

Project Management Report from Belo Horizonte



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LOW GROWTH, LOW INVESTMENTS, NO PROJECTS

Brazil lives a severe economic and political crisis. Started by investigations regarded corruption in PETROBRAS, the gigantic Brazilian oil company, and fueled by a Congress decision to start President Dilma Rouseff impeachment process, political crisis is far from its end.

Every day new investigations accuse politicians, lobbyists, bankers, executives and company owners of deviation and irregular operations on an amount of hundreds of million dollars (probably billions). These accusations come from investigation, documents, evidence and a dozen “collaborations” from those involved and sometimes condemned. The things extrapolated from the PETROBRAS case and are spreading to a lot of companies, agencies and state banks.

Otherwise, because of her disastrous decisions, inability to talk and negotiate with Congress and a lot of illegal actions, Mrs. Rouseff is accused of “responsibility crimes”, what, according to Brazilian Constitution is sufficient to start an Impeachment Process. The process is evolving according to constitutional and Supreme Court rules. First, a Committee of Representatives concluded that effectively Mrs. Rouseff is responsible by some acts that are Responsibility Crimes. Then, in an historical session, most of the representatives agreed to admit the Impeachment Process. According to Constitution, the Senate is who must judge presidents in case of Impeachment.

First, a Senate Committee confirmed the Impeachment admissibility and started sessions where prosecution and defense are spending their best arguments and testimonies defending their points of views and interests. Finally this Committee will present its final conclusion.

Next August this phase will be concluded and this Committee report (pro or against Mrs. Rouseff) could be voted on by the 81 senators. If two thirds or more of them

agree with the impeachment then, Mr. Michel Temer, the vice president, automatically turns into President.

Today, as Mrs Rousef is suspended from her presidential charges, Mr. Temer is the interim President, facing a lot of problems, including accusations of leading a coup against Mrs. Rousef.

What is the problem? Simple, as the president and the things are interims confidence is very low. So, the economical agents are waiting for a definition. Business and investments are awaiting better days and actions by a legitimate government.

Last, but not least, Speaker from Representatives House is facing a lot of corruption accusations (a lot of them proved) and is out of its charges by a Supreme Court decision.

The Senate Speaker is also accused by a lot of people, but that seems without evidences.

Considering that political and economical issues come together, the situation is too bad for the Brazilian economy.

First Mrs. Rousef opted for a so called “New Economic Matrix”, which means, strong government expenses (not investments), prices artificially contained (including fuels and energy), reduction of taxes for certain items, no strong worries about inflation, government budget deficit, forced reduction of interest rates, and a lot of other things. These things were increased in 2014 in order to reelect Mrs. Rousef. Consequences: high inflation, low growth and lack of confidence.

Table 1 – GDP Growth and Inflation rate

Year	Brazil GDP Growth (a)	Inflation Rate (b)
2011	3,9 %	6,50%
2012	1,9%	5,84%
2013	3,0%	5,91%
2014	0,1%	6,40%
2015	-3,8%	10,67%

Source: IBGE – Instituto Brasileiro de Geografia e Estatística (Brazilian Institute for Geography and Statistics)

(a)– from January to December (IBGE)

(b) - IPCA – Amplified Consumer Prices Index (IBGE)

As could be seen by GDP, Brazil ended 2015 in recession which still persists in 2016. And inflation was high specially because the inflation target is 4,5%. In consequence, Brazil has 12 million unemployed people (13% of economicly active population).

As everybody knows, Projects are linked to investments. If there are investments, there are projects. But as can be seen in the table below, investments in Brazil are declining at an astonishing rate.

Table 2 – Gross Fixed Capital Formation Growth (c)

Year	Gross Fixed Capital Formation Growth
2011	6,7%
2012	0,8%
2013	5,8%
2014	- 4,5%
2015	- 14,1%

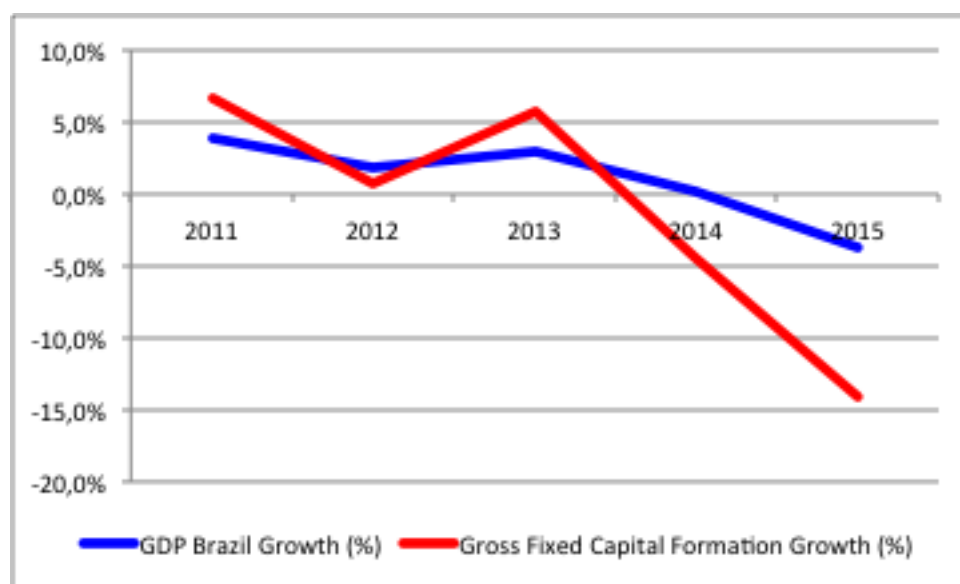
Source: IBGE – Instituto Brasileiro de Geografia e Estatística (Brazilian Institute for Geography and Statistics)

(c) – Gross Fixed Capital Formation is the GDP portion that measures the investments growth.

Brazil's GDP had a growth of almost zero in 2014 and negative in 2015, but investments are strongly negative since 2014.

The Chart 1 bellow compares the two indexes.

Chart 1 – Brazil GDP Growth x Gross Fixed Capital Formation Growth



Source: IBGE – Instituto Brasileiro de Geografia e Estatística (Brazilian Institute for Geography and Statistics)

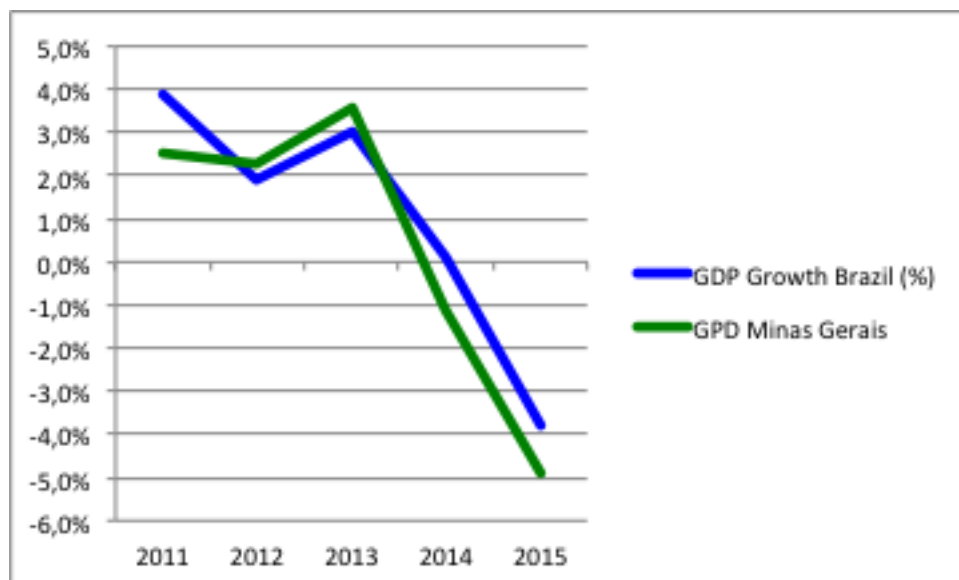
Minas Gerais is in a worst way. Look at Table 3 and Chart 2

Table 3 – Brazil GDP Growth X Minas Gerais GDP Growth

Year	Brazil GDP Growth	Minas Gerais GDP Growth
2011	3,9%	2,5%
2012	1,9%	2,3%
2013	3,0%	3,6%
2014	0,1%	- 1,1%
2015	- 3,8%	- 4,9%

Source: IBGE – Instituto Brasileiro de Geografia e Estatística (Brazilian Institute for Geography and Statistics) and Fundação João Pinheiro

Chart 2 – Brazil and Minas Gerais GDP Growth (2011 – 2015)



Unfortunately, there is no public data about the growth (or decrease) of Investments in Minas Gerais. But if we consider the fact that the state is largely a Mining and Steel producer, and mining is going down like steelmaking, it's possible to imagine that investments in Minas Gerais are even worse than in Brazil as a whole.

So, there are no investments. Than, no projects.

Analysts believe that 2017 will be a recovery year. But it is also well known that employment and investments (projects) are the last to recover. Let's see.

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Manuel Carvalho da Silva Neto, MSc, Mech. Engineer and PMP is Fundação Dom Cabral Invited Professor and also Consultant. He is a seasoned professional with over 40 years of experience in Project Management, Process Management and Strategy. Manuel has managed or participated in more than four hundred huge projects across different fields including Steel, Mining, IT, Telecom, Food Processing, Government and Construction, to mention a few. He worked also in projects to implement PMO (Project Management Office) and Project Management Methodology. He has also strong skills in Leading People and Finance. He served as Minas Gerais State Undersecretary for Planning and Budget, from 2007 to 2008. Manuel can be contacted at carvalhoneto.manuel@gmail.com.