

2020
RAD

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Ministry of Economy
Special Secretariat of Finance
National Treasury Secretariat

Annual Debt Report

Brazil stands out internationally in energy generation through renewable sources

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The National Treasury, continuing its effort to improve communication with the Brazilian society, presents the 18th edition of the Annual Debt Report - RAD. This document summarizes the Federal Public Debt - FPD performance, in the light of the guidelines and expectations outlined in the Annual Borrowing Plan – ABP 2020.

The COVID-19 pandemic and its impacts upon the global economy added challenges to the macroeconomic and financial scenario expected for 2020. In particular, measures to alleviate the pandemic effects have considerably increased public spending, and, therefore, the federal government borrowing requirements. In this context, the National Treasury acted to guarantee the necessary resources to pay for the extraordinary expenditures, respecting market conditions and using the liquidity reserve accumulated in recent years. This course of action led, in August 2020, to the revision of the reference limits established in the ABP 2020 for the FPD indicators.

The indebtedness level increase, a reality for the major world economies affected by the pandemic, implied changes in both the debt outstanding and in the government bond issuances profiles throughout the year. This higher level of indebtedness increased the debt exposure to monetary cycles. In particular, the maturities of government bonds offered by the National Treasury declined, resulting in a larger concentration of short-term debt.

However, FPD remains predominantly domestic, with a small external debt share, and a diversified investor base. In addition, a domestic scenario of well-anchored inflation expectations, allowing the maintenance of the Selic interest rate at its lowest historical level, has favored a downward trend of debt cost indicators. In fact, debt cost indicators reached historical lows throughout 2020.

Within a context of increased borrowing requirements, the maintenance of a liquidity reserve by the National Treasury offered another relevant element, as the liquidity reserve grants the debt management greater flexibility to act during stressful situations.

A reversal in the debt profile trajectory, aiming at lengthening the debt maturity profile, is desirable in the coming years. However, achieving this objective depends on the resumption of fiscal consolidation efforts and the agenda to promote productivity enhancement in the Brazilian economy. Meeting these conditions can support a decline in the debt-to-GDP ratio, favoring the maintenance of benign conditions to the debt cost indicators.

During the pandemic, the National Treasury demonstrated having the appropriate instruments to meet its cash and debt management needs, allowing government bond issuances to adapt to market conditions and to the diversity of the Treasury's investors base. Looking ahead, however, it is critical to paving the way for a debt reduction path. In this sense, not only commitment to fiscal responsibility and to the reform agenda is essential to ensure lower indebtedness, but also to achieve a more balanced debt composition from the cost and risk perspective.

Statement National Treasury

1

2020

Macroeconomic and Financial Context

Brazil stands out in the generation of renewable energies

1.1 The Macroeconomic Context

The year 2020 was marked by the COVID-19 pandemic, which had an unprecedented impact on the global economy. Social isolation measures adopted in several countries caused shocks upon the economic activity and labor market.

The ample adoption of fiscal, monetary, and regulatory stimulus measures to protect household income, credit flow to companies, and liquidity provision in economies prevented the shock from widening through the financial market and a broad wave of bankruptcies. Moreover, the adopted measures preserved the conditions for the economic recovery, already initiated in most countries.

In Brazil, as in the developed economies, basic interest rates reached historical lows, following monetary stimulus measures. On the fiscal side, measures to support household income and employment caused a sharp increase in public debt.

At the beginning of the year, market expectations for real GDP growth in Brazil were around 2.3% in 2020. This scenario changed into a contraction of 4.5% of real GDP, after a significant decline in activity in the first two quarters of the year¹. The economy started to show recovery from June, supported by the gradual easing of restrictions on mobility and the functioning of economic activities².

The inflation scenario remained comfortable for most of the year, following the weakening of the aggregate demand, a strong deceleration of the global economy, and, above all, specific factors of the crisis, such as the decline in the demand for services. Despite this scenario, mainly due to a sharp increase in food prices in the last months of 2020, consumer inflation reached 4.52% in 2020. This level is higher than the one observed in 2019 (4.31%) and above the inflation target midpoint for the year (4.0%).

¹ Brazil's GDP fell by 1.5% in the first quarter of the year and by 9.6% in the second quarter. The latter was the worst contraction in history, according to estimates of Brazil's quarterly GDP since 1980. In the third quarter, the economy showed recovery, a 7.7% growth.

² In June 2020, the IMF estimated a 9.1% contraction in Brazil's GDP for the year and the market expectations broke the -6.50% barrier.

Concerning the exchange rate, the Brazilian currency depreciated sharply in the year, breaking the BRL/US\$ 5.90 barrier in May. The foreign currency depreciated in the following months, despite the exchange rate volatility. The exchange rate ended the year at BRL/USD 5.20, registering a total devaluation of 29% in 2020. Besides a decline in the global flow of investment, expected in a crisis of such magnitude, the domestic currency price reflected uncertainties regarding the fiscal scenario and the economic activity recovery pace, in addition to a lower interest rate differential.

Because of the effects of the pandemic on the economy, fiscal and monetary policy responses were essential to prevent an even more significant GDP decrease. The Central Bank of Brazil (Central Bank of Brazil) continued the process of monetary easing, which led the Selic interest rate from 4.50% p.a. in January to 2.00% p.a., from August on. Additionally, both the Central Bank of Brazil and the National Monetary Council (CMN) have taken a series of regulatory measures to maintain the proper functioning of the financial market, increase the financial system liquidity, and make the credit channel flow smoothly.

Constitutional Amendment 106/2020 (“War Budget”), enacted on May 7, created an institutional framework – effective during the state of public calamity – that allowed, without harm to the fiscal regime, the adoption of significant measures to fight the effects of the pandemic. The amendment (i) authorized the Central Bank of Brazil to trade, in the secondary market, National Treasury bonds and assets rated BB- or higher; (ii) suspended the Golden Rule in 2020; and (iii) established an extraordinary fiscal, financial, and procurement regime; among other actions.

On the fiscal side, the government increased public spending by launching a set of emergency measures to support health and the economy, in line with measures adopted internationally to provide financial assistance to the population, companies, and subnational entities. The emergency measures contemplated (i) the expansion of health services; (ii) the deferral of tax payments, even payment suspension in some cases; (iii) cash transfers to vulnerable families, (iv) job protection, and (v) credit support for companies vulnerable to cash flow shock. The impact of these measures on the fiscal primary balance

is estimated at BRL 620.5 billion (8.5% of GDP), of which BRL 322 billion (4.5% of GDP) corresponds to the Emergency Aid, which covered part of the income of informal workers and people in vulnerable situations.

Regarding the federative relations, Complementary Law No. 173/2020 established the transfer of BRL 60 billion from the federal government to states and municipalities. This regulation also established conditions for restructuring subnational governments’ debt with the federal government, which created an additional BRL 22 billion-benefit for states and municipalities. The counterpart to this benefit was the foregone federal revenue to pay the public debt in 2020.

In this context, the discussion around measures to fight economic and public health effects took over the legislative agenda during the first semester, while municipal elections reduced the possibility of legislative deliberations in the second semester.

With an increase in expenses and a drop in revenue, due to the economic activity retraction, the expected public sector primary deficit in 2020 is about 10% of GDP, compared to a forecast of 1.5% of GDP at the beginning of the year³.

1.2 The Financial Market in 2020

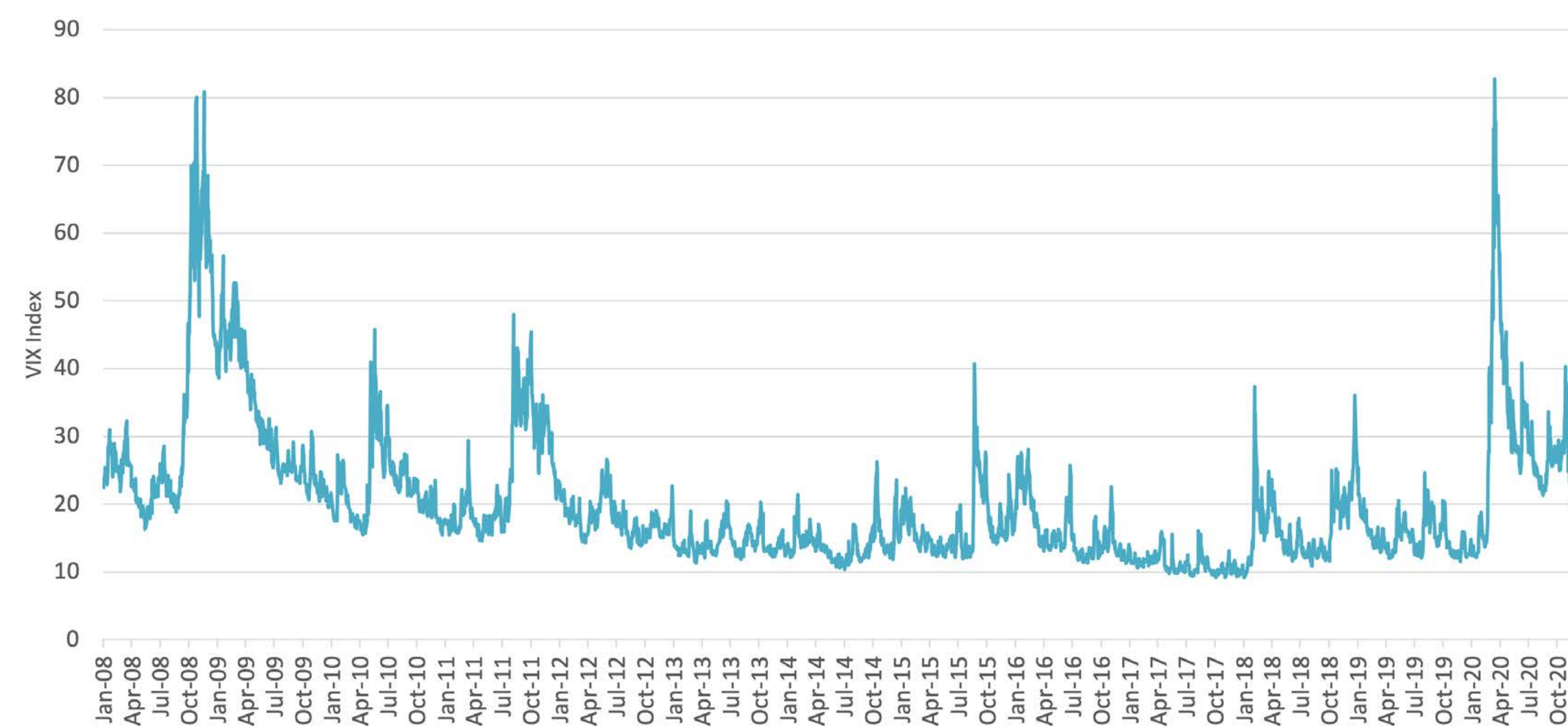
The pandemic impacted asset prices globally, which initially meant increased volatility and risk perception, especially in March 2020. Figures 1 and 2 present, respectively, the VIX⁴ index and 5-year CDS⁵. The former reached similar levels to those recorded in 2008, at the peak of the global financial crisis.

³ The Annex IV (Fiscal Targets) of the 2020 Budget Guidelines Law, from November 2019, presented the forecast of the beginning of the year for the public sector primary balance in 2020.

⁴ The VIX (Volatility Index) shows the market's expectation for the 30-day stock price volatility and represents a measure of the level of stress in the global market, given that, in moments of crisis, the volatility of stock prices tends to increase. The indicator is built from prices of the S&P 500 index stock options.

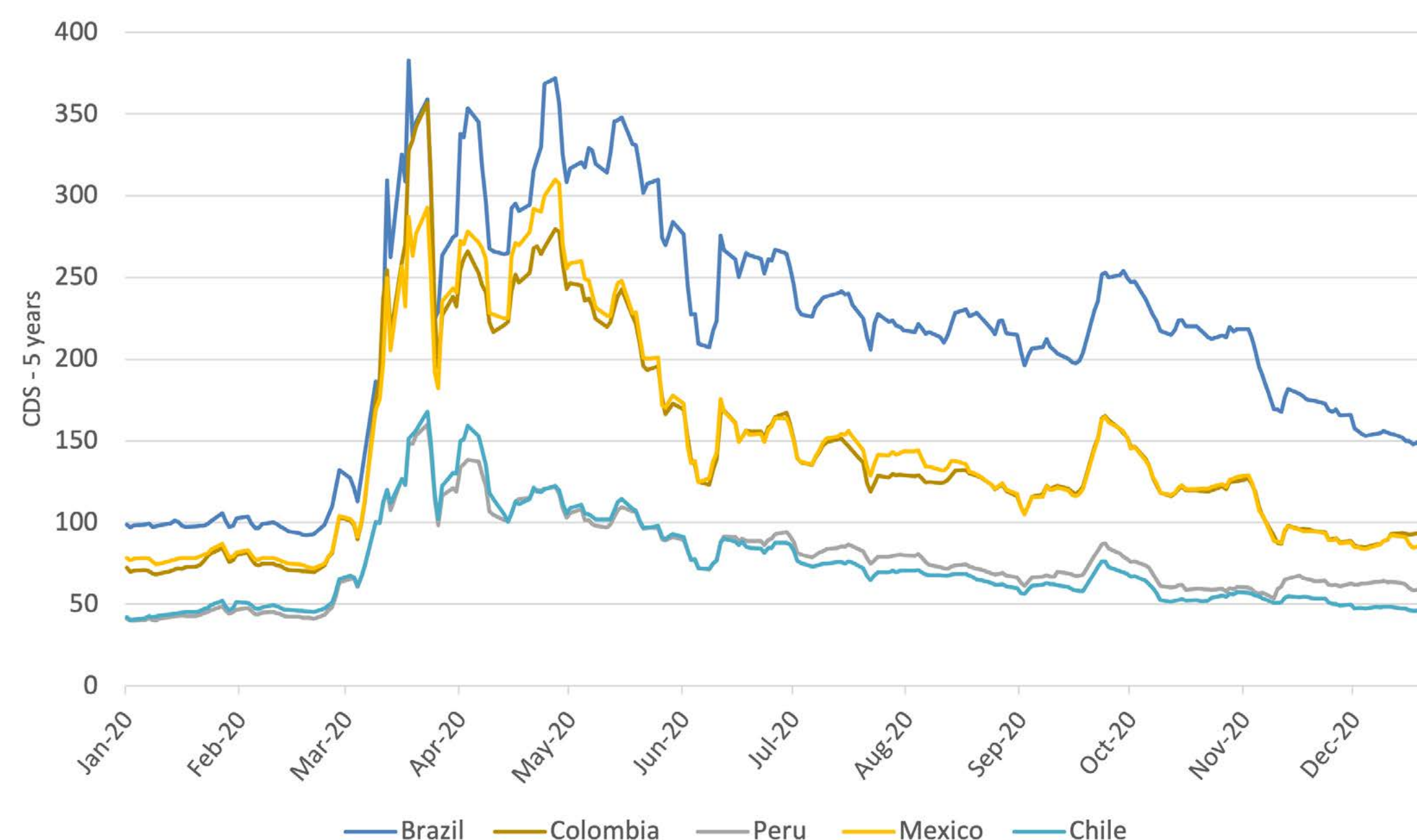
⁵ The CDS (Credit Default Swap) is a swap contract that remunerates the investor when the institution specified in the contract defaults. Therefore, the CDS is related to the probability of an institution or country comply with its obligations. In this report, we use CDS contracts with a 5-year term as a reference.

Figure 1 – VIX Index (Volatility)



Source: Bloomberg

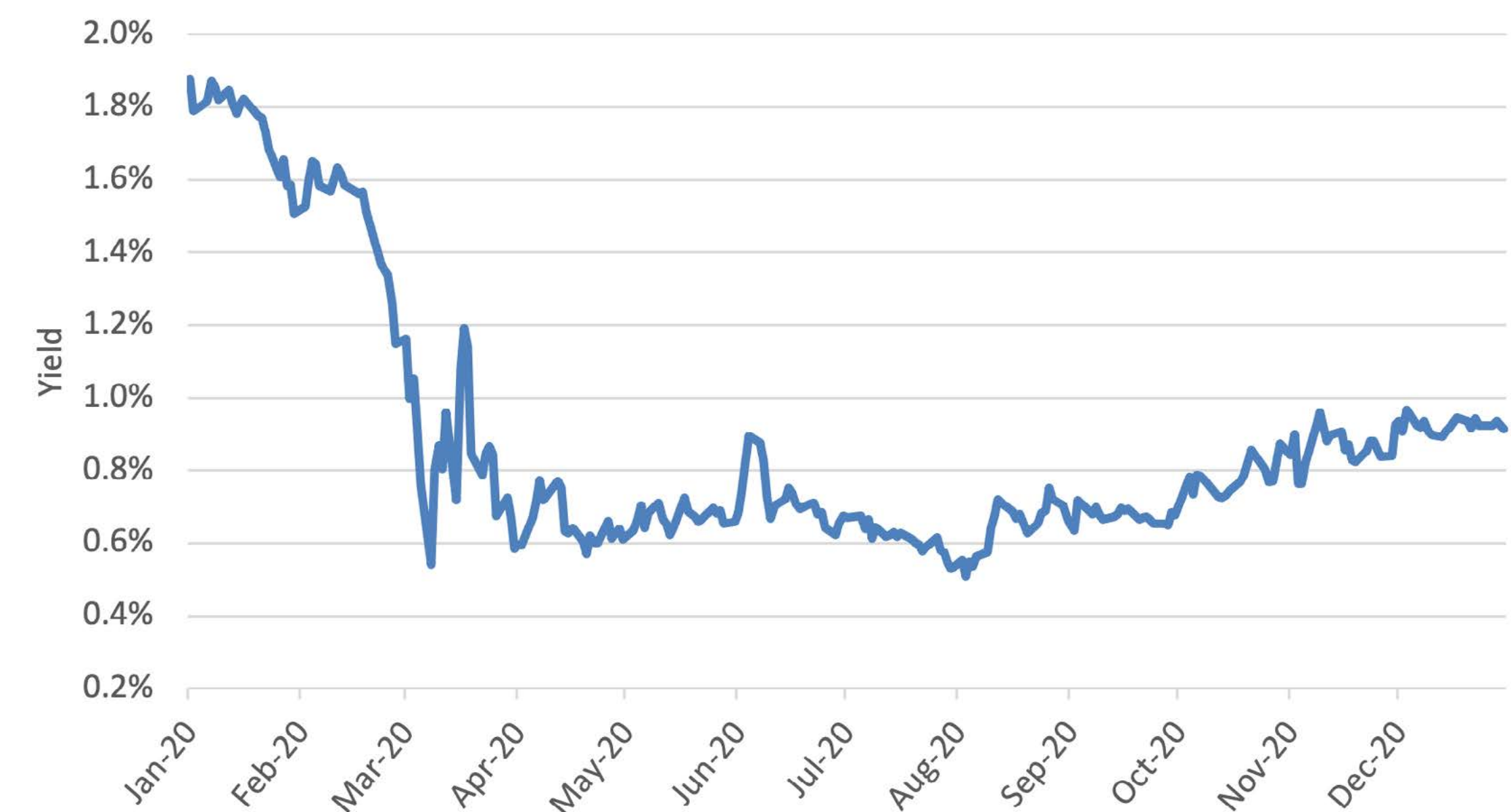
Figure 2 – Credit Default Swap (CDS) – 5 Years – Selected Countries



Source: Bloomberg

Faced with greater risk aversion, emerging markets experienced a strong capital outflow. Investors sought protection in more liquid and safer assets, significantly reducing, as Figure 3 shows, the US Treasury bonds yield, which reached the lowest levels in history.

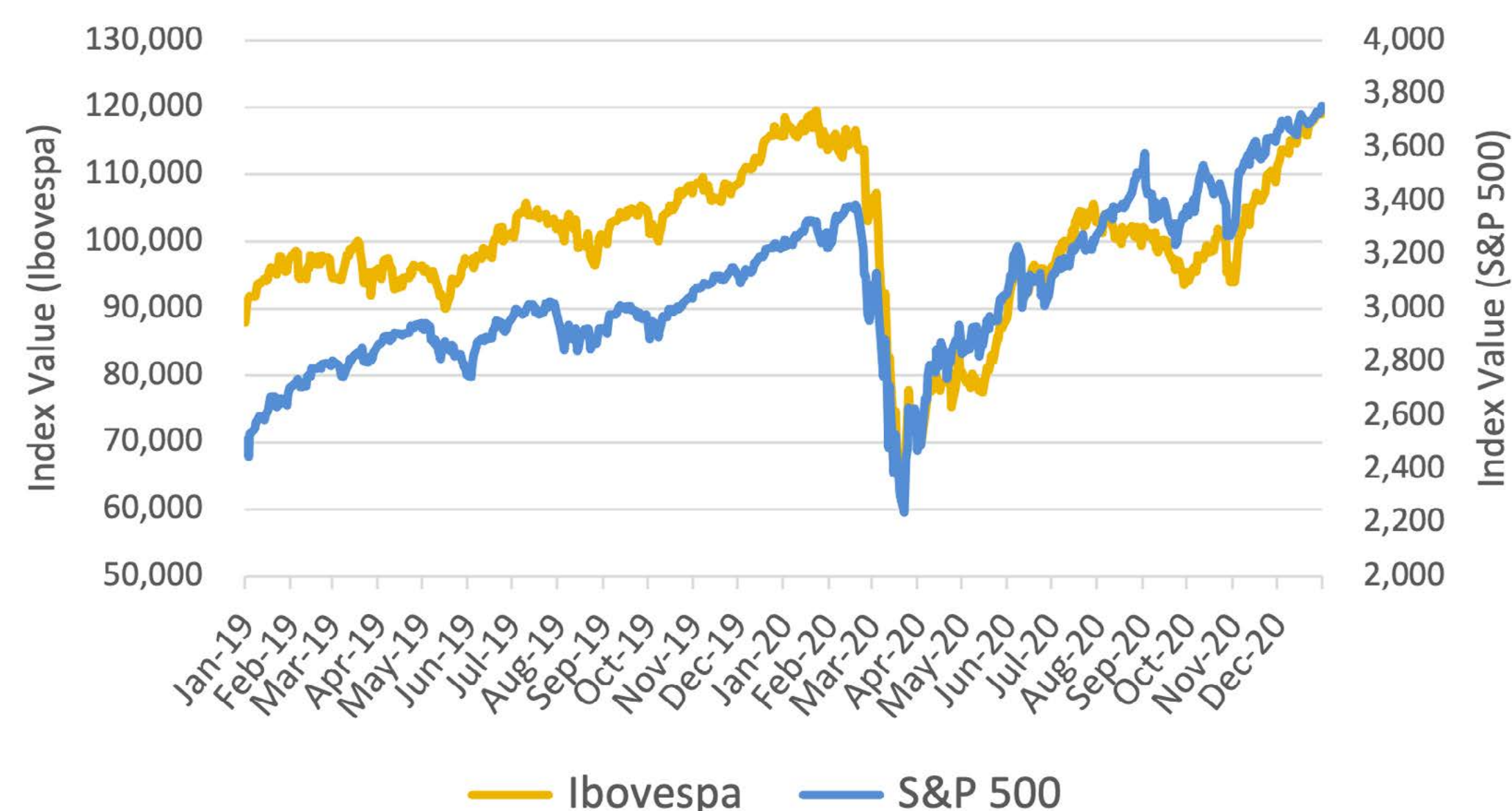
Figure 3 – 10-year US Treasury Bonds



Source: Bloomberg

Central bank interventions, as well as fiscal stimuli implemented around the world, have contributed to restore liquidity and mitigate the impacts of the pandemic on economic activity. Although the environment remained uncertain throughout the year, the positive results of the effectiveness of vaccines against the COVID-19 and the definition of the US elections in November increased demand for riskier assets, such as stocks and assets from emerging economies. This movement is illustrated by Figure 2, which presents the 5 years CDS, and Figure 4, which presents the performance of the US (S&P) and the Brazilian (Ibovespa) stock exchanges. Despite improving at the end of the year, Brazil CDS 5 years has not yet returned to pre-crisis levels, as occurred in the case of other countries.

Figure 4 – S&P and IBOVESPA



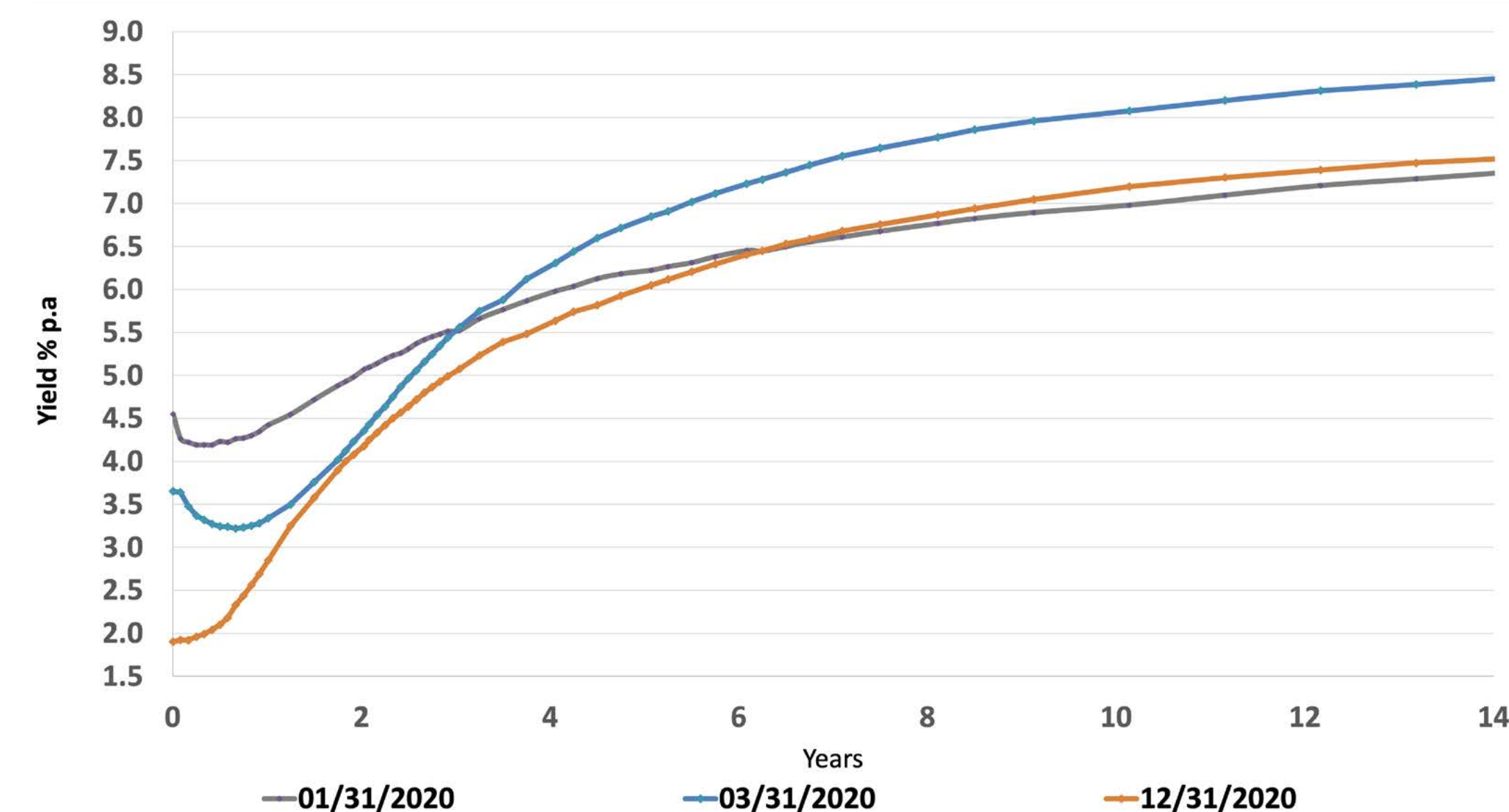
Source: Bloomberg

The yield curve, the most relevant financial variable for public debt management, has also adjusted to the scenario changes, presenting different formats throughout the year, as shown in Figure 5. Once the real effects of the pandemic were understood, the initial market reaction was highly volatile and, in March, long-term yields increased abruptly. The government bond market became dysfunctional, and the National Treasury executed a program of simultaneous issuances and redemptions, to provide price reference. The net balance was of net redemption of BRL 33.1 billion.

Monetary stimuli, through the resumption of the Selic interest rate loosening cycle from May, caused short-term yields to decline. However, such movement was not accompanied by a decline in medium- and long-term yields, making the yield curve in Brazil one of the steepest in the world. Given the magnitude of public spending to mitigate the pandemic's economic and social impacts, the perception of fiscal risk offers one of the possible explanations for this behavior, as the boost in spending caused an increase in the short-term borrowing requirements. The high steepness of the yield curve

was determinant for the bond issuances strategy throughout the year, as will be explained in the next section.

Figure 5 – Yield Curve



Source: Bloomberg

2

Borrowing Strategy

in 2020

2.1 Borrowing Requirements

In 2020, the increase in the federal government borrowing requirements - caused by the expansion of public spending to fight the COVID-19 impacts - was significant. Primary expenditure financed by debt increased to BRL 623.8 billion from the Annual Borrowing Plan - ABP 2020 forecast of BRL 376.3 billion. The available debt *cushion* (liquidity reserve) financed part of this amount. New government bond issuances financed another part, resulting in the revision of the ABP 2020 reference limits for the debt indicators (a point that will be explored later in this report).

The transfer of BRL 325.0 billion from the Central Bank balance sheet result to the National Treasury constituted an important factor to mitigate the increased borrowing requirements in 2020. The transfer, according to Article 5 of Law No. 13,820/2019, as deliberated by the National Monetary Council in August 2020, reinforced cash availability to pay the debt.

The above-mentioned result is composed of the share of the positive financial balance from foreign exchange reserves and operations with foreign exchange derivatives. Since Law No. 13,820/2019⁶, entered into force, these foreign ex-

change gains started to be allocated in an accounting reserve to cover an eventual negative Central Bank balance.

Exceptionally, this amount may be used to pay DFPD when severe liquidity constraints affect the debt refinancing risk. A severe liquidity constraint situation is characterized by the presence of typical economic and financial stress elements, as described in Section 1.2, especially at the beginning of the COVID-19 pandemic. The first months of the pandemic displayed a rare combination of stress events coupled with a sharp fall in economic activity and a remarkable increase in government borrowing requirements.

Figure 6 details the difference between the effective (*ex-post*) and planned (*ex-ante*) borrowing requirements in ABP 2020 for each component of the indicator. The *ex-ante* view considers only expected revenues for 2020, not including revenues from previous fiscal years. In this approach, the net borrowing requirement indicates the amount that the National Treasury should issue to keep stable cash availabilities to pay off debt, assuming other variables are carried out as planned.

The *ex-post* perspective considers all revenues used in the year, including financial surpluses from previous years, such as the positive balance from the Central Bank balance sheet result and early settlements from BNDES. In this

⁶ "Article 5. Upon prior authorization of the National Monetary Council, the resources existing in the results reserve as referred by Art. 3, observing the limit established in § 2 of Art. 4 of this Law, may be assigned to Domestic Federal Public Debt payments when liquidity constraints significantly affect debt refinancing".

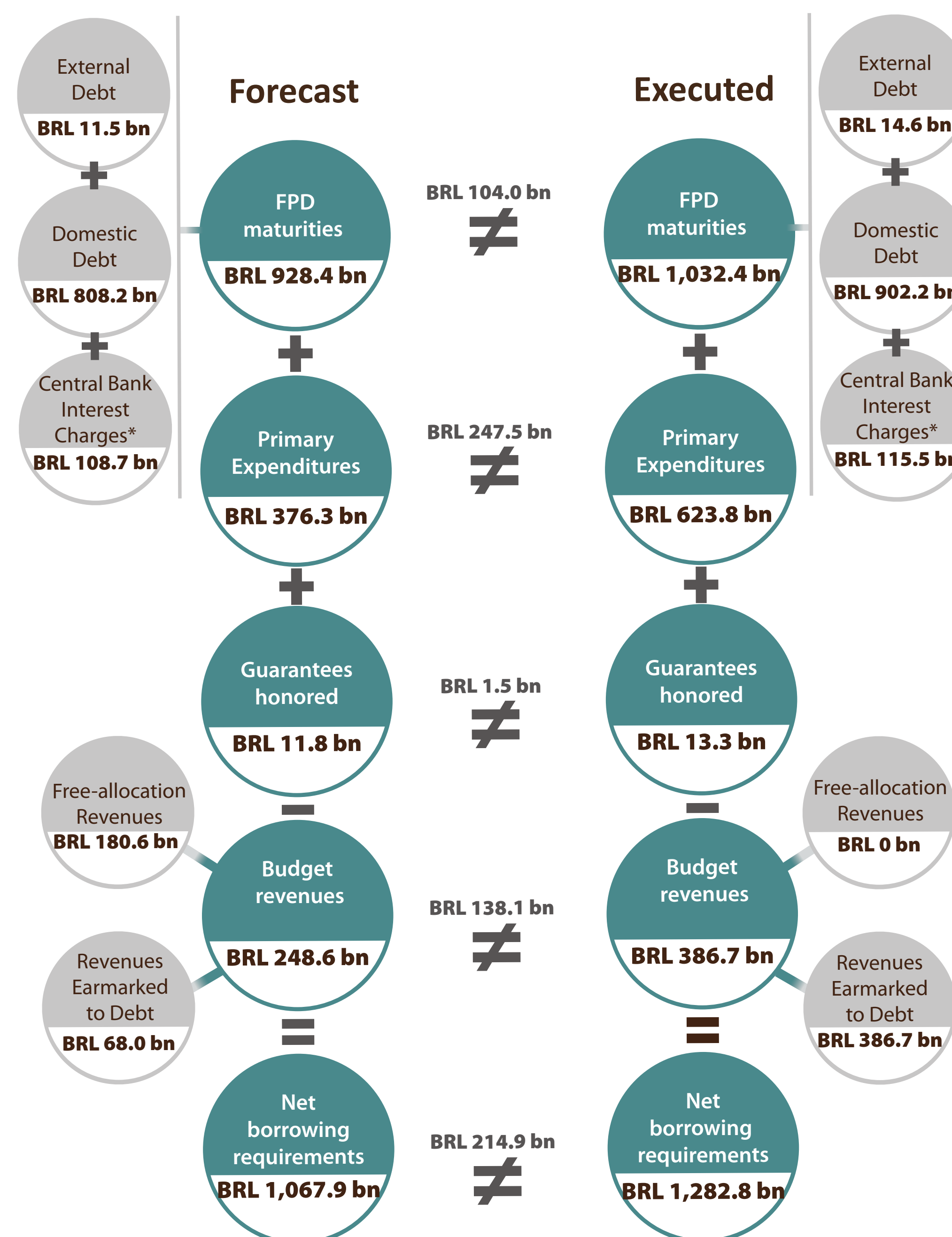
case, the net borrowing requirement indicates the amount of revenue arising from bond issuances in the year⁷.

The BRL 1.282,80 billion actual net borrowing requirement in 2020 was BRL 214.9 billion higher than the ABP forecast. On the revenue side, the lower financial availability of free-allocation budget revenues essentially explains this difference. However, the financial surplus from previous years - primarily composed of the early settlement of BNDES debt to the National Treasury - partially offset this low availability⁸. Additionally, during 2020, the positive balance of the Central Bank balance sheet result (BRL 325.0 billion from foreign exchange balance + BRL 24.8 billion from the overall balance⁹) constituted another revenue not foresaw by the 2020 Annual Budget Law (LOA).

On the expenditure side, the 2020 maturing debt was higher than expected (ex-ante perspective), mainly due to bond repurchases (BRL 36.9 billion), bond issuances that generated coupon payments or matured in the same year (BRL 33.7 billion), and Tesouro Direto – Retail Program early redemptions (BRL 24.0 billion).

Payments of primary expenditures through FPD resources were BRL 247.5 billion higher than the ABP 2020 forecast. This difference is mostly explained by extraordinary expenses aiming at mitigating the COVID-19 pandemic impacts. The use of available resources in the National Treasury Single Account – not related to the public debt liquidity reserve - explains the difference between the BRL 247.5 billion and the increase in the central government primary deficit in 2020.

Figure 6 – National Treasury Borrowing Requirements



⁷ It does not mean, however, that the net borrowing requirements correspond to the amount issued in 2020. When the National Treasury issues more than the net requirements, it means that the debt liquidity reserve increases.

⁸ The term financial surplus refers to revenues received in previous years but not used in the same fiscal year. These resources, by definition, are not part of the current budget.

⁹ Out of the BRL 350.0 billion received from the Central Bank, BRL 197.7 billion will be used in 2021.

* According to Article 39 of the Fiscal Responsibility Law (Complementary Law No. 101/2000), the real interest rate of the Central Bank (Central Bank of Brazil) portfolio cannot be refinanced through payments of Treasury bonds directly to the Central Bank of Brazil

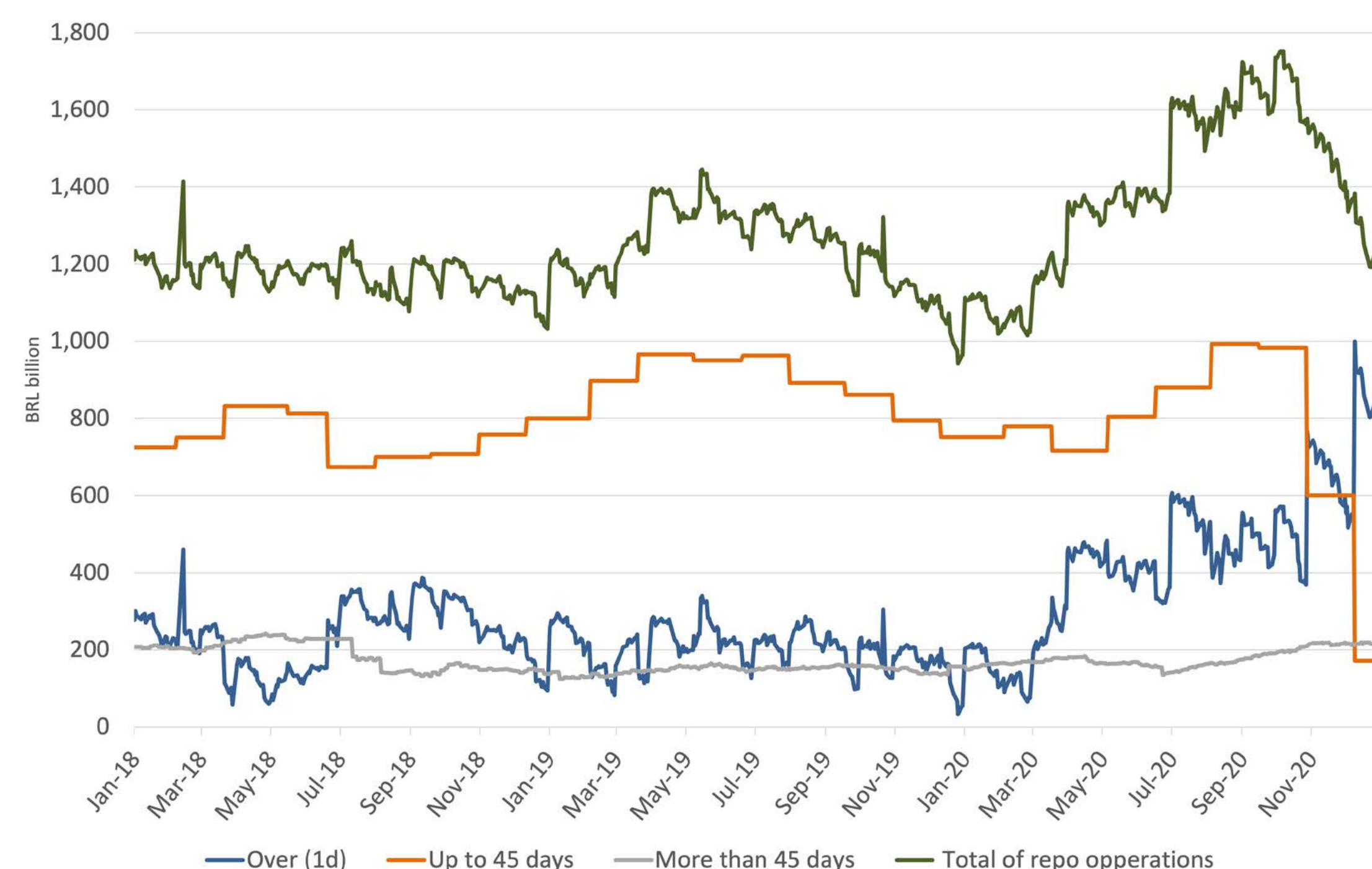
Source: National Treasury

2.2 Strategy Implementation

Domestic Debt

The federal government borrowing requirements increased at a time of great uncertainty and risk aversion from investors, who raised precautionary demand for liquidity. Therefore, resources migrated from government bonds to repo operations, which have shorter maturities and virtually no price volatility. As shown in Figure 7, the overnight repo financial volume rose from an average of BRL 113 billion in February to BRL 454 billion in August, while the total volume rose from an average of BRL 1,050 trillion to BRL 1,600 trillion in the same period. Clearly, the fiscal deficit increase, in itself, contributes to increased liquidity levels in the system, and, consequently, to a higher volume of repo operations.

Figure 7 – Repo Operations



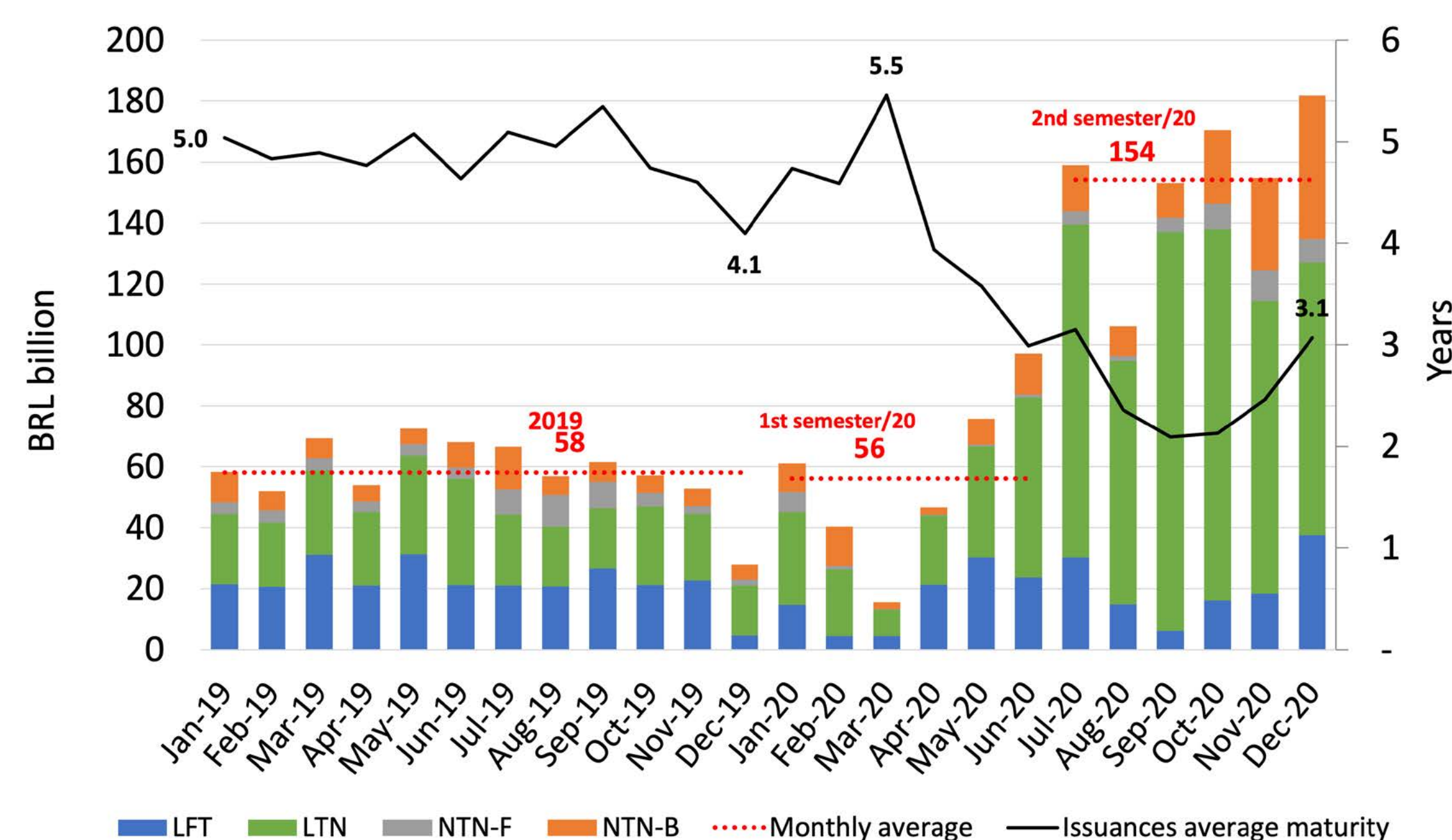
Source: Central Bank of Brazil

After peak volatility in March and April, in a scenario of uncertainty and increasing fiscal deficit expectations, the financial volume raised through bond issuances increased gradually, as shown in Figure 8. During this period, liqui-

dity reserves fulfilled their function as a protection instrument and granted the National Treasury flexibility to adjust issuances according to market conditions and to increase bond issuances timely.

With the increase in borrowing requirements, the financial volume raised through government bond issuances reached historical highs. While the financial volume monthly average in 2019 was BRL 58 billion, during the second half of 2020 it hit BRL 126.7 billion. Amidst a scenario of uncertainties, risk aversion, and a steeping yield curve (Figure 5), the debt issuance average maturity declined, as shown in Figure 8, implying a shortening of the public debt maturity structure. While the debt issuance average maturity in 2019 was five years, the indicator reached about two years in September and October but recovered in the following months.

Figure 8 – Bond issuances* and the average maturity of DFPD issuances**



* Issuances consider only traditional bond auctions.

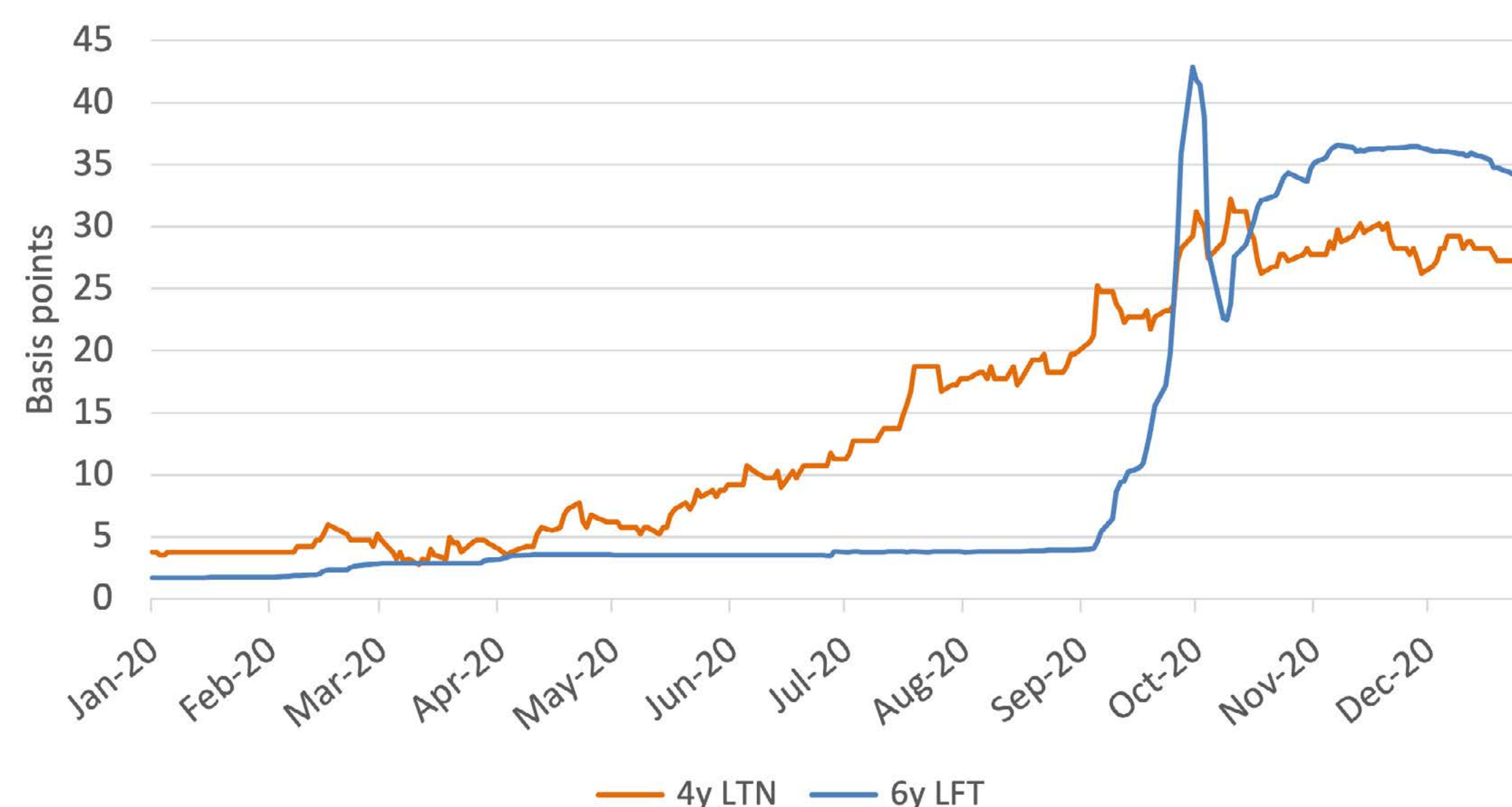
**Average maturity of debt issuances – public offerings

Source: Central Bank of Brazil

In a context of elevated preference for liquidity, and the consequent outflow of resources from government bonds to the Central Bank repo operations,

the Treasury had to induce a relative price adjustment by increasing the offered premia in the primary market to sustain government bonds demand. As shown in Figure 9, the fixed-rate bond premium increased gradually, as a response to the growing offer in the primary market since May¹⁰. The floating-rate bond, LFT, by its turn, experience an abrupt rise in its premium only in September, due to its secondary market reduced activity and liquidity. The induced relative price adjustment was part of the National Treasury's strategy to increase and rebalance the attractiveness of government bonds vis-à-vis repo operations. Despite the losses caused to bondholders and the negative impacts on some investment funds shares, the price adjustment took place in a relatively organized fashion. By November, the premia eventually started to show a trend of stability at higher – more attractive - levels, allowing for greater demand for floating-rate bonds, LFT, as shown in Figure 8.

Figure 9 – **Government bonds risk premium**



Source: National Treasury

¹⁰ In practice, the LTN premium corresponds to the premium resultant from the combination of an LTN with a swap from fixed- to floating-rate.

In 2020, the National Treasury promoted adjustments to its borrowing plan to meet the sudden rise of the borrowing requirements and, as importantly, to adapt the plan to the changing market conditions. Those changes granted more flexibility to the debt manager and they were invaluable to the success of the borrowing strategy.

The addition of certain on-the-run bonds throughout 2020 was a key factor to the success of the borrowing strategy, as it also provided flexibility to the debt management. With the market players' demand concentrated in short-term bonds, in particular, 6- and 12-month LTN, and considering the steepening yield curve, the National Treasury increased the list of on-the-run bonds. With this measure, the Treasury intended to meet the sudden increase of borrowing requirements imposed by the pandemic while minimizing the consequences to the refinancing risk.

In April, the Treasury introduced a three-year maturity LFT and, by October, two other on-the-run benchmarks, a two-year maturity LFT, and a three-year maturity NTN-B. Table 1 shows the breakdown of the borrowing strategy, emphasizing the adjustments made throughout the year. Approximately 34% of the financial volume raised in 2020 will mature in 2021¹¹. The newly introduced benchmarks added up to 11% of the raised funds in the year. Moreover, LFT issuances represented a low share in 2020, with only 18%¹². Under certain circumstances, such as those met in 2020, the floating-rate bonds are preferred to the short-term fixed-rate bonds from a strategic standpoint. The short-term interest rate risks are somewhat equivalent, whereas the floating-rate bond allows for a reduction in the refinancing risk, given its longer tenors. Thus, the low floating-rate bond share in the total issued in 2020 resulted from demand restrictions.

¹¹ For comparison, in 2019, only 7% of the total DFPD issued matured in the following year, 2020.

¹² In moments of financial instability, the floating-rate bonds usually draw a great deal of demand and, consequently, becomes a particularly important instrument to raise elevated amounts of resources during such circumstances. The low share of these bonds, in the total issued, comes to show, however, that the market responded differently this time, given the exacerbated preference for liquidity, the relatively low level of the reference rate, and, lastly, the premium instability episode in September.

Table 1 – Issuance – Only Regular Auctions* (Maturing after 2020)

Issued Bonds	Total (BRL billion)	%
LFT	222.2	18.0%
LFT - 02-year**	27.4	2.2%
LFT - 03-year**	32.3	2.6%
LFT - 06-year	162.5	13.2%
LTN	777.5	63.1%
LTN - 06-month	208.3	16.9%
LTN - 12-month	209.1	17.0%
LTN - 24-month	126.5	10.3%
LTN - 48-month	233.5	18.9%
NTN-F	46.5	3.8%
NTNF - 07-year	27.7	2.2%
NTNF - 10-year	18.8	1.5%
NTN-B	186.8	15.1%
NTNB - 03-year**	74.9	6.1%
NTNB - 05-year	83.1	6.7%
NTNB - 10-year	20.0	1.6%
NTNB - 20-year	3.9	0.3%
NTNB - 40-year	4.8	0.4%
Total	1,233.0	100.0%

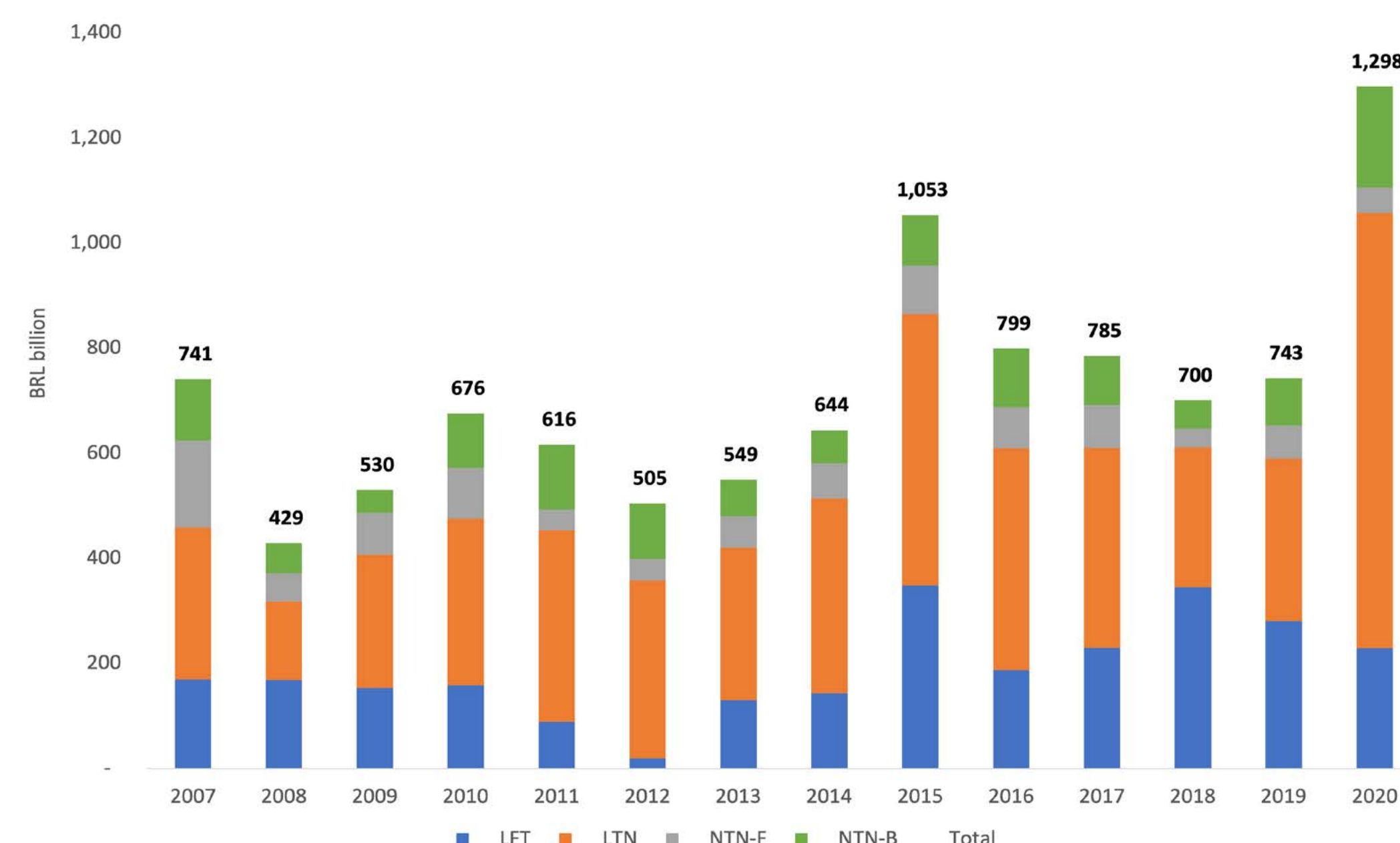
* Exchange and extraordinary auctions are not considered. Bonds issued in 2020 that matured in 2020 were also not considered.

**New benchmarks introduced due to adjustments in the financing strategy.

Source: National Treasury

The financial volume raised through the issuance of DFPD bonds in 2020 was BRL 1,298.6 billion, as shown in Figure 10. This amount is approximately 71.5% higher than the average of the previous four years. The sudden increase in government borrowing requirements explains the shock on government bonds offers. Furthermore, an environment of uncertainties and risk aversion explains the significant share of short-term maturities bonds in the borrowing strategy.

Figure 10 – Domestic Federal Public Debt Bond Issuances*



* Figures adjusted by inflation from December 2020.

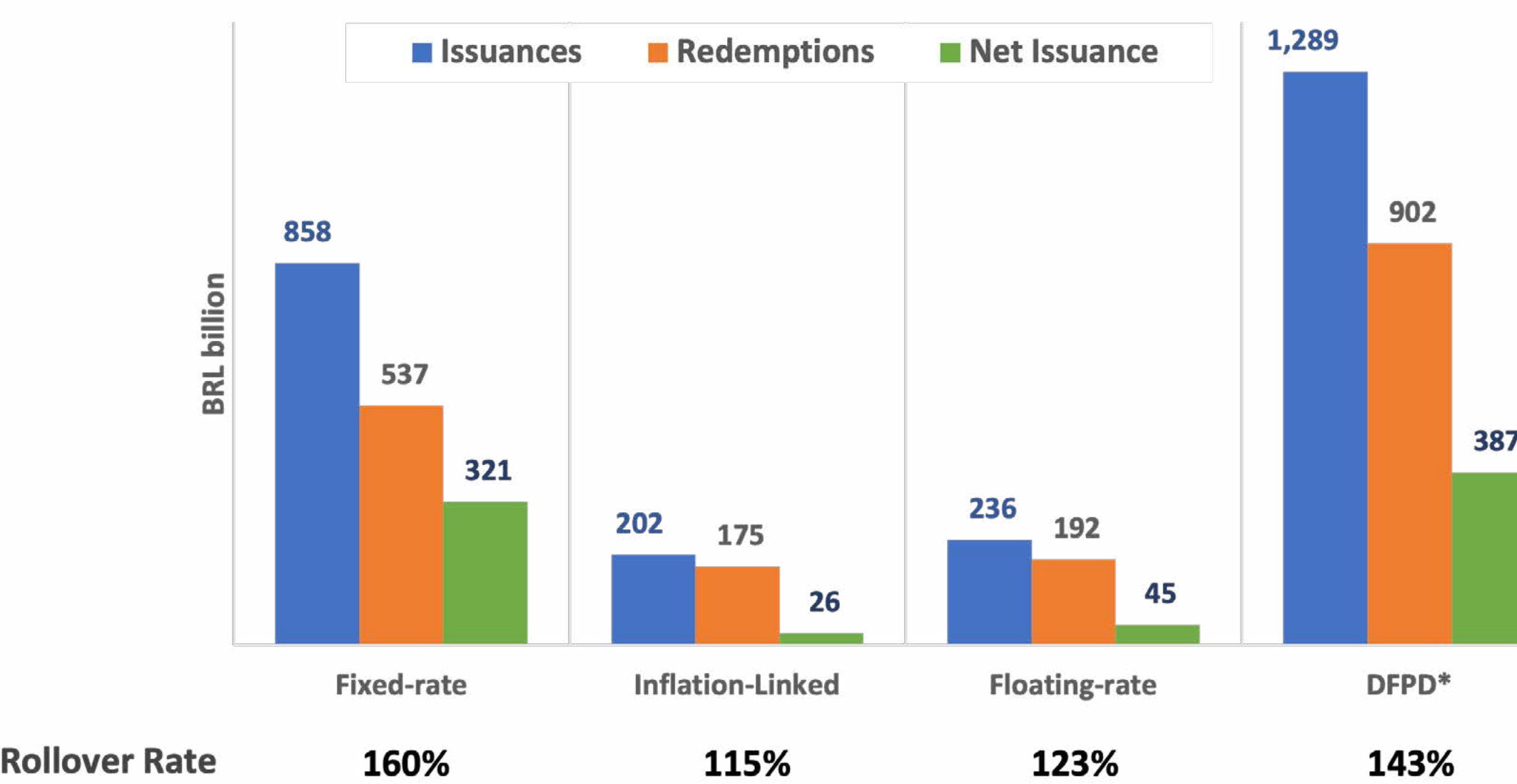
Source: National Treasury

In the consolidated year result for the DFPD, issuances exceeded redemptions by BRL 387 billion, representing a refinancing rate¹³ of 143%, compared to 105.4% in the previous year, as shown in Figure 11. Fixed-rate bonds net issuance¹⁴ reached BRL 321 billion, with a refinancing rate of 160%. Net issuance of floating-rate and inflation-linked bonds in the year was also positive, despite the lower volume raised through these instruments.

¹³ The refinancing rate (or rollover) is the ratio between bond issuance and redemptions.

¹⁴ The net issuance is the difference between bond issuances and redemptions.

Figure 11 – *Net Issuance* and Refinancing Rate by Indexer*



* Only bond issuances and redemptions with an impact on liquidity are considered.
Source: National Treasury

External Debt

In an exceptionally challenging year like 2020, the external debt reinforced its role as a relevant instrument for lengthening the FPD average maturity¹⁵, diversifying the investors base, and providing a well-priced yield curve as a reference for the corporate sector.

Throughout the year, the National Treasury executed two debt issuances in the international market, as described in Table 2. The financial volume raised in both operations combined was USD 6 billion. The lower yields of the December transaction compared with the one in June reflects the improvement in market conditions.

¹⁵ In 2020, the average maturity for the external debt issuances was 8.2 years, while for the DFPD was 2.93 years.

Table 2 – *External Debt Issuances*

		Transaction 1 - Dual Tranche 06/03/2020		Transaction 2 - Triple Tranche 02/12/2020	
Bond	Maturity	Volume*	Yield (%)	Volume*	Yield (%)
Global 2025	06/06/2025	\$1.25	3.00	\$0.50	2.20
Global 2030	06/12/2030	\$2.25	4.00	\$1.25	3.45
Global 2050	01/14/2050			\$0.75	4.50
Total		\$3.50		\$2.50	

*USD billion.
Source: National Treasury

For more information, please access the issuances reports.

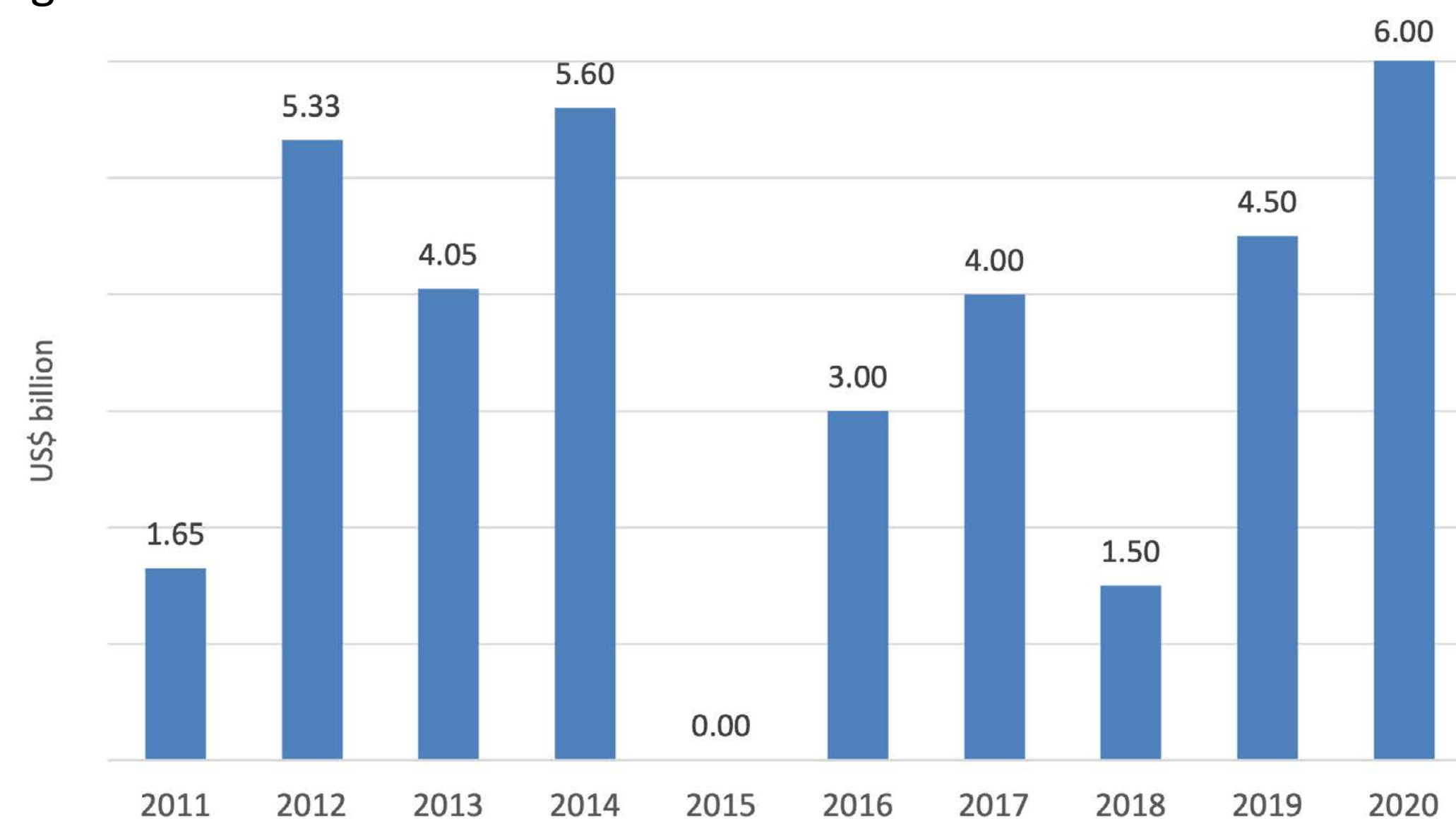


Transaction 1



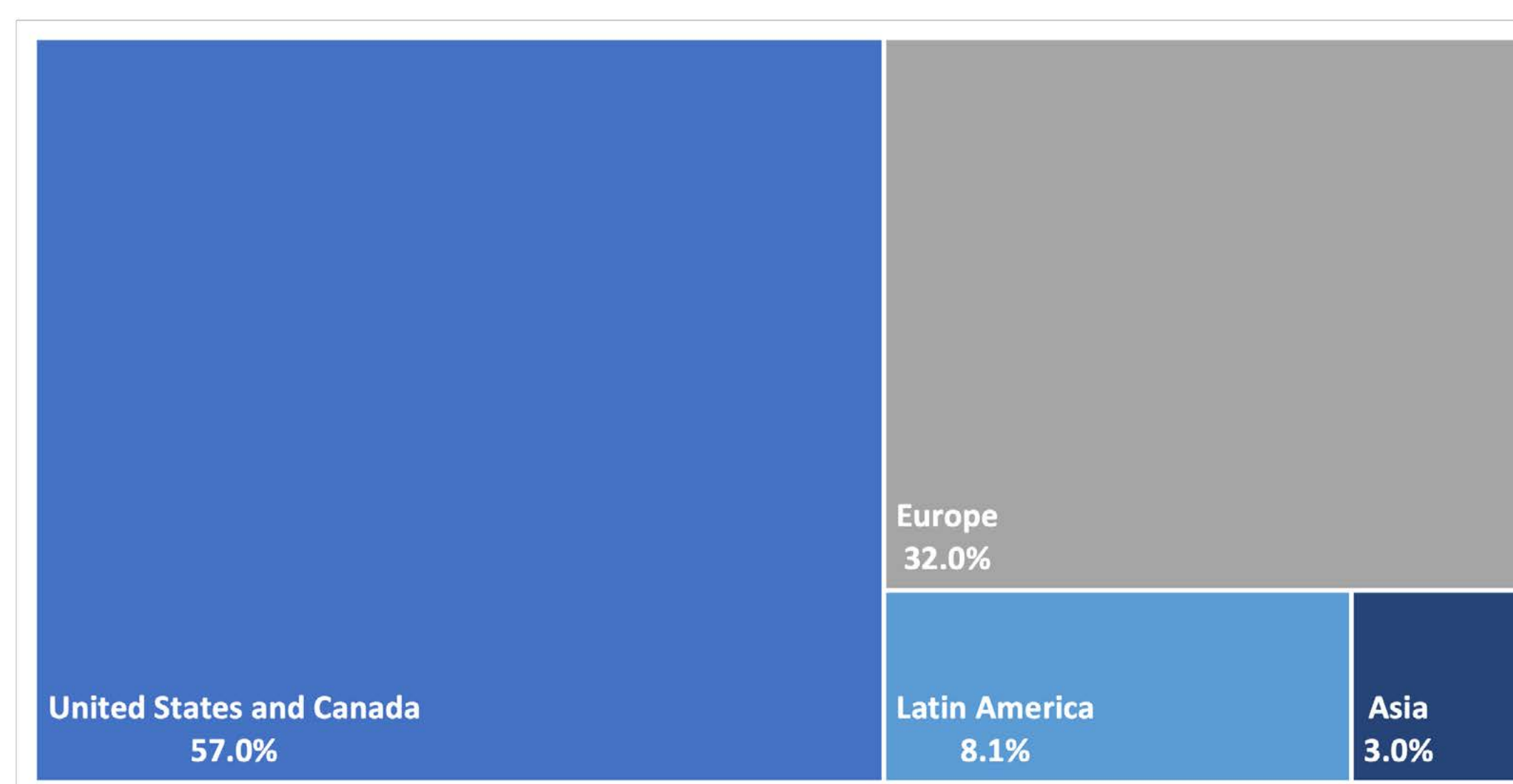
Transaction 2

Due to market conditions, the Treasury also adjusted the external borrowing strategy by issuing a 5-year bond, shorter than the usual 10-and 30-year benchmarks. The high level of uncertainties due to the COVID-19 pandemic justified this strategy change. The yield curve steepening, a consequence of the uncertain scenario, favored the issuance of bonds with shorter maturities. Throughout the year, with less volatility, the National Treasury offered bonds with longer terms again, achieving a historically lower rate for the 30-year benchmark (4.50%). In 2020, the financial volume raised in the international market was higher than in previous years, as shown in Figure 12. However, the debt share exposed to the foreign exchange rate remained within its reference limits (Main Outcomes section).

Figure 12 – **External Debt Issuances**

Source: National Treasury

Finally, Figure 13 illustrates the share by region of investors of the issuances executed in 2020. The result shows the importance of external debt as an instrument for diversifying the investor base.

Figure 13 – **Share by Region**

Source: Bookrunners

Multilateral loans offered another meaningful change in the external borrowing strategy. The various programs to mitigate the economic and social effects of the pandemic motivated these multilateral loans. The government has already implemented such programs, using funds from domestic issuances. After disbursements,¹⁶ loan proceeds will be used exclusively for the public debt payment.

The total amount will be up to USD 4.55 billion for the dollar loans, plus EUR 550 million for the euro loans across eight transactions with six institutions, as shown in Table 3.

Table 3 – **Multilateral Loans**

Institutions	Volume (USD million)	Program
Andean Development Corporation (CAF)	350.0	Unemployment Insurance
Inter-American Development Bank (IDB)	1,000.0	Emergency Employment Maintenance Program, Emergency Aid, and Bolsa Família
World Bank (IBRD)	1,000.0	Bolsa Família
New Development Bank (NDB)	1,000.0	Emergency Aid
Inter-American Development Bank (IDB)	200.0	Emergency Access to Credit Program - FGI (PEAC)
New Development Bank (NDB)	1000.0	Emergency Access to Credit Program - FGI (PEAC)
Total in US\$	4,550.0	

Institutions	Volume (EUR million)	Program
French Development Agency (FDA)	200.0	Bolsa Família and Emergency Aid
KfW Entwicklungsbank (KfW)	350.0	Bolsa Família
Total in EUR	550.0	

Source: National Treasury

¹⁶ The Treasury expects disbursements to occur in 2021 and 2022.



3 Main Outcomes

This section presents the outcomes related to the main FPD indicators, compared to the reference limits set in the 2020 ABP and its revision carried out in August.

3.1. FPD Indicators and Risk Management

2020 Annual Borrowing Plan Revision

In a year marked by the impact of the COVID-19 pandemic, the increase in the level of federal government borrowing requirements represented the main impact for the FPD, which required changes in the borrowing strategy previously defined in the 2020 ABP. Thus, on August 28, the Treasury adjusted the reference limits for FPD outstanding volume, composition, and maturity structure to accommodate the need for a higher volume of issuances through a larger share of short-term debt instruments. As shown in Table 4, the new limits started to indicate:

- Forecast for a higher FPD outstanding;
- A greater share of fixed-rate bonds combined with a lower share of floating-rate bonds in the FPD;
- A larger share of FPD maturing in 12 months and lower average maturity.

Table 4 shows the main FPD indicators outcomes as of the end of 2020. The FPD outstanding was above the upper limit indicated in the ABP review by the end of the year, as market

conditions were favorable to the increase in fixed-rate bonds issuances by amounts higher than previously forecasted, especially during November and December. For the same reason, regarding debt composition, the share of fixed-rate bonds was also above the upper limit, while the floating-rate bonds' share was below the lower limit. The remaining indicators were within the reference limits defined in the 2020 ABP review, which was an important tool to reorient market players' expectations, given the uncertainties that prevailed throughout the year.

Table 4 – **Main Federal Public Debt Outcomes**

Statistics	Dec-19	Dec-20	2020 ABP reference limits		2020 ABP reviewed limits*	
			Minimum	Maximum	Minimum	Maximum
Outstanding debt (BRL billion)						
FPD	4,248.9	5,009.6	4,500.0	4,750.0	4,600.0	4,900.0
Composition (%)						
Fixed-rate	31.0	34.8	27.0	31.0	30.0	34.0
Inflation-linked	26.0	25.3	23.0	27.0	23.0	27.0
Floating-rate	38.9	34.8	40.0	44.0	36.0	40.0
FX	4.1	5.1	3.0	7.0	3.0	7.0
Maturity structure						
% maturing in 12 months	18.7	27.6	20.0	23.0	24.0	28.0
Average maturity (years)	4.0	3.6	3.9	4.1	3.5	3.8

* Revised ABP, available at:
https://sisweb.tesouro.gov.br/apex/f?p=2501:9::::9:P9_ID_PUBLICACAO_ANEXO:9365

Source: National Treasury

Outstanding Debt

In 2020, the FPD outstanding increased by BRL 760.7 billion, or approximately 18% relative to the previous year. The variation includes both net issuances of BRL 408.1 billion and accrued interests in the amount of BRL 352.6 billion, as shown in Table 5. For the DFPD, net issuances contributed to cover primary expenditures, in particular, those associated with the pandemic, minimizing the potential impact of these actions on the National Treasury's cash position. For the EFPD, accrued interests include the effect of exchange rate fluctuations over the debt outstanding.

Table 5 – **Determinants of FPD variation (BRL billion)**

Statistics	Outstanding debt		Variation	Determinants of variation			
	2019	2020		Issuances	Redemptions	Net issuances	Accrued interest
				(a)	(b)	(a-b)	(c)
FPD	4,248.9	5,009.6	760.7	1,329.0	920.9	408.1	352.6
DFPD	4,083.2	4,766.2	682.9	1,296.5	906,6*	389.9	293.0
EFPD	165.7	243.5	77.8	32.4	14.3	18.1	59.7

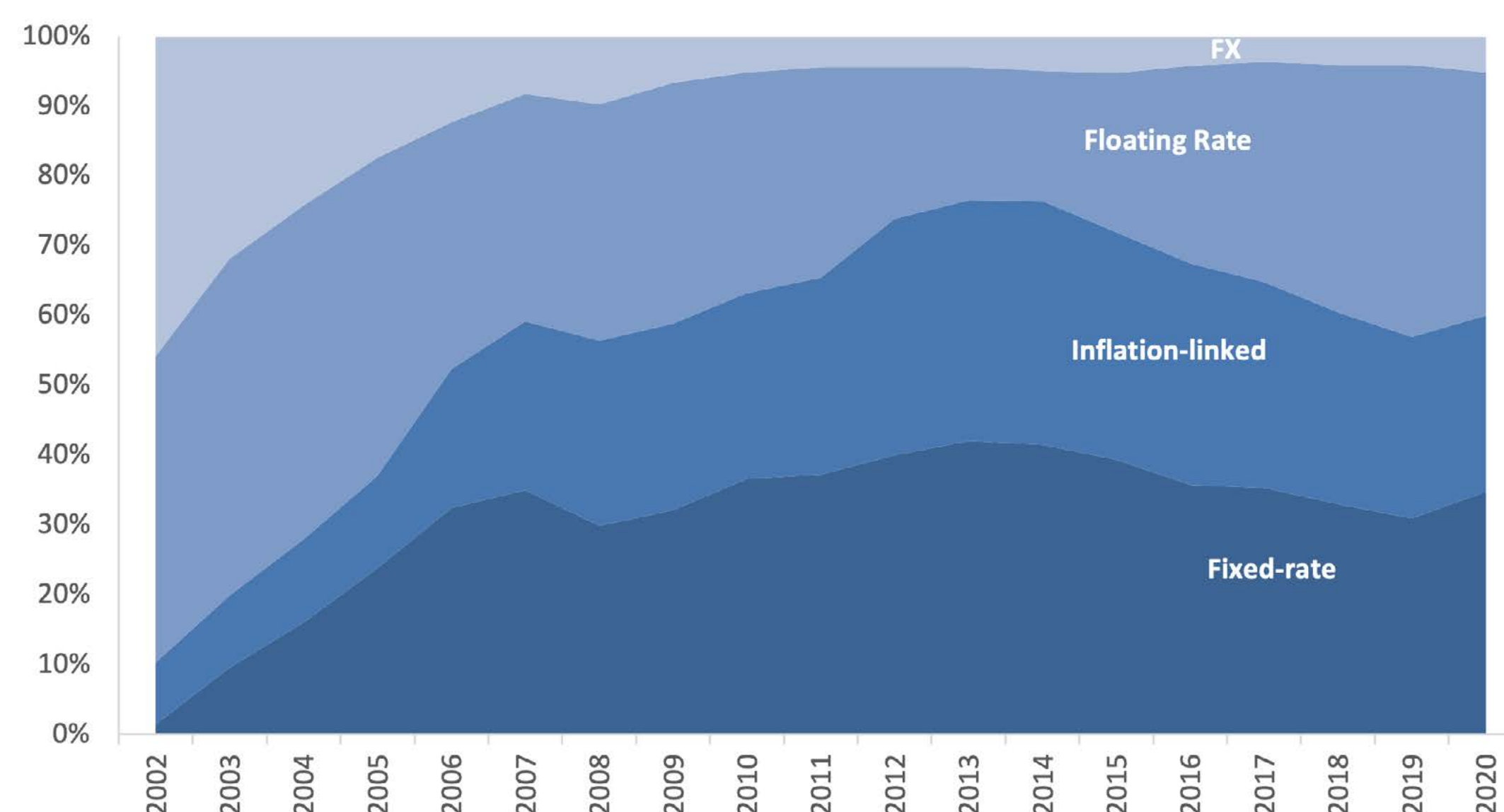
* Includes transfer between BCB and market portfolios amounting to BRL 258 million, as shown in table 2.9 of the Dec-20 MDR annex.

Source: National Treasury

FPD Composition and Market Risk

Changes in FPD composition throughout 2020 mainly reflect a significant net issuance of fixed-rate bonds, that was not accompanied by a growth of similar proportions in floating-rate and inflation-linked bonds issuances. Fixed-rate bonds share registered a 3.8 percentage points increase, from 31.0% in 2019 to 34.8% in December 2020. The share of floating-rate bonds decreased by around 4.1 percentage points relative to the end of 2019, from 38.9% to 34.8%, while the FPD share of inflation-linked bonds reduced from 26.0% to 25.3%. The FPD composition dynamic is shown in Figure 14.

The central government's recurrent fiscal deficits since 2014 have generated a significant increase in public indebtedness during this period, with an impact on FPD indicators. As already discussed in previous sections, the demand for floating-rate bonds (LFT) - issued preferentially over short-term fixed-rate bonds in recent years - dropped. In this scenario, the National Treasury had to increase issuances of fixed-rate bonds (LTN) of 6- and 12-month maturities, to the detriment of LFT.

Figure 14 – *FPD composition*

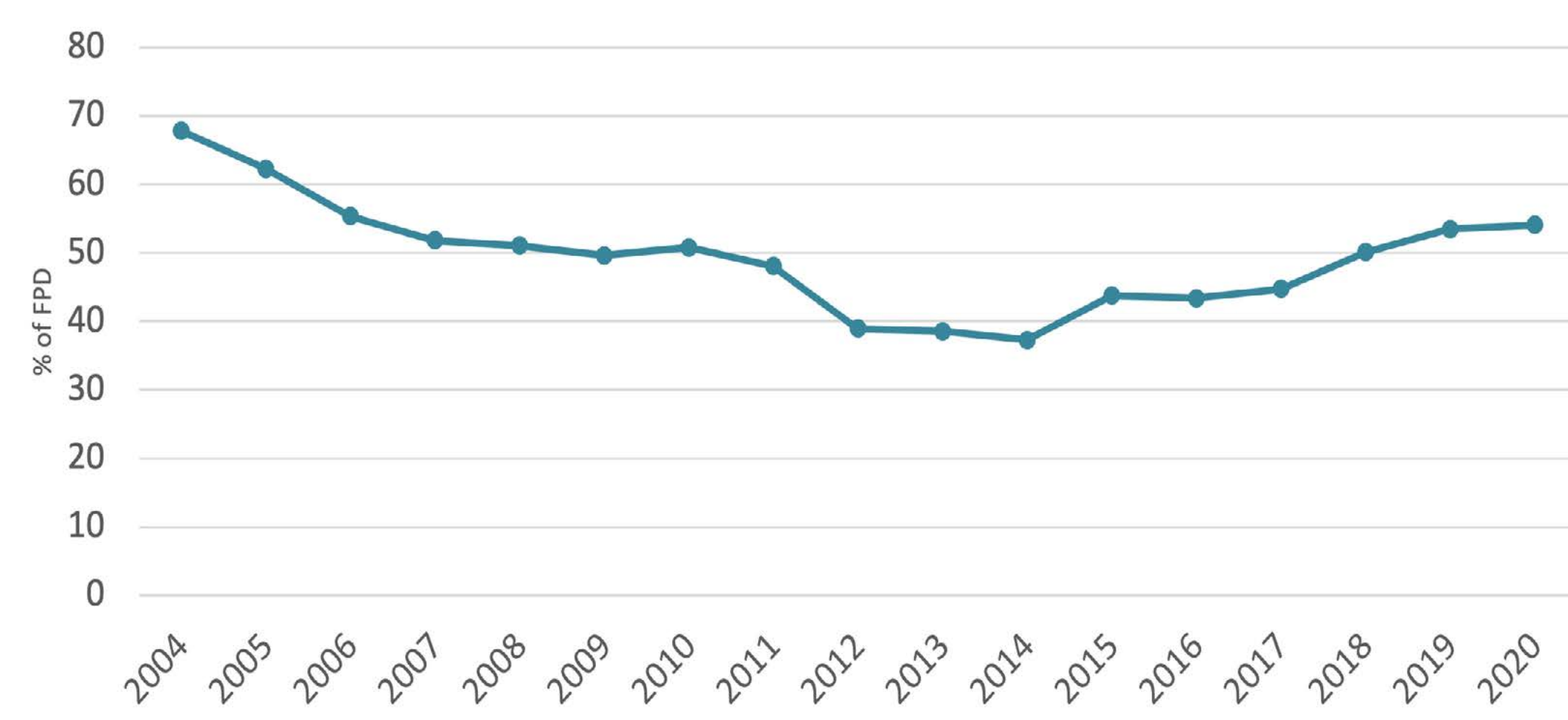
Source: National Treasury

Composition analysis is a useful indicator to monitor FPD market risk, which refers to the risk of increasing the FPD cost and outstanding volume due to fluctuations in the indexes to which government bonds are earmarked. In general, the larger the share of fixed-rate bonds in the FPD, the lower the underlying debt exposure to market risk. In turn, inflation-linked bonds have a risk-mitigating factor once usually there is a positive correlation between the cost of this type of debt and government revenues in the face of inflationary shocks. On the other hand, larger shares of floating-rate bonds or debt exposure to exchange rate variations tend to imply a riskier debt.

Increasing the debt share of short-term fixed, like increasing the floating-rate bonds share, enhances debt exposure to short-term interest rate fluctuations, which would have negative impacts in an occasional severe tightening cycle of monetary policy and of general borrowing conditions. Thus, an analysis restricted to the composition by the FPD indexers does not necessarily reflect a decrease in the market risk exposure. Particularly in 2020,

the increase in the fixed-rate debt share occurred through issuances of fixed-rate bonds with maturities of 6 and 12 months, which need to be rolled over in the short term and, consequently, absorb the impacts of changes in short-term interest rates.

A broader indicator considers the share of debt with interest rate re-fixing in 12 months, shown in Figure 15, as a metric for assessing the current FPD exposure to the risk of interest rate fluctuations. This indicator is the sum of debt maturing in twelve months and the share of floating-rate debt maturing in a period longer than twelve months. In other words, the total share of debt that would have its interest rate re-fixed in a one-year horizon, in case of interest rates fluctuations. This metric considers LFT and short-term fixed-rate bonds as instruments with similar interest rate risk. The recent dynamics of this indicator shows an increase in the FPD market risk since 2014, following the public debt increase during the period.

Figure 15 – *Share of debt with interest rate re-fixing in 12 months (% of debt)*

Source: National Treasury

Despite changes in the FPD composition in recent years, the National Treasury maintains its long-term guideline of gradually replacing floating-rate bonds for

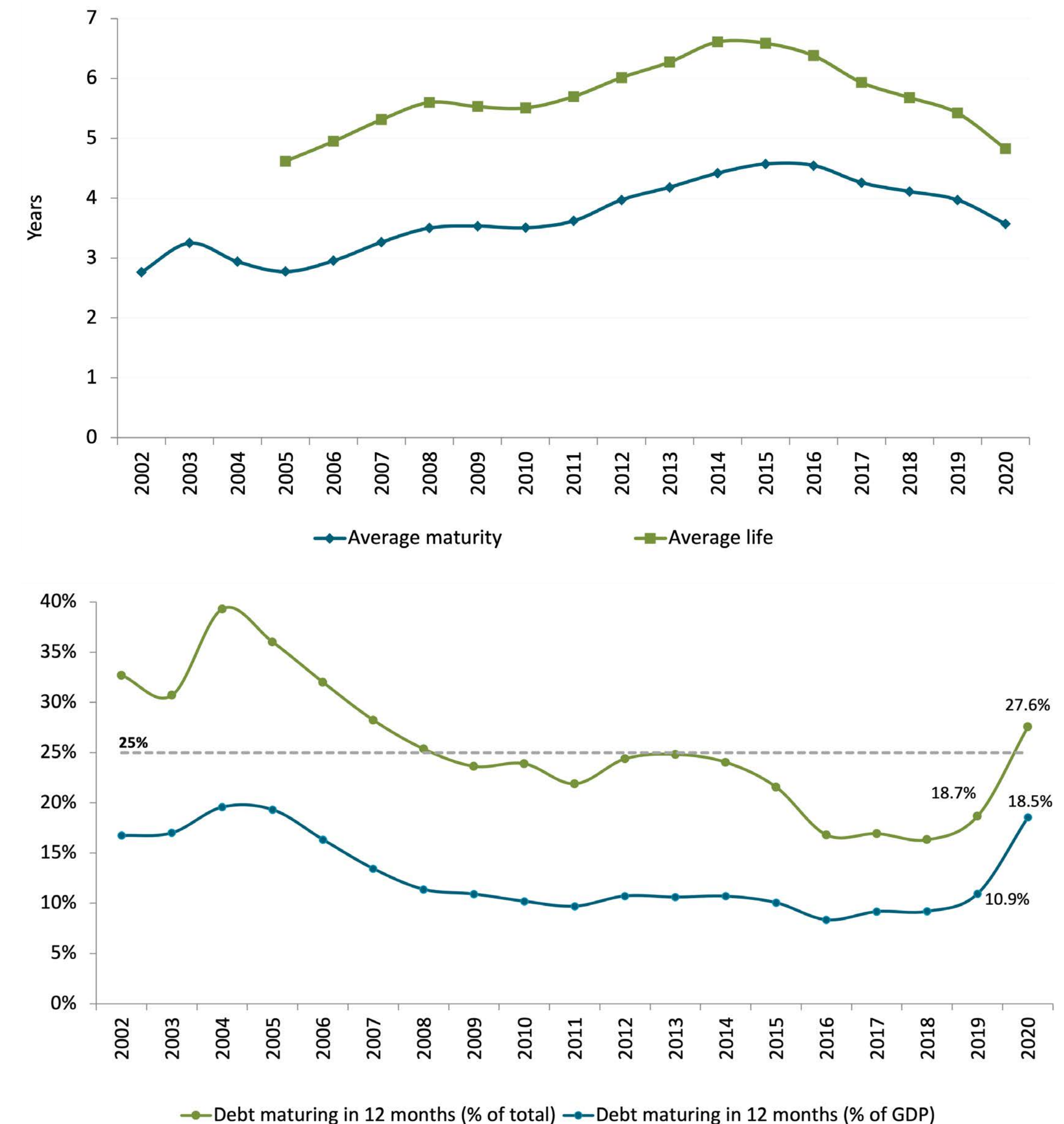
inflation-linked and long-term fixed-rate bonds. However, reaching the ideal composition depends on market conditions, which, ultimately, are linked to the progress of the structural reform agenda to complete the process of fiscal consolidation and enable the full recovery of the economy.

FPD Maturity Structure and Rollover Risk

The main indicators of FPD rollover risk are the share of debt maturing in 12 months and the outstanding debt average maturity. While the former is a parameter of debt concentration in the short term, the latter reflects the average time remaining for debt payments. As shown in Figure 16, the share of debt maturing in 12 months increased from 18.7% in 2019 to 27.6% in 2020, the highest figure for a year-end since 2007. The share of debt maturing in 12 months as a percentage of GDP, in its turn, reached the highest figure, 18.5% of GDP, in the time series that started in 2005.

Market conditions that guide the Treasury's issuance strategy changed significantly in 2020. The increase in liquidity preference during the pandemic contributed to a decline in the demand for floating-rate bonds (LFT), leaving the Treasury with no other option than to issue short-term fixed-rate bonds. In the context of substantial borrowing requirements, such an alternative resulted in a higher volume of maturities in the short term, which explains the increase in the share of debt maturing in 12 months.

Figure 16 – **FPD Maturity profile: debt average maturity and share of debt maturing in 12 months***



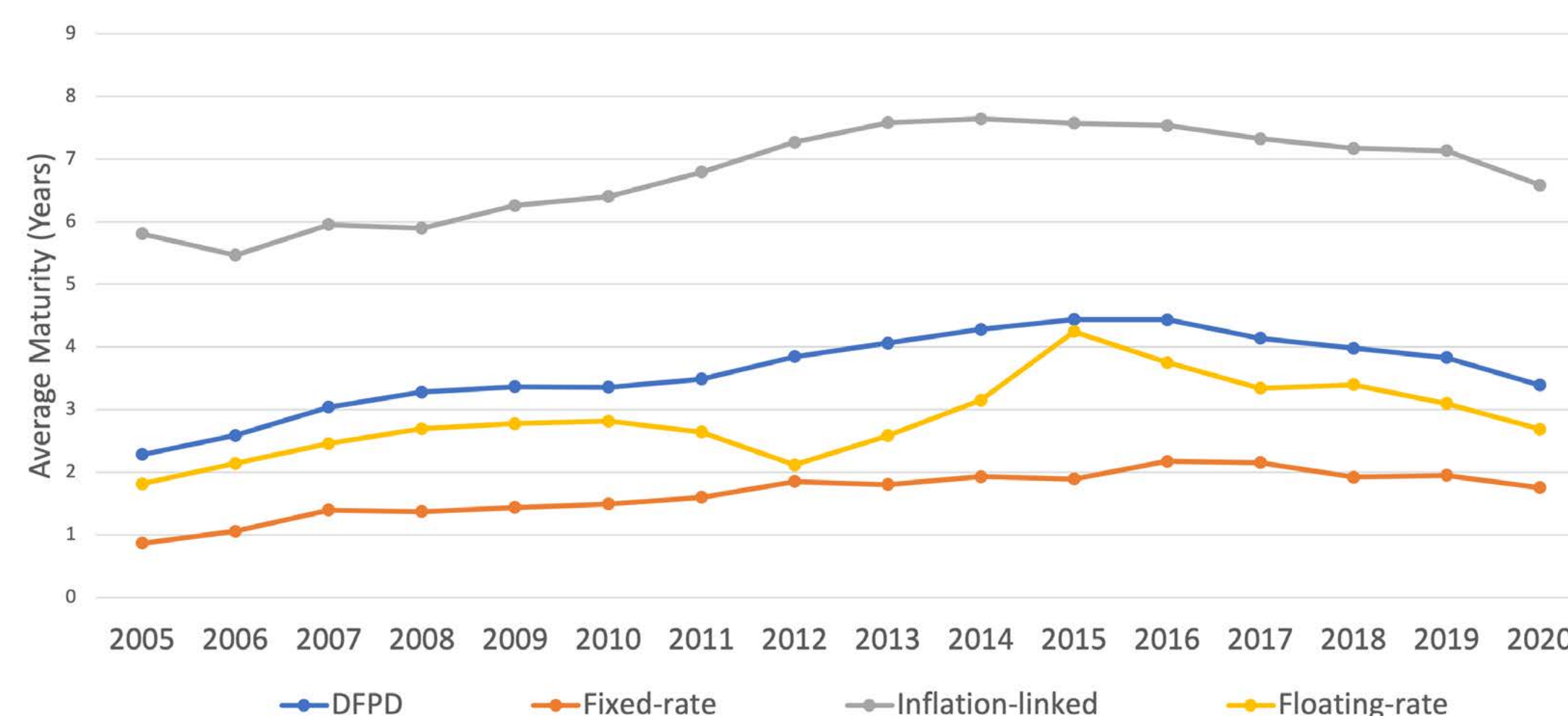
* The 2020 GDP was calculated using the monthly GDP - as published by the BCB - in the 12 months to November 2020.

Source: National Treasury

The average maturity, in turn, fell from 4.0 to 3.6 years. The higher issuance of short-term fixed-rate bonds throughout the COVID-19 pandemic explains this reduction. Add to this a structural decline in recent years in the demand for bonds such as the NTN-F (fixed-rate bonds), whose main holders are non-residents, and the NTN-B (inflation-linked bonds) with 10-year and over maturities, pension funds' preferred bonds.

The drop in the average maturity reflects a trend seen since 2015. In part, a decrease in the average maturity of all types of bonds, regardless of indexation, explains this movement, as shown in Figure 17. However, changes in the composition of the debt outstanding also affect the average maturity, especially through the decrease in the share of inflation-linked bonds, which are those with longer average maturity.

Figure 17 – *DFPD outstanding maturity profile by indexer*



Source: National Treasury

The recent behavior of the maturity indicators, which show the FPD rollover risk, demonstrates the relevance of maintaining a liquidity reserve at adequate levels, which provides flexibility to debt management. In 2020, the transfer of part of the Central Bank (BCB) balance sheet result helped to strengthen the public debt liquidity cushion. For 2021, however, the Treasury develops its

strategy and plans to maintain its cash availability above the prudent level regardless of extraordinary revenues. Notwithstanding, revenues such as those from the BNDES early settlement are desirable and contribute to reinforcing the debt's cash position.

In addition to the average maturity, the Treasury regularly publishes statistics about average life (ATM, an acronym for the average time to maturity) for the FPD¹⁷. This indicator is useful for international comparisons, once many countries use this measure to calculate their outstanding debt maturities rather than the average maturity (duration) concept, which is monitored according to the reference ranges determined in this ABP. FPD average life information can be found in: <https://www.gov.br/tesouronacional/en/federal-public-debt/about-federal-public-debt/key-figures-of-the-federal-public-debt>.

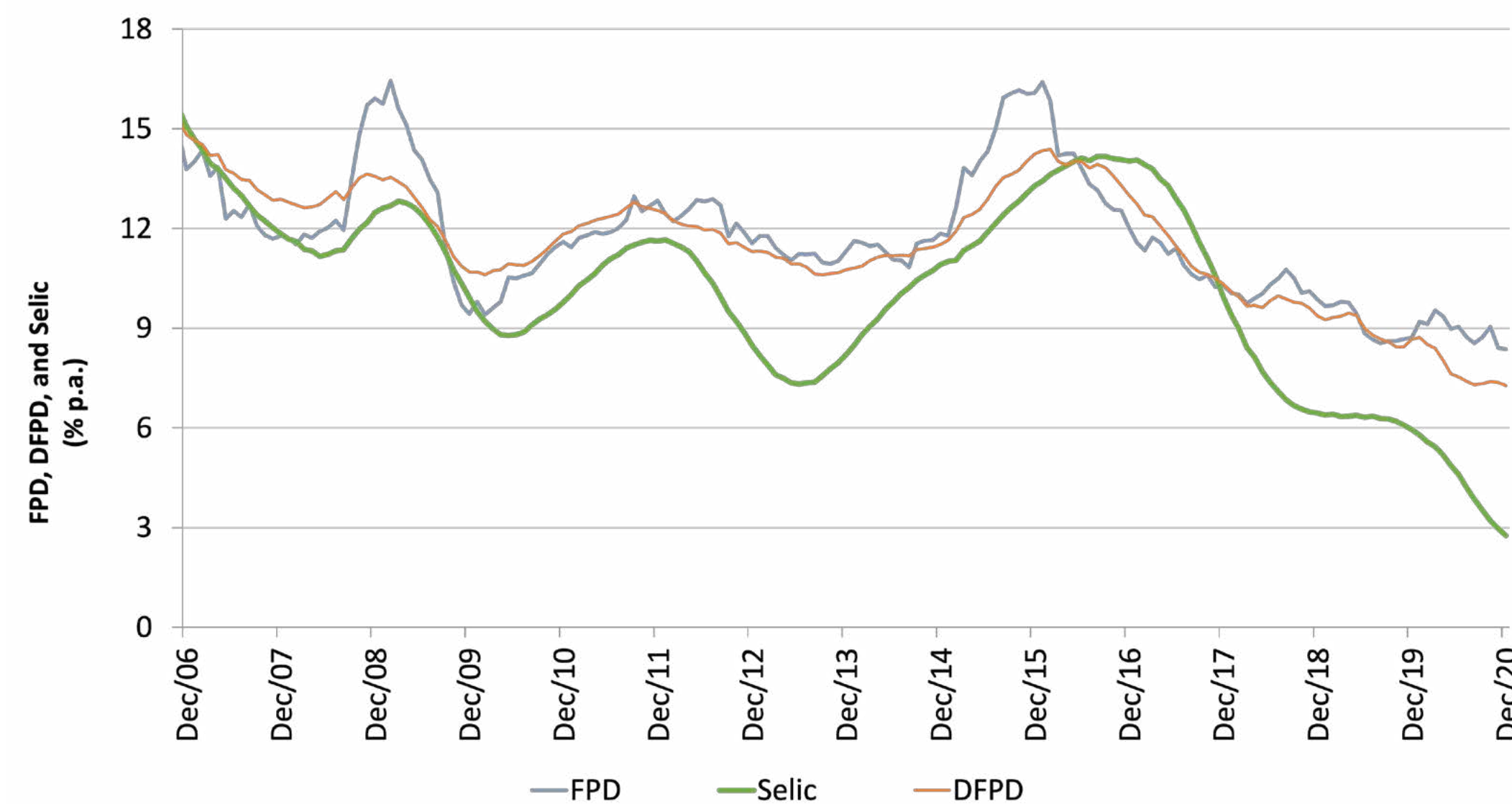
Public Debt Cost

The escalation of the monetary policy easing cycle in 2020, with the initial deflationary scenario arising from the COVID-19 pandemic, had positive effects on the debt cost indicators. These indicators maintained a downward trend in the period, as shown in Figure 18. The DFPD 12-month average cost decreased from 8.66% p.a. in December 2019 to 7.27% p.a. in December 2020, the lowest figure in the time series. The effect of this drop on the domestic debt was partially offset by the external debt (EFPD) cost, which reached a significantly higher figure over a trailing 12-month period (35.42% p.a.) than the DFPD¹⁸.

¹⁷ Average life to maturity (ATM) is an indicator less efficient than the average maturity (duration) since it ignores coupon payments and does not calculate the principal payment flows by their present value. Such drawbacks cause the indicator to show values well above the FPD average maturity which is the reason the Treasury gives less emphasis to this indicator on the Public Debt statistics in Brazil. Despite these limitations, most countries adopt an indicator similar to the average life in their maturity profile statistics, therefore direct comparisons with the measure adopted in this ABP are misleading.

¹⁸ For more information check the section on average cost of Federal Public Debt in the Monthly Debt Report.

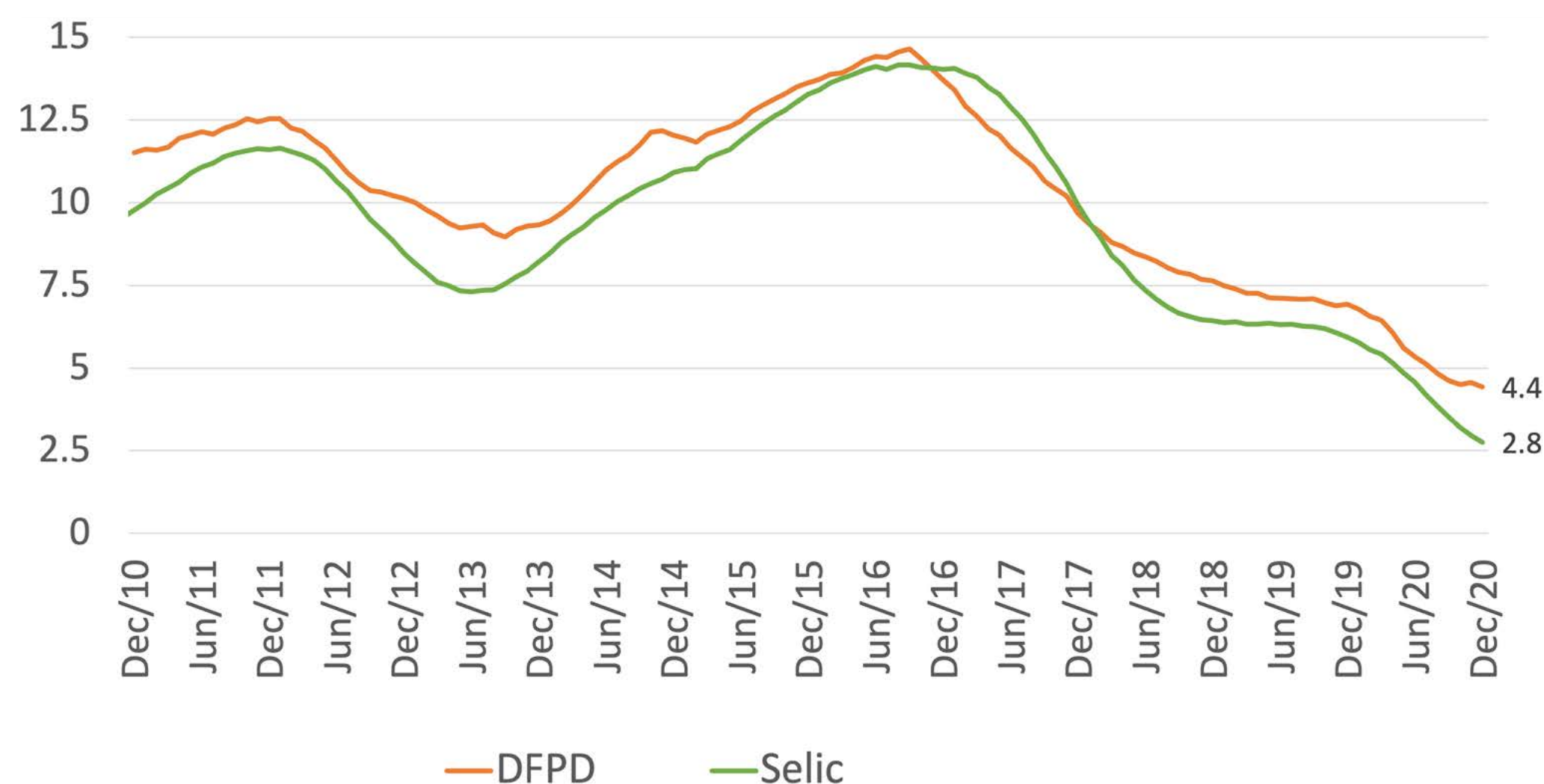
Figure 18 – **Average cost of the FPD, DFPD, and Selic rate (12- month accrued)**



Source: National Treasury

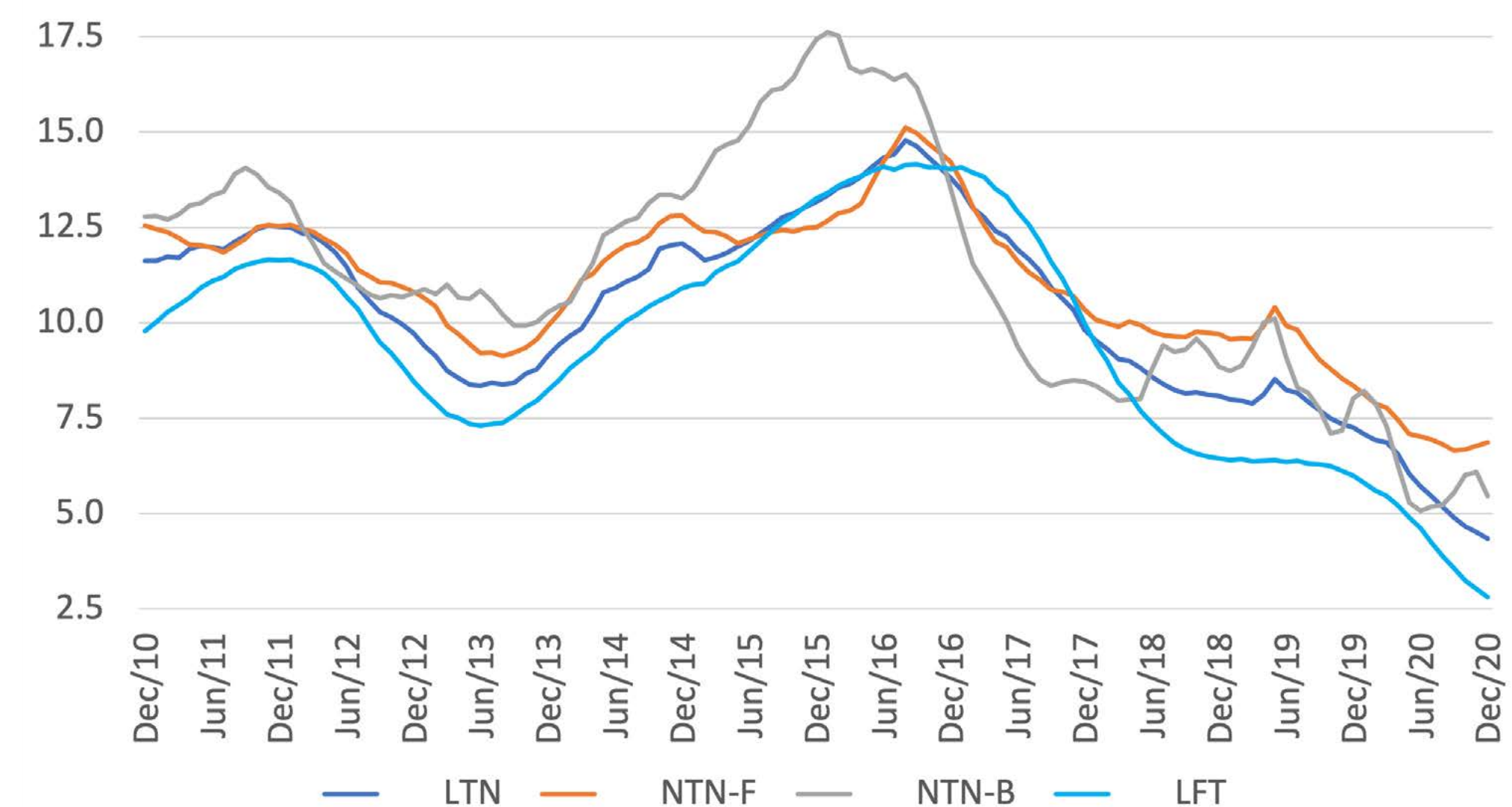
The DFPD average issuance cost, an indicator more sensitive to market access conditions in recent months, also decreased during 2020, ending the year at 4.44% p.a., the lowest the historical series (Figure 19). The bond type analysis (Figure 20) shows a decrease in all bonds' average issuance cost.

Figure 19 – **DFPD issuance cost (12 month accrued, % p.a.)**



Source: National Treasury

Figure 20 – **Average cost of DFPD issuance by type of bond (% p.a.)**



Source: National Treasury

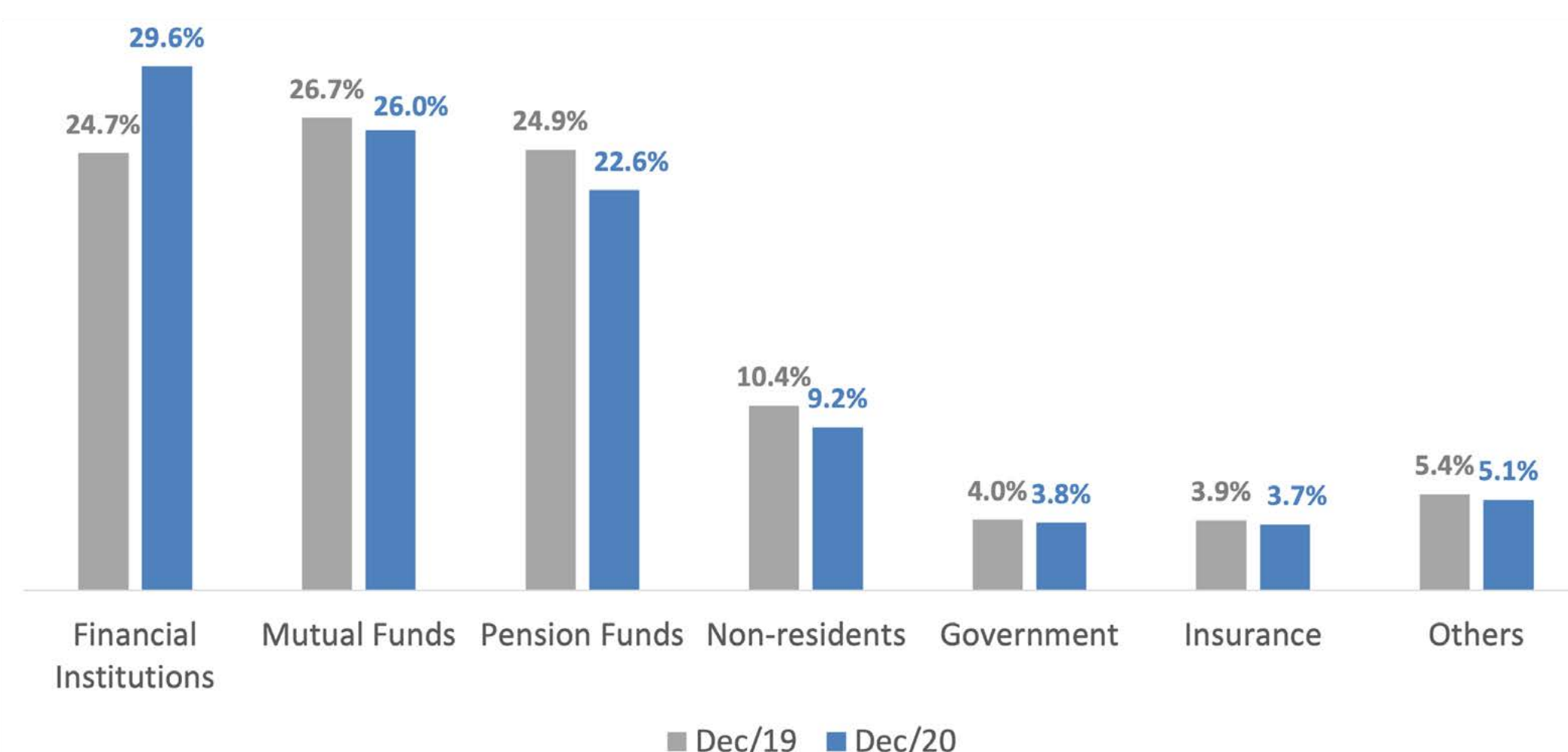
The debt cost indicators' sharp drop in recent months demonstrates the FPD sensitivity to fluctuations in short-term interest rates. The lower rates positively affected the cost of debt during the monetary policy easing cycle. On the other hand, an increase in the interest rate can impact cost indicators by the same magnitude and timing. This relationship demonstrates the urgent need for fiscal consolidation to create favorable macroeconomic conditions for implementing the FPD guidelines, to increase the share of fixed-rate and inflation-linked bonds.

3.2 Investor Base

The expansion and diversification of the investor base provide one of the guidelines that orient the definition of FPD borrowing strategies and contribute to debt management efficiency. The presence of investors with different risk profiles and investment horizons minimizes the effects of the behavior of a specific group on government bond prices and mitigates debt risks as it contributes to increasing bonds' liquidity in the secondary market and reducing their volatility.

In 2020, financial institutions became the main group of bondholders, ending the year with a 29.6% share. Followed by the group funds, with 26.0%, a figure close to that of the previous year. The third-largest group, pension funds, decreased its DFPD share, from 24.9% in 2019 to 22.6% in 2020. The changing in composition reflected the fiscal and market conditions that emerged throughout the year and adjustments in the issuance strategy considering this scenario. Despite this change, as shown in Figure 21, the DFPD investor base has remained diversified, with no significant changes, which supports the relevance of this guideline for debt risk management.

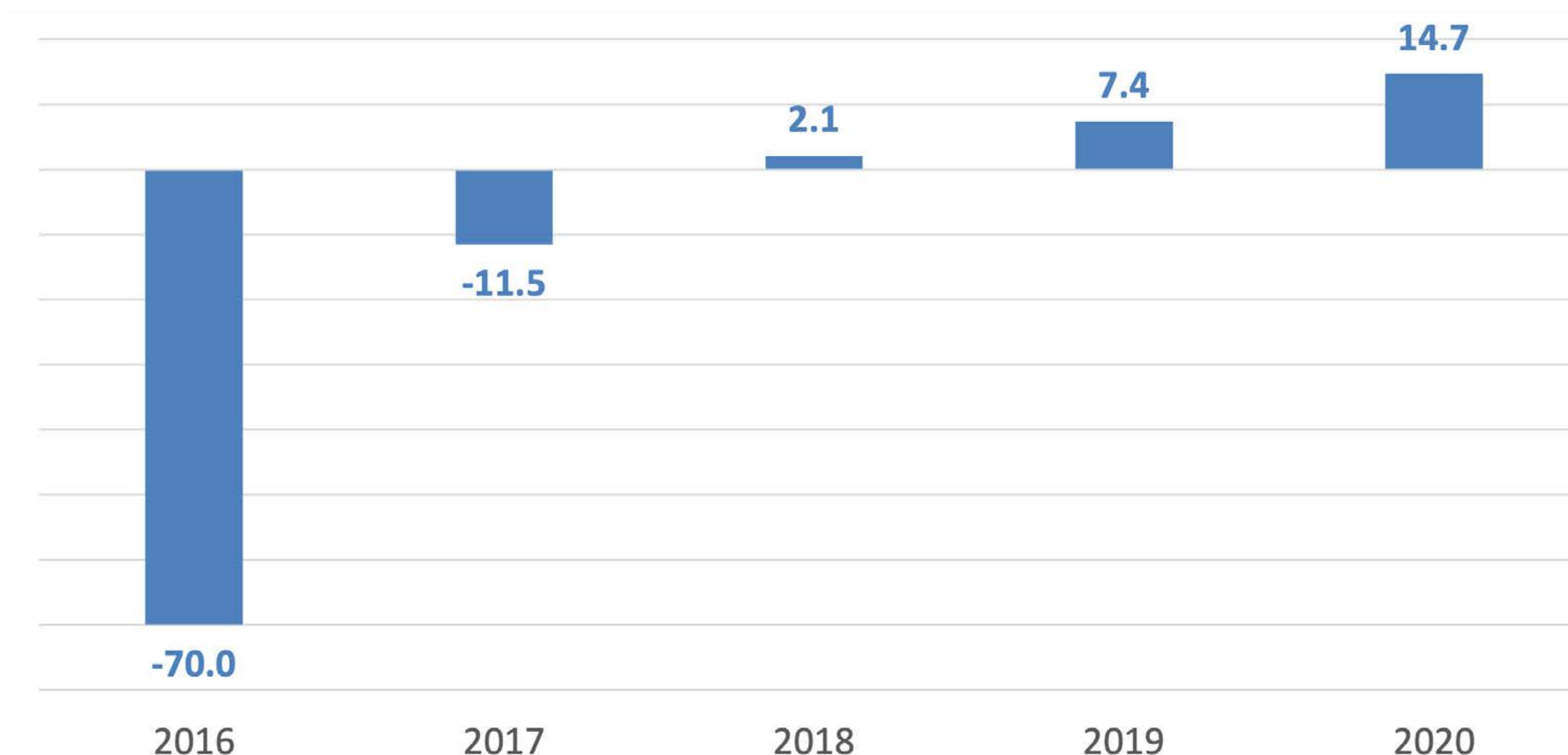
Figure 21 – **DFPD investors base composition change** (% of DFPD)



Source: National Treasury and Selic

The share of outstanding debt held by non-residents increased by BRL 14.7 billion in 2020 (Figure 22). However, this group reduced its share in the DFPD, from 10.4% to 9.2% (Figure 21). This movement reflects the challenging scenario faced by emerging countries given investors' preference for liquidity and less risky assets. In the Brazilian case, the decline in the short-term interest rate differential and uncertainties regarding the fiscal scenario build-up as additional facts. The Treasury expects this group's share to recover as soon as it becomes possible to resume the Brazilian fiscal consolidation agenda and signs of economic growth become clearer.

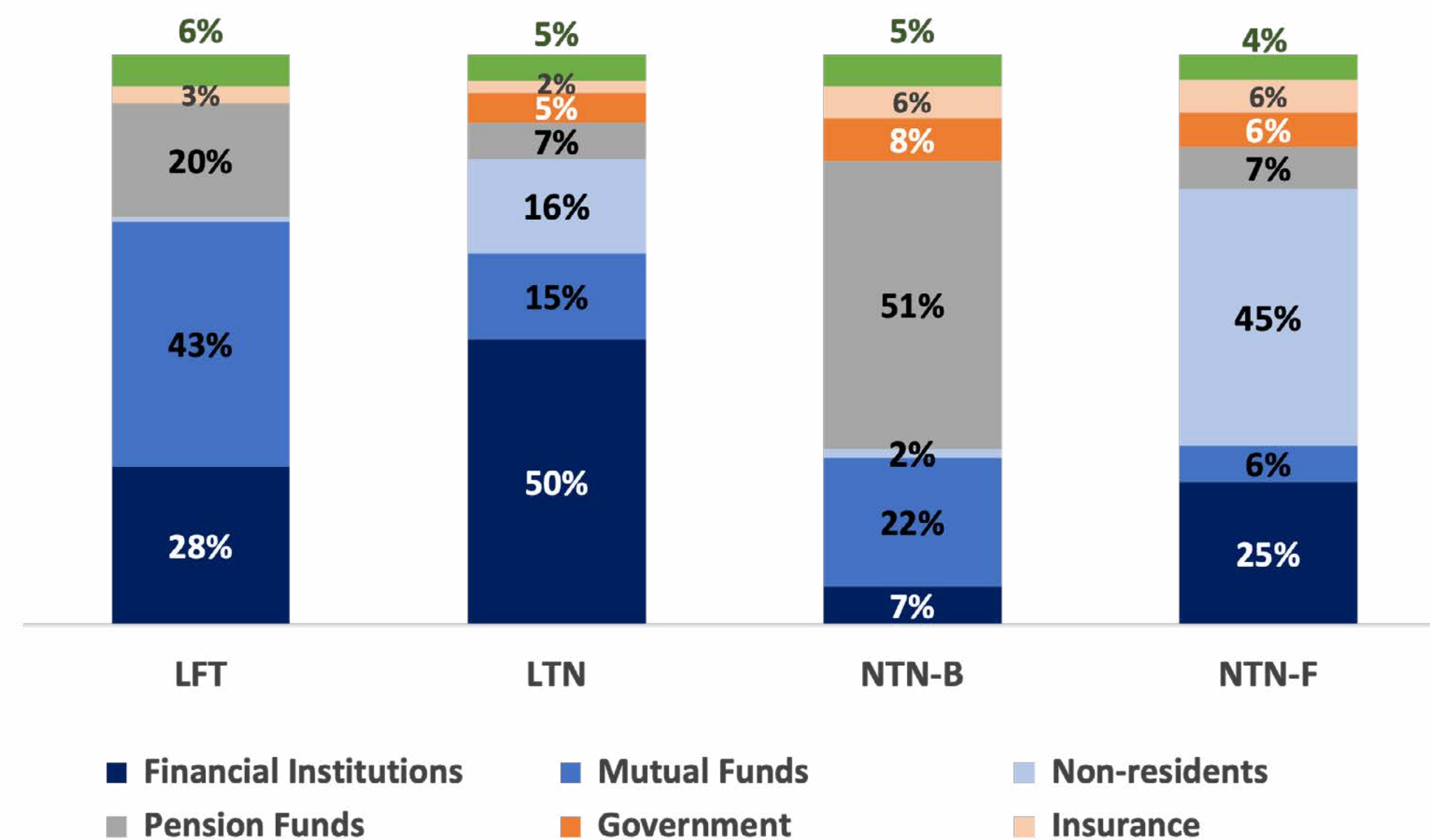
Figure 22 – **Variation in non-residents' government bonds portfolio** (BRL bn)



Source: National Treasury, BCB and CVM

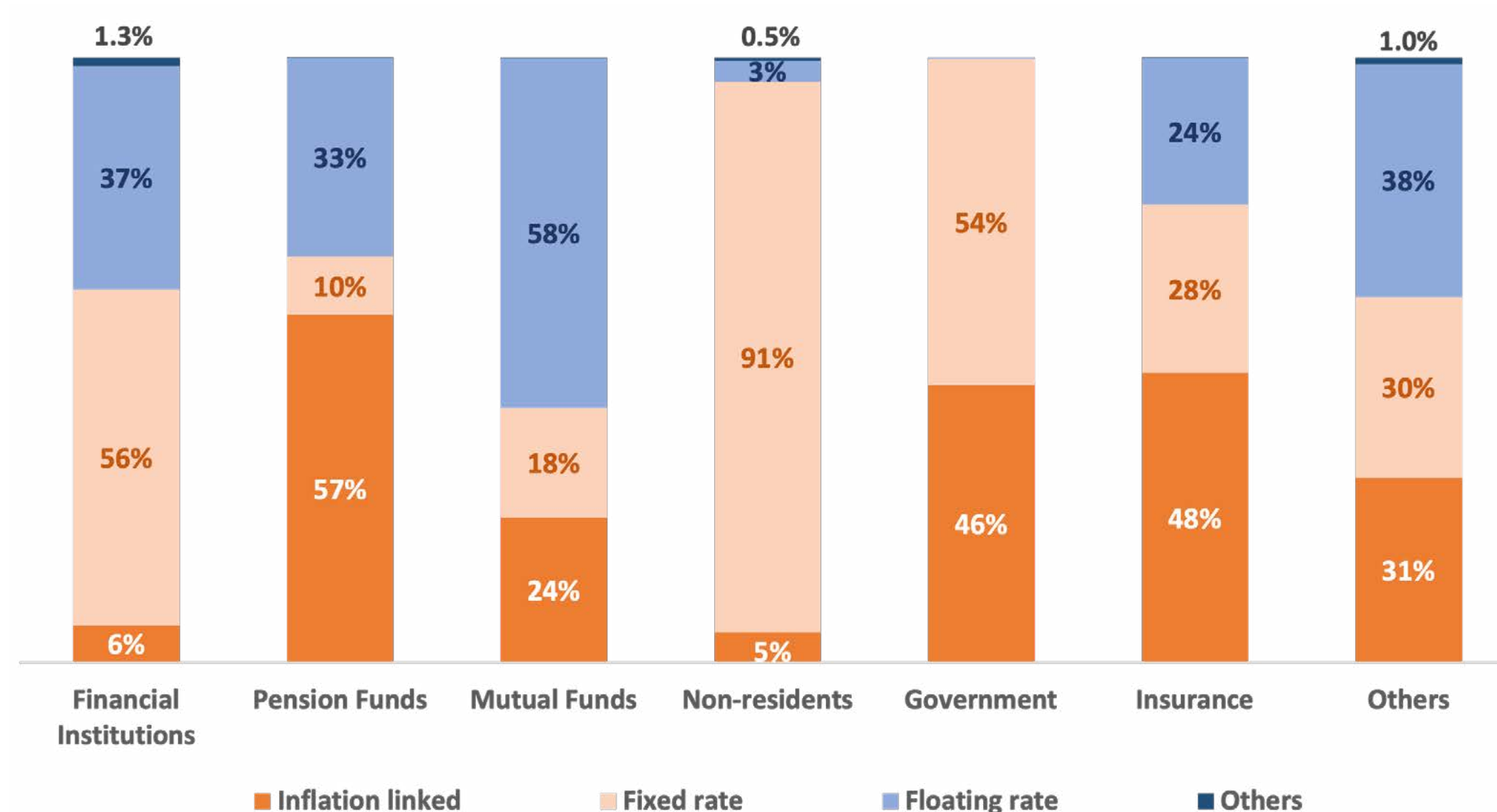
Regarding the outstanding debt in 2020, financial institutions and investment funds were the groups that showed the most significant variations, of BRL 403.5 billion and BRL 148.6 billion as of December 2020, respectively. The pension funds group and the government increased their bonds outstanding financial volume by BRL 63.2 billion and BRL 17.5 billion, respectively.

Figure 23 refers to bondholders share and offers some highlights: 50.6% of the total NTN-B (inflation-linked bonds) in the market is held by the pension funds group; 45.1% of NTN-F (long-term fixed-rate) is held by non-residents; 50.2% of LTN (fixed-rate) belongs to the portfolio of the financial institutions' group; and 43.1% of the LFT (floating-rate) outstanding volume are held by investment funds.

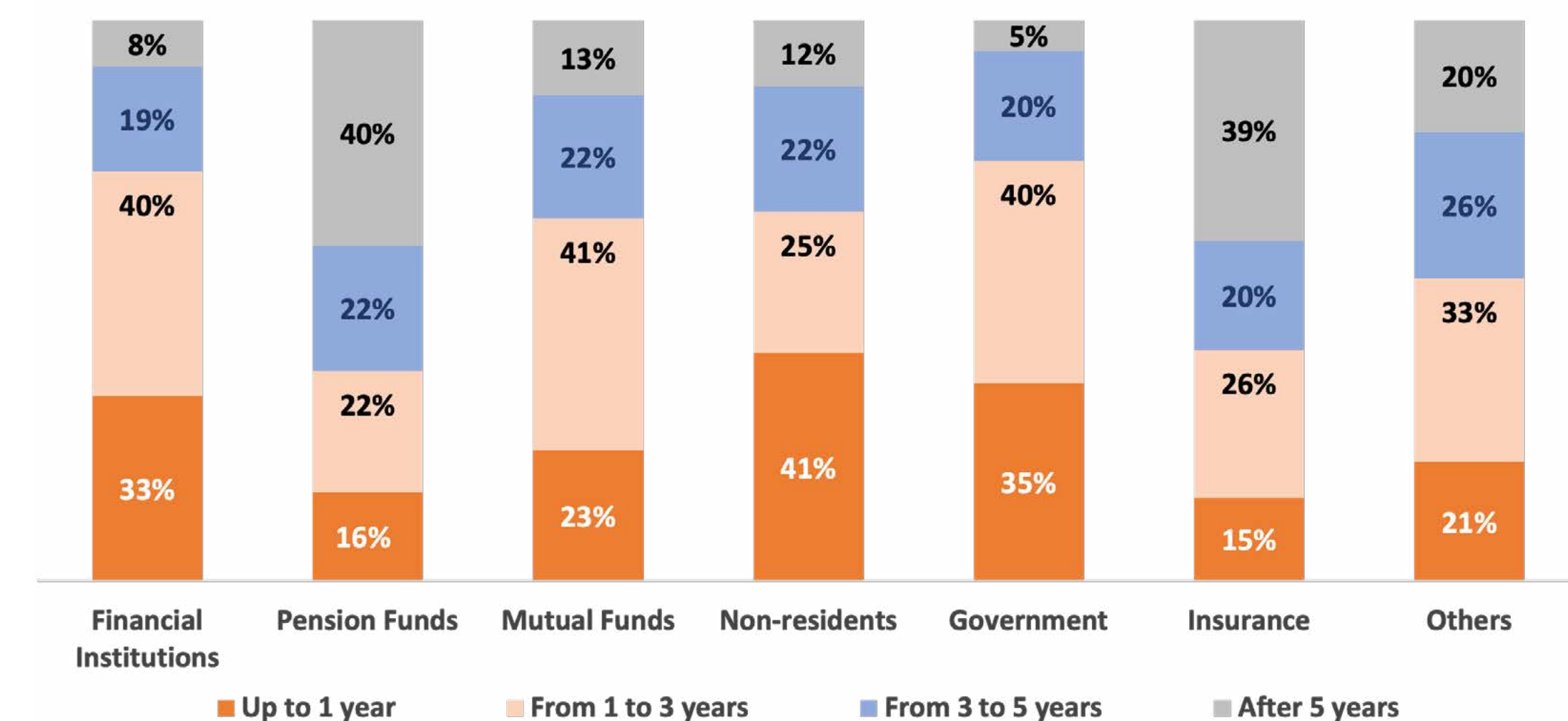
Figure 23 – *Share of investors by type of bond*

Source: National Treasury

The portfolio composition of the main holders' groups and the corresponding maturity distributions are shown in Figures 24 and 25. Among the highlights, it is worth noting that 91.1% of non-resident investments in government bonds focus on fixed-rate bonds and 40.1% of the pension funds' portfolio maturity is of five years or longer.

Figure 24 – *Composition by bond type*

Source: National Treasury, Central Bank of Brazil e CVM

Figure 25 – *Composition by maturity*

Source: National Treasury, Central Bank of Brazil e CVM

The analysis of bondholders shows that the COVID-19 crisis had an impact on debt management. The reduction of the share of holders who prefer longer-term bonds, such as pension funds and non-residents, delivers a highlight of such impact.

3.3. Tesouro Direto (Retail Program)

In August 2020, the Tesouro Direto Program applied zero-rate to the B3's (Brazilian Stock Exchange) custody fee for investments of up to BRL 10,000 in the Tesouro Selic bonds. Thus, this bond became a stronger option for investors who begin their savings experience in the program. Sales of this bond totaled BRL 11.5 billion in 2020, the best seller in the year.

With respect to the debt outstanding, the Tesouro Direto Program totaled BRL 62.7 billion in investor savings, which represented an increase of 5.1% when compared to 2019. Currently, the program corresponds to 1.3% of the FPD outstanding. Inflation-linked bonds (IPCA+ and IPCA+ with coupon payment) remain with the largest share in the outstanding composition, with 50.1%.

Regarding maturity, demand for short- and medium-term bonds (1- to 5- year maturity) increased when compared to 2019: BRL 11.4 billion were sold in 2020, whereas this number for 2019 was BRL 3.5 billion.

The number of active investors (investors with investments) grew by 20.2% in 2020, adding 242,504 new investors with savings in the Tesouro Direto Program.

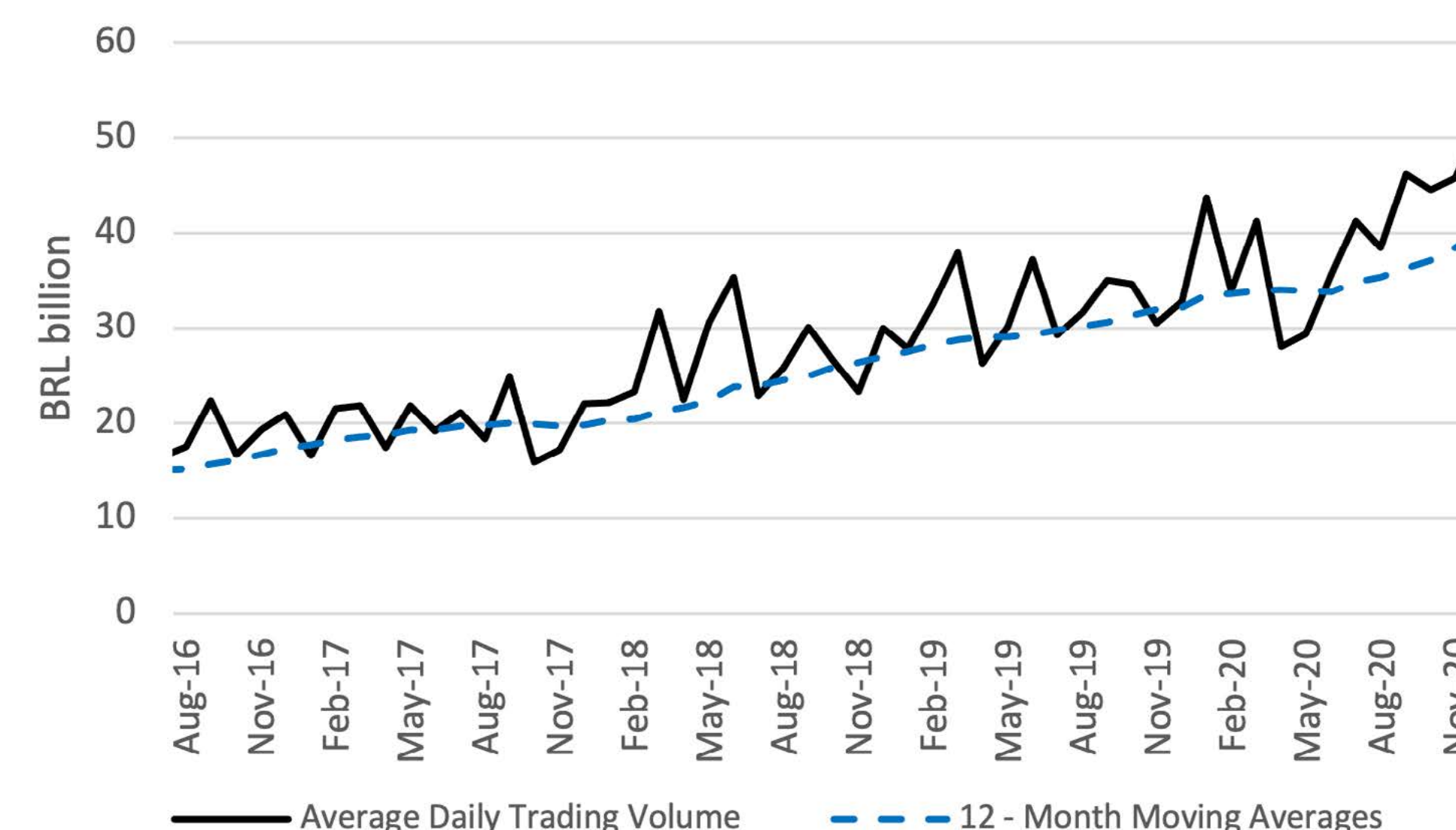
3.4. Dealer System and Secondary Market for Government Bonds

The National Treasury accredits financial institutions to promote the development of primary and secondary government bond markets. Known as dealers, these institutions operate in primary issuances of government bonds, in which the Treasury requires minimum participation in public offerings. These institutions also operate in the secondary market through distribution and market formation, contributing to more efficient monitoring of the secondary market and of the developments in the industry in which these institutions operate.

To improve the Dealer System, the National Treasury published the Ministry Decree STN No. 431, of August 7, 2020, which will take effect on February 10, 2021. As its most relevant innovations, the decree creates incentives to the LFT (floating-rate bond) market, seeking to increase the liquidity in this market, and reviews the weights attributed to the operations in the secondary market for government bonds, to reduce incentives for transactions involving short-term fixed-rate bonds.

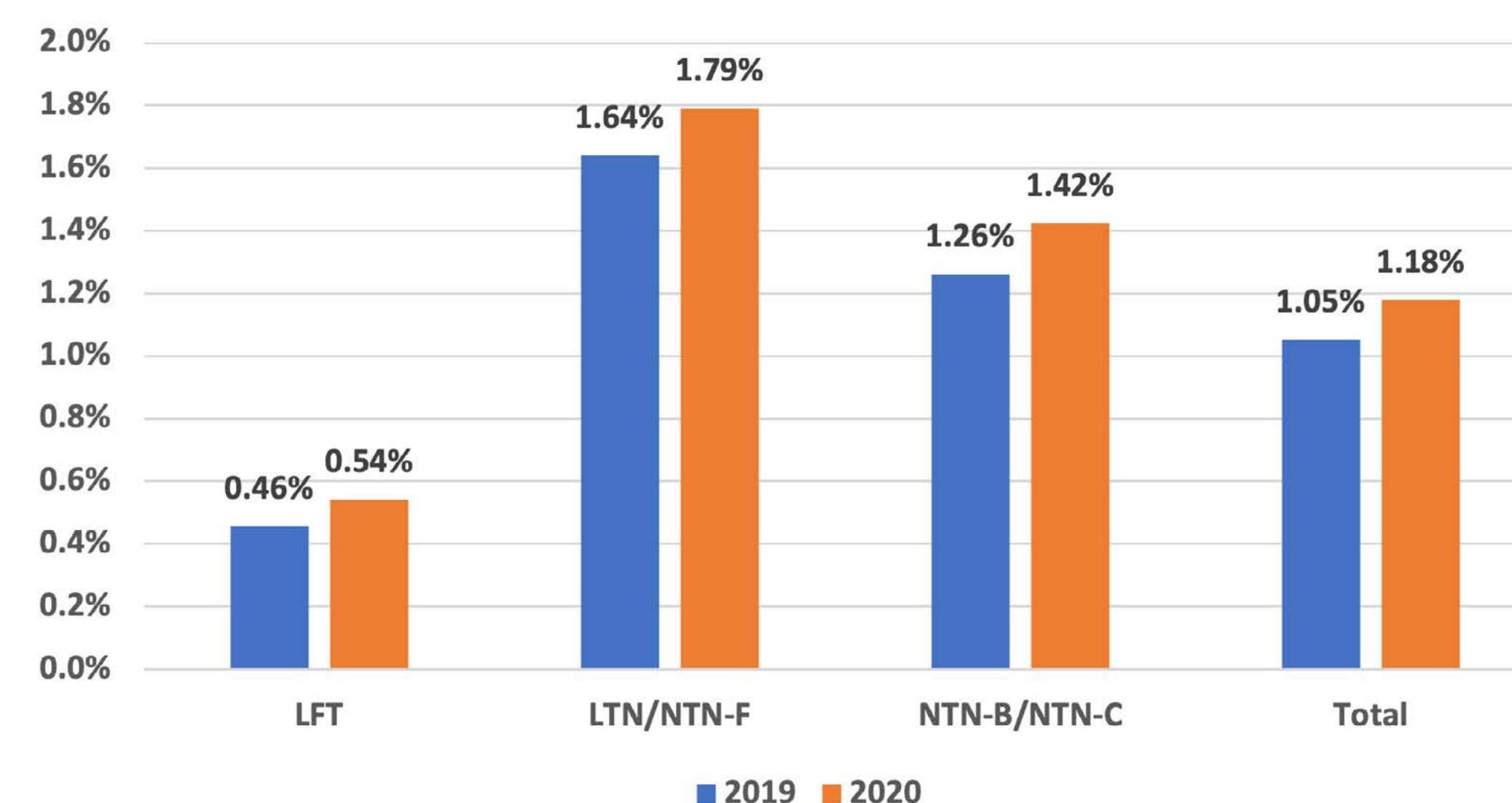
Data in Figure 26 illustrate the growth trend in volume traded in the secondary market since the split of the Central Bank's and the National Treasury's Dealers Systems in 2015. The average daily volume, which was approximately BRL 12 billion in January 2015, reached BRL 51 billion in December 2020, considering the extra-group concept (negotiations between institutions from different financial conglomerates). Particularly in 2020, there was an escalation in the volume traded compared to the outstanding of the respective bonds, a significant liquidity metric (Figure 27).

Figure 26 – **Average Daily Trading Volume**



Source: National Treasury

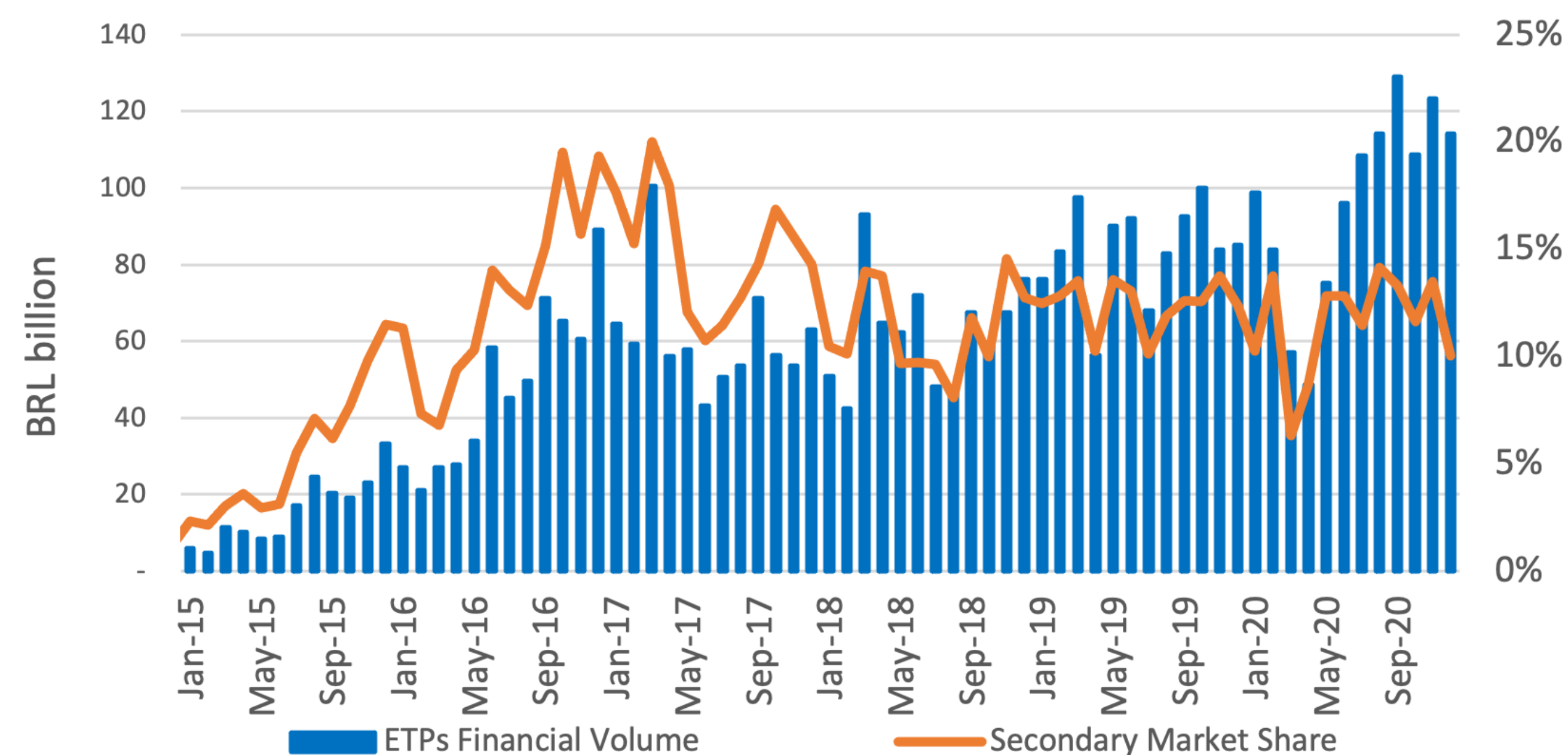
Figure 27 – **Average Daily Trading Volume versus Outstanding Amount**



Source: National Treasury

Moreover, to increase liquidity and price transparency, the National Treasury, through its dealer system, seeks to improve the electronic government bond trading platforms (ETPs). Progress on this front has been significant in recent years, from around BRL 6 billion in volume traded on electronic platforms in January 2015 to around BRL 114 billion in December 2020.

Figure 28 – *ETPs Monthly Volume and Secondary Market Shares*



Source: National Treasury

4

Guaranteed Debt

In the Brazilian federative framework, subnational governments (states and municipalities), federal banks, state-owned enterprises, and government-related entities can get credit loans with federal government guarantees. These guarantees reduce the loan credit risk and, consequently, the costs compared to loans without such guarantees.

As the guaranteed debt constitutes a federal government contingent liability, monitoring its outstanding, as executing guarantees, is relevant for public debt management. Guaranteed debt has gained relevance in the current scenario of the subnational governments' fiscal crisis. In this scenario, executing guarantees became more frequent, increasing the federal government borrowing requirements.

As presented in Table 6, at the end of 2020, the outstanding guaranteed debt granted under the responsibility of the National Treasury amounted to BRL 296.0 billion. Domestic guaranteed debt reached BRL 114.1 billion while external guaranteed debt totaled BRL 181.9 billion.

Table 6 – **Total outstanding guaranteed credit operations and honored payments (BRL billion)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Domestic Guarantees	22.6	52.7	80.6	112.3	111.1	111.5	114.3	109.3	114.1
States	13.2	39.9	61.9	81.8	81.3	84.7	91.4	90.9	97.3
Municipalities	0.0	0.0	1.5	3.5	4.0	3.9	3.9	4.9	6.9
SOEs	9.4	12.8	17.2	27.0	25.9	22.9	19.0	13.5	9.8
External Guarantees	48.6	56.1	70.2	110.6	103.8	121.8	143.9	146.6	181.9
States	29.2	35.7	47.7	77.8	75.5	91.2	107.7	109.6	135.2
Municipalities	4.9	5.6	7.0	10.6	10.7	11.1	13.5	14.6	20.0
SOEs	14.5	14.8	15.6	22.2	17.6	19.6	22.8	22.4	26.8
Total Guarantees	71.2	108.8	150.8	222.9	214.9	233.3	258.2	255.9	296.0
Executed Guarantees	0.0	0.0	0.0	0.0	2.4	4.1	4.8	8.4	13.3

Source: National Treasury

Executed guarantees reached BRL 13.3 billion in 2020, the highest amount in the time series started in 2016, which represented an increase of 59.6% compared to 2019 (BRL 8.4 billion). The executed guarantees paid in 2020 refers to defaults of 14 states, totaling BRL 13.26 billion, and eight municipalities, reaching BRL 66.23 million. Among the states, Rio de Janeiro and Minas Gerais stand out with BRL 8.25 billion and BRL 3.18 billion in executed guarantees, respectively.

Among the state of Rio de Janeiro executed guarantees, BRL 4.28 billion refers to the loan with BNP Paribas signed during the Fiscal Recovery Regime (FRR), instituted by Complementary Law No. 159/2017. The collaterals for this loan include the shares of Rio de Janeiro water and sanitation company – CEDAE.

Throughout 2020, because of the COVID-19 pandemic effects, Congress approved Complementary Law No. 173/2020. This law authorized subnational governments to renegotiate their guaranteed loans, domestic and external, with creditors, to suspend debt payments in 2020 after the renegotiation. However, only domestic creditors (BNDES, BB, CAIXA e BNB - government federal banks) renegotiated the financial conditions of some loans. As a result, subnational governments renegotiated 160 domestic guaranteed loans. Some debtors believed that creditors were obliged to renegotiate the terms of the guaranteed contracts. Such stipulation is not in the law, and this misinterpretation led to an increase in the number of debtors who had guarantees executed by the federal government.

Because of the Fiscal Recovery Regime (FRR), instituted by Complementary Law No. 159/2017, the federal government cannot execute the collaterals related to payments of non-performing guaranteed debt of the state of Rio de Janeiro. The execution of collaterals of the state of Goiás, Minas Gerais, Rio Grande do Norte, and Amapá is also suspended since these subnational governments have obtained legal injunctions in the Supreme Court in 2019 and 2020 that prevent the federal government from executing the referred collaterals.

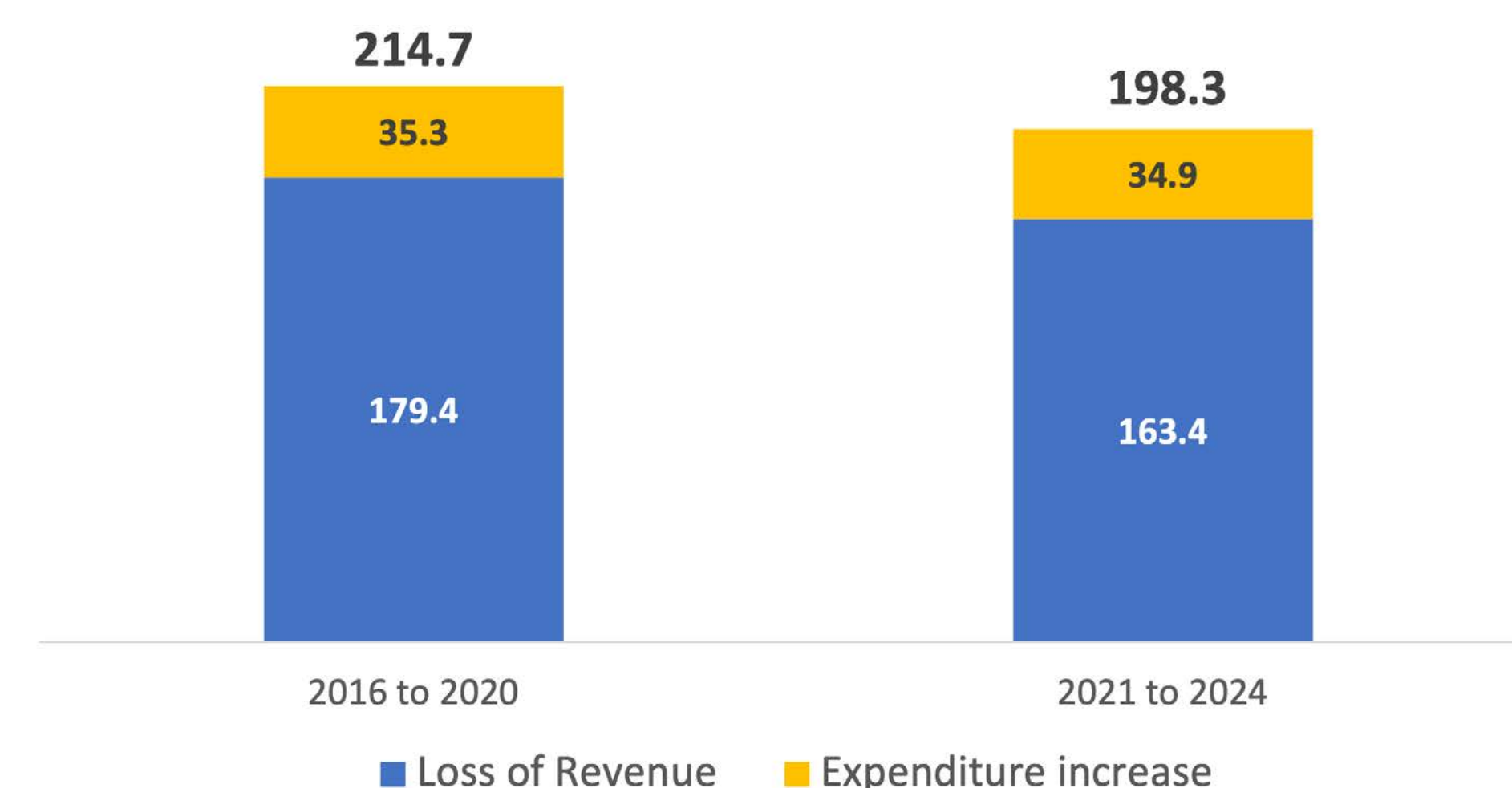
Without the corresponding recovery of collaterals, the growth in honors of guarantees increases the FPD since the government needs to pay these expenses through bond issuances. Thus, the default of some entities increases the federal government expenditures, burdening the whole society.

In addition to this effect, renegotiations made within the scope of Complementary Law No. 148/2014 (change of indexers) and No. 156/2016 (debt maturity lengthening) reduced states' payment flows to the federal government compared to the original contracts, as defined by Law No. 9496/1997. The reduction of these payments to the National Treasury decreases the financial resources for FPD payments, increasing the federal government borrowing requirements.

The enactment of Complementary Law No. 178 in January 2021 (originally Complementary Law Draft No. 101/2020) increased the benefits of Complementary Law No. 159/2017 (the Fiscal Recovery Regime) and Law No. 156/2016 for subnational governments. Complementary Law No. 178/2021 eased the rules for joining the FRR and extended the states' membership maximum period in the recovery regime. Furthermore, this law pardoned subnational governments that failed to comply with the spending cap rule in recent years, despite this rule been a prerequisite for lengthening subnational governments' debt back in 2016.

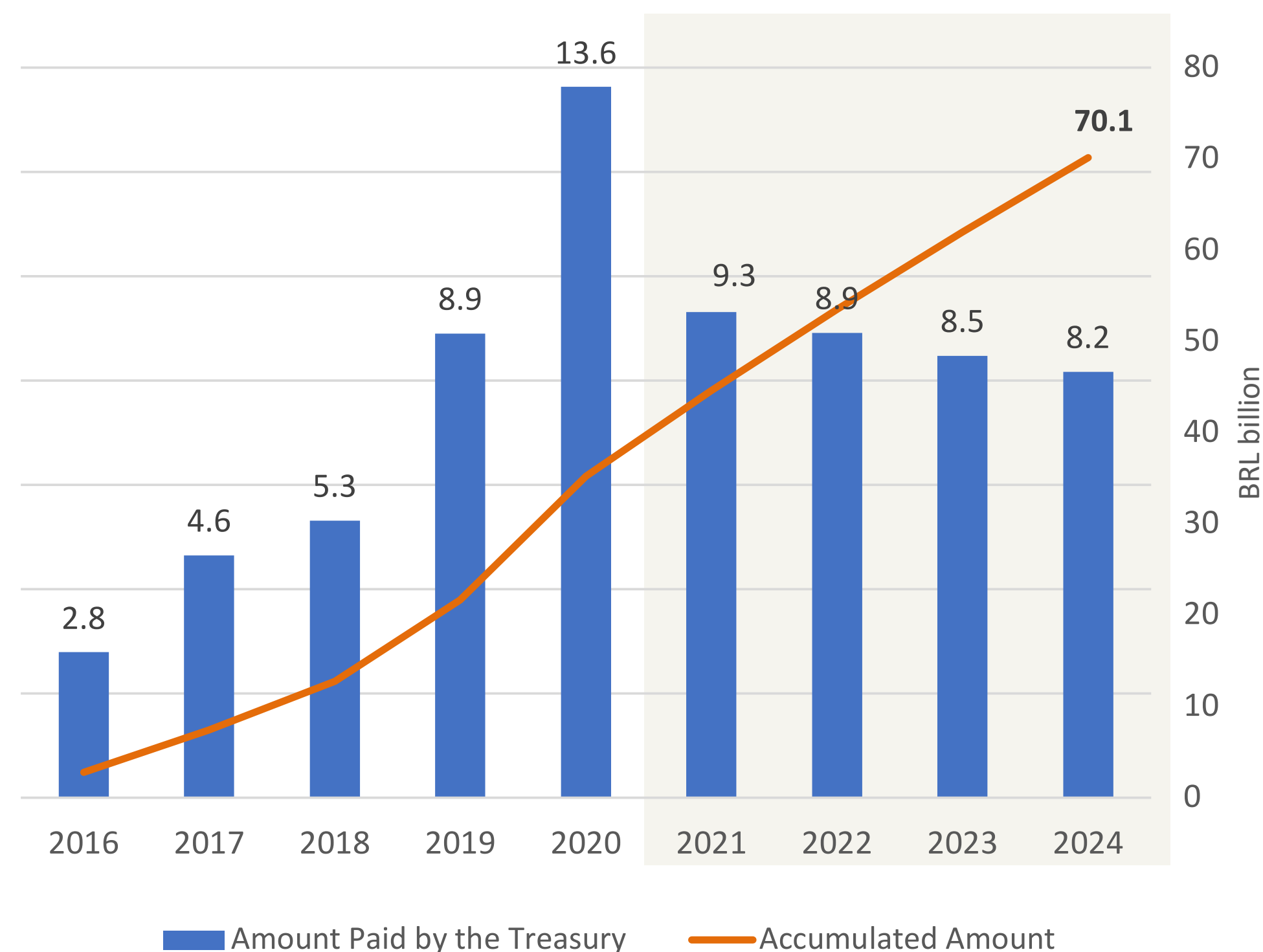
Effects related to the executed guarantees growth (increase in expenses) combined with impacts from the renegotiations made under Complementary Law No. 148/2014, No. 156/2016 (decrease in revenues), and No. 178/2021 promoted a significant increase in the federal government borrowing requirements in recent years, resulting from events related to subnational governments' debts.

Figure 29 – **Total impact of debt restructuring and executed guarantees*** (BRL bn)



* Figures as of 12/31/2020, adjusted for inflation.

Source: National Treasury

Figure 30 – **Accumulated impact of executed guarantees*** (BRL bn)

* Figures as of 12/31/2020, adjusted for inflation.

Source: National Treasury

The Treasury publishes every four months the [Guaranteed Debt Report](#). The report details all states guaranteed debt and presents an overview of this contingent liability.

Besides, in 2020, the Treasury made the report data available on a page that explains, in an innovative way, federal government guarantees to subnational governments. The page *Histórias das Garantias Concedidas pela União* ([The Guarantees Stories](#))¹⁹ gathers content that addresses guaranteed debt in a more instructive and dynamic way

¹⁹ This report is available in Portuguese only.

Finally, the Treasury also made available the *Painel de Garantias* ([Panel of Guarantees](#)) and the *Painel de Garantias Honradas* ([Panel of Honored Guarantees](#))²⁰. While the former is a data visualization tool with detailed information about the federal government credit loan guarantees, the latter is an analytical panel that provides detailed information available on guarantees honored by the federal government.

²⁰ These reports are available in Portuguese only.



5 Final Remarks

In 2020, the crisis caused by the COVID-19 pandemic imposed unprecedented challenges for economies and global markets. In Brazil, the effort to fight the pandemic and its consequences on the economy caused a temporary increase in government expenditures and delayed the reform agenda. However, the timing and the magnitude of the measures to fight the pandemic succeed in mitigating the negative impacts over the main macroeconomic variables.

In this context, the FPD management played its role in fulfilling the federal government borrowing requirements and guaranteeing the proper functioning of the federal government bond market. In this regard, besides carrying out occasional extraordinary auctions when necessary, the debt manager adjusted the annual issuance strategy to align the Treasury's performance to the new scenario.

Aspects of the FPD management, such as the maintenance of a liquidity reserve, a mainly domestic debt composition, and a developed and well-organized government bond market proved to be important mechanisms to mitigate the COVID-19 crisis effects. However, inevitably, this scenario imposed changes in the FPD risk profile. As a result, the debt maturity declined, and the debt share exposed to short-term interest rate variations increased.

The challenges faced in 2020 have made it clear the relevance of resuming the structural reform agenda that can foster the necessary fiscal consolidation to promote, in the medium-term, improvements in the FPD composition and maturity indicators.

To help this discussion, the National Treasury will continue promoting the necessary transparency to the debate regarding the impacts of fiscal measures and their effects upon debt management and the evolution of FPD indicators to inform the society and support public policymakers' decisions.