

Brazil



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Brazil was the world's 12th-largest oil producer in 2011 and the second-largest in Latin America. Recent discoveries of vast offshore pre-salt oil resources have the potential to make Brazil the world's fifth-largest producer by 2020. The country also has proven natural gas reserves of 15 trillion cubic feet, and produced 850 billion cubic feet in 2011. It has a growing mining industry and is a major exporter of iron ore, aluminum, bauxite, and other industrial metals. While Brazil consumes all of its natural gas and most of its current oil production, the extractive industries still account for 30 percent of exports.

Brazil	2000	2005	2011
Population (million)	174.43	185.99	196.66
GDP (constant 2011 international \$ billion)	823.0	999.0	2,476.7
GDP per capita, PPP (constant 2005 international \$)	7,909	8,509	10,279
Extractive exports (% total exports)	11%	16%	30%

SOURCES: World Bank.

Brazil's Performance on the RGI

Brazil earned a "satisfactory" score of 80, ranking 5th out of 58 countries. Excellent Safeguards and Quality Controls contrasted with a lower Enabling Environment score.

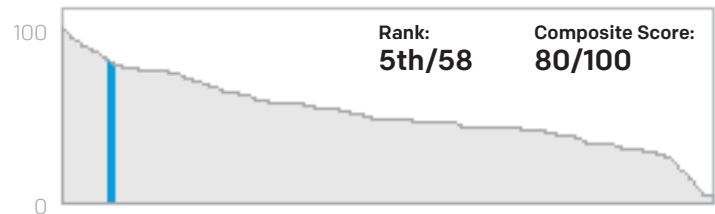
Institutional and Legal Setting

(Rank 8th/58 Score 81/100)

Brazil's "satisfactory" score of 81 reflects a comprehensive legal framework but also takes into account the lack of a thorough public consultation during the environmental impact assessment process.

In 2010, Brazil significantly modified its regulatory framework with the introduction of a fiscal regime based on production-sharing agreements for strategic areas such as the pre-salt offshore oil deposits. While onshore oil concessions are still awarded through an open and competitive bidding process, this new regime favors the Brazilian semi-national oil company, Petrobras.

Extractive companies make payments to the National Treasury, with royalties and government profits from offshore oil reserves deposited into a social fund. In May 2012, Brazil approved a new access to information law and pledged to increase public transparency as part of the Open Government Partner-



ship project.

Reporting Practices

(Rank 9th/58 Score 78/100)

Brazil provides data on many important aspects of the extractive industries, but does not publish full contracts or information on subsidies, earning a "satisfactory" score of 78.

Details on the licensing process and the basic provisions of concession contracts are made public, and non-confidential portions of contracts are available from the ANP upon request for a fee. Environmental impact assessments are published.

The ANP is the source of the most detailed information on resource revenue. It regularly publishes information on reserves, production volumes, prices, exports, investment, the names of companies operating in the country, production data by company, and disaggregated revenue streams such as production values, royalties, special taxes, bonuses, and acreage fees. The Finance Ministry publishes limited information on resource revenues, while the Mines and Energy Ministry publishes annual reports with information on reserves, production volumes and values, prices, investments, royalties, and special taxes.

Safeguards and Quality Controls

(Rank 2nd/58 Score 96/100)

Comprehensive reporting and audit requirements, as well as checks on the budgetary process, earn Brazil a particularly "satisfactory" score of 96.

The legislature has no formal oversight role in the licensing process, but Congress can review the ANP's decisions on an ad hoc basis. All resource revenues are subject to internal controls and external validation by a national audit office, and the legislature scrutinizes audited reports of national accounts. Government officials with an oversight role in the hydrocarbon sector are required to disclose their financial interests in any extractive project.

Enabling Environment

(Rank 9th/58 Score 66/100)

Brazil performs well on rankings of budgetary openness, but scores relatively poorly on government effectiveness and the rule of law, contributing to a "partial" score of 66, Brazil's lowest on any RGI component.

State-Owned Companies

(Rank: 3rd/45 Score: 92/100)

The state owns 64 percent of Petrobras, which produces 92 percent of Brazil's oil. In 2010, Congress created a new national oil company, Pre-Sal Petroleo SA (PPSA), to represent the government in production-sharing agreements for the offshore pre-salt area, although Petrobras will conduct those oil operations. Petrobras regularly publishes extensive information on its oil operations and subsidiaries, including data on all revenue flows and tax payments; PPSA's reporting policies are not yet established.

Petrobras undergoes annual audits by both the national audit court and an independent external auditor. These reports are published, as is information on the composition and decision-making processes of the company's board of directors.

Natural Resource Funds

Brazil's sovereign wealth fund receives revenues from resource exploitation and other sectors. In 2010 the government added a social fund to receive revenues directly from oil production in the pre-salt area. Managed by the president, the fund will be used to promote development projects. It is not yet operational.

Subnational Transfers

(Rank: 1st/30 Score: 100/100)

Brazilian law establishes how oil revenues are distributed between federal and subnational governments. The ANP and local governments regularly publish information on these transfers. It is not yet clear how revenues from the pre-salt area will be distributed.

Brazil's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
5	COMPOSITE SCORE	80
8	Institutional and Legal Setting	81
	Freedom of information law	100
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	83
	Environmental and social impact assessments required	50
	Clarity in revenue collection	100
	Comprehensive public sector balance	100
	SOC financial reports required	100
	Fund rules defined in law	..
	Subnational transfer rules defined in law	100
9	Reporting Practices	78
	Licensing process	100
	Contracts	0
	Environmental and social impact assessments	33
	Exploration data	100
	Production volumes	100
	Production value	67
	Primary sources of revenue	100
	Secondary sources of revenue	67
	Subsidies	0
	Operating company names	100
	Comprehensive SOC reports	100
	SOC production data	86
	SOC revenue data	100
	SOC quasi fiscal activities	50
	SOC board of directors	100
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	100
	Subnational reporting of transfers	100
2	Safeguards and Quality Controls	96
	Checks on licensing process	89
	Checks on budgetary process	100
	Quality of government reports	88
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	83
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	100
	Government follows subnational transfer rules	100
9	Enabling Environment	66
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	60
	Open Budget (IBP Index)	91
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	68
	Government effectiveness (WGI)	57
	Rule of law (WGI)	55

■	Satisfactory	■	Weak
■	Partial	■	Failing