

Brazil Leads Emerging Markets in Transparency and Relation with Investors, but that is not enough

Recently, the Institute of International Finance (IIF), an organization that congregates the world major global banks, published a study in which Brazil is evaluated as the emerging country with the best investor relations structure and transparency in releasing information on public accounts and indebtedness. This study covered a group of 30 nations, including China, Russia, Mexico and Chile, selected for the dimension and frequency of their loan operations in 2004 and 2005, as well as the projection for 2005 and 2006 borrowing requirements.

In Brazil, two government institutions cooperate to ensure the best performance in investor relations. The Central Bank of Brazil (BCB), which traditionally led the issuance of sovereign debt, releases key information about economic policy in a broad sense. The National Treasury (STN) focuses on fiscal and public debt data. The Treasury has steadily increased its investment relation efforts, as it paved the way for taking up full responsibility for managing the domestic and foreign debt. The responsibility for the issuance of sovereign debt, which was the last step in that process, was transferred from the Central Bank to the National Treasury in early 2005.

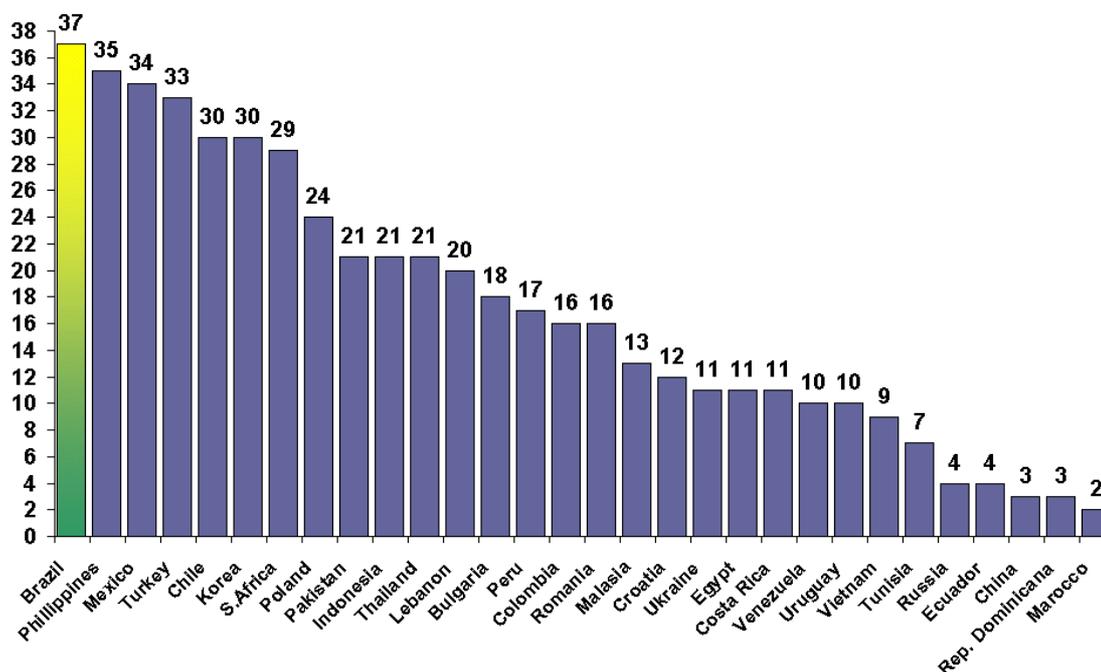
According with the IIF, the Brazilian National Treasury and Central Bank have consistently complied with the standards required by the IIF and IMF regarding the timeliness and periodicity in releasing information on fiscal data covering the Central Government (National Treasury, Social Security and Central Bank), state-owned companies, states and municipalities. These data are released systematically in the second half of the month following that of reference. For several years, it has also been acknowledged the Brazilian officials are accessible on consistent base to share information and answer questions from investors and other economic agents.

The methodology used in the IIF study attributes up to 38 points to twenty items that comprise the judgment criteria for transparency and good investor relations. Considering the Central Bank and the Treasury together, Brazil got 37 out of these 38 points, thus ranking first among emerging market countries. The only missing criterion was the absence of reciprocal links among the websites of the Central Bank, Ministry of Finance and other government entities, an issue that is now being addressed.

Regarding the National Treasury alone, the IIF review highlighted a few points that have since been addressed. The Treasury has now established a specific link for the investors relations office – IRO at the National Treasury website. The Treasury has also expanded the information about key IRO staff and how to reach them, including their e-mail addresses. Finally, it was made easier for investors to subscribe/unsubscribe to publications from the National Treasury, as well as its mail list. All these functionalities can now be reached by clicking in the Public Debt page in the Treasury site¹.

¹ www.tesouro.fazenda.gov.br/english/public_debt/investors_relations.asp

Investor Relations and Transparency Ranking



Source: IIF.

The prompt response of the Treasury to the IIF survey simply reflects the belief of the Brazilian government that best practices in investor relations and transparency in the dissemination of information can yield important benefits to borrowers and creditors alike. This approach is the best protection against market uncertainty, and it is valuable when the international environment is favorable, as well as in periods of high volatility in financial markets or low international liquidity. This is why the Treasury will continue to work to strengthen transparency, upholding what has already become a hallmark of Brazil.

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