Government investment spending and the coming election

Murillo de Aragão

Before his term expires President Luiz Inácio Lula da Silva will announce the second Acceleration and Growth Program (PAC) covering 2010–14. “My successor, whoever that may be, will have a series of completed and planned projects; it will be up to him or her to define the priorities,” Lula asserted in Campo Grande city last May. The initiative is interesting. The program, however, bears consideration.

Envisaged to centralize the efforts of the Federal government, the program has sensibly included projects to be carried out by state institutions that are recognized as competent, among them Petrobras and Eletrobrás. It also covers projects underway as well as some nonstrategic projects, such as parking at airports. The first PAC was, one must admit, a good initiative that has helped direct governmental action. It transformed the economic stability agenda into an agenda of growth and achievements. So far, so good. However, our bureaucratic, nationalistic, and interventionist instincts may jeopardize the entire program.

As the late Brazilian playwright Nelson Rodrigues would have put it, we have known for ages that the current PAC will play a key role in the 2010 presidential elections. What remains to be seen is whether it will work for or against those who birthed the program. Unlike any other politician today, President Lula knows how to inject a dose of concentrated optimism when he addresses an audience. Having heard and talked with most of the great Brazilian political figures in the past 25 years, I cannot think of one who matches Lula’s charisma and communication skills. As a member of the government’s Economic and Social Development Council (CDES) since 2007, I have witnessed memorable speeches that have gone unnoticed by the press because the day’s agenda was dedicated to some other issue. As I read Lula’s words in Campo Grande city about the PAC and its achievements in the railway sector, it becomes obvious that the President is the driving force behind this aspect of his administration. But that is not enough, unfortunately.
Recently, the President’s Chief of Staff publicized PAC results by state. For each state, a separate booklet was published covering the projects by sector (logistics, energy, and social/urban area). Each project was given a ranking according to its current status: “contracting phase,” “contracted project,” “preparatory actions,” “public tender,” “project on course,” and “project completed.”

**Status**
The NGO Contas Abertas (Open Accounts) analyzed the status of 10,914 PAC projects by state, according to the ranking determined by the Chief of Staff. It concluded that after the program’s first two years (2007–08) only 3% of the projects (319) had been completed. If we add completed projects to those underway, the total is 2,863 — still only 26% of the total. In other words, 8,051 projects are still pending. The projects where delay is greatest are those associated with social and urban infrastructure, including sanitation and housing projects, of which only 1.3% have been completed. Admittedly, those projects take a long time to execute, which may explain the slow rate of completion in the first two years of the program.

PAC’s slow execution rate is a topic of current discussion at the CDES and may now be taken up by the National Congress and end up muddled with the Presidential succession debate. This is an explosive development that might attract the attention of the press and the opposition parties, which would then exploit the issue. Democrat Party (DEM) politicians, for example, have visited the state of Pernambuco to call media attention to the status of the local projects, promising to establish a group to follow up on all stages of the program. Major media outlets are also working on the issue. In the second half of the year, interest will only increase. There are rumors that Minister Dilma Rousseff might be called to account for the status of PAC.

The main reasons why PAC execution does not take off as President Lula himself would have wished are associated with environmental deadlocks, issues related to the use of indigenous land, court appeals related to public tenders, and halts determined by the Federal Court of Auditors. Considering that the political image of Minister Dilma Rousseff, a likely presidential candidate, is totally bound up with PAC, the slow rate of its execution, unsatisfactory even in the eyes of the administration, is worrying for her. Any progress in PAC implementation would tend to strengthen the possible candidacy of the minister; conversely, a slow rate of implementation would compromise her chances.

To make matters worse, the government’s financial expectations are not encouraging. At the end of May the government reduced its projections for revenue by R$60 billion (US$30 billion) for the year, and GDP growth projections were reduced from 2% to 1%. So as it stands now, is the PAC an advantage or a hindrance? I feel it could help. But that will require great efforts. Enormous efforts.

Chairman, Arko Advice Political Research and Analysis; M.A. (political science), Ph.D. (sociology), University of Brazil