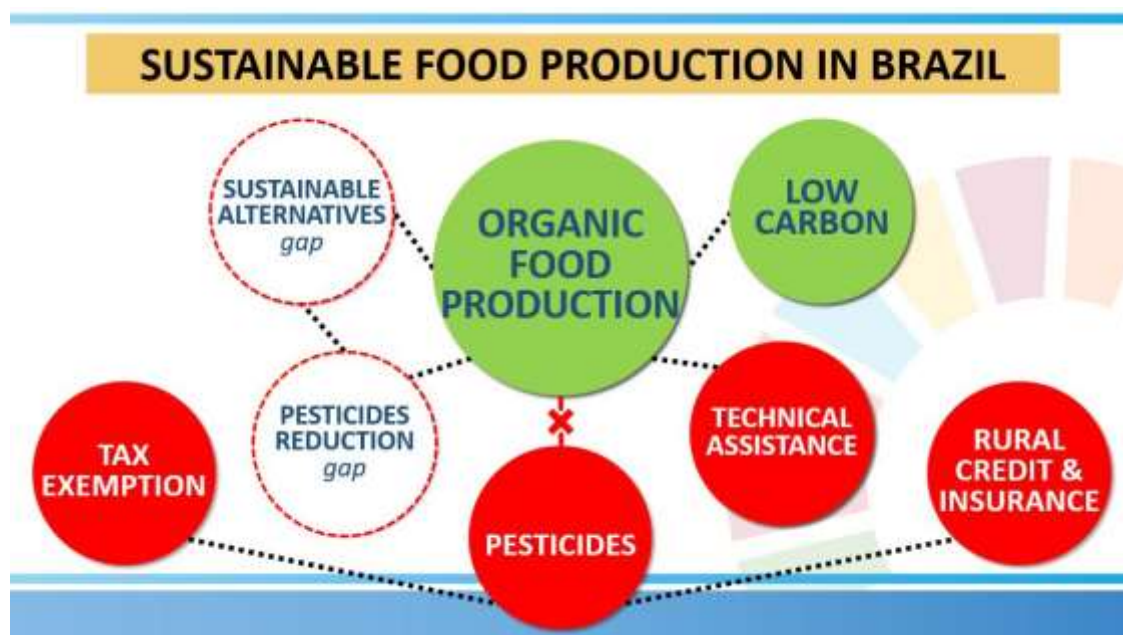
e) Based on the information collected in the previous steps and the pre-existing knowledge of the audit team about the subject (previous work done by the SAI), select a **central key policy for the achievement of target 2.4**, on sustainable food production systems, to serve as a basis for identifying fragmentations, overlaps, duplication and gaps;

For example, in the case of the pilot audit conducted by SAI Brazil, the National Policy for Agroecology and Organic Production (PNAPO) was selected as the key policy.

f) Identify interrelationships between the selected key policy and the other identified policies, based on the information obtained in the steps of items "b" and "c".

For example, identify similarities and differences in objectives, potential outcomes, and government institutions responsible for the selected key policy and other identified public policies.

Example of an interrelationship scheme among public policies identified in the pilot audit conducted by the Brazilian SAI:



Key:

Public policies on agrochemicals - Sustainable Alternatives (gap) - Organic Production (PNAPO) - Low carbon (ABC PLAN) - Technical assistance (insufficient) - Agrochemicals (incentives) - Reduction of agrochemicals (gap) - Fiscal policy (exemptions) - Rural credit and insurance (incentives)

g) Look for fragmentation, overlap, duplication or gaps in the selected key policy and between the selected key policy and the other public policies identified;

Concepts:

- **Fragmentation:** occurs when more than one government body (or more than one organization within a government body) is involved and performing in the same broad area and opportunities exist to improve service delivery.
- **Overlap:** occurs when multiple government bodies or programs have similar goals, engage in similar activities or strategies to achieve them, or target the same audience.
- **Duplication:** occurs when two or more government bodies or programs are engaged in the same activities or provide the same services to the same beneficiaries.
- **Gap:** occurs when there is a lack of an important part in a process, which may be absence of policies, programs, actors, institutional mechanisms, processes and activities, benefits or beneficiaries.

As for the pilot audit carried out by the Brazilian SAI, the identification of fragmentation, overlap, duplication or gaps in the public policies analyzed was carried out by means of an interview and official consultation with the managers and specialists who work in these policies, as well as the dissemination and confirmation of the information obtained. However, the GAO document suggests other methods for identifying fragmentation, overlap, and duplication, such as documentary research and scoring the degree of similarity between policies¹. The audit team may employ more than one method to identify fragmentation, overlap, duplication, and gap in the analyzed policies.

¹ For more information on GAO methods, see pages 10-12 of the "Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide".

Potential cases of fragmentation, overlap, duplication and/or gap: i) programs that have the same objective or are designed to cater to the same beneficiaries; ii) government institutions that have the same competencies, the same target public, and offer the same services and products; iii) the same services and products offered to the same users; among others².

² For practical examples of cases of fragmentation, overlap, duplication and gap, see items 4.1 to 4.5 of the "SDG Pilot Audit Report" by the TCU (TC 028.938/2016-0).

h) Confirm the issues identified with the managers of governmental institutions and other relevant actors.

2 - Identification of potential effects of fragmentation, overlap, duplication, and gaps in the analyzed policies

a) Identify the potential and actual positive and negative effects of the identified fragments, overlaps, duplications, and gaps;

b) Evaluate the need for further assessments of identified effects;

c) Confirm the identified effects with the managers of governmental institutions and other relevant actors.

Conclusion

With these guidelines, it is expected that the Supreme Audit Institutions can apply the adapted fragmentation, overlap, and duplication methodology to identify fragmentation, overlap, duplication, and gaps in the main national public policies related to Target 2.4 (sustainable food production systems), and subsequently identify the potential and actual negative and positive effects of such issues. These issues should be jointly assessed by the team in the audit report, so that the findings focus on the involved governance issues, not specifically on the fragmentations, overlaps, duplication, and gaps found (these issues could be further explored in future SAI works). This analysis will assist the SAI in identifying the stage of governance of government branches in the implementation of Target 2.4 of the 2030 Agenda, in particular regarding the "alignment of public policy" component. The adapted fragmentation, overlap, and duplication analysis is one of the tools requested in the planning matrix and in the subsequent analysis required in the governance scale for the M1 component.