

PLAN of ACTIVITIES

1997

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PLAN OF ACTIVITIES

1997 — 1998



INSTITUTE OF APPLIED ECONOMIC RESEARCH

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INTRODUCTION

The Institute of Applied Economic Research (IPEA) is a foundation created by the federal government in 1964 and linked to the Ministry of Planning and Budget (MPO). Its basic aim is to produce studies and research concerning Brazilian economic development. IPEA's tasks are:

- to provide the Ministry of Planning and Budget with data relevant for the definition, follow-up and evaluation of short-term and long-term public policies, and also to offer plans, programs and projects of economic and social development;
- to develop activities in the area of applied research necessary for the improvement of the processes of administration and of social and economic planning aiming at the integration of the relationship of the federal government with the states, the Federal District and local authorities; and
- to train, to improve and to qualify personnel for research and for social and economic planning.

IPEA's efforts focus on the following priorities:



a) *the area of planning and of public policies*, which carries out studies meant to support strategic planning, design and evaluation of sector programs and policies, and the process of the reform of the State;

b) *the area of macroeconomic studies and analysis of the conjuncture*, whose aim is to develop studies needed in the efforts to maintain and strengthen economic stability and to evaluate the perspectives of Brazilian development in the short and in the long run.

c) *the social area*, which comprises works of diagnosis, proposition, follow-up and evaluation of social policies and programs, works of analysis of the labor market and of problems concerning employment, as well as works to support the development of Programa Comunidade Solidária (Program Solidarity Community);

d) *the area of public finance and financial and fiscal policies*, that deals with studies concerning fiscal adjustment, implementation of reforms necessary to the financial adjustment of public expenditures, implementation of a new model of fiscal federalism, and recovery of mechanisms of long-term investment for Brazilian economy; and

e) *the area of the regions and the towns*, which has to do with the insertion of the geographical question into the agenda of macroeconomic and sector policies and seeks the promotion of regional balance through a better use of the potentialities of development in each region.

The works and studies coming out from each of these areas obey a general Plan of Activities which is revised and updated every year. Important components of IPEA's Plan of Activities are:



a) the recovery, storage, analysis and publication of knowledge and information vital to the activity of planning, establishing and evaluating governmental policies;

b) the production of studies and research in the fields of economic and social policies, aiming at strengthening the process of economic stabilization, resumption of development, and reduction of regional and social inequality;

c) the support to the process of institutional reordering in the country, towards a new definition of the role of the State, of the new mechanisms of cooperation between the State and the private initiative, and the new model of the Brazilian Federation; and

d) the devising and implementation of programs of professional training in the areas of planning, projects and budget, on a partnership basis with national institutions, and with international support.

To implement its Plan of Activities, IPEA counts at present, besides external staff, on a team of 122 permanent professionals. All of them have university degrees, and 70% of them hold a Master or a Ph.D degree. An additional one hundred IPEA's employees are at present working in other public departments on a loan basis, and provide technical support to governmental activities. A body of 198 civil servants — some having high school level, some a university degree — are in charge of administrative tasks at IPEA.

The results achieved with the execution of the Plan of Activities are published in books, papers, texts for discussion, technical notes, seminars and lectures. Since its creation, IPEA has published more than one hundred books. The journal *Pesquisa e Planejamento Econômico* (Research and Economic Planning), recognized as the leading carrier of the technical production made by Brazilian economists, has been published since 1971. IPEA has also been

publishing *Planejamento e Políticas Públicas* (Planning and Public Policies), a journal: *Boletim Conjuntural* (Conjuncture Bulletin), and *Boletim de Política Industrial* (Bulletin of Industrial Policy), which have made known studies with analysis, evaluation and projects of governmental action in the social and economic fields. In its training capacity and over the last three decades, the Institute has been responsible for the preparation of over 35 thousand public employees from the federal government, the state and local areas, from Latin America, and from Portuguese-speaking African countries.

IPEA's Plan of Activities for 1997 is divided into five groups of activities, and their characteristics and priorities will be summarized next. The list of the leading projects to be developed in each group is given in the text.



I. STUDIES AND RESEARCH

Giving continuity to the activities developed during 1996, IPEA's Plan of Activities for 1997 focuses on the production of studies and research aimed at a better understanding of the problems concerning Brazilian development, with a view to strengthening macroeconomic stability and designing short-term and long-term projects for Brazilian economy. Such projects are intended to provide technical support to the Ministry of Planning and Budget in the definition and evaluation of public policies in the country. Priority areas in the studies and research scheduled for these two years are presented next.

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1. STUDIES IN MACROECONOMICS, FINANCE, TAXATION AND FOREIGN TRADE

The priorities elected in this area of study are Analysis of the Short-term and Long-term Tendencies of Brazilian Growth; Financing Growth; Studies in Taxation; Infrastructure and Regulation.

The aim of the research is to contribute to the macroeconomic studies, including the quantitative ones (econometric models and sector analysis), which give support to the preparation of economic projections and the elaboration of future prospects for Brazilian economy, towards the identification of restrictive factors to growth and the proposition of policies.

An important restriction to growth is the inadequacy of the present financial system *vis-à-vis* the huge demand to finance investments, mainly those with long-term results. In this area continuity will be given to those studies begun in 1996 which analyze the potential and possible new financial sources and instruments, both at home and abroad. The studies scheduled deal with supplementary security, compulsory saving and foreign capital, as well as modern ways of mobilizing resources for investment, to a large extent related to the so-called *project finance*.

Besides the activities already being developed towards the design of propositions to change the Brazilian tax system (PEC, etc.), studies in the fiscal field should go deeper into the analysis of federal public expenditure (especially expenditure in the social area) and into the analysis of state and local financial management. As to state finance an agreement was signed with the Treasury (STN) in order to make combined studies possible based on the information available

ANALYSIS OF SHORT-TERM
AND LONG-TERM
TENDENCIES OF BRAZILIAN
GROWTH

FINANCING GROWTH

STUDIES ON TAXATION

since the implementation of the compensation proposed by the new rules of ICMS (a kind of VAT).

INFRASTRUCTURE AND
REGULATION

The work which has been done in this area since the middle of last year will be partially concluded in about two months. From then onwards, a greater number of elements will be available to define its continuity. Two aspects, however, gain relevance and must play an outstanding role in that area: the problem of providing financing and the regional impact of privatization. As a matter of fact, both are intimately connected since privatization will not solve the question of the need to finance infrastructure in the least developed regions — which causes justifiable apprehension. Infrastructure in the context of regional integration will be another theme for careful study, one which, so far, has not been spotlighted.

2. REGIONAL, URBAN AND ENVIRONMENTAL STUDIES

The conquest of stability both on the economic level (through the control of inflation) and on the political level (through the strengthening of democracy) brings back to the center of national debate questions associated with the process of economic growth, with the distribution of its advantages among the spaces which form the Federation, and with their environmental impact. The studies and research which IPEA has produced and will be carrying on in 1997 and 1998 try to evaluate these aspects of growth, to anticipate possible effects, and to propose policies to optimize the benefits of growth, equalizing, whenever possible, their distribution among the regions and the towns.

THE REGIONS AND THE
TOWNS

Studies scheduled in this area seek to provide elements for the understanding of the new dynamics of geographic space in Brazilian development and for the design of new strategies and policies of regional and urban development. Frequent contacts with the



departments of MPO which deal with those topics have greatly helped IPEA to keep to the responsibilities of its *agenda* in the area.

An outstanding aspect in the internationalization of Brazilian economy is the formation of regional blocks. The process of strengthening MERCOSUR and its implications are priorities here. Preliminary studies concerning the creation of ALCA (Zone of Free Trade of the Americas) are also on the *agenda*.

INTEGRATION

3. OPENING, COMMERCIAL POLICY AND COMPETITIVENESS

The external sector is an important topic in the analysis of the restrictions to the resumption of sustained growth. The studies scheduled include analysis of the impact of opening (on a global as well as on a sector level), of initiatives to increase competitiveness, and of measures in the field of economic policy necessary to transition, especially those referring to trade policy.

Commercial opening, begun in 1990, affects the production of each sector of activity, encouraging gains in productivity and making the substitution of the imported for the national product possible.

EFFECTS OF COMMERCIAL OPENING ON SECTOR PRODUCTION

The first group of effects will be evaluated by the estimation of a structural vector auto-regressive model for each sector, which will identify exogenous sources that, together, explain the sector variables (domestic production, imports) and the macroeconomic variables (GNP, exchange rate). To that effect time series will be used, disaggregated for each product of the value imported and of the *quantum* exported — recently produced by FURNCEX. The disaggregation adopted will be by type of industry, according to IBGE.

Indirect effects will be measured using the conventional input-output model combined with equations of export demand and import coefficients, estimated by product, to evaluate the direct and indirect impact of external commerce on domestic production. The disaggregation adopted may be that of the input-output matrix produced by IBGE.

4. STUDIES ON DEMOGRAPHY, SOCIETY, INEQUALITY AND POVERTY

This area includes studies about the dynamics of demography and its implications for social policies, the living conditions, employment and labor, as well as studies towards the evaluation of the impact of policies and programs on the reduction of the inequalities of promotion and opportunity.

INEQUALITY AND POVERTY

The priority in this field of investigation is the updating of the estimate of poverty. A joint IPEA and IBGE work group has been especially created for this task. The methodology used in former studies has been revised and fresh information about income has been published by IBGE. Also, studies on education are particularly oriented towards the appraisal of the relationship between educational patterns on the one hand and income inequalities and poverty on the other. A new research being proposed for 1997 will analyze the distribution of the social benefits created by the manifold programs maintained by the federal government with a view to evaluating their redistributive impact. Studies about local experiments with minimum income programs are also on the *agenda*.

LABOR MARKET AND EMPLOYMENT

Several studies scheduled for 1997 deal with this topic whose importance it is unnecessary to stress. A great number of them were prepared under an agreement of cooperation with the Ministry of Labor. This accord is also responsible every quarter for the publication



of *Boletim do Mercado de Trabalho*. These studies shed light on the current transformations in the Brazilian labor market brought about by the opening of the economy and by the new demands of productivity and competitiveness. Special emphasis is expected to be given to the question of *informal employment* because of its relevance and since the knowledge of the new characteristics of the labor force in this form of occupation is still scant or even inexistent.

Demographic projections are fundamental for the definition of public policies mainly in the social and regional areas. Besides the analyses recently published by IPEA about the fall in the fertility rate and its implications, the intention now is to produce demographic projections according to regions, in order to support social policies towards decentralization, as well as to provide material relevant to the analysis of development in a geographic perspective. IPEA's population studies are part of MPO's commitment to provide technical support to Comissão Nacional de População (National Committee on Population).

Decentralization is one of the most relevant themes in studies on social programs. Studies on health, education and welfare have decentralization as the main axis of their concern. The experience which IPEA has accumulated while closely following the programs carried out by Comunidade Solidária is, in itself, an important source for the analysis of this question.

FEDERALISM AND
DECENTRALIZATION

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II. FOLLOW-UP AND ANALYSIS OF CONJUNCTURE AND PUBLIC POLICIES

Part of IPEA's activities consist of the observation of the conjuncture and of public policies in order to offer technical advice to MPO. Being foremost methodic procedures, these activities differ from studies and research but are complementary to them: studies and research feed the follow-up activities, and the latter provide important clues as to what needs deeper study and analysis.

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In 1997 follow-up activities will be carried on in several fields, namely,

- economic conjuncture, producing *Boletim da Conjuntura* (a quarterly) and *Carta de Conjuntura* (issued every month);
- labor market, publishing *Boletim do Mercado de Trabalho* (every quarter) and *Carta* (every month);
- Programa Comunidade Solidária (linked to MPO and IPEA by Presidential decree), through reports periodically produced, special themes being the subject of *Cadernos da Comunidade Solidária*, which, like other publications, are issued by IPEA.

Moreover, initiatives within the Institute, which have been carried on for more than a year, will become more widely known. Among these *Boletim de Política Industrial* (which analyzes the situation of industry and important decisions for the development of the Brazilian industrial activity), and *Boletim de Finanças Públicas* (which analyzes the behavior of public accounts and of the relevant variables concerning public revenue and expenditure of federal government, states, and city administrations).

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III. RECOVERING INFORMATION FOR RESEARCH AND PLANNING

The Plan of Activities for 1996 had already underlined the importance of developing work directed to recovering information for research and planning. This effort will go on in 1997 in the several areas of study and research scheduled for this year. In 1996 a step forward was made with the creation of a Bank of Tables in which the main tables produced in studies became available to all researchers in the IPEA net. It is IPEA's intention for 1997 to create a Data Bank and to link this Bank to others in similar institutions, both at home and abroad.

The implementation of the IPEA-NET will greatly benefit this project. It allows specific financial support to IBGE and other state institutes for research and planning, thus fostering the elaboration of basic statistical research of vital importance for socioeconomic studies on development.

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IV. TRAINING FOR PLANNING

In its training center, CENDEC, IPEA develops programs in the fields of planning, budget, and projects aimed at training staff from the federal government as well as from states and towns. The agenda of CENDEC for 1997 expects a great demand for training programs in those areas.

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The following courses will be offered in the area of Governmental Strategic Planning: Government and Strategic Planning (160 hours), Programming and Strategic Administration (80 hours), Workshop on Problem Analysis (40 hours), and Workshop on Strategic Programming (40 hours), the aim of them all being to qualify technicians in the civil service for planning tasks in complex situations of high uncertainty, in which manifold agents with diverse interests are at work, in order to increase the capacity of action of governments and the efficiency in the administration of public resources.

COURSES IN THE AREA OF
GOVERNMENTAL STRATEGIC
PLANNING

In the area of Public Budget two possibilities are offered in answer to different needs in the civil service: Basic Course on Budget Elaboration and Budget Execution (40 hours), meant for technicians working in offices executive of governmental policies and programs, and the advanced courses on Programming and Budget Administration (80 hours), and Budget Programming and Evaluation (80 hours) both devised for technicians in the higher offices of the Budget

COURSES IN THE AREA OF
PUBLIC BUDGET

Two courses are offered and in each of them a project is understood as an instrument in the organization of public investment. The course Formulation, Evaluation and Administration of Social Projects (80 hours) incorporates theoretical and methodological advances developed by CEPAL to deal specifically with social projects. The course Project Elaboration and Analysis (160 hours) is more conventional but not less relevant, its main objective being to impart skill in the elaboration of investment projects according to criteria defined by financing sources

COURSES IN THE AREA OF
PROJECTS

IP2A

V. IMPLEMENTATION OF THE IPEA.NET

After Bid's approval of the loan now being negotiated, IPEA will have the conditions to accomplish one of its most important projects for 1997: the implementation of a net of research which will give IPEA the possibility of multiplying the capacity to analyze national problems and to publish the results of those analyses. The project IPEA.NET will make it possible to assemble critical mass in distinct fields of economic knowledge — without the need of bringing together physically the qualified professionals — and to go deeper into the analysis of the main problems of Brazilian development through studies to be carried out in different places and on different sectors. The project IPEA.NET will mean an expansion in the work lines of IPEA for it will multiply IPEA's capacity of study and research, of observation of the conjuncture and policies, of recovery of information systems for research and planning, and of executing training programs. The expectation is that the project IPEA.NET will be implemented starting in the second semester of 1997, when the first portion of the loan resources will be coming in.

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VI. Publications

IPEA publishes regularly the results of studies and research produced directly or indirectly by the Institute which, after being submitted to and approved by the Editorial Board, are issued as books, papers or periodicals. The main characteristics of those publications are presented next.

IP2A

*Revista Pesquisa e Planejamento Econômico (PPE)*PERIODICALS

Publishes papers by Brazilian and foreign authors in the area of economics. It is considered the main carrier for the technical production of Brazilian economists, with a circulation of 1.000 copies. The Editorial Board are responsible for the selection of papers. It is issued every four months.

Revista Planejamento e Políticas Públicas (PPP)

Selects papers that discuss the methodology and the evaluation of governmental policies and studies that may contribute to the formulation of public policies. It has a circulation of 1.000 copies and its Editorial Board are responsible for the selection of papers. It is published every semester.

Boletim Conjuntural (BC)

Presents and analyzes the conjuncture of the Brazilian economy. A quarterly; it has a circulation of 700 copies.

Carta de Conjuntura

Puts indication and preview together, thus forming a synthetic picture of the economic conjuncture in the country. A supplement to BC, it is published in the months BC is not issued.

Panorama da Economia Mundial (PEM)

Presents and analyzes briefly the state of the art of international economy. It is published every two months with a circulation variable but not below 500 copies.

A População Brasileira: Como Vai?

Issued every four months, this journal presents and analyzes information on demography, providing support, mainly, to the actions of Comissão Nacional de População e Desenvolvimento, CNPD (National Committee on Population and Development).

Boletim do Mercado de Trabalho

Is published quarterly and its main focus is the transformation under way in the Brazilian labor market since the economic opening and in view of the new demands of productivity and competitiveness. Alternatives for employment policies are also analyzed.



Boletim de Política Industrial

Issued every four months, it publishes government action with an impact on the structure and the performance of industry in the areas of foreign trade, financing and tax-incentives, competitiveness, science and technology, infrastructure and deregulation.

Papers with the mark of excellence and potential for sale in the book market.

Originals and referee's report are submitted to the Editorial Board for analysis and decision as to publication. Works by authors outside IPEA are accepted once copyrights are transferred to IPEA.

Publishes partial or final results of studies produced directly or indirectly by IPEA with a view to informing professionals of the area and to collecting suggestions. Circulation is about 150, varying according to theme or emphasis. Selection of titles is made by each Board of Directors based on technical referee reports.

TEXT FOR DISCUSSION (TD)

FORUM DE POLÍTICA INDUSTRIAL
 DO INSTITUTO DE ECONOMIA
 EM PENSAMENTO E AÇÃO
 DO INSTITUTO DE ECONOMIA
 DO BRASIL. BOLETIM DE
 POLÍTICA INDUSTRIAL
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