IOSR Journal of Humanities and Social Science (IOSR-JHSS)
Volume 31, Issue 6, Series 5 (June, 2026) 45-49
e-ISSN: 2279-0837, p-ISSN: 2279-0845.
www.iosrjournals.org

Budgeting and Public Management and its applicability in municipalities of Tocantins.– The case of Guaraí/TO

José Fernando Bezerra Miranda[1], Fernando Mendonça Cardoso[1], Thamires Ramalho da Silva[1], Gleyce Paixão Pinto[1], Givaldo Batista Medeiros[1], Carlos Alberto Moreira de Araujo Junior[1], Einstein Dias Coelho[1], Italo Rodrigues Cardoso Duarte[2], Rair Santos Ribeiro[3], Doriane Braga Nunes Bilkac[3], Iva de Oliveira[3], Maria Aparecida Batista da Silva[3], Haroldo Bucarda Costa[4], Ana Claudia Duarte Lopes[5], Lúcia Rosângela Ferreira Flor Lino[6], Carlos José dos Santos[7]

[1]*(Universidade Estadual do Tocantins - Unitins, Brazil)*
[2]*(Faculdade Serra do Carmo - Fasec, Brazil)*
[3]*(Universidade Federal do Tocantins - UFT, Brazil)*
[4]*(Secretaria de Educação do Tocantins, Brazil)*
[5]*(Universidade de Brasília - UnB, Brazil)*
[6]*(Universidade Luterana do Brasil - Ulbra, Brazil)*
[7]*(Universidade Estadual de Goiás - UEG, Brazil)*

Abstract : *This article analyzes the limits and possibilities imposed by the Fiscal Responsibility Law (LRF) on municipal public management, using the municipality of Guaraí, located in the interior of the State of Tocantins, as a case study. The central problem of this research is the municipality's high dependence on intergovernmental transfers, especially from the Municipal Participation Fund (FPM), and its impacts on budget planning and execution. Methodologically, this is a qualitative research study with a descriptive approach, based on bibliographic and documentary research, using as sources the relevant legislation, fiscal management reports, budget laws, official data from the municipal government, and information provided by control bodies. The LRF is an essential legal framework for fiscal control and for promoting transparency and balance in public accounts; however, its application in small and medium-sized municipalities reveals specific challenges related to low revenue-raising capacity and technical and administrative limitations. This study discusses the effects of the Fiscal Responsibility Law (LRF) on personnel expenses, public debt, investments, and municipal budget management, as well as pointing out administrative strategies capable of increasing legal compliance and contributing to sustainable local development. It concludes that, despite the restrictions imposed, the LRF can act as an instrument for inducing administrative modernization and institutional strengthening in municipalities in the interior of the country.*

Keywords: *Fiscal responsibility. Municipal public management. Fiscal Responsibility Law. Public Finances.*

Date of Submission: 15-06-2026 Date of Acceptance: 28-06-2026

I. Introduction

The enactment of Supplementary Law No. 101 of May 4, 2000, known as the Fiscal Responsibility Law, represented a significant advancement in the organization of Brazilian public finances [1]. The norm established principles, limits, and instruments aimed at responsibility in fiscal management, imposing on federated entities the obligation to plan, control, and account for their financial and budgetary actions, aiming for the balance of public accounts and administrative transparency.

At the municipal level, the LRF began to demand greater rigor in budgetary execution, especially in the control of personnel expenses, public debt, and compliance with fiscal targets. However, the reality of municipalities in the country's interior presents particularities that hinder full compliance with these requirements. Low local tax collection capacity, high dependence on intergovernmental transfers, and growing demand for essential public services place local managers faced with permanent structural and financial challenges.

In this context, the municipality of Guaraí, located in the central region of the State of Tocantins, configures itself as a representative example of the reality faced by municipalities in the Brazilian interior. According to data from the Brazilian Institute of Geography and Statistics [2], Guaraí has an estimated population of approximately 25,000 inhabitants, presenting an economic structure based predominantly on the service sector, local commerce, and public administration. As occurs in most small and medium-sized Brazilian municipalities, the municipality presents limited local tax collection capacity, which results in a high dependence on intergovernmental transfers, especially the Municipal Participation Fund (FPM).

Given this scenario, the following problem arises: in what way does the Fiscal Responsibility Law influence the fiscal management of the municipality of Guaraí/TO, considering its financial dependence on external transfers and its socioeconomic constraints? Seeking to answer this question, this study aims to analyze the impacts of the LRF on the fiscal management of the municipality of Guaraí/TO, highlighting its limits and possibilities.

Specifically, it intends to characterize the local socioeconomic context, identify the main obstacles faced by the municipal administration in complying with the LRF, and point out fiscal governance alternatives capable of contributing to financial balance and sustainable local development. To this end, the research will be developed through a qualitative approach, based on bibliographical and documentary research, with analysis of relevant legislation and official documents of the municipal management.

II. Methodology

This research is characterized as a qualitative study with a descriptive and analytical approach, using the case study method. This methodological strategy was adopted because it enables an in-depth analysis of the application of the Fiscal Responsibility Law (LRF) within a specific municipal context, allowing for an understanding of its limits and possibilities in light of local reality.

The object of the case study was the municipality of Guaraí, in the State of Tocantins, chosen due to its representativeness as a small-sized municipality in the Brazilian interior, with limited local tax collection capacity and high dependence on intergovernmental transfers—characteristics common to most municipalities in the Northern region. This choice enables the analysis of a reality that reflects recurring challenges faced by similar municipal administrations.

The temporal scope of the research covers the period from 2019 to 2022, as it encompasses a recent fiscal management cycle and allows for the observation of the behavior of municipal finances under the full effect of LRF rules, in addition to contemplating the most updated data available in official reports. This interval makes it possible to analyze the evolution of personnel expenses, budgetary execution, and compliance with fiscal limits throughout the period.

The methodological procedures involved bibliographical research, based on books, scientific articles, and legislation relevant to the theme of fiscal responsibility and municipal public management, as well as documentary research. Official documents from the municipality of Guaraí/TO were analyzed, such as: Fiscal Management Reports (RGF), Summary Budget Execution Reports (RREO), Annual Budget Laws (LOA), Budgetary Guidelines Laws (LDO), and Multi-Year Plans (PPA), in addition to socioeconomic data provided by official agencies.

Data analysis was performed qualitatively through the interpretation of the provisions of the Fiscal Responsibility Law and the confrontation of these legal precepts with the information extracted from the fiscal and budgetary documents of the municipality. This procedure allowed for the identification of the main limits faced by the municipal management in complying with the LRF, as well as the possibilities of adopting more efficient fiscal governance practices, in line with the objectives proposed in this study.

III. Results and Discussion

The documentary analysis was carried out based on fiscal management reports (RGF), summary reports of budgetary execution (RREO), annual budgetary laws (LOA), the multi-year plan (PPA), the budgetary guidelines law (LDO), and data made available on the Transparency Portal of the municipality.
The analyzed documents show:

- The local economy is predominantly based on commerce, agriculture, and public services;
- Local tax collection represents a small portion of the municipality's total revenue;
- There is a strong dependence on constitutional transfers, especially the Municipal Participation Fund (FPM) and the ICMS share;
- Net Current Revenue presents fluctuations linked to variations in intergovernmental transfers;

- Personnel expenses consume a significant portion of the Net Current Revenue;
- Public investments present variations and, in certain fiscal years, a significant reduction;
- Structural limitations were identified in the preparation and monitoring of planning instruments (PPA, LDO, and LOA).

These elements configure the fiscal and administrative overview of the municipality during the analyzed period.

The findings confirm what the literature on fiscal federalism points out regarding the high dependence of small and medium-sized municipalities on intergovernmental transfers [3, 4].

This dependence reduces financial autonomy and increases budgetary vulnerability in the face of national economic crises.

In addition, the high commitment of the Net Current Revenue to personnel expenses is aligned with the analyses of Giacomoni [5], who highlights budgetary rigidity as one of the main difficulties in municipal public management. The technical fragility observed in the preparation and execution of planning reinforces the discussion by Matias-Pereira [6] on the importance of institutional capacity for the effectiveness of responsible fiscal management.

Thus, the documentary results of the Guaraí case not only describe a local reality but also illustrate recurring structural patterns in Brazilian municipal public administration.

The analysis of the Fiscal Management Reports shows that the municipality has repeatedly operated close to the prudential limit of 54% of the Net Current Revenue established by the Fiscal Responsibility Law. Although formally still within legal parameters, this situation reveals a framework of structural fiscal fragility.

Working systematically on the threshold of the prudential limit does not represent only an administrative restriction, but signals an imbalance in the dynamics between permanent revenues and expenses.

The LRF introduced the logic of transparency and fiscal accountability. However, as Matias-Pereira [6] points out, the effectiveness of these rules depends on the capacity of the federated entity.

In the case analyzed, it is observed that formal compliance with the Law does not always translate into effective strategic planning.

This scenario significantly reduces the response capacity of the Executive Power faced with growing social demands, invalidates policies for public servant appreciation, and limits the expansion of essential services. In addition, the constant proximity to the maximum limit increases the risk of legal sanctions and compromises the autonomy of municipal management, which starts to operate under strong fiscal conditioning.

Therefore, more than a technical datum, the high commitment of the Net Current Revenue to personnel expenses requires reflection on the financial sustainability of the municipality, demanding strategic planning, a review of priorities, and the strengthening of local tax collection, under penalty of compromising local development in the medium and long term.

As established by Supplementary Law No. 101/2000, the control of personnel expenditure is one of the main mechanisms of fiscal discipline.

In the case of Guaraí, the high commitment of the RCL confirms the structural rigidity of public spending, limiting the expansion capacity of public policies. Performance evaluation measures, redistribution of functions, and administrative automation can contribute to greater efficiency without expanding the payroll. As discussed by Giacomoni [5], personnel expenditure tends to become structural and difficult to adjust in the short term, requiring medium and long-term planning.

The analysis of fiscal statements indicates low use of credit operations by the municipality, which, at first glance, might suggest a conservative fiscal posture. However, it is necessary to investigate whether this reality stems from a deliberate strategy of prudence or from a structural limitation of local financial capacity. Although the Fiscal Responsibility Law conditions indebtedness to compliance with fiscal targets, debt sustainability, and payment capacity, the simple compliance with these requirements does not automatically mean that there is an effective margin for contracting credit.

The fluctuation of revenues, especially intergovernmental transfers, led to the recurrent adoption of contingency measures, with a direct impact on capital expenditures (investments).

Although contingency is a legitimate instrument of fiscal adjustment provided for in the LRF, its frequent use can compromise structural public policies.

In municipalities with low local tax collection and strong dependence on intergovernmental transfers, such as Guaraí, the capacity to generate current savings tends to be reduced, which limits obtaining a favorable rating for new credit operations.

Thus, the low utilization of this instrument may not exclusively represent a strategic choice of fiscal caution, but rather a structural limitation resulting from the fragility of the local economic base.

As Afonso [4] argues, municipalities with restricted tax collection capacity face greater obstacles to using credit as a mechanism for financing development, since the risk of committing future revenues becomes higher. In this way, the restriction on indebtedness, although functioning as a protection mechanism against over-indebtedness, can also limit the realization of structural investments, perpetuating a cycle of low growth capacity and reduced expansion of municipal infrastructure.

The analyzed documents demonstrate formal compliance with legal requirements regarding the publication of fiscal reports, in line with the principles of transparency introduced by the Fiscal Responsibility Law. However, the qualitative analysis of the planning instruments reveals limitations that compromise the effectiveness of fiscal management. The presence of targets formulated in a generic manner is observed, without clear operational detailing and, in several cases, unaccompanied by performance indicators that allow measuring results. Furthermore, consistent mechanisms for the periodic evaluation of the established targets were not identified, which hinders continuous monitoring and the correction of deviations throughout the fiscal year.

Such weaknesses evidence that formal compliance with legal requirements does not guarantee, by itself, the consolidation of a strategic planning culture. As Matias-Pereira [6] argues, the effectiveness of fiscal rules depends directly on the institutional capacity of the federated entity, especially regarding the technical qualification of the teams and the available administrative structure. The adoption of computerized systems can improve the control of personnel expenditure and the monitoring of budget execution, reducing risks of exceeding the LRF limits.

Measures of performance evaluation, redistribution of functions, and administrative automation can contribute to greater efficiency without expanding the payroll. Among the main limits observed, the following stand out: the rigidity of the percentages of spending on personnel, which reduces the manager's margin of discretion; the high dependence on intergovernmental transfers; and the insufficiency of technical and structural capacity of the local administration for medium and long-term planning.

Such factors tend to restrict strategic investments and hinder the implementation of structural public policies. In the analyzed case, it is perceived that the logic of fiscal accountability still operates predominantly under a procedural perspective — focused on the production and dissemination of reports — to the detriment of a managerial approach oriented toward results. This gap can compromise the efficiency of public spending and limit the transforming potential of government planning, which could otherwise contribute to greater legitimacy in defining priorities, especially in a context of fiscal scarcity.

IV. Conclusion

This study aimed to analyze the impacts of applying the Fiscal Responsibility Law to municipal management in Guaraí/TO, seeking to identify the main limits and possibilities arising from its implementation in a small-sized municipality. The investigation enabled an understanding that, although the LRF represents an important instrument for promoting fiscal balance, its operationalization in administrative realities with structural constraints imposes specific challenges.

Among the main limits observed in the analyzed case, the following stand out: the rigidity of the percentages of spending on personnel, which reduces the manager's margin of discretion; the high dependence on intergovernmental transfers; and the insufficiency of technical and structural capacity of the local administration for medium and long-term planning. Such factors tend to restrict strategic investments and hinder the implementation of structural public policies.

On the other hand, the study also evidenced relevant possibilities. The LRF, by imposing mechanisms of control, transparency, and planning, stimulates the professionalization of public management, the strengthening of internal control instruments, and the adoption of more efficient administrative practices.

In the case of Guaraí/TO, it was verified that compliance with legal requirements contributed to greater financial organization and budgetary predictability, indicating that legislation can act as an inducer of administrative modernization when accompanied by technical training and management innovation.

Thus, it is concluded that the identified limits and possibilities do not cancel each other out, but rather coexist. The effectiveness of the LRF in municipalities of the interior depends, to a large extent, on strengthening local institutional capacity and adopting management strategies compatible with their socioeconomic reality.

Regarding the limitations of the research, the analysis focused on a single municipality stands out, which restricts the generalization of the results.

Furthermore, the availability of data and the absence of interviews with managers and technicians from the public administration limited a deeper understanding of the qualitative aspects of the application of the norm.

As possibilities for future studies, it is suggested to carry out comparative research between municipalities of different sizes, the incorporation of qualitative methods (such as interviews and multiple case studies), and the analysis of the impacts of the LRF in periods of fiscal crisis. Investigations that articulate fiscal responsibility and local development indicators can also contribute to expanding the understanding of the relationship between financial balance and the effectiveness of public policies, giving greater scientific density to the debate

References

[1]. Brasil, Lei Complementar nº 101, de 4 de maio de 2000. Estabelece normas de finanças públicas voltadas para a responsabilidade na gestão fiscal e dá outras providências, Diário Oficial da União: seção 1, Brasília, DF, 5 maio 2000. Available at: http://www.planalto.gov.br. Accessed: Feb. 13, 2026.
[2]. Instituto Brasileiro de Geografia e Estatística (IBGE), Cidades e Estados: Guaraí (Rio de Janeiro: IBGE, 2022). Available at: https://www.ibge.gov.br. Accessed: Feb. 13, 2026.
[3]. F. L. Abrucio, Federalismo e gestão pública no Brasil (São Paulo: Fundação Konrad Adenauer, 2010).
[4]. J. R. R. Afonso, Federalismo fiscal brasileiro (Rio de Janeiro: Fundação Getúlio Vargas, 2016).
[5]. J. Giacomoni, Orçamento público, 17. ed. (São Paulo: Atlas, 2017).
[6]. J. Matias-Pereira, Manual de gestão pública contemporânea, 4. ed. (São Paulo: Atlas, 2018).
[7]. L. C. Bresser-Pereira, Reforma do Estado e administração pública gerencial, 7. ed. (Rio de Janeiro: Fundação Getúlio Vargas, 2004).
[8]. J. Pires and C. Souza, Gestão fiscal e municípios brasileiros (Brasília: ENAP, 2018).P.O. Bishop, Neurophysiology of binocular vision, in J.Houseman (Ed.), Handbook of physiology, 4 (New York: Springer-Verlag, 1970) 342-366.