

# 2008/2011 PPA: the priorities of Lula's government

Brasília, november 2007 - Year VII - nº 13

english version



## 2008/2011 PPA: the priorities of Lula's government

The year of 2007 has special importance in regards to the budgetary policy of the Brazilian government because during this year the Pluriannual Plan (PPA) is defined for the period of four years that goes from the 2008 to 2011. This Plan contains all the goals and guidelines of the federal government, in addition to the forecast of public expenses for that period. The 2008/2011 Pluriannual Plan was sent on August 31 of 2007 by the government of President Lula da Silva, in order to be submitted to the consideration of the National Congress.

During the elaboration phase of the 2008/2011 Plan, in the sphere of the Executive, the frustration of the civil society was again established, since for a long time they have been fighting to conquer a greater participation in the process of conception of the Pluriannual Plan. By means of this instrument the government makes prior definitions in regards to the planning and to the budget which is going to orient the public actions during the period of four years. All of the expenses that are divided throughout more than a year must be foreseen in the PPA; otherwise, they are not authorized.

Nevertheless, in 2007, according to evaluation of Inesc<sup>1</sup>, "the opportunities for society's participation in the process were very below what was expected, indicating that, in the second mandate of president Lula, it continues to be necessary to start up and to support the operation mechanisms that guarantee an effective social participation at the moment in which the State elaborates its goals and plans for public expenses".

The PPA is always elaborated in the first year of the mandate of the elected president. Thus, those years are characterized by an intense mobilization in the social field, since organizations articulate and are mobilized with the intention of intervening in the budget, particularly to extend the resources destined to social policies.

In the sphere of the Legislative Power, the Joint Committee of Plans, Budgets and Supervision (CMO) of the National Congress had the initiative to discuss the 2008/2011 Pluriannual Plan with Organizations of Civil Society, promising to accept with priority the presented suggestions. This process counted on the active participation of Inesc, organization that since 1992, in a pioneering initiative, is working on the subject of the public budget because it considers that this instrument is fundamental to start up public policies destined to reduce social inequalities and to assure the fulfillment of human rights.

---

<sup>1</sup> Technical Note nº 128. *PPA 2008/2011 and Proposed Annual Budget Law 2008: the mobilization of civil society*. Brasilia, September 2007. Available at: [www.inesc.org.br](http://www.inesc.org.br)

Inesc carried out the pursuit of the accomplishment of eight regional seminars promoted by the CMO and participated in the national seminary held in Brasilia, in the Chamber of the Deputies, on October 9th 2007. The opening of the seminary was left in charge of the president of the CMO, Senator José Maranhão (PMDB/PB), who defined the event as an opportunity for dialogue between the representative democracy and the participatory democracy. Deputy Vignatti (PT/SC), designated to analyze and unite suggestions regarding the PPA, made an extensive presentation of the Pluriannual Plan proposed by the government and showed that the PPA outlines a positive macroeconomic scene. The total of resources anticipated for the 2008/2011 PPA is of R\$ 3.5 trillion, which corresponds to US\$ 1.25 trillion.

### **Social participation in the 2008/2011 PPA**

During the seminary, Inesc and the Brazil Forum for the Budget (FBO)<sup>2</sup> sent a proposal to the CMO so that they are institutionalized mechanisms of social participation in the budget. At the moment, this process of participation still depends on the good will of those in power. In agreement with the present rules, if the senators and the deputies who direct the CMO did not show political good will, there would not be any guarantee that public hearings will be held so that society may formulate its vindications.

In Brazil, the "Fiscal Responsibility Law", approved in 2000, and the 2006 Resolution that determines the rules of transaction of the budget in the scope of the CMO, made progress in regard to the future of social participation, as it foresees the holding of hearings in Congress. Nevertheless, there is no defined penalty in case this instrument of participatory democracy is not effectively used. In the present phase of contemporary democracy, there is no justification for such delay on the part of the authorities of the Country. The rules for the elaboration of the municipal budgets are even more explicit than the process in the federal government, because the Statute of Cities already states that social participation is an indispensable condition for its approval.

That institutional void makes it difficult for the people to exert their condition of political subjects; after all " All power emanates from the people, who exercise it by means of elected representatives or directly". Inesc and other organizations that were present in the seminars public held by the CMO between September and October of 2007 defended the "right of the people to exert their sovereign power".

---

<sup>2</sup> The FBO is an articulate league formed by 56 Organizations of Brazilian Civil Society, with the objective of defending and guaranteeing the application of public resources in social policies, through analysis, monitoring and the creation of mechanisms that make the federal public budget more democratic.

The holding of public hearings is not a guarantee that society will be heard or that it will have active voice. Moreover, in reality, the process of consultation of the 2008/2011 PPA coordinated by National Congress revealed to be a moment which provoked many critics. In the regional seminars, members of Congress took advantage of that space to pronounce prolonged speeches, reducing the time destined to the voices of civil society, of social movements, of universities, of district representatives.

It is for this reason that Inesc defends, and has declared this in the national seminary, that it is necessary to institutionalize the methodology of social participation. This institution vindicates the real guarantee of participation and declares that the process must be oriented by clear rules that truly empower society. The necessity to institutionalize social participation must be contemplated as much in the Legislative scope as in the Executive. The elaboration of the budget is a responsibility the Constitution reserves to the Executive authority. This phase precedes the discussion and the approval of the budget by Congress.

Society has been fighting for a long time to formalize its participation in the budget in all its stages. In the previous PPA (2004/2007), the participation effort was not able to effectively influence the budget of the first mandate of Lula's government. Thus history registered that the intention of this government to carry out a "deep listening" to listen to society turned out to be just the hearing of a "hoarse whisper".

From the consultation made in 2003, nevertheless, a Work Group (GT) was constituted by representatives of government and of society, with the objective to formulate the participation methodology. The GT began to work, in reality, in 2007, and has yet to present concrete results.

### **Transparency and social control**

In a public note disclosed in the national seminary promoted by the CMO, on October 9, 2007, Inesc indicated the fact that the resources contained in the public budget analyzed by the National Congress do not correspond to the total of the federal resources that were in fact assigned in the PPA, since expenses with the national debt, including interests and amortizations are outside of the Pluriannual Plan. That means that Congress has a restricted participation in regards to the destiny of public expenses.

With the intention of having a greater transparency of expenses public, condition necessary for the exercise of the social control, Inesc has systematically presented

the vindication of monitoring the quasi-fiscal expenses of official agencies of credit, such as Caixa Econômica and Banco do Brasil, for example. It is also concerned with the resources administered by the portfolio of the National Bank of Economic and Social Development (BNDES). Although the 2008/2011 PPA mentions these resources, approximately R\$ 704.5 billion (US\$ 391.4 billion) for the period of four years, it is known that these resources are not object of monitoring in the Annual Budgetary Law and they do not filter through the Integrated System of Financial Administration of the Federal Government (Siafi).

Inesc also defends the monitoring of investments of state-owned companies during the period of the PPA (R\$ 253.6 billion, which corresponds to US\$ 140.8 billion), because state-owned companies are not objects of follow-up in the Siafi, which can facilitate the sprouting of cases of corruption, due to the lack of transparency.

### **The 2008/2011 PPA priorities**

The Pluriannual Plan (PPA) defines, by regions, the directives, objectives and goals of the federal public administration for capital expenses, derived expenses of these objectives and goals and the expenses of programs of continued duration. According to the norms in effect, the proposed 2008-2011 PPA bill, which is in discussion in the National Congress, must be examined before December 22nd.

The 2008/2011 PPA is based on three axes: "economic growth", "quality education" and the "social agenda". The contents of these axis correspond, respectively: (i) to the Growth Acceleration Program (PAC), that orients the infrastructure policy of the second mandate of the Lula government, with special emphasis in works related to the power and transportation sectors; (ii) to the Plan for the Development of Education (PDE), that has the objective to improve the quality of Brazilian education; and (iii) to the Social Agenda, whose main policy is the continuity of focused programs of "transference of income", such as the program "Family Stipend" (Bolsa Família), and the investments in the area of public security.

There are 306 budgetary programs in this Pluriannual Plan: 215 are classified as objective-orientated and 91 as support for public policies and special areas. The programs include 4,300 actions. The actions serve to inform on how the government spends (US\$ 1.96 trillion) and on the solutions to solve the problems and the vindications of the society.

Due to its nature of being an instrument for planning, the 2008/2011 PPA has the role to reveal the strategy for the development of the country. The difference between the PPA of the first Lula government and the one of this new period is evident, due to the fact that the first mandate was tied to an economic policy that was limiting and of liberal inspiration. The country never had a period of shrinking so intense of public cost, of low investments in infrastructure and social policies.

The improvement of economic indicators and the change of the ideological profile of key players in the economic team made possible a project for the second mandate with characteristics a little more developmental. For the next years, the government announces a virtuous and continuous circle of growth of the economy: the fortification of mass consumption, the increase in the quality of the education, the increase of productivity and the competitiveness of the internal market, more gains for the companies and, finally, the increase of the income of workers, who would again feed the internal consumption.

The success of the plan has yet to be seen. In any case, Inesc does not see a structural change in the conduction of the economic policy. There is a clear neoliberal slant that grants the market a privileged position in lieu of the social policies. It is necessary to analyze the management of the economic policy that took the country to use about US\$ 150 billion to pay interests, surcharges and amortizations of the national debt in the 2006. In November of 2007, that mark had already surpassed US\$ 120 billion.

But reality shows us that it is unlikely that Brazil will succeed in having its Gross Domestic Product (GDP) grow over 5% in the next years. The external scene also causes concern, as there are risks of recession in the economy of the United States, which is individually the main buyer of Brazilian exports. A recession over there implies smaller growth over here.

The PPA also defines some courses of Latin American regional integration. The Growth Acceleration Program (PAC) contemplates great projects of "development" and of "regional integration" that, as Inesc warns, could produce serious environmental and social impacts. For example, highway infrastructure is predicted in 10 great projects, like the Bridge on the Tacutu river, in Roraima, the border with Guyana; the second bridge on the Parana river, uniting Brazil and Paraguay; the Bridge between Yaguaron and Rio Branco, approximating Brazil and Uruguay; the duplication of the BR: -101, main connection with Argentina.

Thus, for Inesc, the issue of the development model based on the construction of highway and power infrastructure public supported in the projects of the PAC is another one of the issues that deserve ample discussion in the Brazilian agenda of the next years.

Luciana Costa  
Press Advisor of Inesc

Lucídio Bicalho  
Fiscal and Budgetary Policies Assistant

#### STAFF

INESC – Institute for Socioeconomic Studies - Address: SCS - Qd. 08, Bl B-50 - Rooms 431/441 - Venâncio 2000 Tower – Zip code: 70.333-970 - Brasilia/DF - Brazil – Telephone number: +55 (61) 3212 0200 - Fax: +55 (61) 3212 0216 - E-mail: [protocoloinesc@inesc.org.br](mailto:protocoloinesc@inesc.org.br) – Web site: [www.inesc.org.br](http://www.inesc.org.br) – Steering Council: Armando Raggio, Caetano Araújo, Fernando Paulino, Guacira Cesar, Luiz Gonzaga, Jean Pierre, Jurema Werneck, Neide Castanha, Pastor Ervino Schmidt – Management Collegiate Body: Atila Roque, Iara Pietricovsky, José Antônio Moroni - Advisers: Alessandra Cardoso, Alexandre Ciconello, Edécio Vigna, Eliana Magalhães, Jair Barbosa Júnior, Luciana Costa, Ricardo Verdum - Assistants: Ana Paula Felipe, Lucídio Barbosa – International Cooperation: ActionAid, Charles Stewart Mott Foundation, Christian Aid, EED, Fastenopfer, Fundação Avina, Fundação Ford, Instituto Heinrich Böll, KNH, Norwegian Church Aid, Oxfam Novib, Oxfam GB - Responsible Journalist: Luciana Costa (DRT 258) - Graphic Designer: Ivone Melo

