



RSA Global Conference 2014
Fortaleza

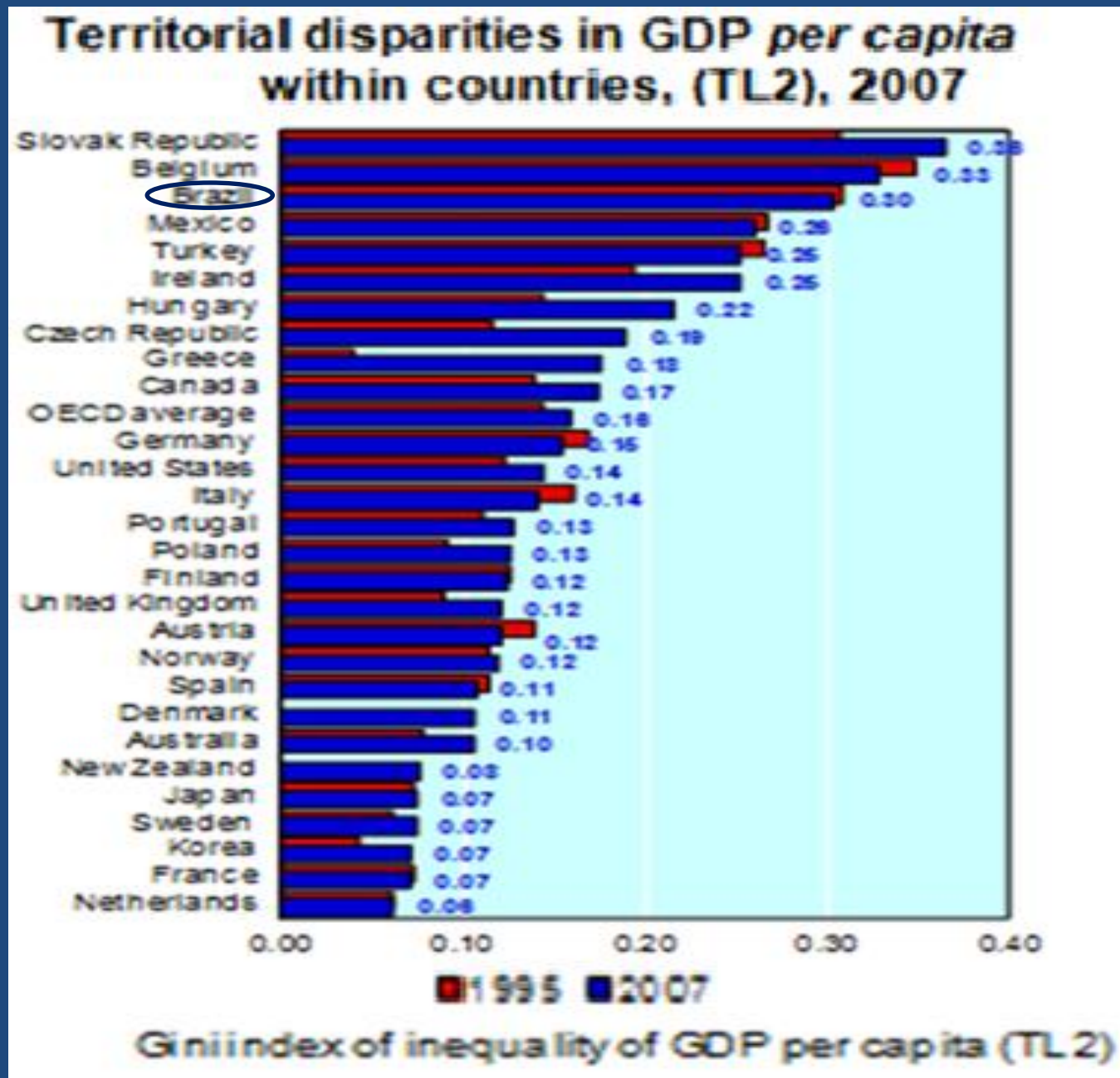
Regional Growth
in
Developing Countries

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PUC-Go

Strong social and regional inequalities

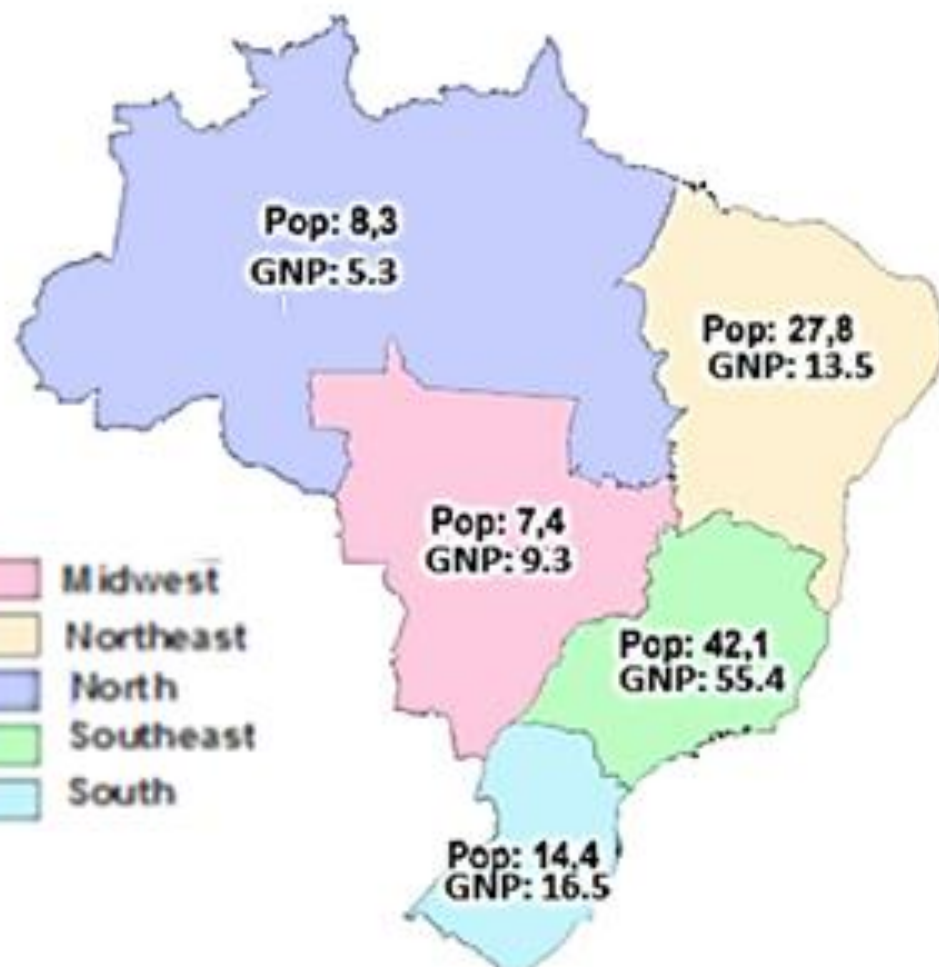
The GINI index of income is among the 15 highest in the world.

*The **GINI** index of territorial inequality among Brazilian states is almost the double of the OECD average.*

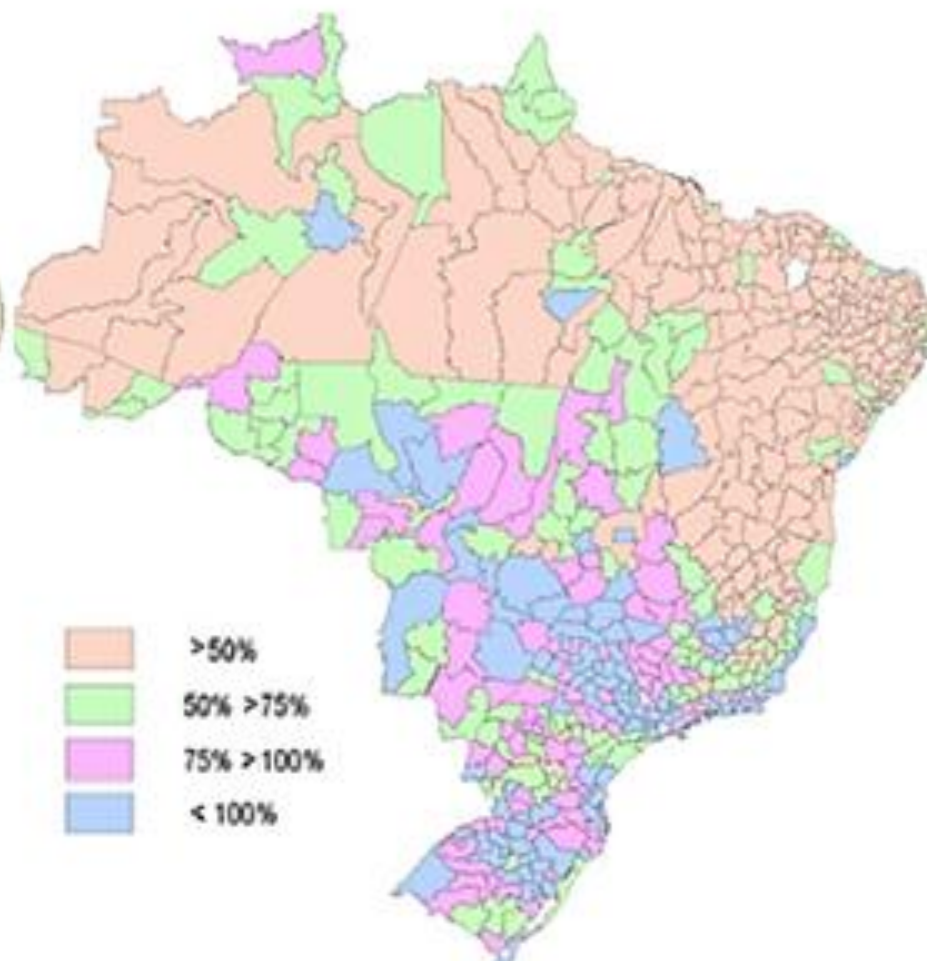


Macroregional and microrregional dimensions

Regional Share of population and GDP (%)
2010



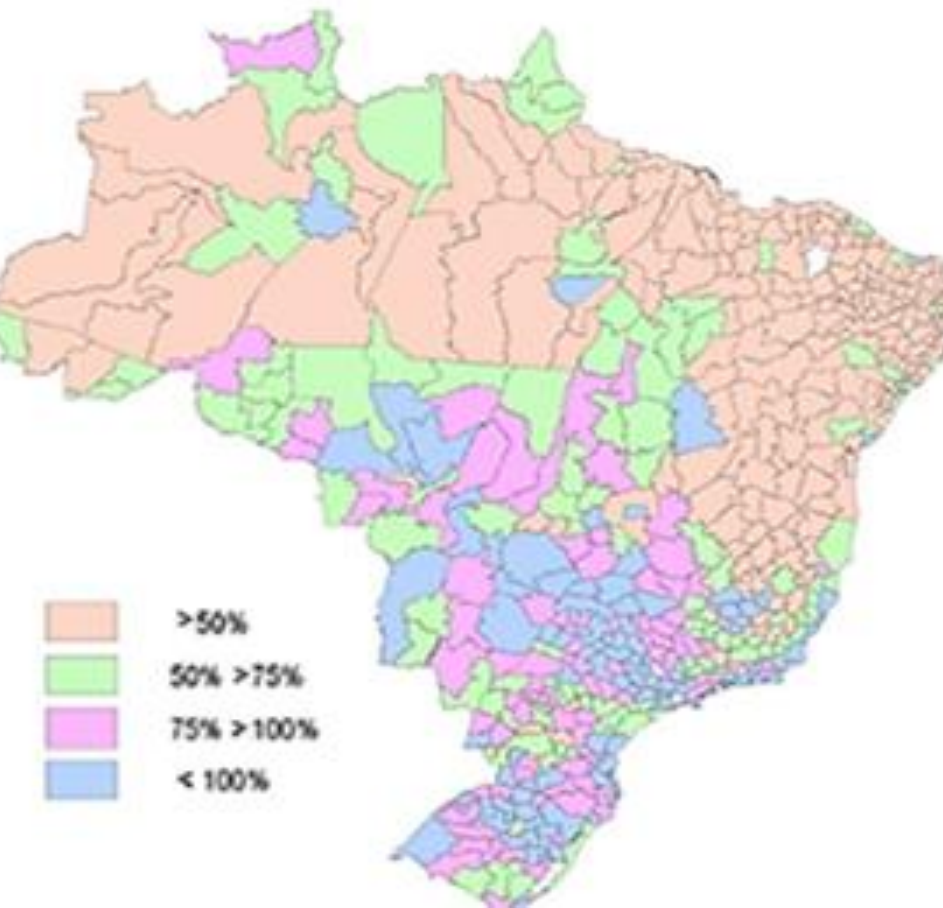
GDP per capita by microrregion
2010



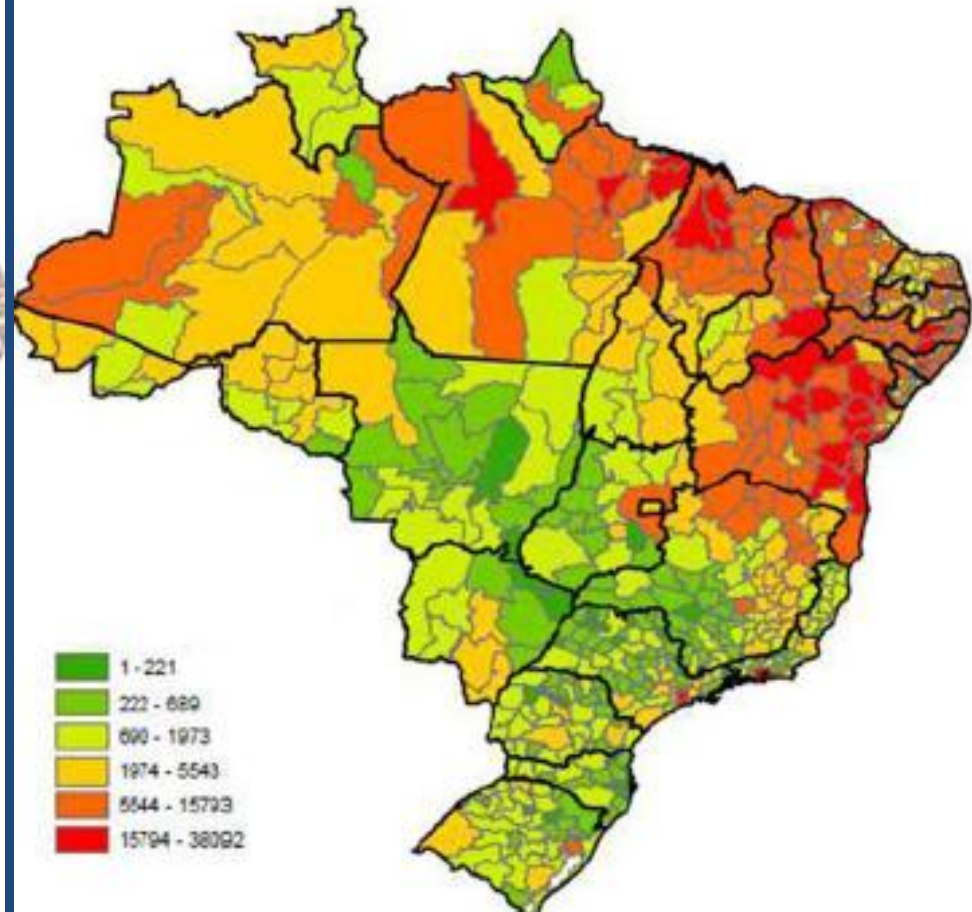
Similarity between regional inequality and poverty maps

The Northeast accounts for 59.1% of the extremely poor and 53% of illiterates in the country.

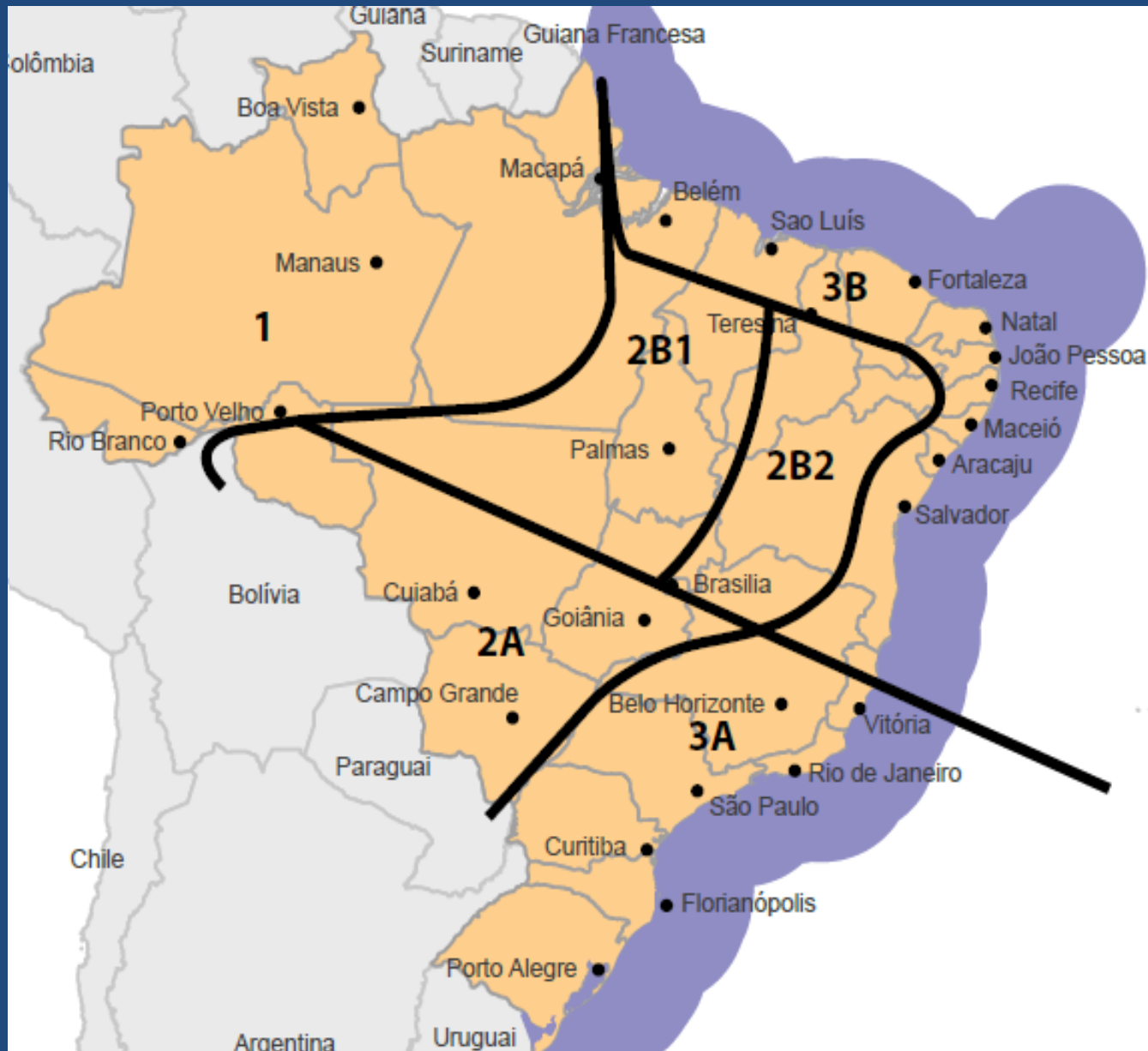
**GDP per capita by microregion
2010**



**Number of households with per person monthly income
of R\$ 1.00 to R\$ 70.00**



Homogenous territories

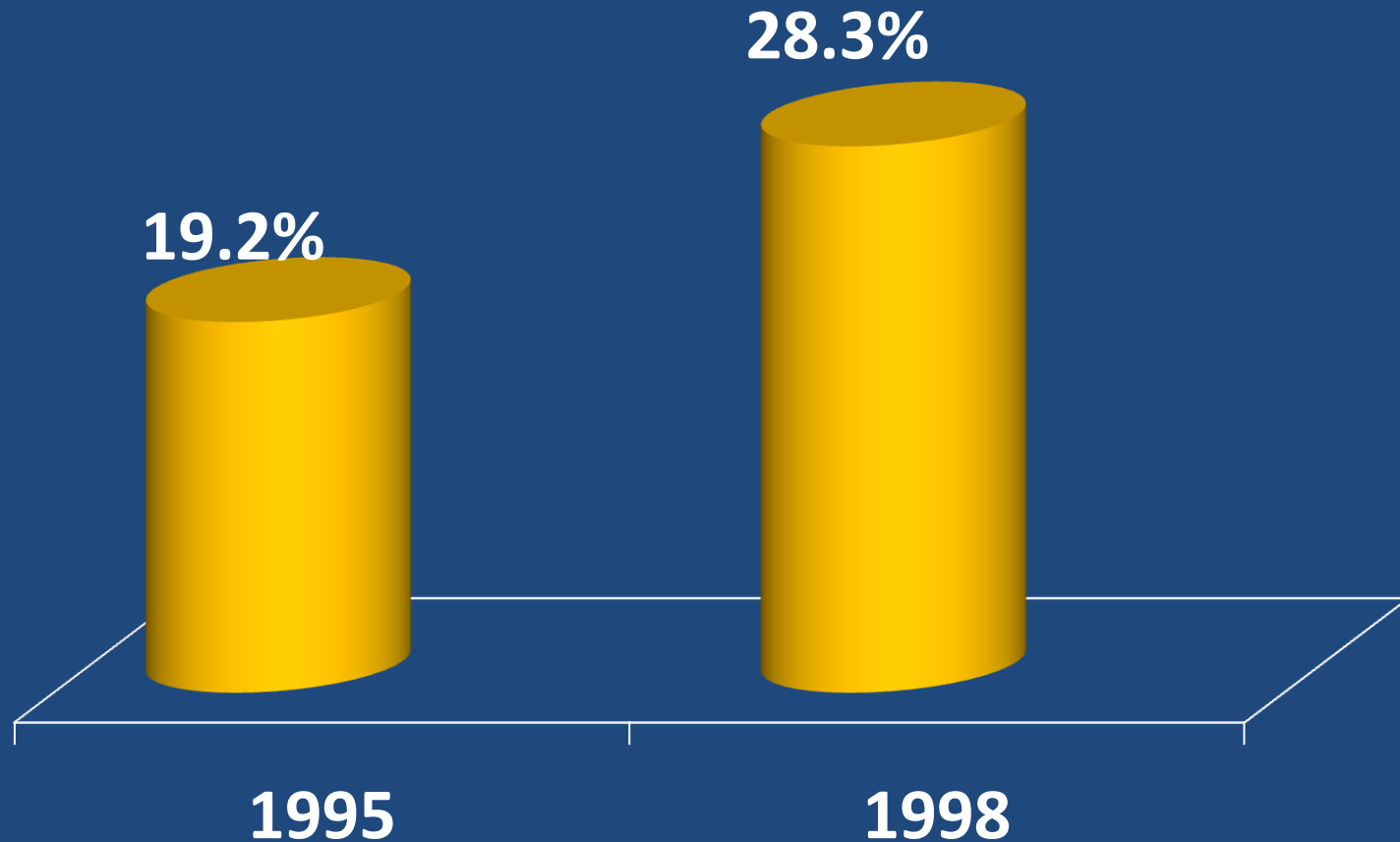


National Constituent Assembly (1988)

- ✓ “Citizen Constitution” -> Marks a milestone in the treatment of social and regional inequalities in Brazil.
- ✓ It inserts among the "fundamental objectives of the Federative Republic of Brazil" to "eradicate poverty and marginalization and to reduce social and regional inequalities" (Brazil, 1988)
- ✓ These objectives are translated into concrete rights and obligations, recognizing and legalizing the use of public policy as a way to reduce inequality.

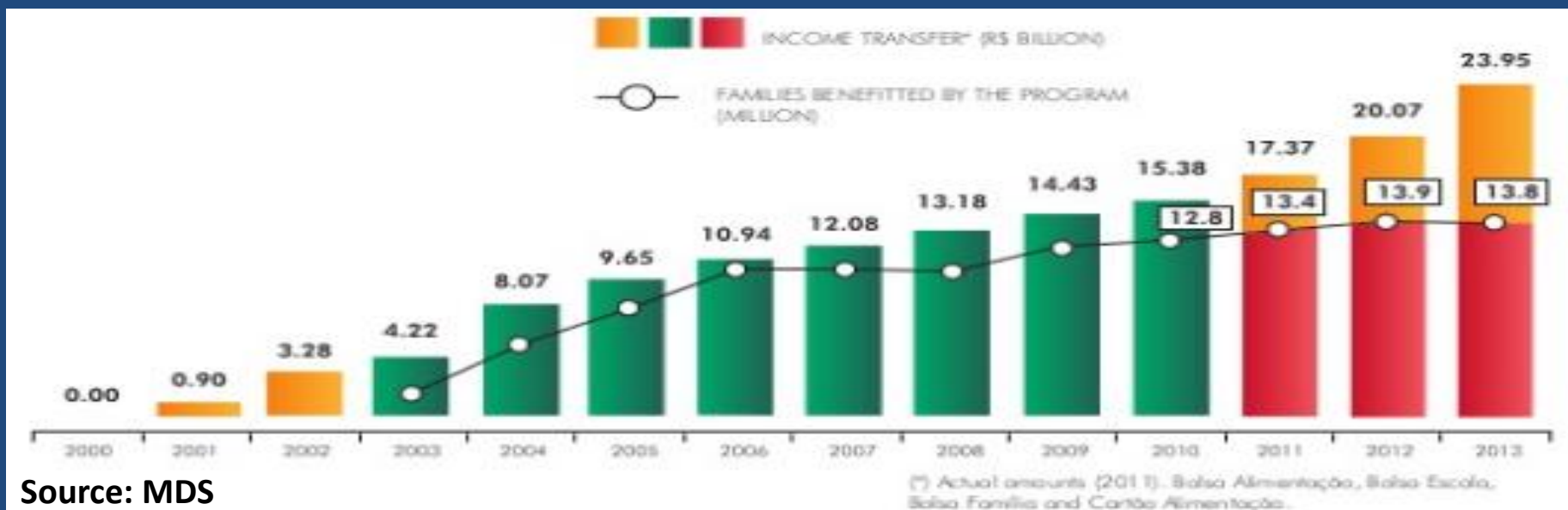
Some consensus for social policy

Social spending as share of GDP
(Federal Government, States and Municipalities)



Aggressive social policies

- ✓ *Real increase in the minimum wage, which more than doubled between 1995 and 2008, from U\$ 3.5 to U\$ 8.4 per day (ppp)*
- ✓ **Bolsa Família** -> Monthly transferred by a magnetic card to 13.9 million families: average transfer of US\$75/month/family
- ✓ Total transfers = 0,6% of Brazilian GDP (2013).

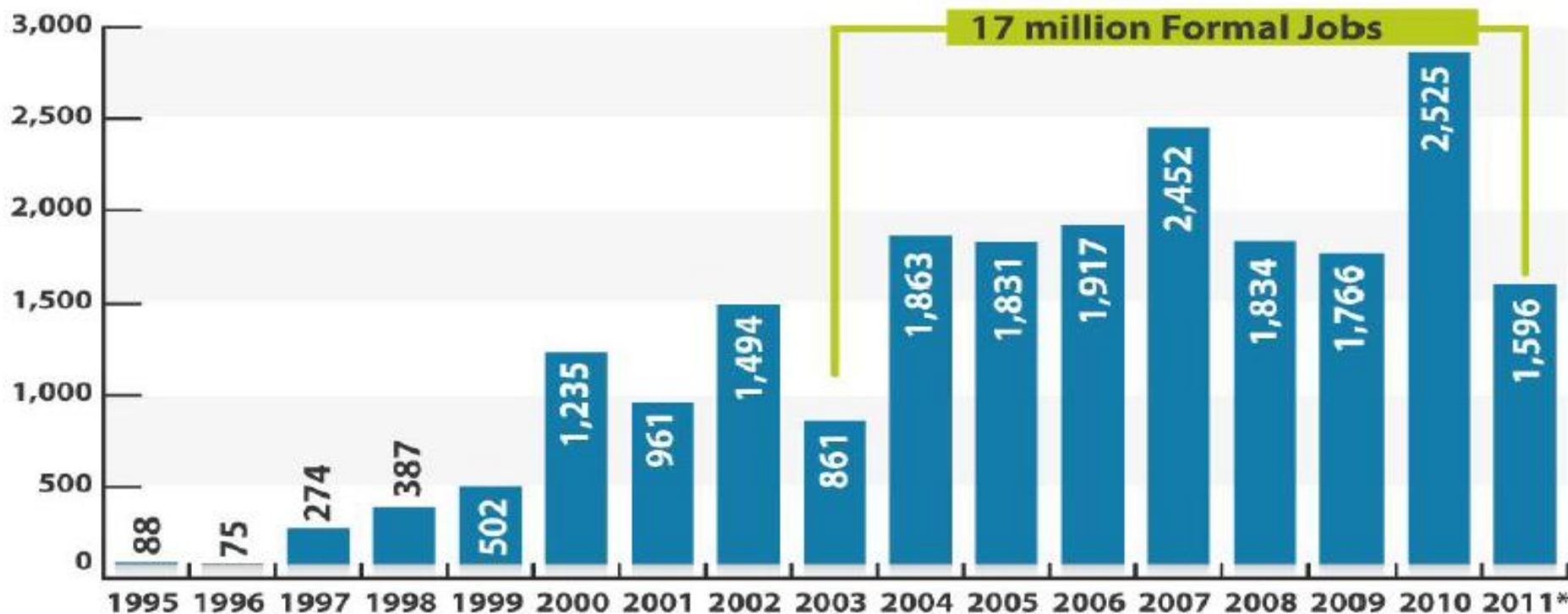


Strong increase in formal job creation

The unemployment rate in Brazil dropped from 10.9% to 5.4% between 2002 and 2013.

Strong increase in employment Brazil creates formal jobs even during crises

In thousands of jobs

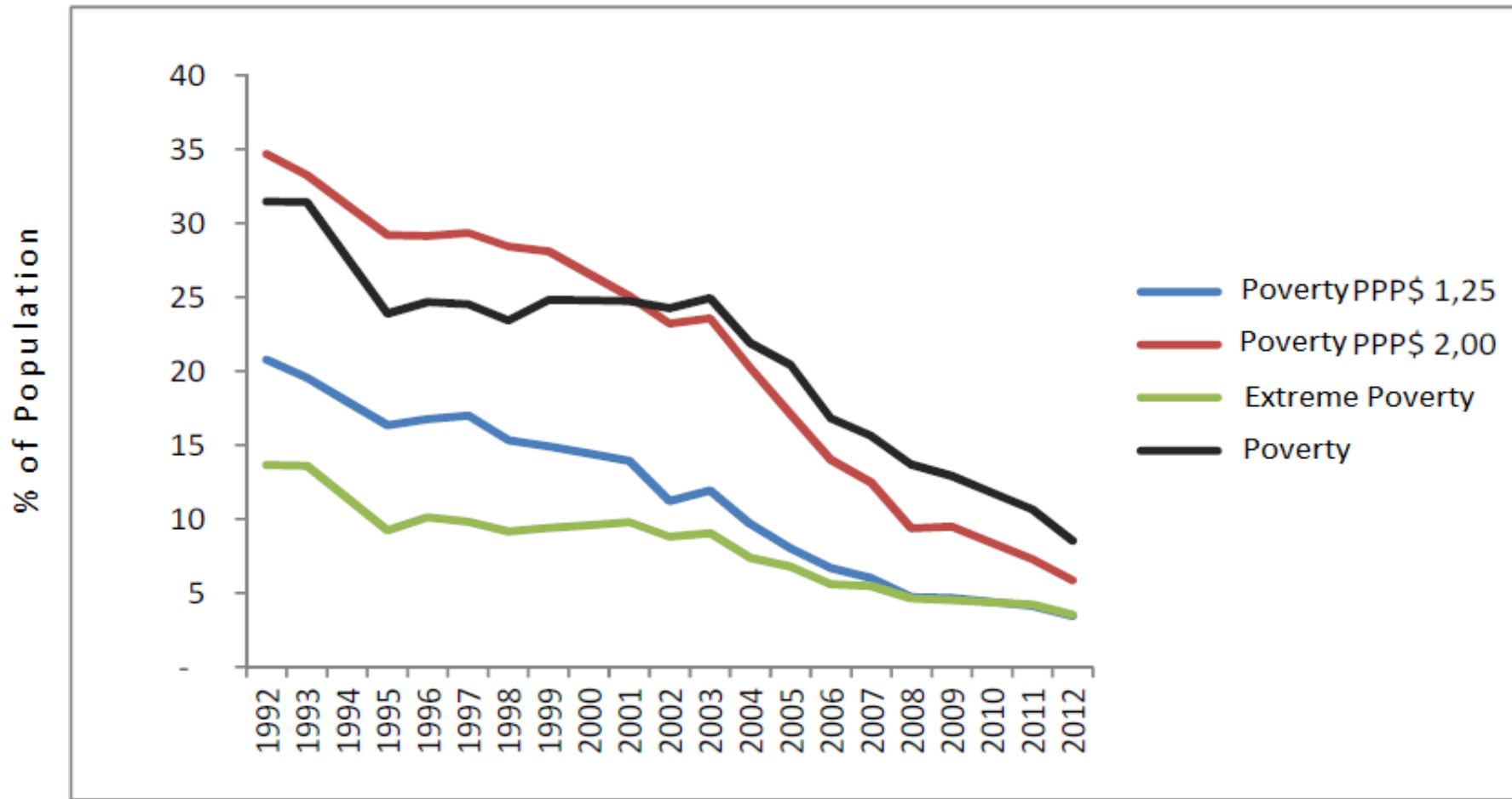


* 2011: January-August.

Source: Ministry of Labor and Employment
Produced by: Ministry of Finance

Poverty Reduction

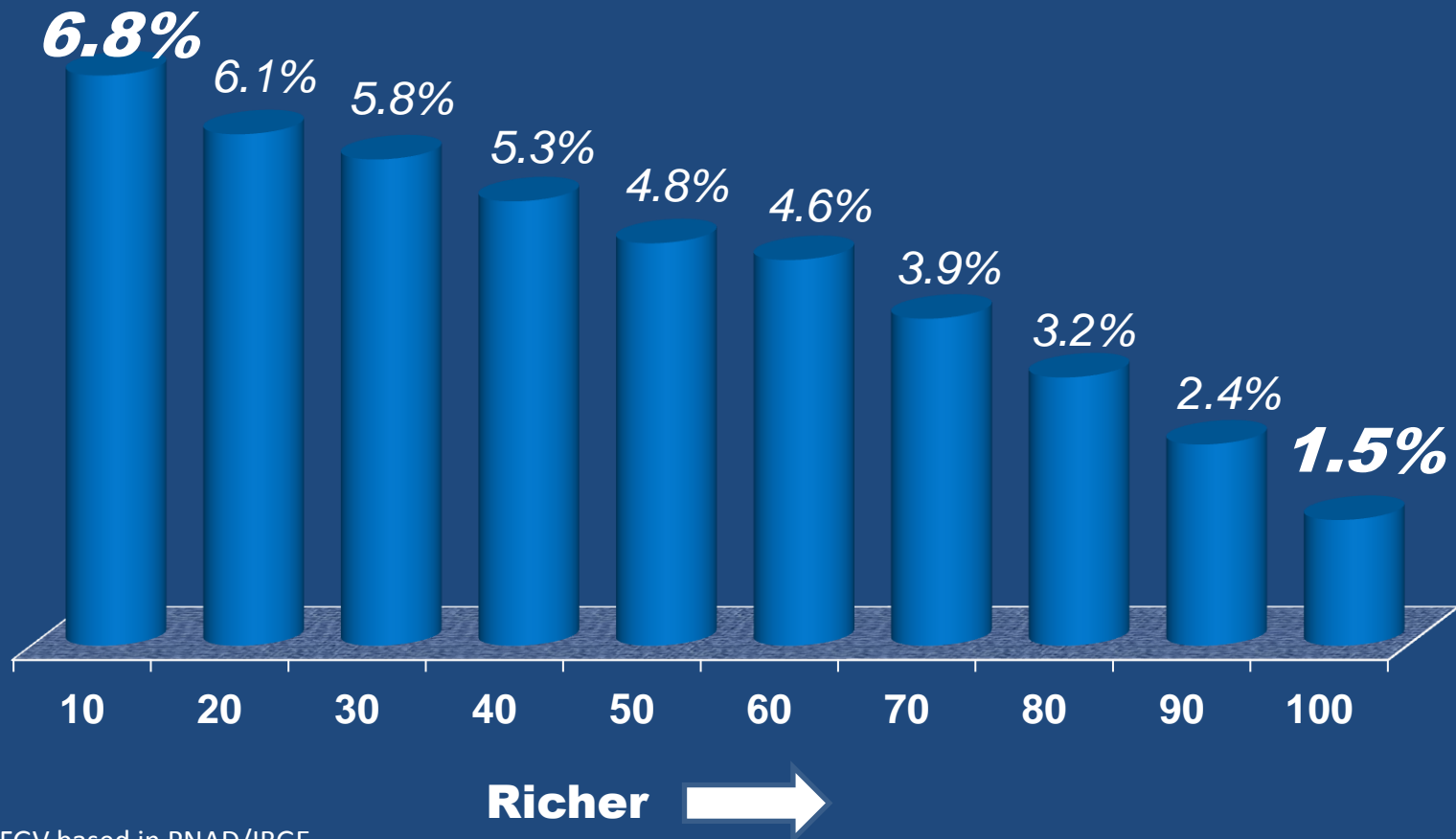
- ✓ Extreme poverty fell from 13.7% in 1992 to 3.6% in 2012, and poverty from 31.5% to 8.5%.
- ✓ 70% drop in 10 years (MDGs: 50% in 25 years)



Income Distribution

The GINI index fell from 594 in 2001 to 527 in 2012.

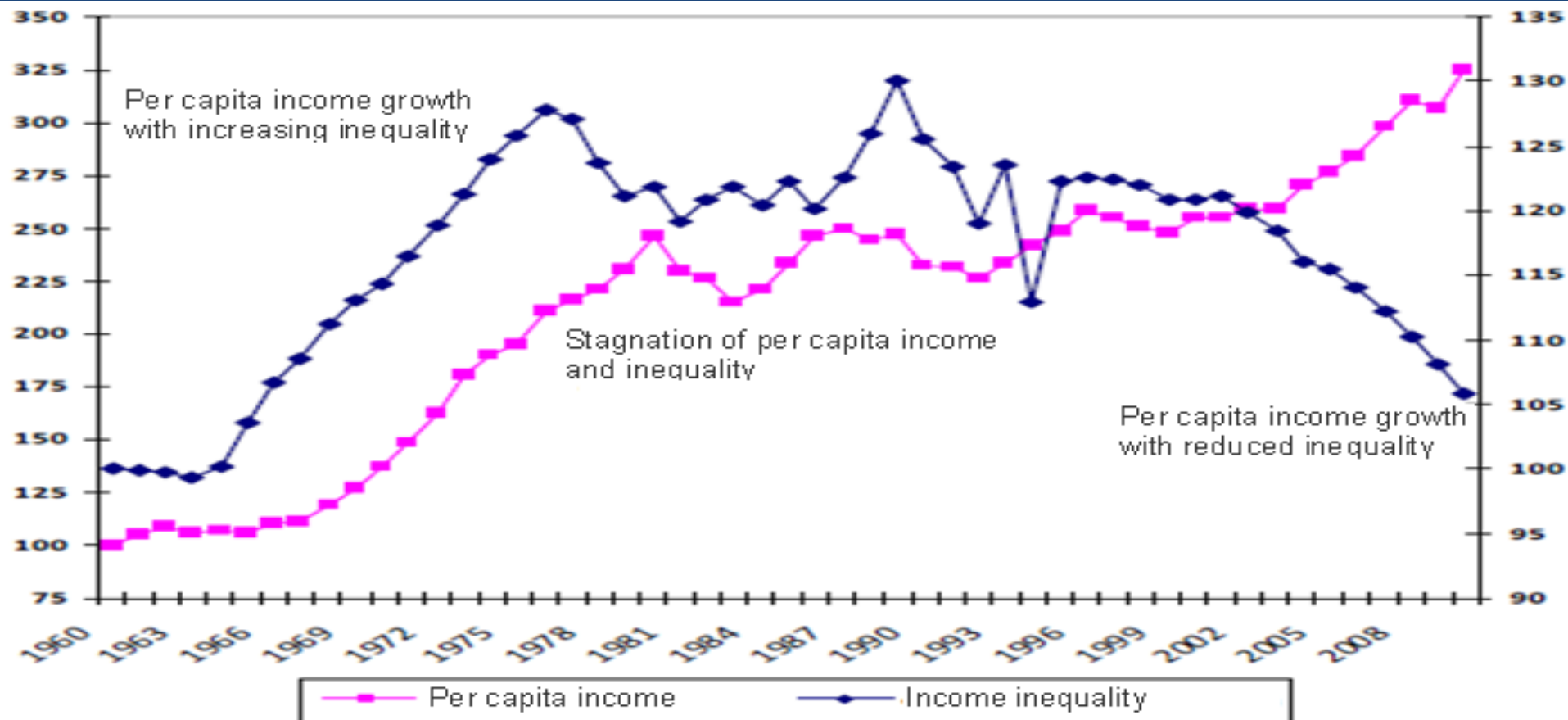
Variation of average income per capita, per income decile, Brazil (2001-2009)



Reversing a historical trend

After many years of economic growth accompanied by increased levels of inequality, Brazil has entered a new phase where growth is accompanied by an improvement in the distribution of income.

Brazil: evolution rates of *per capita* income and the degree of inequality of personal income * (1960 = 100)



Source: IPEA based in IBGE data

*GINI Index

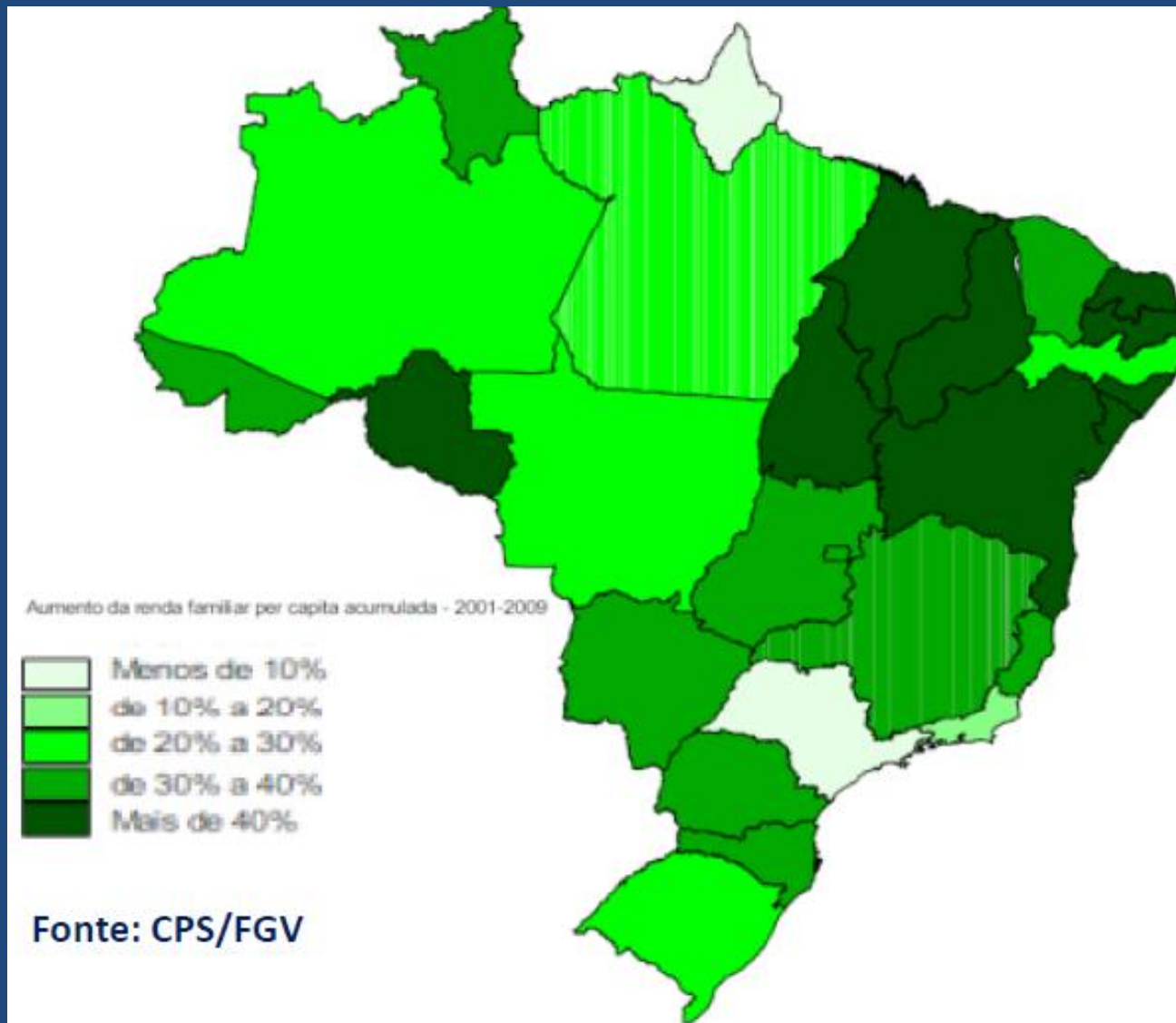
However

If of the social inequalities point of view, Brazilian society have managed to build certain sociopolitical pact with effective consequences in terms of public policy ,

this was not the case of regional inequalities, where the precepts of the Constitution of 1988 remained a dead letter.

Of course the social advances have regional impacts

Growth of Household Income Per Capita by State (2001-2009)



Regional Deconcentration

Regions	GDP	
	1995	2009
São Paulo	37.3	33.5
SOUTHEAST	58.7	56.0
SOUTH	17.9	16.6
NORTH	4.6	5.1
NORTHEAST	12.8	13.1
MIDWEST	6.0	9.2

Deconcentration is greater in the industrial activity

REGIONS	Regional value added as a share of the national manufacturing value (%)			
	1973	1984	1995	2009
São Paulo	57,8	49,6	51,8	37,9
Southeast	77,9	70,9	70,9	60,5
South	13,7	15,2	16,4	19,1
North	0,9	2,3	3,8	5,9
Northeast	5,9	10,3	7,4	10,0
Midwest	0,8	1,3	1,6	4,4

Other factors driving deconcentration

- ❑ The growth of diseconomies of agglomeration in the Metropolitan Region of São Paulo;
- ❑ The economic liberalization of the early 90s;
- ❑ The intense process of agro-industrialization of the Midwest;
- ❑ The resumption of infrastructure investments;
- ❑ The decision to locate strategic investments such as Petrobrás refineries and shipyards in the Northeast.

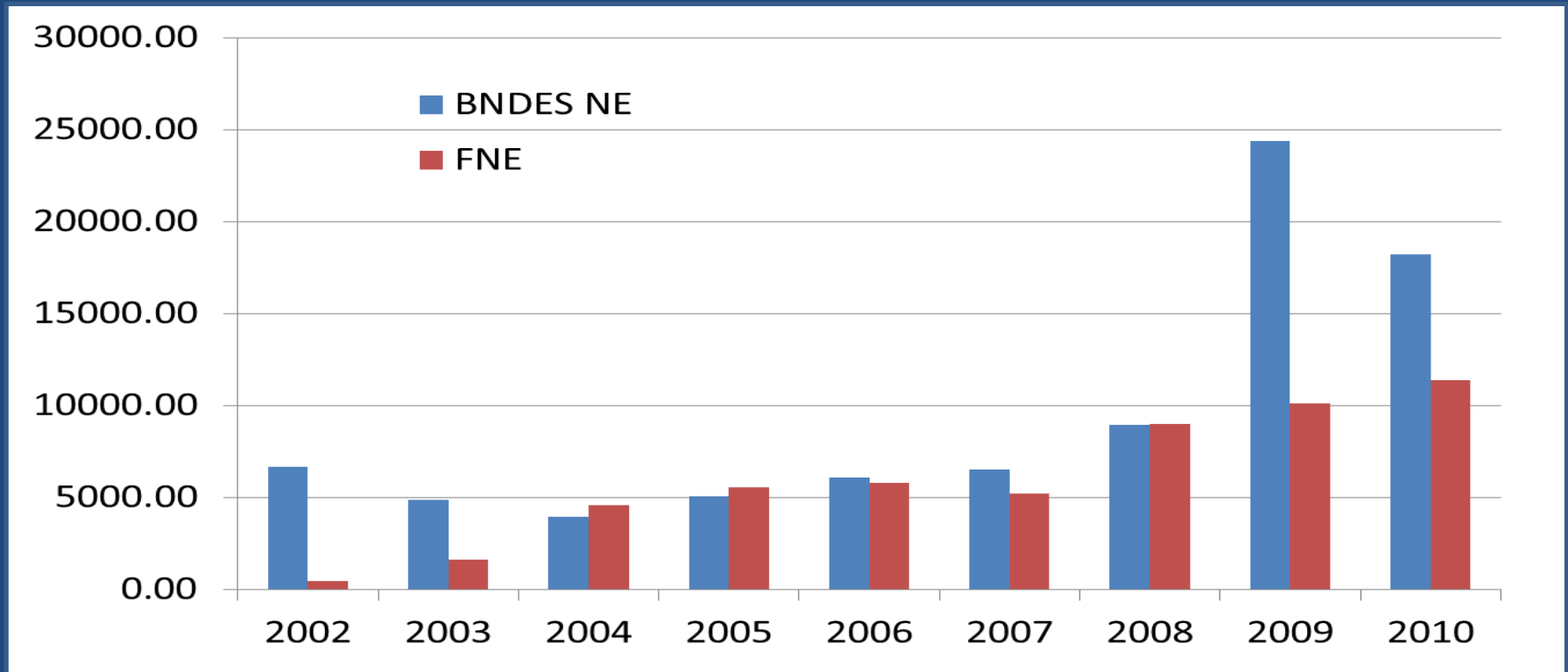
The role of regional policy was limited

- ❑ Traditional instruments of Brazilian regional policy such as tax incentives and development funds contributed only to validate the trend.
- ❑ The attempt to implement a more robust policy through the first PNDR failed.

The main instruments of development policy are not linked to regional policy

❑ Constitutional Funds (2004-2010): US\$ 32,3 bi

❑ PAC NE (2007-2010): US\$ 51,2 bi



Threats of reconcentration

- ❑ *Oil and Gas Investments commands in Industry*
- ❑ *New concessions for investments in logistics focused on Southeast and South*
- ❑ *New investment cycle in the automotive.*

There is no consensus regarding the regional problem in Brazil

World Bank Approach (WDR, 2009):

Difference in per capita income between regions

X

inequalities in the distribution of production among regions

The ideal would be to combine the immediate benefits of the concentration of productive activity with long-term benefits associated with the convergence of living standards.

Road to the less developed countries and regions:
economic integration

World Bank Approach

- ❑ Governments should only provide adequate infrastructure, both material and institutional, to territories that are outside of the major economic routes
- ❑ Regional policies based on subsidies, incentives and investments **trying to promote revolutions in regional economic dynamics**, only create inefficient industries, which do not lie regional roots or promote forward linkages and backward with suppliers / local distributors.
- ❑ The results are artificial poles, absolutely dependent on grants to continue existing

Brazilian Experience Today

Social policy **or** Regional policy

- ❑ Social inclusion does not hold without a change in the productive dynamics of the less developed regions able to create quality jobs and generate tax.
- ❑ With the fiscal crisis more developed regions are less willing to finance the equality of standard of living with less developed regions => federative crisis

We need

Social policy and Regional policy

We need

National Project for Sustainable Development
socially and spatially inclusive

**There are great opportunities and
strong threats to construct such a project today**

Threats

Has represented an international insertion of Brazil increasingly based on commodity exports and increasingly dependent on imported equipment and industrial inputs, especially the higher technological content.

This is a "modern" version of the old Brazilian structural dependence on imports of basic products to ensure the ability to import => external strangulation.

Threats

"Reprimarization" of Brazilian exports:

- ✓ in 2000 manufactured represented 59% and commodities 22.8% of total exports,
- ✓ in 2013 the share of the first drops to 39.4% and the commodity increases to 46.7% (Secex / MDIC).

Increased participation of goods *in natura*:

- ✓ for example: between 2000 and 2010 crude oil passes from 16.5% to 83.8% of the total exported oil and soy grain moves from 80% to 90% of foreign sales of the soybean complex (Brazil, 2011).

Threats

- ✓ There has not been falling in absolute terms the industrial exports.
- ✓ However, there is a significant qualitative loss in its content, with a reduction in the share of high and medium-high technology goods, which collectively accounted for 42.6% of industrial exports in 2000 and fall to 35.6% in 2010 occurs.
- ✓ Participation only the high-tech products is halved in this period, from 14.9% to 7.3% (Secex/MDIC)..

Threats

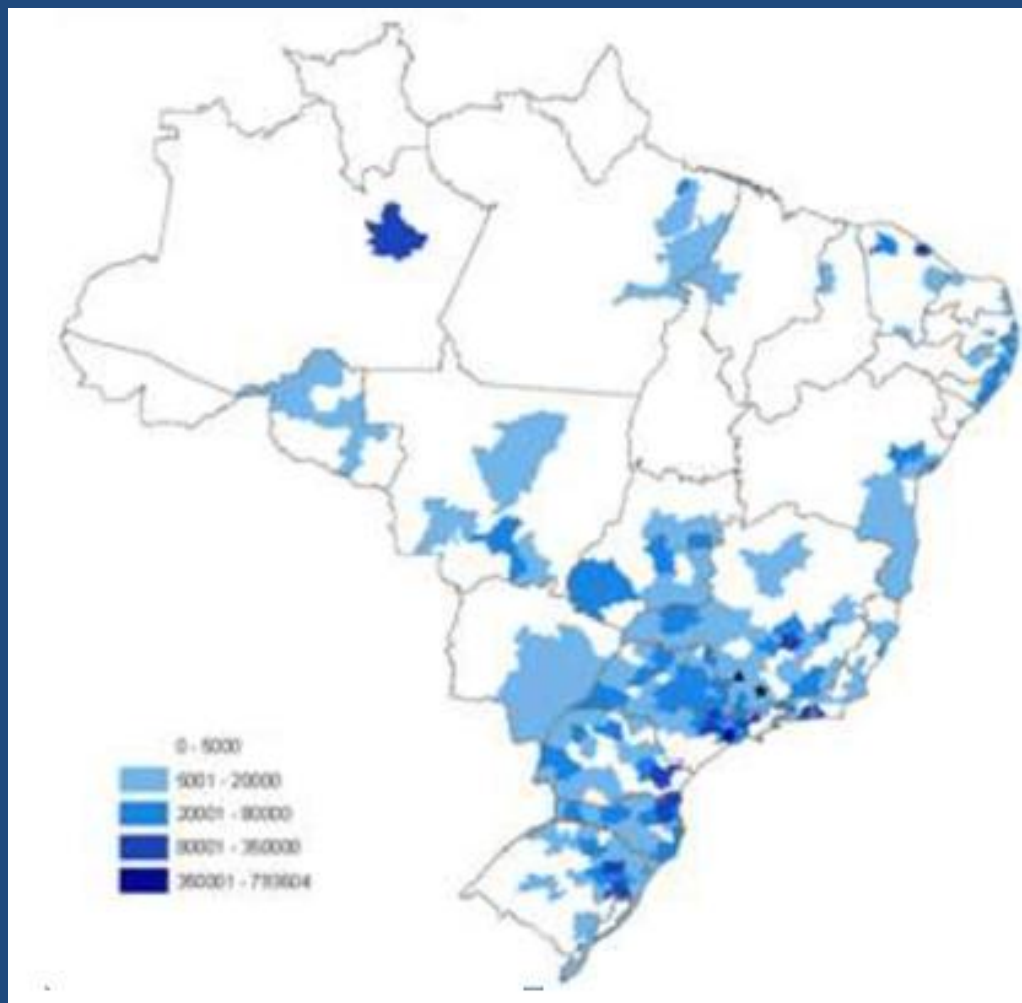
- ✓ Otherwise there is a weakening of intersectoral linkages, with a strong expansion of imports in industry, especially in segments with higher added value content.
- ✓ In total manufacturing import penetration is only 4% in 1989 to 19% in 2006. In differentiated segments and based on science movement is more intense, jumping from 7% in 1989 to 37% 2006

Threats

Microregions of over 5,000 industrial jobs
(2007)

Regional value added as a share of
the **national manufacturing** value (%)

Regions		
	1995	2009
São Paulo	51,8%	37,9%
SOUTHEAST	70,9%	60,5%
SOUTH	16,4%	19,1%
NORTH	3,8%	5,9%
NORTHEAST	7,4%	10,0%
MIDWEST	1,6%	4,4%



Threats

Fragmented deconcentration :

- ✓ Opportunities in production and export of commodities and traditional manufacturing (textiles, clothing, footwear)
- ✓ Arise islands of dynamism
- ✓ low correlation with the regional and national economies
- ✓ weakening of inter-regional linkages, increased structural heterogeneity

The accumulating imbalances federation => tension

- ❑ "Tax War" between the states
- ❑ Strong drop in the share of the states in the allocation of fiscal pie
- ❑ Crisis in the municipalities (increased responsibilities without decentralization of resources)
- ❑ Weakening of the bonds of Regional Solidarity

=> Congress Discussion: Tax Reform, FPE, Debt of States, State Social Security

It lacked industrial and technological policy

Top 90s - Quick opening

Regressive adaptation of the production system (reduced costs of labor, outsourcing, abandoning product lines, machinery and equipment imports, partnerships and mergers)

After 1994 - Stabilization

**Continuing process of productive restructuring, earlier, modernization / diversification of product lines with increased imports of inputs and equipment;
Spatial decentralization of industrial production.**

2000s

Strong appreciation earlier case intensifies; increased demand and commodity prices

Oportunidades

- ✓ Demand and commodity prices should remain the long-term -> development with structural transformation
- ✓ Opportunities of the green economy market -> Renewable energy , Bioindustria, sucrochemistry, bundled services
- ✓ Investments in oil and gas with appropriate policies cluster
- ✓ Potential investments in infrastructure
- Consider the potential of regions as important to redefine the international position => knowledge and sustainability
- Articulate political and technological industry with regional development policy
- Integrate Top Down& Bottom Up

I Conferência Nacional de
**DESENVOLVIMENTO
REGIONAL**



- ✓ About 13 thousand participants
- ✓ All 5 Regions and 27 states
- ✓ All Social Segments

Avanços PNDR II

- ❑ Processo Participativo => Agenda Federal e Estadual => Avanços na Governança -> Pactuação
- ❑ 3ª Geração de Políticas (Baixo p/ Cima & Cima p/ Baixo)
- ❑ Instrumentos Específicos & Políticas Setoriais no Território
- ❑ Desenvolvimento Regional como parte da Estratégia/Projeto Nacional de Desenvolvimento
- ❑ Foco na Competitividade – com inclusão, inovação e sustentabilidade

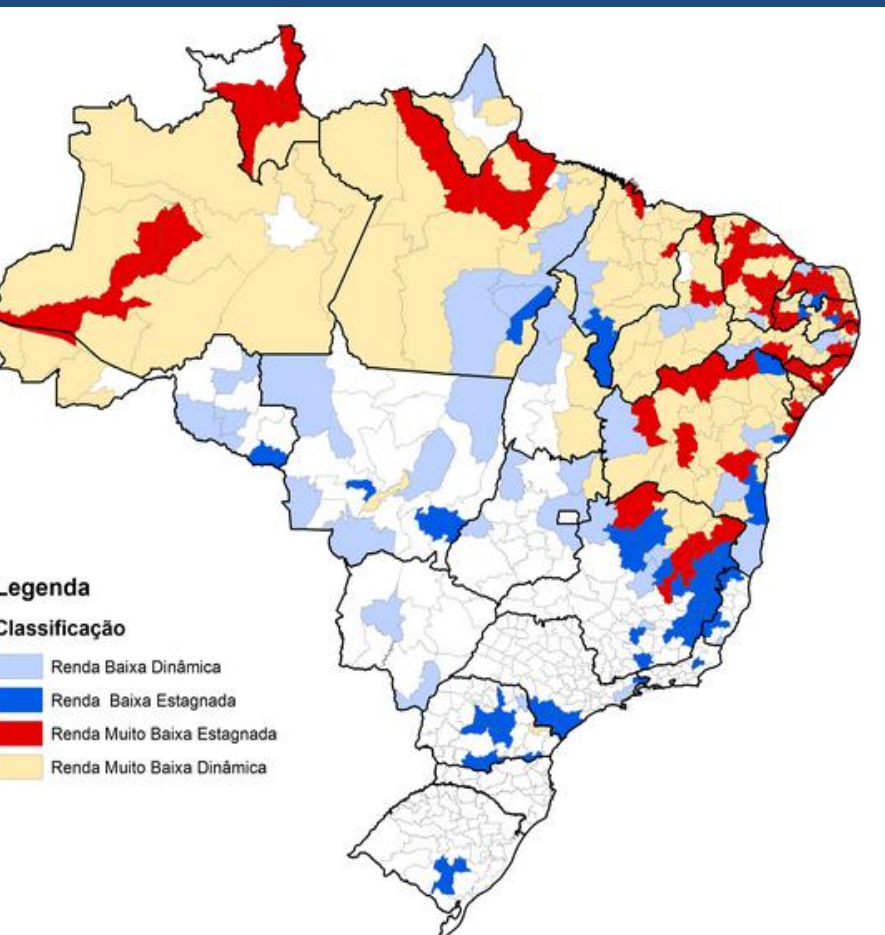
PNDR II

Goals:

- 1. Convergence**
- 2. Regional competitiveness and employment**
- 3. Adding value and economic diversification**
- 4. Building a polycentric network of cities**

1. Convergence

Income x Var GDP



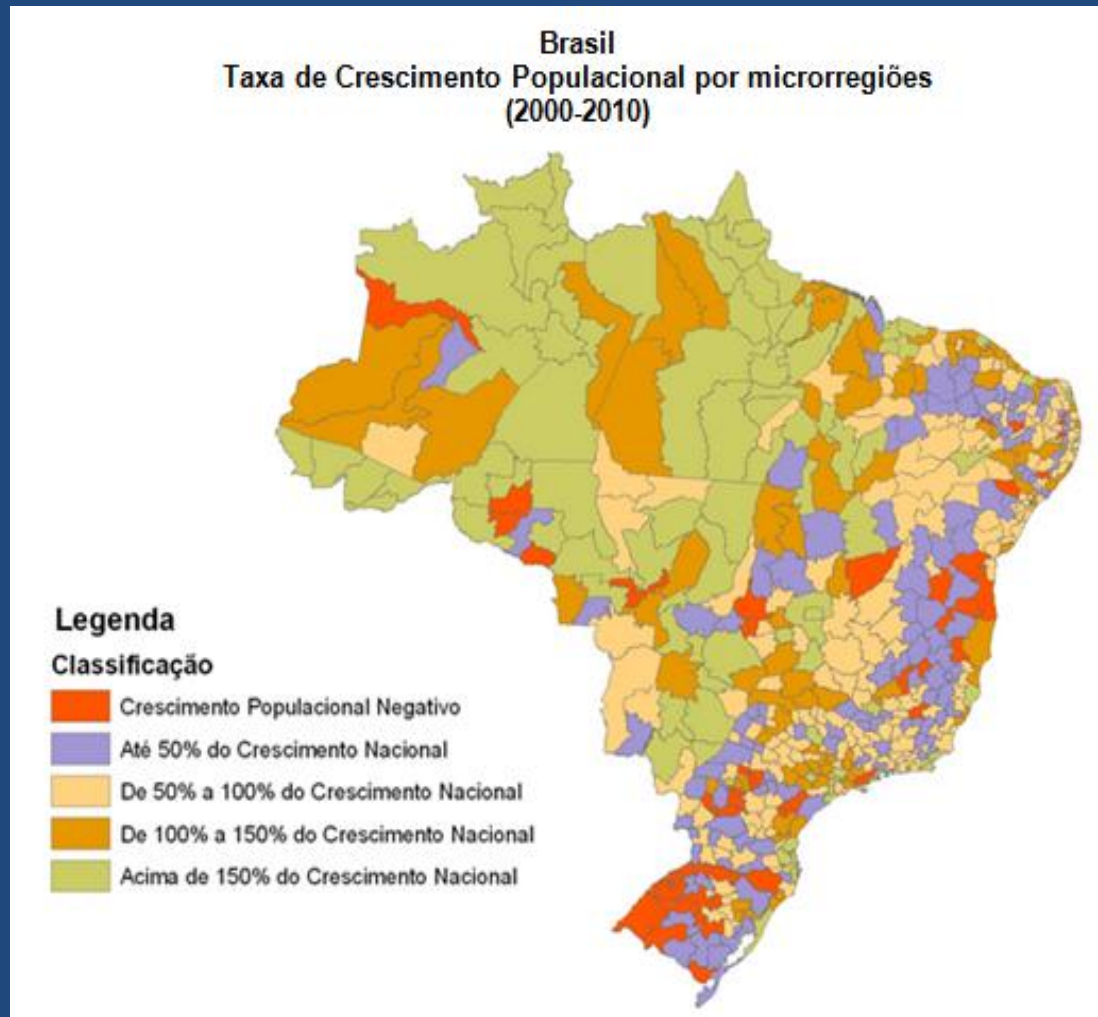
Priority 1 - Territories with income per capita below 50% of the national average, and between 50% and 75% average, low dynamism.

Priority 2 - Territories with over 50% nationally and between 50% and 75% of the national average with a high dynamic

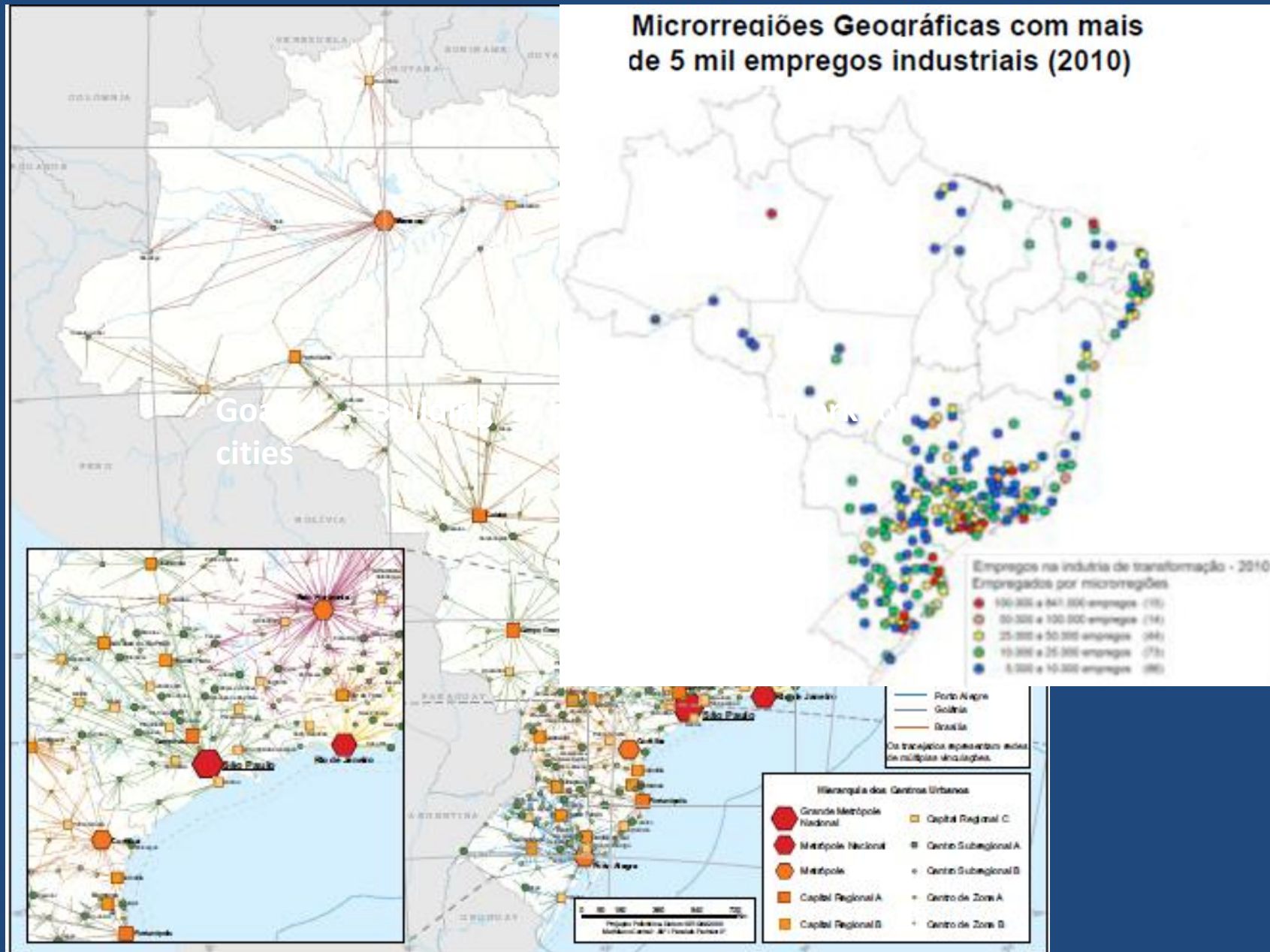
		▲ PIB	
		<Mediana	>Mediana
RDPc	<50%	Renda Muito Baixa Estagnada	Renda Muito Baixa Dinâmica
	>50% <75%	Renda Baixa Estagnada	Renda Baixa Dinâmica

Goal 2 – Regional competitiveness and employment

Microregions that showed negative growth and those that grew at lower rate to 50% of the national average in the period..

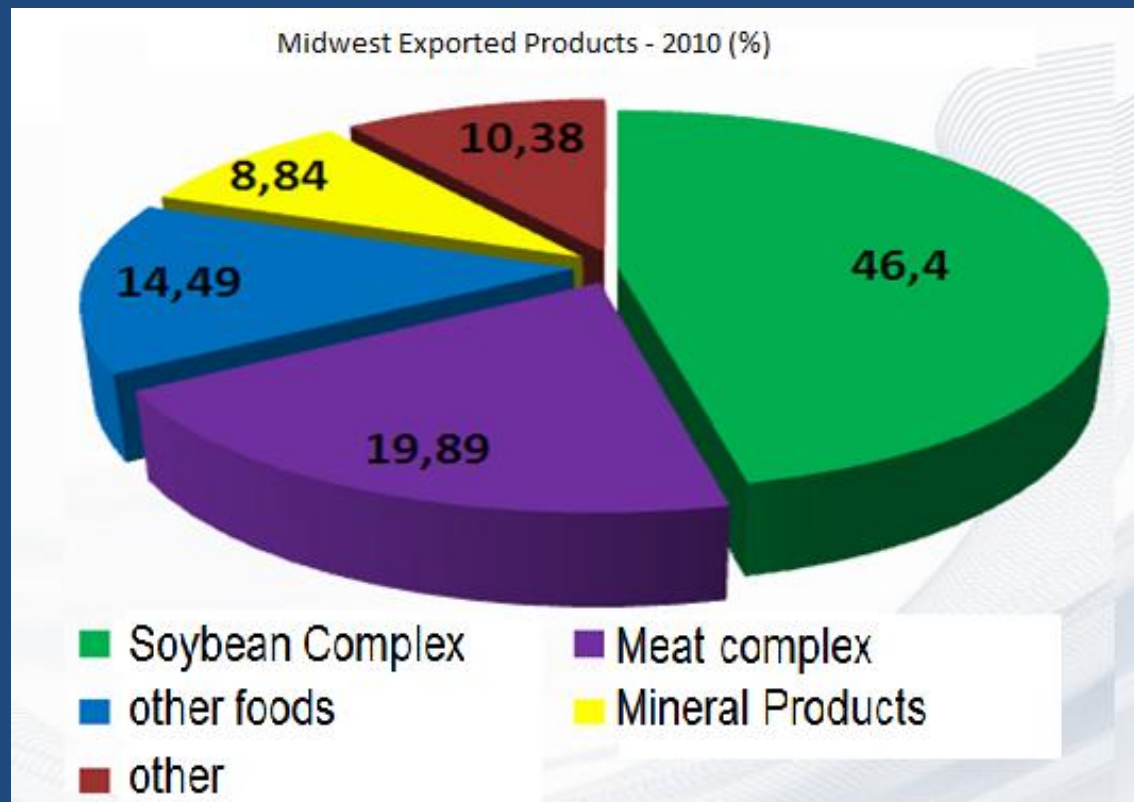


Goal 4 - Building a polycentric network of cities



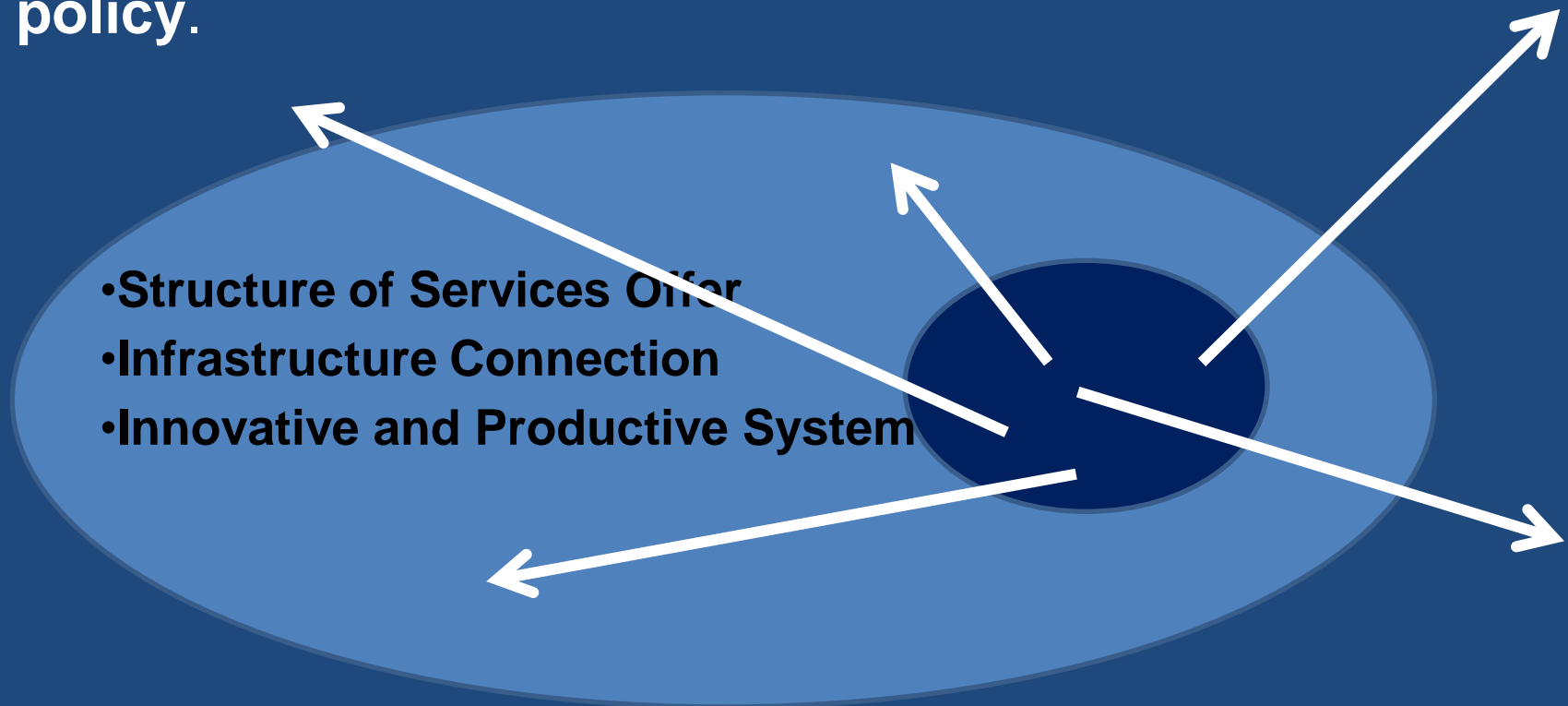
Goal 3 - Adding value and economic diversification

Areas with strong expertise in the production of agricultural commodities and / or mineral.



Polycentric Cities Network

Induction and strengthening new centers, expanding its capacity in terms of bias, control and organization of the territory, in line with the strategies of regional policy.



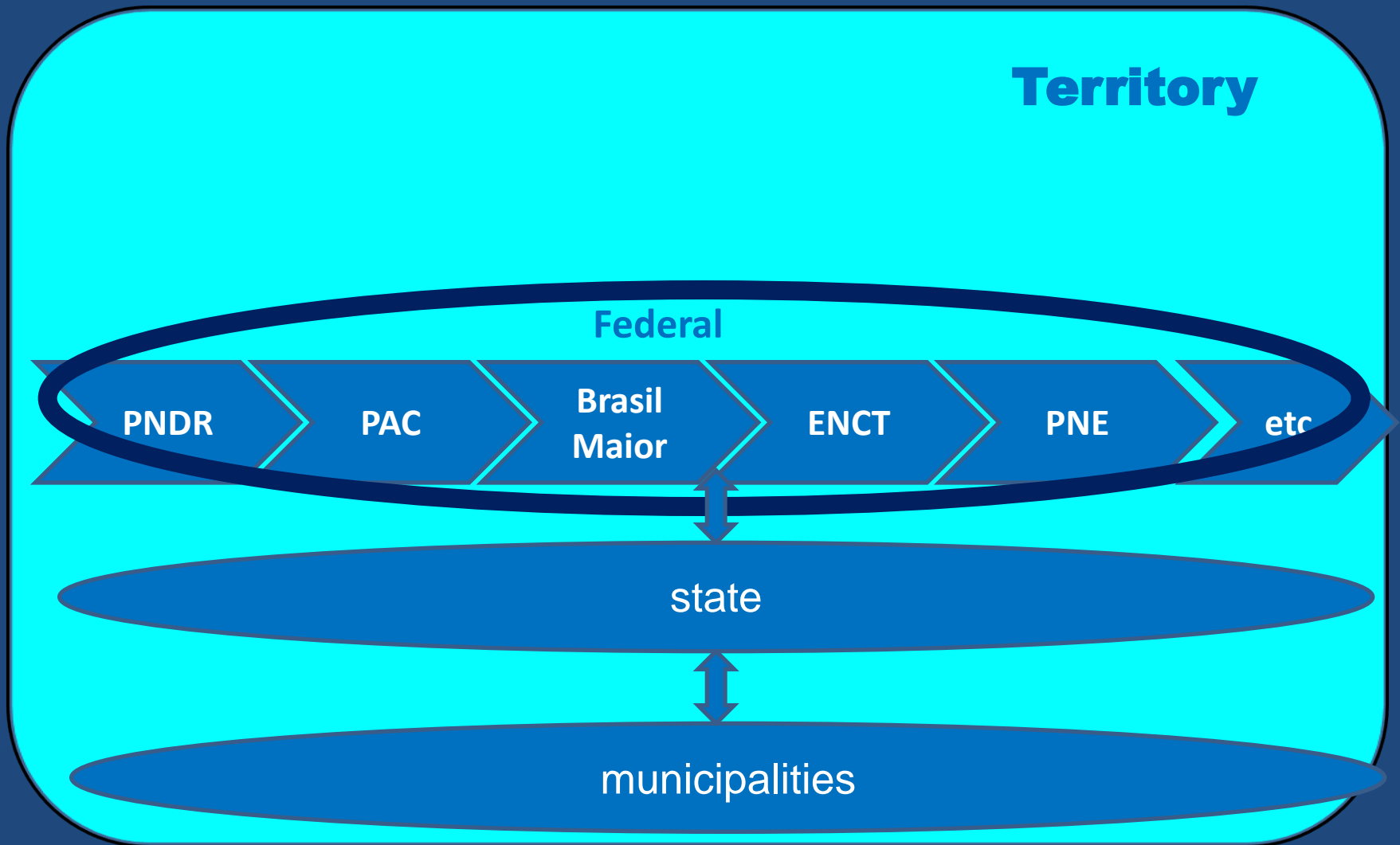
Special Priority - PNDR II



Axes of Intervention

- ☐ Education, Professional Development
- ☐ infrastructure
- ☐ Science, Technology and Innovation
- ☐ Productive Development
- ☐ Basic services (health, water, sewer, garbage)
- ☐ Sustainability

Targets Pact



Thank you for your attention!

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