

THE BRAZILIAN EXPERIENCE OF PLANNING

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All concepts and opinions expressed in this document are of entire responsibility of the author.

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## THE BRAZILIAN EXPERIENCE OF PLANNING <sup>1/</sup>

Brazil has a relatively large and diversified planning experience, which is characterized by a gradual, although irregular, process of consolidation of a planning system for the Brazilian economy.

### I - HISTORICAL SUMMARY

We refer below some significant dates concerning the different experiences and planning institutions of the country:

1939 - Especial Plan of Public Works and National Defense Equipment or Special Plan (5 years);

1943 - Plan of Works and Equipments (POE), revision and updating of the previous plan;

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<sup>1/</sup> For an up to date summary of the planning evolution in Brazil, see Nilson Holanda, Elaboração e Avaliação de Projetos, Chap. III, "O Planejamento no Brasil", 3rd Edition, in print, APEC Editions, Rio de Janeiro.

See also Benedito Silva, "Uma Teoria Geral do Planejamento", especially Part III, Annexes, Getúlio Vargas Foundation, 1964; Joao Paulo de Almeida Magalhaes, "A Experiência Brasileira de Planejamento", Desenvolvimento e Conjuntura, March, 1966, Ministry of Planning and General Coordination - Programa de Ação Econômica do Governo (summary), Documentos EPEA, nº 1, November, 1964; Robert Daland, Brazilian Planning: Development Policy and Administration, The University of North Carolina Press, Chapel Hill, 1967; Bety Mindlin Lafer, Planejamento no Brasil, Editora Perspectiva, São Paulo, 1970;

Jorge Gustavo da Costa, Planejamento Governamental, A Experiência Brasileira, FGV, Rio, 1971.

- 1946 - Federal Constitution, with indications referring to planning in the fields of transportation (art. 5), colonization (art. 156), defense against Droughts (art. 198), Valorization of the Amazonia (Art. 199) and São Francisco Valley (art. 29 of the Provisional Dispositions);
- 1948/50 - Elaboration and Approval of the SALTE Plan: Health, Food, Power and Transportation;
- 1951/53 - Work of the Joint Brazil - United States Commission;
- 1952/53 - Proposal for the establishment of a Council for Coordination and Economic Planning (Getulio Vargas). Creation of the National Bank for Economic Development (BNDE) and Bank of Northeast (BNB);
- 1953/55 - Work of the Joint CEPAL/BNDE Group;
- 1956 - Creation of the Development Council of the Presidency of the Republic (Juscelino Kubistscheck) and elaboration of the Targets Program (Programa de Metas)
- 1958/59 - Monetary Stabilization Program
  - 1959 - Creation (December) of the Superintendency for the Northeast Development - SUDENE;
  - 1961 - Proposal of the I Guiding Plan for the Northeast Development; creation (August) by the Government of Janio Quadros, of a National Planning Commission (COPLAN), later reorganized (November) by the Tancredo Neves Cabinet;
  - 1962 - Creation of an Extraordinary Ministry for the Elaboration of the Triennial Plan (Celso Furtado);

- 1963 - (April) Proposal for the creation of a national planning system (Celso Furtado); establishment (June) of the National Planning Coordination.
- 1964 - Elaboration of the Government Program of Economic Action - PAEG - by the Minister Roberto Campos - for the Castelo Branco Government (1964 - 66);
- 1966 - Creation of SUDAM - Superintendency for the Development of the Amazonia;
- 1967 - Promulgation of the Constitution of January 24, 1967, whose art. 46 established the requirement of national development plans <sup>2/</sup>
- Decree - Law n° 200 (2/28/1967), establishing the administrative reform and creating the Ministry of Planning and General Coordination (MPCG);
  - Publication (March), through the Ministry of Planning, of a set of monographies outlining the economic bases for the Decennial Plan of Economic Development;
- 1967 - Publication (July), through the MPCG, of the document Diretrizes do Governo, Strategic Development Program (PEO), approved by President Costa e Silva, in 7/14/1967, to orient the Governmental action during 1967 and to guide the formulation of the Triennial Plan for the

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<sup>2/</sup> Later changed by the Constitutional Amendment n° 1 of October 1st, 1969.

- period of 1968/70. (The document of the Strategic Program was published on June, 1968); Creation of SUVALE, SUDESUL and SUDECO.
- 1968 - Approval of the I Pluriannual Investments Budget (OPI) for the 1968/70 period. Publication, through the MPCG, of the Strategic Development Program (1968/70);
- 1970 - Publication (September) of the document Metas e Bases para Ação do Governo, (Targets and Bases for Governmental Action) prepared by Minister Reis Velloso for the Government of Garrastazu Médici;
- 1971 - Approval of the I National Development Plan (Law n° 5727 - 11/4/1971) and of the II Multiannual Investments Budget (Law n° 5 753 - 12/13/71) for 1972/73/74;
- Decree n° 68.993 establishing the Program of Follow-up of the Metas e Bases para Ação de Governo;
- 1972 - Decree n° 70.852 establishing a system of follow-up and evaluation of the completion of National Development Plans;
- Decree n° 71.353 (11/9/72) defining the planning system and the integration of the activities of planning, budgeting and administrative modernization;

The reference made to the first two plans is justified only for historical reasons. It was only after 1956 that some important attempts were made to implement planning for the Brazilian economy, beginning with the Targets Program for the Government of

Juscelino Kubistscheck, going through the brief experience of the Triennial Plan (1962) and culminating with the larger and more persistent efforts that were made since 1964.

Along the process two pieces of work in the field of diagnosis and planning of the Brazilian economy were extremely important, as a result of their pioneering and germinative character: the reports of the Joint Brazil and United States Commission and the CEPAL/BNDE Group.

However, the National experience in planning has been being really consolidated and institutionalized since 1964 due to the formulation of the Economic Action Program (PAEG) - Castelo Branco's Administration, of the Strategic Development Program (PED) Costa e Silva's Government, and of the Program of Targets and Bases for Government's Action and I National Development Plan - Garrastazu Medici's Government.

From now on, a concise analysis on the evolution of the Brazilian planning system since 1964 will be presented.<sup>3/</sup>

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<sup>3/</sup> For an analysis of the period previous to 1964, see the already mentioned works of Daland, Silva, Magalhães e Costa. Concerning the missions of Cooke (1943) and Abbink (1948), see A Missão Cooke no Brasil, FGV, 1949 and Octávio Gouveia de Bulhões, A Margem de um Relatório, Edições Financeiras, Rio, 1950. For the Joint Brazil - United States Commission see: Comissão Mista Brasil - Estados Unidos para o Desenvolvimento Econômico. General Report, IBGE, 1954 or Institute of Inter-American Affairs Foreign Operations Administration, Report on the Joint Brazil - United States. Economic Development Commission (Washington: Institute of Inter-American Affairs, 1954). See also, Centro de Desenvolvimento CEPAL/BNDE, Quinze Anos de Política Econômica no Brasil, Rio, 1964, document prepared by Carlos Lessa. With reference to the Targets Program (1956/60) see: Presidência da República, Conselho de Desenvolvimento, Relatório do Período 1956/1960, 1960, GB. (Vol. I, Sector of Power, Vol. II Sector of Transportation, Sector of Food, Vol. III, Sector of Ports, and Dredging, Vol. IV, Sector of Basic Industries, Sector of Education). See also Ministry of Planning, Programa de Estabilização Monetária para o Período de setembro de 1958 e dezembro de 1959, Imprensa Nacional, Rio, 1958; and Desenvolvimento e Conjuntura, nº 12, 1958. The basic documents for an analysis of the Triennial Plan are: Presidência da República, Plano Trienal, 1963/65 (Summary) - Dec., 1962, Revista Brasileira de Economia - Dec., 1962. This issue is entirely devoted to an evaluation of the different aspects of the Triennial Plan.

## II - GOVERNMENT'S ECONOMIC ACTION PROGRAM (PAEG)

1964/67

The basic objectives of PAEG, which guided the policy making of the Government of President Castelo Branco, during the period July/1964 to March/1967, were the following:

a) Development - To accelerate the rhythm of the country's development which had been discontinued between 1962/63. The target was to reach an income rate of growth of 6% per annum and establish the conditions to raise it up to 7% yearly in the near future.

b) Curbing Inflation - To restrain progressively the inflation process, between 1964 and 1965, with a view to a reasonable stability of prices in 1966;

c) Income Distribution - To reduce the sectoral and regional disparities in income levels and to attenuate the tensions created by social imbalances, through the improvement of living conditions.

d) Employment - To open up, through investments policy, employment opportunities to the workers that are constantly entering in the labor market.

e) External Trade - To correct the tendency towards uncontrolled deficits in the balance of payments, which threatens the continuity of the economic growth, by the creation of bottle-necks in the capacity to import.

Through a comparison between the Triennial Plan and the PAEG, Daland observes that their objectives are similar, with some differences in terms of strategy and emphasis.<sup>4/</sup>

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<sup>4/</sup> Daland, op. cit., p. 70

However, remarkable differences will occur in two essential aspects; in the first place, the Government responsible for the PAEG was really engaged in its implementation; secondly, in the case of PAEG, the planning activity was not only limited to the mere preparation of the plan, but was also developed on a continuous basis, as an integral part of the governmental process, within a large framework of economic and social reforms.

In the first eight months of the government of Castelo Branco, several specific measures were taken, simultaneously or subsequently to the elaboration of PAEG, as a part of this process. These measures included the promulgation of legal instruments to stimulate individual savings, re-investment profits of enterprises and compulsory capitalization of the public services, on the part of the users of the services; revision of taxes on gas and combustibles, alteration of the law on remission of profits and creation of various fiscal incentives for industrial development; measures were taken to reduce inflation, through the elimination of subsidies for the importation of wheat, oil and newsprint, reduction of deficits in public enterprises; readjustment of tariffs for public services; elimination of non-economic services; increase in taxes; creation of new types of Government bonds with monetary correction clauses; introduction of monetary correction of fiscal debts, etc.

On the other hand, in the following year of 1965, measures were taken to organize and implement the Ministry of Planning, at the same time that the task of elaborating a plan with a ten - year horizon was initiated<sup>5/</sup>.

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5/ The review Desenvolvimento e Conjuntura, year X, nº 6, May, 1966, p.p. 28/35, gives an analytical synthesis of the document prepared by Mario Henrique Simonsen on the "Bases para Elaboração de um Plano Decenal de Desenvolvimento Econômico" (Basis for the Preparation of a 10 year Development Plan)



III - ADMINISTRATIVE REFORM - FIRST PLURIANNUAL BUDGET  
AND STRATEGIC DEVELOPMENT PROGRAM (PED) 1968/1970.

Administrative Reform and Planning System

The Decree - Law n° 200, dated 2/26/67, established rules for the Administrative Reform, introducing changes of a long range nature in the planning structure of the country.

One of the objectives of the Reform was precisely to institutionalize the "Governmental planning, establishing in a definite way the norm that governmental action should observe general and sectoral plans of multiannual duration, formulated through the institutions of planning, under the guidance and coordination of the President of the Republic. Each Minister will lead the elaboration of sectoral programs correspondent to his Ministry and the Ministry of Planning and General Coordination will help the President directly in coordinating, revising and consolidating sectoral programs and in formulating the global plan for the Government" <sup>6/</sup>.

The above mentioned decree created the Ministries of Transportation, Communications (by eliminating the previous Ministry of Means of Transport and Public Works), Interior (previously Extraordinary Ministry of Coordination of the Regional Institutions) and Economic Planning and General Coordination

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6/ Ministry of Planning - A Reforma Administrativa Federal, document presented at the First Meeting of Federal Administrators, Rio, 1/27/1966. The basic and complementary legislation on the administrative reform is found in the publication Legislação Administrativa (revised and brought up to date till 6/30/70) of the Ministry of Planning.

(early known as Extraordinary Ministry of Planning and Economic Coordination).

In accordance with the administrative reform, the global planning, the sectoral coordination and integration of regional plans are a responsibility of the Ministry of Planning and General Coordination, while the sectoral planning is an attribution of the organs of planning, control and supervision of the Economic Ministries: the General Secretariat and the General Inspectorate of Finances. According to Art. 3 of the Decree - Law on the Administrative Reform, the General Secretariat acts as a sectoral agency of planning and budgeting. The General Secretariat of MPCG is the central organ of this system of planning and budgeting.

Both local and regional planning are coordinated by the Ministry of Interior to which the regional development agencies are vinculated, namely:

- SUDENE - Superintendency for the Development of the Northeast;
- SUDAM - Superintendency for Amazonia Development (through modification of the SPVEA, Law nº 5.734, 12/7/67);
- SUVALE - Superintendency for S. Francisco Valley Development (replacing the São Francisco Valley Commission - Decree Law 292, 2/26/67);
- SUDESUL - Superintendency for Southeastern Frontier Development (replacing the old Superintendency for the Southeastern Frontier Valorization Plan - Art. 301, 2/28/67);
- BNS - Northeast Bank of Brazil, S.A.;
- BASA - Bank of the Amazonia, S.A.;

BNH - National Bank of Housing, which controls the Federal Service of Housing and Urbanism that develops the country's programs for local integrated planning <sup>7/</sup>.

1st. Pluriannual Investments Plan (1968/70)

An important step for the building up of a planning structure for the public sector was the creation of the Orçamento Plurianual de Investimentos (OPI), of a 3-year nature, and the elaboration and approval of the first document of this kind for the period 1968/70.

The 1967 Constitution had established, in its Art. 63, that the "capital expenses" would have to obey to "Multiannual investments budgets", in the form of a complementary law (disposition confirmed in Art. 60 of the 1969 Constitution). It was also determined by Art. 64 §4 (a requirement maintained by the 1969 Constitution) that "no investment whose execution would surpass a fiscal year could be initiated without its previous inclusion in the pluriannual budget or without an authorizing law that fixes the amount annually entering in the budget, during its term of execution <sup>8/</sup>.

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<sup>7/</sup> For a general description of the background and characteristics of the administrative reform in Brazil, see: J. de Nazaré Dias, A Reforma Administrativa de 1967, Cadernos de Administração Pública, 73, - F.G.V., 2nd Edition, 1969. See also the Estudo da Reforma Administrativa, published by Presidência da República, Comissão de Estudos e Projetos Administrativos (CEPA); A Reforma Administrativa Brasileira, Rio de Janeiro, Deptº de Imprensa Nacional, 1960.

<sup>8/</sup> This quotation observes the new wording given by art. 62, §3 of the Constitution of 10/17/69.

On 3/01/1968, the government sent to congress the proposal for the Primeiro Orçamento Plurianual de Investimento (1968/70) <sup>9/</sup>, later on approved by the Law 5.450 - 6/05/68.

This first OPI performed an important role in the execution of the Strategic Development Program (PED), showing all the sectoral programs of investments of the Federal Government, through the listing of its programs, sub-programs, projects and/or activities with their respective costs, with the definition of its executing agencies and the specification of budget and extra-budget resources, included contracted or estimated loans of internal and external origins.

#### Strategic Development Program (1968/70)

On June, 1968, the Ministry of Planning published the Programa Estratégico para o Desenvolvimento (PED) for the 1968/70 period, whose basic goals had been approved by the President in early July, 1967.

The PED would achieve the following basic objectives:

- a) acceleration of the economic development, simultaneously with a curbing of inflation;
- b) development as an instrument of social progress;
- c) expansion of employment opportunities.

Further to these, it was considered as "conditional objectives" (derived) for the accomplishment of those basic objectives the maintenance of equilibrium in balance of payments; the avoidance of policies which might aggravate regional and

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<sup>9/</sup> See Projeto de Orçamento Plurianual de Investimentos, Departamento de Imprensa Nacional, 1968.

sectoral economic differences; the execution of social and economic reforms (such as educational, agrarian and administrative reform), and the maintenance of the internal order and institutional stability.

In terms of development acceleration, the Program viewed "to ensure the recovery of a course of accelerated development, presenting a new development model, after the slackening of the import substitution process". As a result the annual rate of the product was defined to reach at least 6% during 1968/70.

The objective of inflation curbing was established on qualitative terms, since quantitative goals were not defined to restrain the increase in prices from one year to the other.<sup>10/</sup>

#### IV - TARGETS AND BASES, SECOND PLURIANNUAL BUDGET AND

##### I NATIONAL DEVELOPMENT PLAN

#### The Program of Targets and Bases for Government's Action - (1970/1973)

On October 1st, 1970, the Ministry of Planning published the Metas e Bases para Ação do Governo for the period 1970/

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<sup>10/</sup> See Ministry of Planning, Programa Estratégico de Desenvolvimento (PED) 1968/70, "Estratégia de Desenvolvimento e Estrutura Geral" (2 vols.), June, 1968.

The PED (Strategic Program of Development) was characterized also by presenting, for the first time, in its Chapt VI, the structure of a macro-economic model, in which were described the main econometric relations identified to the Brazilian economy and that served as a basis for the quantitative definition of the Plan's development strategy.

1973<sup>11/</sup>. It was made clear that this document was not a new global plan and that the work of government's program described in it should be completed with two additional documents: a) the new Pluriannual Investments Budget to be submitted to Congress for the period 1971/73<sup>12/</sup>; and b) the first National Plan for Economic and Social Development for 1972/1974.

The I National Development Plan and the II OPI.

On september 15, 1971 the projects for the I PND and II OPI were sent to Congress and were subsequently approved by the Laws n° 5 727 (11/4/71) and n° 5.753 (12/3/71).

The I PND confirmed the same guidelines described by Targets and Bases, defining the following primary objectives:

- maintenance of annual growth rates of Gross Internal Product between 8 to 10%;
- increase in the rate of expansion of employment up to 3,2% in 1974;
- reduction of the rate of inflation down to 10% in 1973;
- large dissemination of the results of economic progress, on social and regional terms;
- social change, in order to modernize institutions, accelerate progress, improve the income distribution, and keep an open society;

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11/ See Presidência da República, Metas e Bases para Ação do Governo, September/1970, 365 pages.

12/ Later defined to have validity during the period 1972/74, at same time as the First National Development Plan, according to the Complementary Law n° 9, 11/11/1970.

- political stability, and internal and external security;

On a sector basis, the following national priorities were established:

- a) revolution in education;
- b) acceleration of health and sanitation program;
- c) revolution in agriculture and supply of foodstuffs;
- d) acceleration of scientific and technological development.

At the institutional level a marked characteristic of the I PND is the fact that it was the first Plan of Development to be approved by the Brazilian Congress in the last 20 years (since the approval of SALTE Plan in 1950).<sup>13/</sup>

The PND is basically a document with general strategy and guidelines for development.

Besides the OPI, also approved by the Congress, several

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<sup>13/</sup> With reference to the development plans, initially the elaboration of National Quinquennial Plans was expected (Art. 3, Complementary Law n° 3, 12/7/1967). Later on, it was decided to have four - year plans. (Art. 1, complementary Art. n° 43, 1/29/1969). Finally, this disposition were changed by establishing that the plan should have the duration of the presidential mandate (5 year) and it should be submitted to the National Congress till Sept. 15 of the first year of the Government (Art. 1, Complementary Act n° 76, 10/21/69). The Complementary Act n° 76, dated Oct. 21, 1969, established that the second OPI would comprise the administration of 1971, 1972, and 1973 and should be sent to the Congress till March 31, 1971. However, the Complementary Law n° 9, dated November 11, 1970, determined that both the first national development plan and the multiannual investments budget should be submitted to Congress till Sept. 15, 1971 and be valid for 1972, 1973 and 1974.

other executive acts (special programs, etc) and implementation documents (regional and sectoral programs) complete the planning framework of the I PND.<sup>14/</sup>

14/ Due to space limitations it was not possible to approach the different planning experiences at regional and state levels in Brazil, particularly, in the area of SUDENE.

On the Northeast problem see:

BNB, Projeto de Planejamento Global para o Nordeste, Fortaleza, 1955;

BNB, Análise Estrutural da Economia Nordestina, Fortaleza, 1955;

GTDN, Uma Política de Desenvolvimento para o Nordeste, Imprensa Nacional, Rio, 1959; Celso Furtado, Formação Econômica do Brasil, 1962

Hans Singer, The Economic Development of Northeast Brazil, U.N., 1953, reprinted in Economic Development: Growth and Change, 1964;

Stefan Robock, Economic Development of Northeast Brazil, U.N., 1956;

Nilson Holanda, Some notes on the Uneven Regional Development of Northeast Brazil and Southern Italy, 1961;

Until 1968, SUDENE had already elaborated four Guiding Plans:

GUIDING PLAN	LAW	§ PROMULGATION	DURATION
I	3.995	12/14/1961	1962
II	4.239	6/27/1963	1963/64/65
III	4.869	12/01/1965	1966/67/68
IV	5.508	10/11/1968	1969/70/71/72/73

See SUDENE, I Plano Diretor de Desenvolvimento do Nordeste, Recife, 1960

Idem, II Plano Diretor, 1963/65, Recife, 2nd Edition, 1966;

Idem, III Plano Diretor de Desenvolvimento Econômico e Social do Nordeste, 1966/68, Recife, 1966;

Idem, IV Plano Diretor, 1969/73, Recife, 1968;

Idem, Legislação Básica, Recife, 1967

Analyses of the different aspects of the regional development policy of SUDENE were made by:

Albert Hirschman, Journeys Towards Progress, the 20th Century Fund, 1963;

Stefan Robock, Economic Development of Northeast, Brazil, Brookings Institution, 1964;

Werner Baer, "Regional Inequality and Economic Growth in Brazil", Economic Development and Cultural Change, April, 1964;

Idem, "Uma Política Regional para o Brasil", Desenvolvimento e Conjuntura, 1966;

João Paulo de Almeida Magalhães, "Diretrizes para uma Política de Desenvolvimento Regional", Desenvolvimento e Conjuntura, Dec., 1966;

Paulo Iokota, "Algumas Observações sobre o Desenvolvimento Econômico", Desenvolvimento e Conjuntura, Dec., 1966;

Otto Gustavo Wadsted, "A Industrialização do Nordeste - alguns aspectos a longo prazo", in Estudos Apec, July, 1968, pp. 241/259, BNB, Fortaleza, 1968;

Nilson Holanda, Regional Development in Brazil, the Northeast Experience, 1968;



## V - PRESENT STRUCTURE OF THE PLANNING SYSTEM

In terms of planning structure, the period previous to 1964 is characterized by great institutional instability. As Benedito Silva notes (op. cit.), from 1952 to 1954 there were seven attempts to implant a rational planning system in the country.

Since 1964 - and especially after the Administrative Reform Law of 1967 - the bases for the building up of a permanent, flexible and dynamic planning system have been firmly established and they observe the following discipline:

a) The Ministry of Planning and General Coordination is encharged of the function of elaborating the government's General Plan, coordinating sectoral programs and integrating regional plans (SEPLAN); in order to accomplish that, the MPCG utilizes the following main instruments: elaboration of annual and multiannual budgets (SOF); realization of studies and research (IPEA); supervision of the administrative reform (ERA); coordination of the federal fiscal transfer to states and

Albert Hirschman, "Desenvolvimento Industrial no Nordeste Brasileiro"; Credit in Fiscal mechanism, in art. 34/18, Revista Brasileira de Economia, Dec., 1967;

Antonio Cerqueira Antunes, La Política de Industrialización del Nordeste Brasileño, ILPES/Centro CEPAL/ENDE, April, 1967;

Nilson Holanda, Integração Nacional e Desenvolvimento do Nordeste, presented in the Country Review of Brazil, at CIAP, Washington, June, 1972.

For information on the planning system of the states see:

Centro de Desenvolvimento CEPAL/ENDE, O Planejamento Estadual no Brasil, 1965, report on the I State Planning Seminar, Eduardo Daros, Planejamento ao Nível Estadual, State Planning Seminar, 1965;

IPEA/IPLAN, Aspectos do Planejamento e Orçamento dos Estados (in 28 vols.), 1972, restricted circulation).

municipalities (SAREM), coordination of international technical assistance (SUBIN) and of the national statistics system (IBGE); financing of pre-investments (FINEP) and of development projects (BNDE);

b) the government's program is subordinated to the elaboration of pluriannual Plans, lasting the term of a presidential administration and being valid since the end of the first year of administration and ending during the first year of the next administration; thus each President, in his first year of government, will be able to accomplish the final phase of the Plan prepared by the previous administration, and elaborate and initiate his own plan; (See Chart III) on the other hand, the Pluriannual Investments Budget has the nature of a "rolling plan", since it might be revised each year, by the addition of one year to replace the year accomplished, in such a way as to have always a three - year horizon for the programming of capital outlays. It is intended in this way to harmonize the requirements of changing and temporary presidential mandates - which are inherent to the democratic process - with the needs of permanence and continuity of the planning process;

c) the sectoral and regional plans are integrated into a single National Plan. The possibility of formulating regional plans to Amazonia and Northeast is safeguarded, but these plans ought to have the same duration and concepts of the National Plan and should follow the guidelines established by the Plan<sup>15/</sup>;

d) there is a complete compatibility between the planning process and the system of elaboration, revising and control of annual and multiannual Federal budgets. The Plan and

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<sup>15/</sup> Till 1971, some regional programs had been elaborated separately and had been relatively independent from the national plans.

the OPI will be designed simultaneously, for the same length of time and by the same Ministry (MPCG, which also prepares the annual budget);

e) systematization and rationalization of the process of elaboration and revision of the Plan and OPI. Thus, the projects of the Plan and OPI respectively will be formulated by the Executive and presented to the Congress till Sept. 15 of the first year of the presidential term; the Congress must appreciate the Plan within ninety days, being able to approve it entirely or make amendments and restrictions judged convenient, provided the internal global consistency of the plan and its feasibility, in relation to the available resources is not jeopardized (Art. 1º, §2º, C.A. nº 43, 1/29/69). Once approved, the Plan can only be changed by the initiative of the Executive and the President cannot ask for the revision of the Plan before a whole year of operation (Art. 3º, §4º, C.A. nº 43, 1/29/69). With reference to the OPI, the Executive, at any given time, through the appropriate procedure, may ask the congress for its revision, as well as for additions of new periods to replace the ones that have elapsed. (Art. 6º, CA nº 43, 1/29/69);

f) the establishment of a Program of Follow-up of Development Plans, initiated in 1971 with the Decree-Law 68.393/71 and improved by the Decree 70.852/72, whose Art. 2 establishes that the "Program of Follow-up is a permanent activity of the agencies that integrate the planning system and has as its objective the evaluation of execution, revision, complementation and improvement of the National Development Plans and its respective instruments of implementation, especially through:

a) analysis of the global performance of the economy and of the behavior of its priority sectors, in relation to the guidelines and targets established in the National Development Plans;

b) systematic evaluation of the progress achieved in the accomplishment of programs and projects included in the mentioned Plans;

c) identification of the bottlenecks and institutional barriers that delay, make difficult, or limit the achievement of aims and execution of these programs and projects".

As João Paulo Velloso observed the " planning philosophy attempted to institutionalize in Brazil is characterized by planning as an instrument for rationalization of development policy, provided the mechanical aspects of planning such as projections, econometric models, (which are undoubtedly relevant) do not receive undue emphasis; planning as a permanent activity, inserted in the operation of the governmental machinery, from the higher level agencies to the peripheral ones, and endowed with a revision mechanism; planning viewing execution, with emphasis on the building up of a technical structure for the General Secretariats and research agencies, personnel training, mechanisms of implementation and administrative reform; open planning, enabling the access of the private enterprise and of the different social categories to the various stage of elaboration and execution."<sup>16/</sup>

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<sup>16/</sup> Speech presented by the Minister of Planning and General Coordination, 11/3/1969. Italics from the original.

## VI - TRENDS AND CHARACTERISTICS OF THE DIFFERENT PLANS

The analysis of the initiatives, advancements and delays related to the evolution of the planning system in Brazil, during the last 30 years, suggests some preliminary conclusions.

First, there has been a considerable improvement in the field of research and diagnosis of the country's economic problems; at the same time, the planning experiences passed from a sectoral and partial view of the economy to a global and integrated conception of the developing process, with changing emphasis on sectoral priorities, as a result of the transformation of the economic structure.

The work of the Joint Brazil-United States Commission, as noted by Magalhães, is the first decisive step for the planning of the Brazilian economy. The global vision of the economy, provided in the two volumes of 350 and 180 pages respectively, "represents the most complete work done in the country up to that time".<sup>17/</sup>

The scope and comprehensiveness of the study left something to be desired from the point-of-view of an integrated planning system, due to its concentration on the analysis of only two sectors (transport and energy). Besides that, many projects were not executed, as initially presumed, by lack of external financing.

On the other hand, the projections made by the Joint CEPAL/BNDE Group are the first attempt to a global planning approach for the Brazilian economy.

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<sup>17/</sup> J. P. Almeida Magalhães, op. cit., pp. 23/24

In relation to the earlier plans the Targets Program presented the advantage of having well-defined goals, in quantitative term, with an estimate of total resources required (although, during its accomplishment it became evident the shortage of resources), and the adequate details of specific projects.

However, this Program didn't present a global view of the Brazilian economy, taking care only of the economic sectors (excluded the social sectors) and giving limited or incomplete attention to the fiscal and monetary policy and to the governmental and external sectors.

The Triennial Plan and the PAEG included a macro-economic view of the developing process, while the following plans - PED, Targets and Bases and PND - comprise also a precise definition of the sectoral program and priority projects, except in the case of PND, because of its special characteristics.

In terms of sector priorities, it should be noted that, in the SALTE and Joint Brazil-United States Commission Plans, the transportation sector utilized the major part of the programmed investments (with 57.6% and 60.6% of the total, respectively) followed by the power sector (16 and 33% respectively).

In the Targets Programs, the power sector assumes the leadership (43% of total investments), followed by the sectors of transportation (29,6%) and basic industries (23,4%). In the area of transportation the participation of the modernization program of railroads is reduced and the proportion of the highway investments increased.

The PAEG follows the same priorities, but the allocation of the resources among the different sectors is more balanced (power -30%, transportation - 20%, industry - 16%), and this allows an increased participation of the expenses in

agriculture and education, which so far had received less emphasis.

The emphasis of the Strategic Program was the housing program which took the second place in the sectoral investments distribution (23,7%, while the power sector was absorbing 29.9 and the transportation sector - 16,7%).

More recently, the program Targets and Bases and the I PND attributed priority to education, agriculture and supply of foodstuffs, health and sanitation, and to technological and scientific development.

These alterations indicate the increasing complexity of the planning process as a result of the development of the economy in recent years, the elimination of the more important bottlenecks and the reduction of the easier opportunities for import substitution.<sup>18/</sup>

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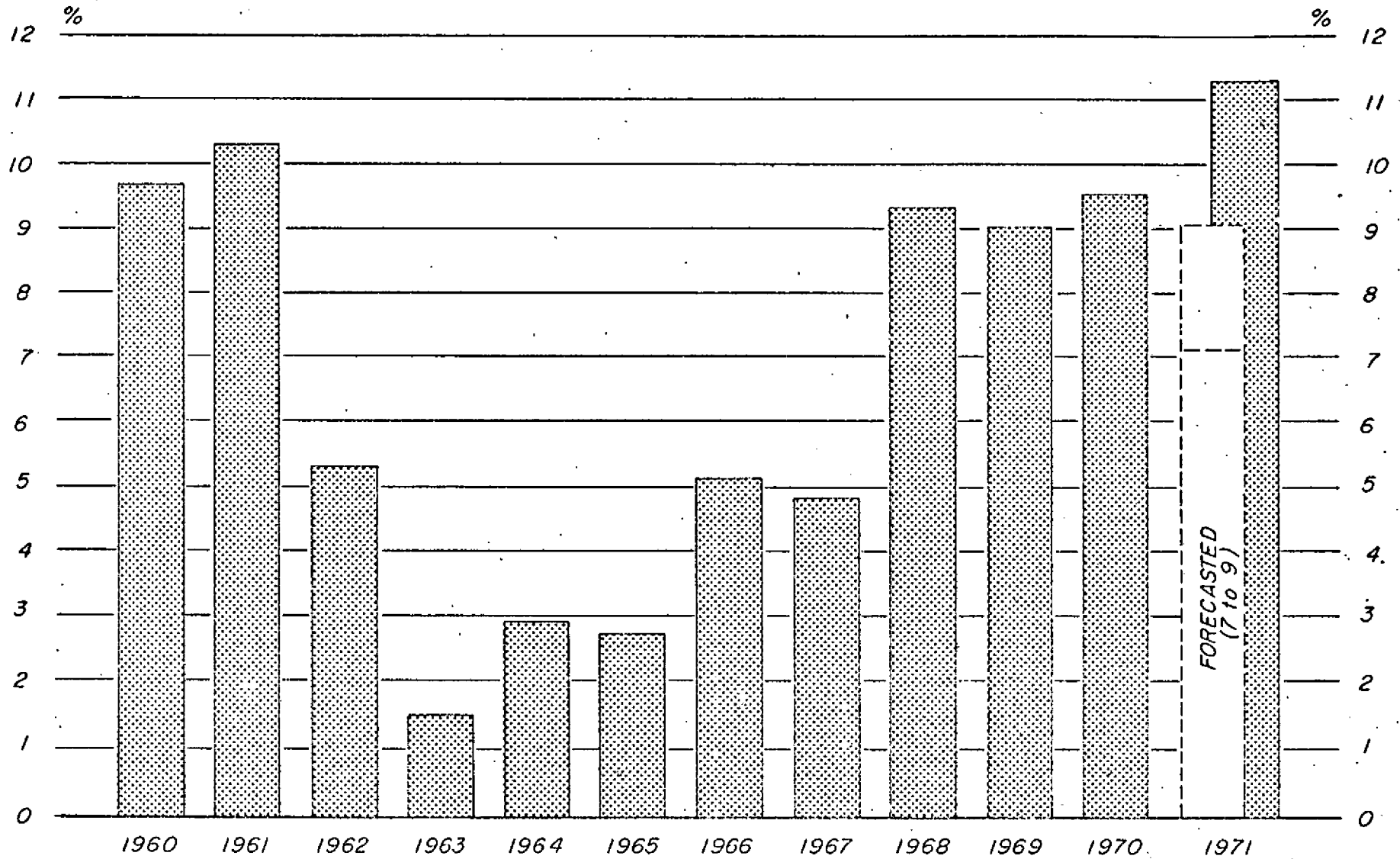
<sup>18/</sup> Attached to the end of this paper some graphs and tables related to the recent development of Brazil and to the evolution of its planning system are presented.

ABREVIATIONS

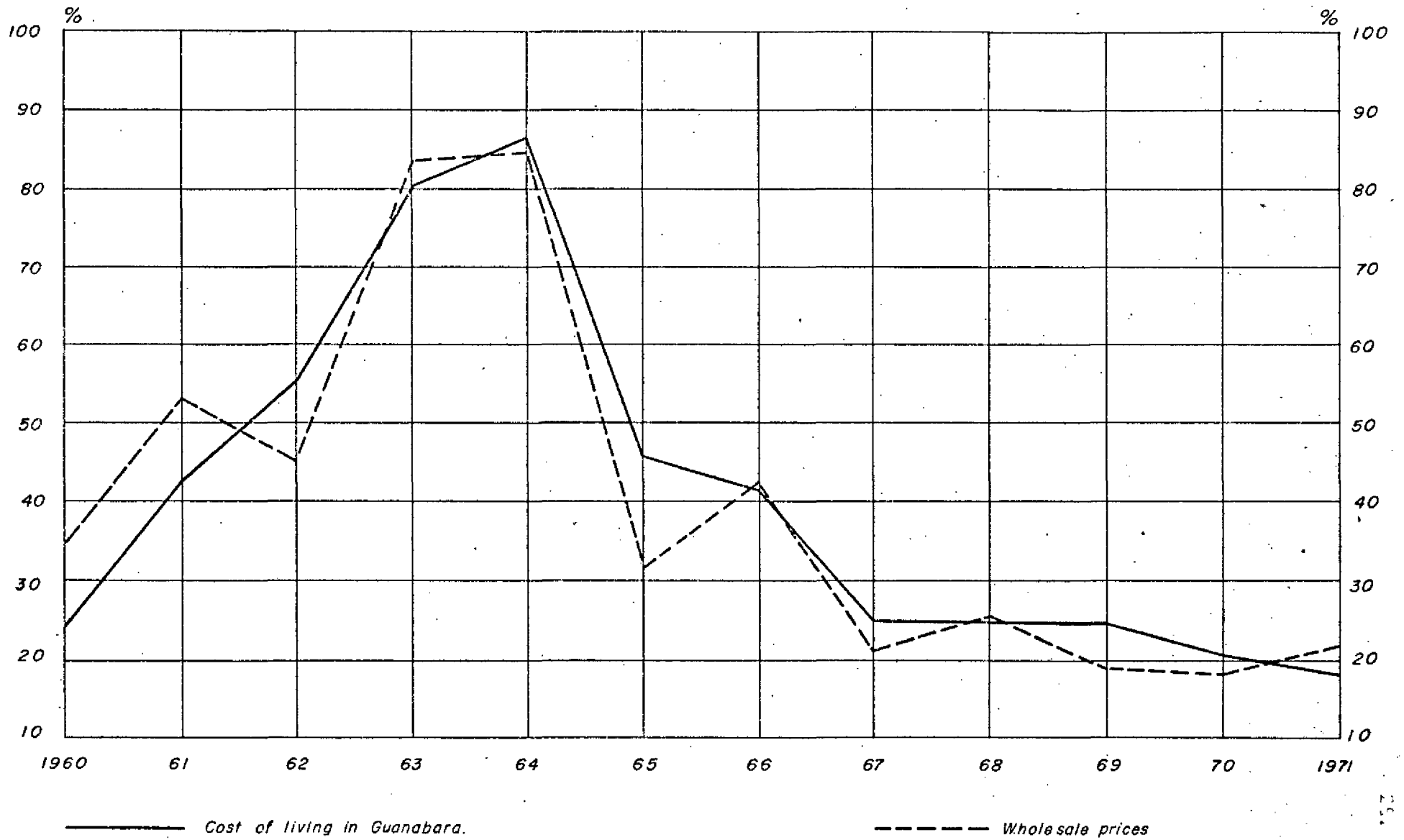
BASA	-	Bank of Amazonia S.A.
BNB	-	Bank of the Brazilian Northeast S.A.
BNDE	-	National Bank of Economic Development
BNH	-	National Bank of Housing
CMBEU	-	Brazil - United States Joint Commission
ERA	-	Office of the Administrative Reform (MPCG); recently named Secretariat of Administrative Reform and Modernization
FINEP	-	Financial Agency for Studies and Projects
IBGE	-	Brazilian Institute of Geography and Statistics (MPCG)
IPEA	-	Institute of Economic and Social Planning (MPCG); composed of two entities: Institute of Planning (IPLAN) and Institute of Research (INPES)
MINTER	-	Ministry of Interior
MPCG	-	Ministry of Planning and General Coordination
PAEG	-	Government Program for Economic Action (1964/67)
PED	-	Strategic Program for Development (1968/70)
PND	-	National Plan of Development (1972/74)
SAREM	-	Secretariat of Coordination with States and Municipalities (MPCG)
SEPLAN	-	Secretariat of Planning (MPCG)
SOF	-	Secretariat of Finance and Budget (MPCG)
SUBIN	-	Secretariat of International Technical Cooperation (MPCG)
SUDAM	-	Superintendency for the Development of Amazonia (MINTER)
SUDENE	-	Superintendency of the Northeast Development (MINTER)
SUDECO	-	Superintendency of the Central - West Development (MINTER)
SUDESUL	-	Superintendency for the South Development (MINTER)
SUVALE	-	Superintendency of the São Francisco Valley (MINTER)



GRAPH 1  
ANNUAL RATES OF GROWTH OF THE REAL PRODUCT  
BRAZIL - 1960 / 71

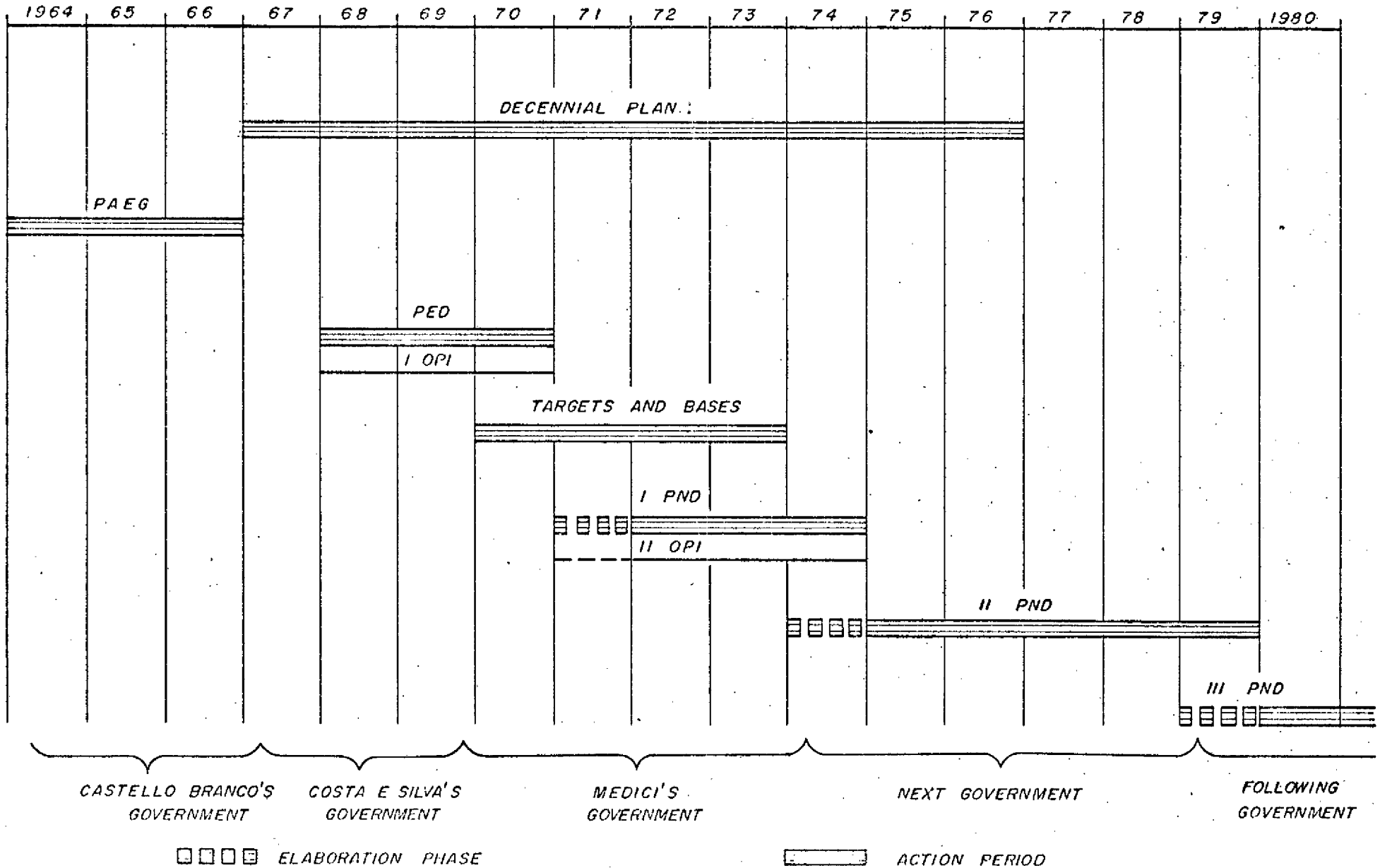


GRAPH II  
**PRICES INDECES - ANNUAL VARIATIONS**  
 BRAZIL - 1960/71



GRAPH III

BRAZILIAN PLANNING EXPERIENCE AT NATIONAL LEVEL AFTER 1964



GRAPH IV.  
**MINISTRY OF PLANNING AND GENERAL COORDINATION**  
 ORGANOGRAMA

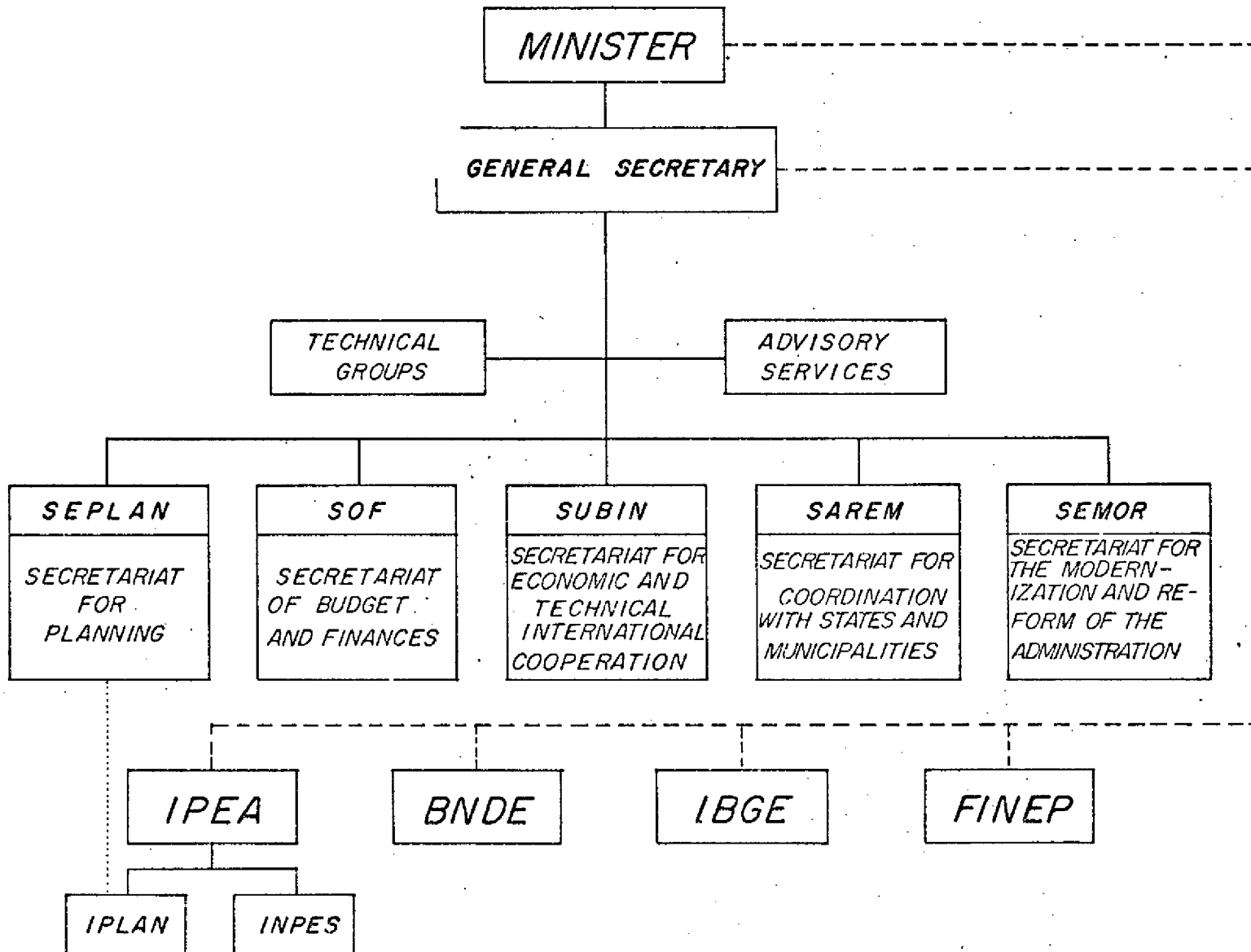


TABLE I

## BRAZIL - EXECUTION OF TARGETS AND BASES

## FOR GOVERNMENT ACTION - 1971

GLOBAL VALUES	1969	1 9 7 1		LEVEL OF PLAN EXECUTION (B/A) x 100
		FORECAST (A)	OBSERVED (B)	
1. GROSS INTERNAL PRO- DUCT (PIB) - Cr\$ millions of 1971	189.776	225.473	232.882	103,3
2. PIB PER CAPITA - Cr\$ of 1971	2.097	2.358	2.429	103,0
3. INDUSTRIAL PRODUCT - Cr\$ millions of 1971	43.025	53.011	54.644	103,1
4. EXPORTS (US\$ mil- lions)	2.269	2.745	2.876	104,8

TABLE II  
BRAZIL - EXECUTION OF TARGETS AND BASES  
RATE OF GROWTH BY SECTORS (%) - 1971

	FORECASTED (ANNUAL AVERAGE RATE) (1969/73)	OBSERVED 1971
Agriculture	7	12,2
Industry	10	11,2
Commerce	8	13,0
PIB (Gross Internal Product)	8	11,6

TABLE III

BRAZIL - GROWTH AND INFLATION

PERIODS	ANNUAL AVERAGE RATES OF GROWTH FOR 2 YEAR PERIODS (%)		RATE OF INFLATION (%)
	PIB (Gross Internal Product)	INDUSTRIAL PRODUCT	
1962/63	3,4	1,7	66,3
1964/66	3,6	6,1	53,0
1967/69	7,4	8,8	23,1
1970/71	10,4	11,5	19,4

TABLE V

## ACHIEVEMENTS: 1964 - 1971

	1963	1971	INCREASE (%)
<u>1 - MANUFACTURING INDUSTRIES</u>			
Annual Growth Rate of the output (%)	4.0 average 1962/1963	11.2 average 1970/1971	-
Total Employment (in thousand workers)	1,798	2,407	34%
<u>2 - INDUSTRIAL PRODUCTION - SECTORS</u>			
Automotive Industry (units)	174,000	516,000	196%
Shipbuilding (tonnage built, ships of more than 1,000 TOW)	40,500	178,055 average 1968/1971	339%
Steel-lingots (1,000 t)	2,800	5,998	114%
Cement (1,000 t)	5,200	9,803	88%
<u>3 - ELECTRIC POWER</u>			
Installed capacity (1,000 kW)	6,350	12,629	99%
Consumption (1,000,000 kWh)	22,620	38,655	71%
<u>4 - PETROLEUM PRODUCTION</u>			
(1,000 barrels)	37,500	57,000	52%
<u>5 - PAVED HIGHWAYS (total)</u>			
	11,400	25,535	123%
<u>6 - COMMUNICATIONS</u>			
Telex Terminals (total)	500	3,136	528%
Telephones (terminals)	1,220,000	1,994,000	63%
Microwave System			
International-Via Satellite (n° of sets)	-	110	-
National (n° of channels)	720	18,304	2,442%



## ACHIEVEMENTS: 1964 - 1971 - Cont.

	1963	1971	INCREASE (%)
<b>7 - EDUCATION</b>			
Federal Expenditures (1972 prices) million cruzeiros	176	427	142%
Enrollment			
- Primary (1.000 students)	9,300	13,325	43%
- Secondary (1.000 students)	1,710	4,725	176%
- Higher (1.000 students)	124	543	337%
<b>8 - HOUSING</b>			
Units Built	4,600 (average 1937/1963)	114,000 (in 1971)	2,378%
<b>9 - TREASURY DEFICIT AS A PERCENTAGE OF GDP</b>			
	5,3%	0,3%	-
<b>10 - EXPORTS (FOB)</b>			
- Total Exports - US\$ million	1,410	2,904	106%
- Exports of manufactured goods US\$ million	37	747	2,019%
<b>11 - FISCAL INCENTIVES</b>			
- Million of cruzeiros (1972 prices)			
- North/Northeast	16	348	2,075%
- Total incentives	16	462	2,787%
<b>12 - STATES AND MUNICIPALITIES</b>			
<u>PARTICIPATION FUND</u>			
(including the Special Fund)			
- Million of cruzeiros (1972 prices)	27	356	1,228%

TABLE VI.

34.

## I NATIONAL DEVELOPMENT PLAN - SECTORIAL TARGETS

S E C T O R S	POSITION IN 1970	TARGET FOR 1974	INCREASE (%)
1) EDUCATION			
• FIRST GRADE			
- Enrollment (thousands)	16,300	22,000	35
- Rate of Enrollment	73%	80%	-
• SECOND GRADE			
- Enrollment (thousands)	1,100	2,200	100
• HIGHER EDUCATION			
- Enrollment (thousands)	430	820	90
- Full-time Faculty	1,900	6,000	216
• LITERACY CAMPAIGNS: N° OF ILLITERATES IN THE 15/35 AGE GROUP (thousands)	8,000	2,000	-75
• INDUSTRIAL LABOR-FORCE TRAINING (n° of workers trained in the year)	100,000	217,000	117
• PUBLIC EXPENDITURES IN EDUCATION (in million 1972 cruzeiros)	5,500	10,550	92
• FEDERAL EXPENDITURES IN EDUCATION (in million 1972 cruzeiros)	1,800	3,060	70
2) HEALTH AND SANITATION			
• CAMPAIGNS AGAINST ENDEMIC DISEASES: MALARIA, SMALL POX, YELLOW FEVER	Local or generalized ocurrences	Erradicated	-
• WATER SUPPLY - URBAN POPULATION SERVED (in thousands)	27,405	38,045	41
• SEWAGE FACILITIES - URBAN POPULATION SERVED (in thousands)	13,523	19,323	43

## SECTORIAL TARGETS

SECTORS	POSITION IN 1970	TARGET 1974	INCREASE (%)
3) AGRICULTURE			
• TECHNOLOGICAL DEVELOPMENT			
- Fertilizer Consumption (in 1,000 t)	900	1,400	56
- Liming (in tons)	1,390	2,400	73
- Control and Prevention of Diseases (consumption of chemical products in tons)	37,000	70,000	89
- Mechanization (Tractors in Operation)	97,000	130,000	34
• TECHNICAL ASSISTANCE (AGRICULTURAL EXTENSION WORK)			
- Municipalities Assisted	1,548	2,200	42
• RURAL INFRA-STRUCTURE DEVELOPMENT			
- Northeast Irrigation Program (ha irrigated)	30,000	70,000	133
- Rural Electrification			
- Transmission Lines (in km)	6,600	26,000	294
- Installed Capacity (million kW)	50	240	380
- Consumers Served	117,000	420,000	259
- Consumption (million, kW)	11	82	645
• AGRARIAN REFORM AND COLONIZATION (Transamazônica)			
- Families Settled	-	70,000	-
• AGRICULTURAL MARKETING			
- Wholesale Centers	1	15	1,400
4) SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT			
• Expenditures in Priority Projects (Basic Plan) (in million 1972 cruzeiros)	236	580	146
• Expenditures in Prospection of Atomic Minerals (in million 1972 cruzeiros)	15	40	167

## SECTORIAL TARGETS

SECTORS	POSITION IN 1970	TARGET 1974	INCREASE (%)
5) BASIC INDUSTRIES			
• STEEL AND METALLURGY (capacity, in thousand tons)			
- Steel	5,400	11,200	107
- Aluminium	65	120	85
- Zinc	18	30	62
- Tin	13	15	15
• CHEMICAL (Production, in thousand tons)			
- Caustic Soda and Soda Ash	183	480	162
- Sulphuric Acid	557	1,450	160
- Synthetic Rubber	76	100	32
- Plastics	101	360	255
- Fertilizer (nutrients)	248	820	230
• MECHANICAL AND ELECTRICAL (production in thousand tons)	1,459	2,517	73
• CEMENT (capacity, in thousand tons)	9,300	17,500	88
6) MINING (in thousand tons)			
• IRON ORE			
- Production	34,000	76,000	124
- Exports	28,000	65,000	132
• MANGANESE ORE			
- Production	1,400	2,300	64
- Exports	1,300	2,100	62
7) ELECTRIC POWER			
• INSTALLED CAPACITY (million kW)	11,405	16,981	49
• CONSUMPTION (million kWh)	38,422	60,658	58

## SECTORIAL TARGETS

S E C T O R S	POSITION IN 1970	TARGET 1974	INCREASE (%)
8) PETROLEUM			
REFINING CAPACITY (thousand barrels)	133,450	283,050	50
INVESTMENTS IN PROSPECTION AND DEVELOPMENT (in million 1972 cruzeiros)	759	1,163	54
9) HIGHWAYS			
FEDERAL PAVED NETWORK (in km)	23,674	38,357	62
10) MERCHANT FLEET (in thousand TDW)			
TOTAL	<u>2,339</u>	<u>3,814</u>	63
- SEAGOING VESSELS	1,857	3,035	67
- COASTAL SHIPPING	471	701	49
- INLAND WATERWAYS	51	78	53
SPECIALIZED TRANSPORTATION			
- TANKER	868	1,000	15
- BULK CARRIER	709	926	31
- ORE-OIL	260	790	204
11) COMMUNICATIONS			
INTERNATIONAL SYSTEM			
- SUBMARINE CABLE (in km)	-	5,000	-
MICROWAVE NATIONAL SYSTEM			
- By VISIBILITY (in km)	7,923	11,839	49
- By TROPOSCATTER (in km)	-	5,105	-
TELEX NATIONAL SYSTEM			
- (terminals)	3,130	10,460	234
INTERURBAN COMMUNICATIONS			
- NUMBER OF CIRCUITS (CTB)	6,976	20,000	187
POSTAL SYSTEM			
- POSTAL TRUNK LINES (by road and air) (in km)	27,000	90,000	233

## SECTORIAL TARGETS

S E C T O R S	POSITION IN 1970	TARGET 1974	INCREASE (%)
12) HOUSING			
• HOUSING UNITS BUILT THROUGH THE FINANCIAL HOUSING SYSTEM (B N H) (in the year)	126,000	238,000	89
13) REGIONAL DEVELOPMENT			
• FISCAL INCENTIVES (SUDENE AND SUDAN) (in million 1972 cruzeiros)	1,704	1,602	-
• PIN AND PROTERRA (in million 1972 cruzeiros)	-	<u>2,260</u>	-
	1,704	3,862	127
• NORTHEAST REGION			
- Highways (paved network in km)	7,079	10,450	48
- Electric Power (installed capacity, in thousand kW)	960	1,560	63
• AMAZON REGION			
- Roads (in km)	5,980	13,250	122
- Electrical Power (installed capacity in principal cities, in thousand kW)	124	249	100
14) FEDERAL TRANSFERS TO STATES AND MUNICIPALITIES			
• PARTICIPATION FUND, SPECIAL FUND AND TIED REVENUE (TAXES ON FUEL, ELECTRIC POWER; MINING) (in million 1972 cruzeiros)	3,921	6,320	59
15) SOCIAL INTEGRATION			
• PIS AND PASEP (federal part, in million 1972 cruzeiros)			
- In the Year		2,520	-
- Accumulated		5,730	-