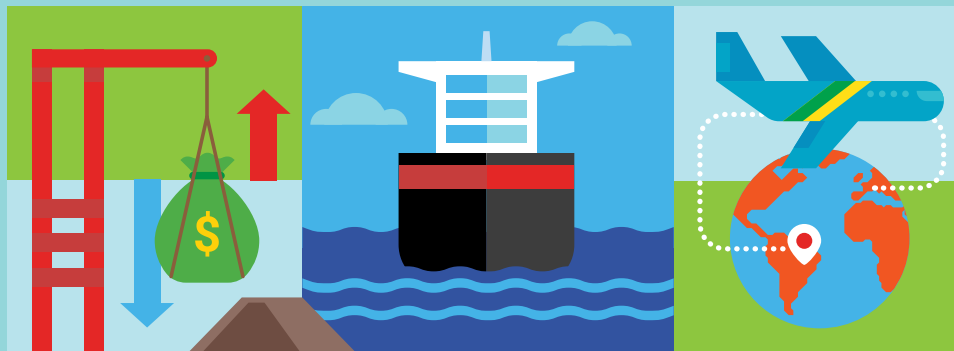


EXPORT GUARANTEE FUND PLAYED A SIGNIFICANT ROLE IN BRAZIL'S EXPORTS

FGE plays a major role in construction services and transportation, but high concentration is concerning



Limited competitive participation in international trade and low diversification of export products have negative consequences for Brazil. One mechanism to address this issue is the Export Guarantee Fund (FGE), which aims to protect exporters from the risk of default in the international market by providing insurance against political, economic, or extraordinary risks. A CMAP assessment highlighted the fund's importance for exports in certain sectors but did not identify studies that measured its impact in isolation. The high concentration in large companies and the execution of expenditures close to the budget limit increase financial risk.

POLICY EVALUATED

Export Guarantee Fund (FGE)

RESOURCES INVOLVED

R\$ 64 MILLION

(2024)

EVALUATION CYCLE

2024-2025

KEY FINDINGS



Concentration in a few companies and sectors increases risks



Expenditure execution is very close to the budget limit



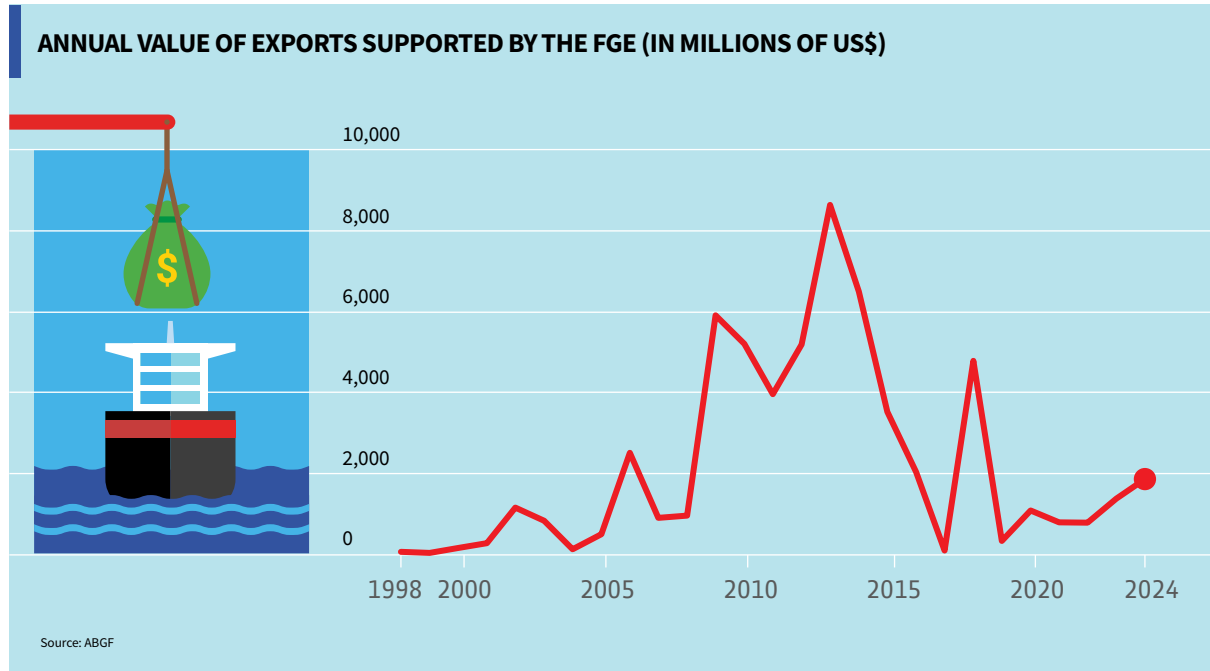
Available indicators do not allow for an accurate assessment of the FGE's actual impact

Policies aimed at promoting exports are common in many countries, given their strategic importance for economic growth, job creation, and increasing income. In the case of Brazil, limited competitive participation in international trade and the low diversification of exported products have negative consequences, such as a reduced ability to attract foreign exchange, a decline in highly skilled jobs at exporting companies, and high dependence on commodities (Brazil's most common exports).

One of the public policy mechanisms used to combat this problem is the Export Guarantee Fund (FGE). It was created in 1997 as a provisional measure and converted into Law in 1999. The Fund's initial objective was to maintain foreign exchange reserves at a satisfactory level, but over time, it has established itself as a mechanism to guarantee insurance coverage against political, economic, or extraordinary risks (such as natural disasters and health crises), thereby protecting exporters from default and facilitating export financing. The FGE does not seek to replace or compete with private financing instruments, but rather to act in a complementary manner, facilitating exports that are unattractive to the private insurance sector.

An assessment by the Council for Monitoring and Evaluation of Public Policies (CMAP) highlighted that the FGE played a significant role in total Brazilian exports between 1998 and 2024, particularly in the construction services sector until 2014 and in the exports of transportation equipment, especially aircrafts. During the period analyzed, the volume of supported exports totaled US\$ 60.4 billion, across 1,270 transactions, which benefited 311 firms. The historical data, however, shows sharp fluctuations, reflecting, among other factors, budgetary issues and shifts in policy priorities.

The report identified a high concentration of insured volumes in a small group of large companies. In the case of exports of high-technology goods (which amounted to US\$21.8 billion in the period), for example, Embraer alone accounted for 84% of the volume supported in that category. This concentration in a few companies and products reduces the diversification of the fund's portfolio, amplifying the risk of systemic losses in the event of default on one or a



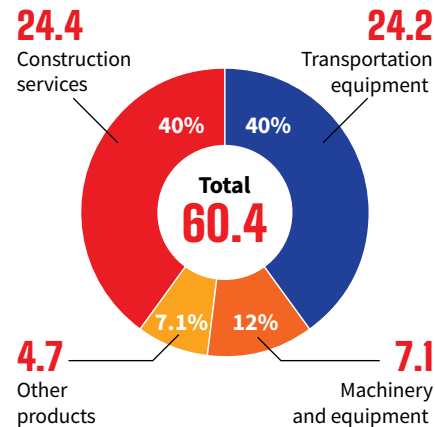
The increase in volume between 2009 and 2015 is due to the support for exports of construction services in Latin America

few large-scale operations. The data also highlight the low penetration among micro and small businesses and the limited impact on the sectoral and geographic diversification of exports.

Upon reviewing the literature, the report did not identify studies that measured impact that can be attributed to the fund— as opposed to other correlated factors— on export performance. The available information (number of transactions, insured amounts, premium receipts, or claims payments) is insufficient to make an accurate analysis. The assessment therefore identifies the development of indicators that provide visibility into long-term results as one of the challenges.

Although the FGE has seen an increase in net worth, these funds cannot be used freely, as they depend on annual allocations in the Public Budget. The assessment found that actual expenditures have remained very close to the limit of the available budget allocation. In 2023 and 2024, for example, these rates reached 99.7% and 98.8%, respectively. This performance indicates the

Supported value, cumulative from 1998 to 2024
Supported exports (in billions of US\$)



management team's effort to align budget planning with operational demands, but it also highlights the risk that the reduced budgetary safety margin could compromise the Federal Government's ability to fully honor its obligations. Looking to mitigate contractual and fiscal risks and strengthen the policy's sustainability, a recommendation is to analyze budgetary mechanisms that ensure the execution of FGE payments.

Finally, the evaluation identified an opportunity to modernize the management of the fund through the adoption of shared digital tools and agile decision-making mechanisms among the various actors involved in policy governance. Similarly, the transparency of information on contracted operations could be increased.



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