

## **Primary result: a study on the fiscal capacity of the government of the state of Ceará, Brazil**

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### **Abstract:**

*This study analyzes the fiscal capacity and management of the Government of the State of Ceará, Brazil, between 2018 and 2023, focusing on compliance with the primary result targets stipulated by the Fiscal Responsibility Law (LRF). Using data from the Budgetary Guidelines Law (LDO) and the Summarized Report on Budget Execution (RREO), the research evaluates the relationship between fiscal planning and budget execution. The results demonstrate that in every year of the period, the State achieved primary surpluses, consistently exceeding the established targets, including in the years when a deficit was projected (2022 and 2023). This positive performance was attributed to the continuous growth of primary revenues and a lower-than-planned dependence on credit operations. It is concluded that the State of Ceará demonstrated robust fiscal management, showing the capacity to cover its primary expenditures with its own revenues and generate surpluses, thereby contributing to public debt control*

**Key Word:** *Fiscal Responsibility, management, primary result.*

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### **I. Introduction**

The State of Ceará, located in the Northeast region of Brazil, with a population of 8,794,957 inhabitants, is the 8th most populous state in Brazil and the 3rd in the Northeast region. According to the last Demographic Census (2022), the population distribution was 59.07 inhabitants/km<sup>2</sup>. The human development index, according to the Ceará Research Institute (2023), does not reach a homogeneous form in all regions of Brazil; the lowest rates are found in the states of the North and Northeast regions of the country. Ceará improved from 15th place in 2012 to 12th in 2021 in relation to the country's states, with an index of 0.734.

Economically in recent decades, its Gross Domestic Product (GDP) has grown above the national average. The Ceará research institute registered a growth of 6.49% in 2024, the best result since 2010 and almost double that of Brazil: 3.4%. However, this is still insufficient to significantly improve its per capita income and income distribution.

The economic literature addresses the outcomes of public spending in relation to the State's capacity to provide conditions for long-term economic growth. This rule applies to both national and subnational states. Thus, monitoring the evolution of public spending is a condition for society (Rodrigues et al, 2010; Rocha, 2025). The Fiscal Responsibility Law (LRF) establishes standards for responsible fiscal management, aiming to ensure the fiscal balance of governments by meeting revenue and expenditure targets, as well as adhering to the limits and conditions set forth in the law.

This responsibility presupposes planned and transparent action, avoiding risks and correcting deviations that could compromise the equilibrium of public accounts. Therefore, the objective of this study is to analyze the fiscal capacity of the Government of the State of Ceará concerning the planning of its targets and their achievement through budget execution in the fiscal years from 2018 to 2023.

This research is structured into three sections. The first is the introduction, presenting an overview of Fiscal Responsibility Law and the research objectives; followed by section 2, which addresses the primary result. Next is the conclusion. And finally, the references (Brasil, 1988; Brasil, 2000).

## II. Primary Result

The Primary Result is obtained from the relationship between the primary revenues and expenditures of a period that impact the entity's public debt. In compliance with the regulations of the LRF and Federal Senate Resolution No. 40/2001 (RSF), the main parameter considered for debt assessment is the net consolidated debt (NCD). Primary revenues and expenditures, also known as fiscal or non-financial, only include movements related to the operation of the public administration, excluding values considered financial from this calculation.

This result can be understood as the fiscal effort aimed at reducing the public debt stock. Primary surpluses represent a fiscal effort to decrease the net consolidated debt, while primary deficits result in an increase in the NCD.

The purpose of calculating the primary result is to verify compliance with the fiscal targets established in the Budgetary Guidelines Law (LDO) in order to ensure the balance of public accounts as planned. Fiscal targets are the link between the planning, elaboration, and execution of the budget (MDF, 2023). The primary result thus allows for an evaluation of the impact of the fiscal policy being executed by the government entity. Tables 1 and 2 below present the management information:

**Table 1:** Primary Result: Projected Target vs. Achieved Target from 2018 to 2023

Years	LDO Set Target (A)	Achieved Target (B)	% of GDP (Achieved Target)	Variation		% in relation to Target (B*100)/A
				Value (C)=(B-A)	%(C/A) X 100	
2018	13.258.000,00	491.229.371,93	0,32%	477.971.371,93	3605,15	3705,15
2019	597.707.000,00	2.052.687.239,82	1,25%	1.454.980.239,82	243,43	343,43
2020	694.781.000,00	2.396.769.664,95	1,44%	1.701.988.664,95	244,97	344,97
2021	491.590.000,00	2.655.063.155,57	1,36%	2.163.473.155,57	440,10	540,10
2022	-1.435.259.000,00	795.370.305,30	0,38%	2.230.629.305,30	-155,42	-55,42
2023	-1.649.000.000,00	502.740.170,99	0,23%	2.151.740.170,99	-130,49	-30,49

Source: Summarized Report on Budget Execution - RREO (Annex 6 of the LRF, art. 53, item III) and the Budgetary Guidelines Law's fiscal targets annex (Evaluation of Compliance with Fiscal Targets from the Previous Year) provided for in Art. 4, paragraph 2, item I of the Government of the State of Ceará for the period 2018 to 2023

Note: The Budgetary Guidelines Law of Ceará, similar to the federal one, establishes that expenses related to programs defined therein as infrastructure must be deducted from the primary result calculation; therefore, the target calculated in all fiscal years follows this methodology.

**Table 2:** GDP in the fiscal years 2018 to 2023

FISCAL YEARS	CEARÁ GDP
2018	155,903,824,754.52
2019	163,575,327,185.61
2020	166,914,535,656.73
2021	194,884,801,552.88
2022	206,804,073,800.81
2023	221,593,121,693.40
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Source: Ceará GDP data from IPECE and IBGE. Notes: the years 2022 and 2023 (GDP) are estimated values, subject to revision. Updated on 06/25/2024. Achieved Target based on the Report of the Government of the State of Ceará for the period 2018 to 2023.

Budgetary Guidelines Law (LDO) is a planning instrument prepared annually, at the initiative of the Executive Branch, which establishes the guidelines and targets that assist the Government in the elaboration and execution of the budget. Annually, governments execute their budgets based on these LDO targets—primary result targets—and at the end of each fiscal year, they present the executed values in the Summarized Report on Budget

Execution (RREO). Based on this information, it is possible to evaluate the planning and potential situations that occurred during budget execution.

The projected target for 2018 was a primary result of R\$ 13.2 million. The target achieved was R\$ 491.2 million, equivalent to 0.32% of GDP. The target achieved primary result target showed a growth of 3705.15% compared to the one set in the LDO, representing a surplus for the fiscal year. Analyzing current and capital revenues for the primary result calculation, it was found that the updated forecast for credit operations in 2018 was R\$ 2,606,226,411.49, while the actual amount was R\$ 908,064,839.15. This shortfall in financial revenue from credit operations contributed to the reduction of debt and a better result in primary revenues, signifying less dependence on external sources. Regarding financial expenses, the amounts committed for interest, debt charges, and amortization were paid during the fiscal year.

In the 2019 fiscal year, the projected primary result target was R\$ 597.7 million, resulting in an achievement of R\$ 2.1 billion at the end of the budget execution, equivalent to 1.25% of GDP. The target achieved showed a growth of 343.43% compared to the one set in the LDO. Analyzing current and capital revenues in relation to the updated forecast and the amount collected, it was observed that credit operations initially recorded a value of R\$ 2,226,164,510.63 and materialized at R\$ 1,379,111,845.92 for the year, a difference of R\$ 847,052,664.71. This difference corresponds to the uncollected amount from credit operations, resulting in less financial dependence for the government. Other financial revenues did not have a significant impact. Regarding financial expenses, they were executed as planned for the year, based on the revenue collected.

The 2020 target set in the LDO was R\$ 694.8 million, and the achieved result was R\$ 2.4 billion, equivalent to 1.44% of GDP, showing a growth of 344.97% compared to what was planned for the year. Financial revenues showed a reduction in relation to the forecast for financial investments and credit operations. Regarding financial expenses, the amounts committed for interest, debt charges, and amortization were paid during the year. Compared to 2018 and 2019, the target achieved in 2020 presented a more favorable result for the government, corresponding to surpluses, meaning primary revenues were higher than primary expenditures.

In 2021, the target set in the LDO corresponded to a primary result of R\$ 491.6 million. The target achieved was R\$ 2.7 billion, equivalent to 1.36% of GDP, with a growth of 540.10% compared to the planned LDO target. This result stemmed from the growth in primary revenues, which recorded an updated forecast of R\$ 29,513,187,614.65, while the actual amount was R\$ 30,619,179,320.58, registering an excess revenue collection of R\$ 1,105,991,705.93. Financial expenses for interest and amortization committed in the fiscal year were paid.

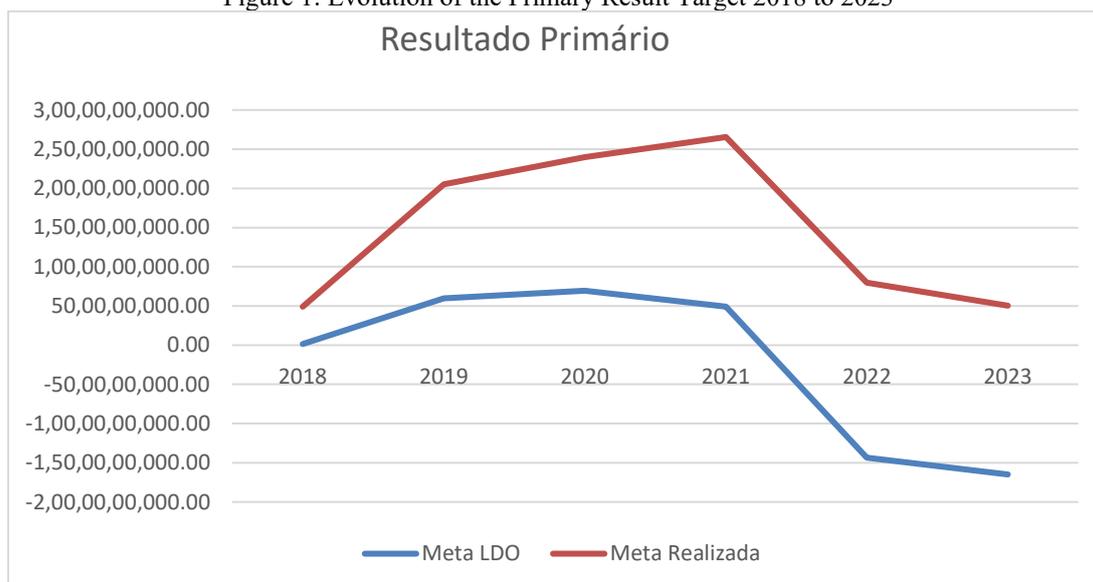
The primary result target projected for 2022 was R\$ -1.4 billion. The target achieved was R\$ 795.4 million, equivalent to 0.38% of GDP. The target achieved, in relation to the one set in the LDO, showed a percentage of -55.42%. The planned target for the year was due to a financial revenue forecast from credit operations amounting to R\$ 1,396,009,307.00, resulting in a dependence on external financing sources. However, it was observed during the year that its realization was R\$ 593,504,606.13, presenting a favorable primary result target at the end of the budget execution. Financial expenses for interest and amortization committed in the fiscal year were paid.

In the calculation of the primary results from 2018 to 2022, the values from the RPPS (Own Pension Plan for Public Servants) were included in the primary revenues. Starting in 2023, the option to remove information from this revenue source in the calculation became available. Some of the decreases in primary revenue from this fiscal year onward may reflect this change in the law.

The primary target projected for 2023 was R\$ -1.6 billion, and its achievement was R\$ 502.7 million, equivalent to 0.23% of GDP. The target achieved, in relation to the one set in the LDO, showed a percentage of -30.49%, the same situation identified in the 2022 fiscal year. An initial plan registered a dependence on external financing sources from credit operations. The higher the forecast for financial revenues, the greater the impact on the calculation of primary revenues, and consequently on the primary result, with a tendency to show deficits. The updated forecast for credit operations recorded a value of R\$ 4,727,930,065.00, and the actual amount was R\$ 1,319,741,942.17, closing the fiscal year with a surplus target. Financial expenses for interest and amortization committed in the fiscal year were paid.

The figure below shows the evolution of the primary result target projected in the LDO and what was actually achieved during the budget execution of the fiscal year.

Figure 1: Evolution of the Primary Result Target 2018 to 2023



Source: Summarized Report on Budget Execution - RREO (Annex 6 of the LRF, art. 53, item III) and the Budgetary Guidelines Law's fiscal targets annex (Evaluation of Compliance with Fiscal Targets from the Previous Year) provided for in Art. 4, paragraph 2, item I of the Government of the State of Ceará for the period 2018 to 2023.

Figure 1 presents the evolution of the primary result target in the fiscal years 2018 to 2023. In each year, the target achieved surpassed the planned target established in the LDO. This is due to an improvement in the collection of primary revenues, the fulfillment of expenditures in relation to what was collected, and control over the execution of credit operations, a financial revenue that impacts the calculation of primary revenues and, consequently, the calculated primary result.

The target indicates the effort the government intends to achieve towards paying its debt over the period; that is, if the government reports a surplus primary result target, this can be used to pay public debt. Regarding financial revenues, such as credit operations, the reduction of this financing source will result in less external dependence for financing expenses, consequently reducing the composition of its debt.

Table 3 below presents the evolution of primary revenues in relation to primary expenditures executed in the fiscal years 2018 to 2023.

Table 3: Evolution of Executed Primary Revenues and Primary Expenditures from 2018 to 2023

Specification	2018	2019	2020
Primary Revenue	23,449,031,763.49	25,506,808,782.63	26,732,532,697.00
Primary Expenditure	22,957,802,391.56	23,454,121,542.81	24,335,763,032.05
Specification	2018	2019	2020
Primary Revenue	30,619,179,320.58	30,776,027,914.01	31,873,794,081.42
Primary Expenditure	27,964,116,165.01	29,980,657,608.71	31,371,053,910.43
Specification	2018	2019	2020
Primary Revenue	23,449,031,763.49	25,506,808,782.63	26,732,532,697.00
Primary Expenditure	22,957,802,391.56	23,454,121,542.81	24,335,763,032.05
Specification	2018	2019	2020
Primary Revenue	30,619,179,320.58	30,776,027,914.01	31,873,794,081.42
Primary Expenditure	27,964,116,165.01	29,980,657,608.71	31,371,053,910.43

Source: Summarized Report on Budget Execution - RREO (Annex 6 of the LRF, art. 53, item III) and the Budgetary Guidelines Law's fiscal targets annex (Evaluation of Compliance with Fiscal Targets from the Previous Year) provided for in Art. 4, paragraph 2, item I of the Government of the State of Ceará for the period 2018 to 2023.

Primary revenues showed growth throughout the fiscal years. In 2023, they showed a growth rate of 35.93% compared to 2018 and 3.57% compared to 2022. Primary expenditures also showed growth in the years analyzed. In 2023, they showed growth of 36.65% compared to 2018 and 4.64% compared to 2022. It is observed that, although the growth rate of expenditure was higher compared to the same analysis period for revenues, at no point between 2018 and 2023 did primary expenditure exceed primary revenue, resulting in surpluses in all fiscal years. Charts 1, 2, and 3 present the evolution of primary revenues and expenditures.

Chart 1 – Evolution of Primary Revenues

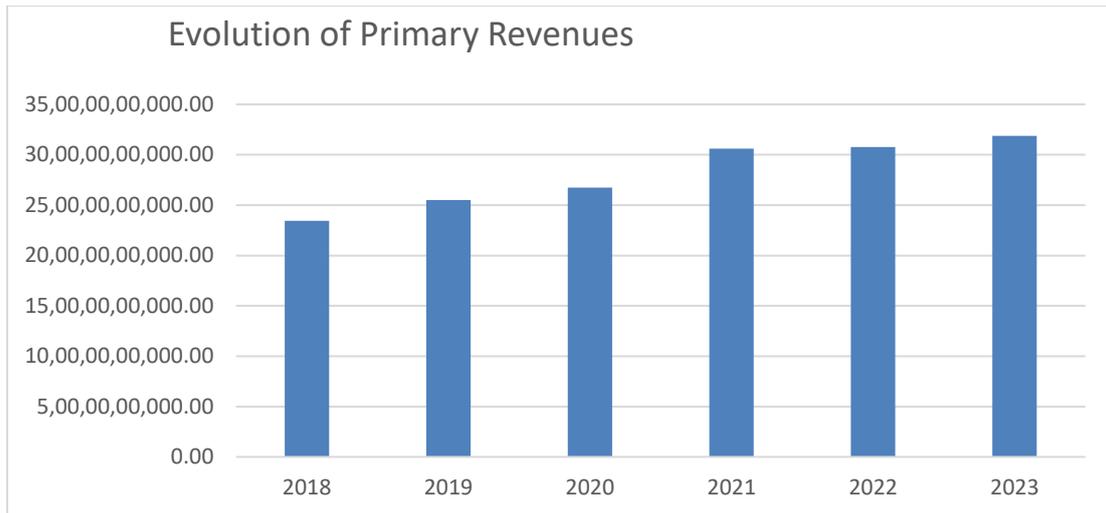


Chart 2 - Evolution of Primary Expenditures

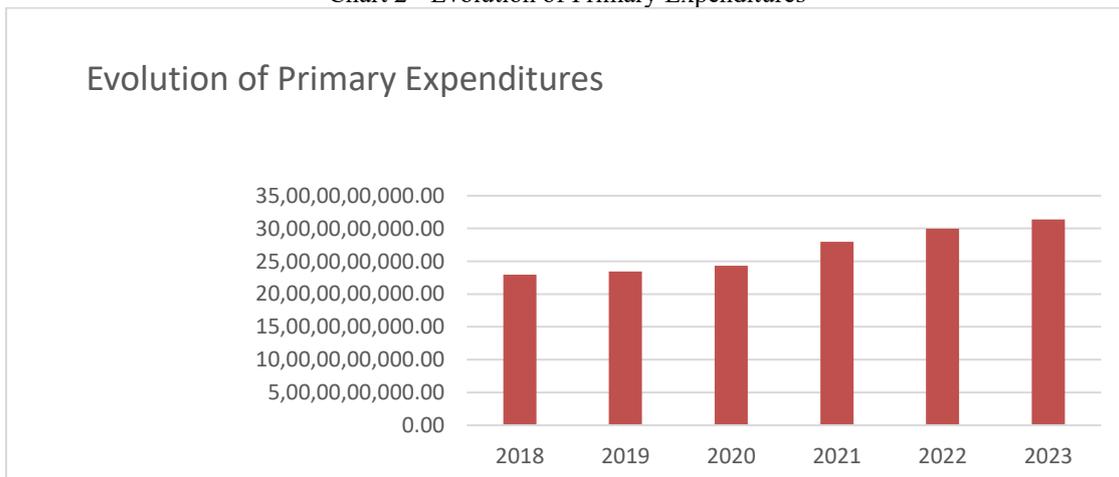
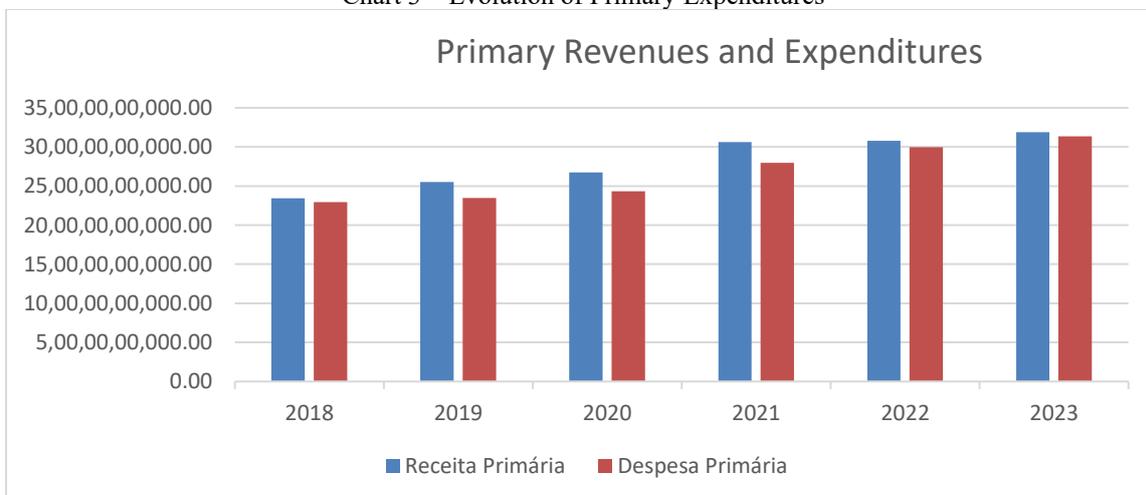


Chart 3 – Evolution of Primary Expenditures



### III. Conclusion

Fiscal management enables government entities to balance their public revenues and expenditures. The Budgetary Guidelines Law, in its fiscal targets annexes, calculates the value of the primary result, which is the calculation between primary revenue and primary expenditure. This calculation allows public managers to understand their fiscal capacity; that is, are the resources collected by the government sufficient to keep the administrative machinery running, or is there a need to acquire other sources of financing for its investments?

The research was based on this premise of analyzing the primary result of the Government of the State of Ceará, Brazil. It was found that primary revenues showed growth throughout the fiscal years. In 2023, they showed a growth rate of 35.93% in relation to 2018 and 3.57% in relation to 2022. Primary expenditures also showed growth in the years analyzed. In 2023, they showed growth of 36.65% compared to 2018 and 4.64% compared to 2022.

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