

Ministério da Integração Nacional GOVERNO FEDERAL
BRASIL PAIS RICO E PAIS SEM POBREZA

Ministry of National Integration
Department of Regional Development

LIPS AND THE CHALLENGES OF NATIONAL AND REGIONAL INTEGRATION

Sérgio Duarte de Castro
Secretary of Regional Development

BRAZIL Ministério da Integração Nacional GOVERNO FEDERAL
BRASIL PAIS RICO E PAIS SEM POBREZA

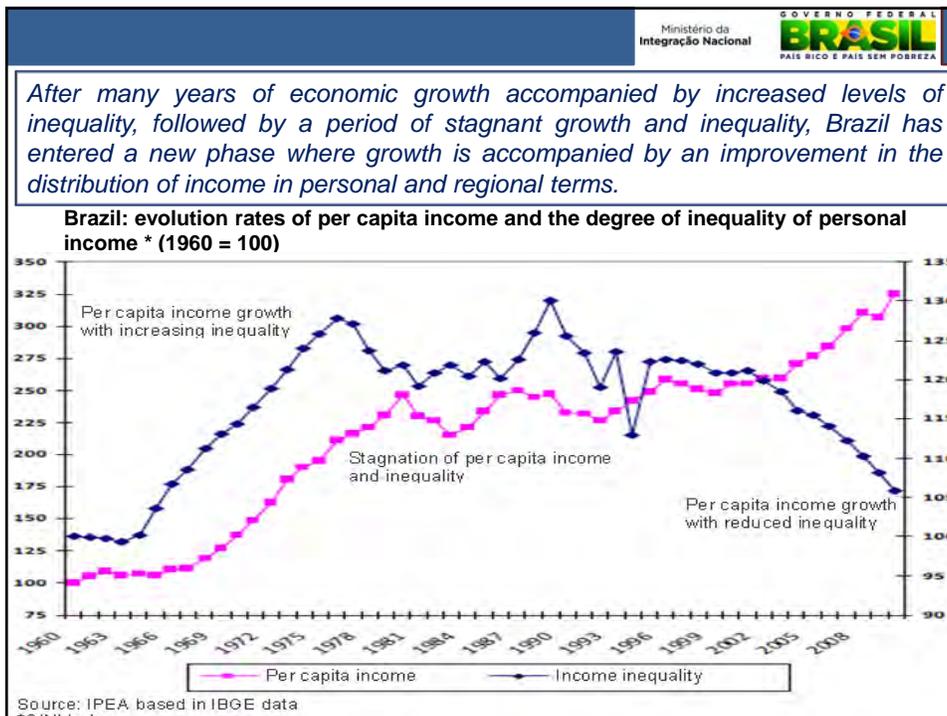
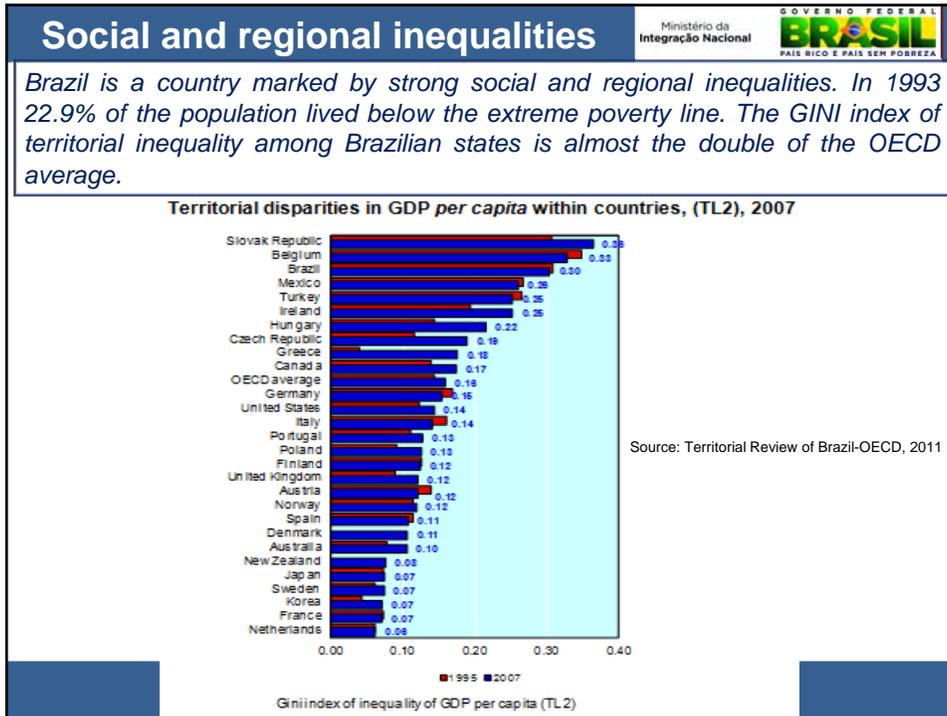
AREA
8.5 million Km²

POPULATION
190.7 million inhabitants
2010

GDP
US\$ 2.3 trillion
2011

EXPORTS
US\$ 256 billion
2011

The map displays the five major regions of Brazil: Norte (North), Nordeste (Northeast), Centro-Oeste (Central-West), Sudeste (Southeast), and Sul (South). It also labels various states and the Federal District, including Acre, Amapá, Amazonas, Pará, Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe, Bahia, Distrito Federal, Mato Grosso, Goiás, Minas Gerais, Espírito Santo, Rio de Janeiro, São Paulo, Paraná, Santa Catarina, and Rio Grande do Sul. A legend titled 'Regiões' provides the color key for each region.



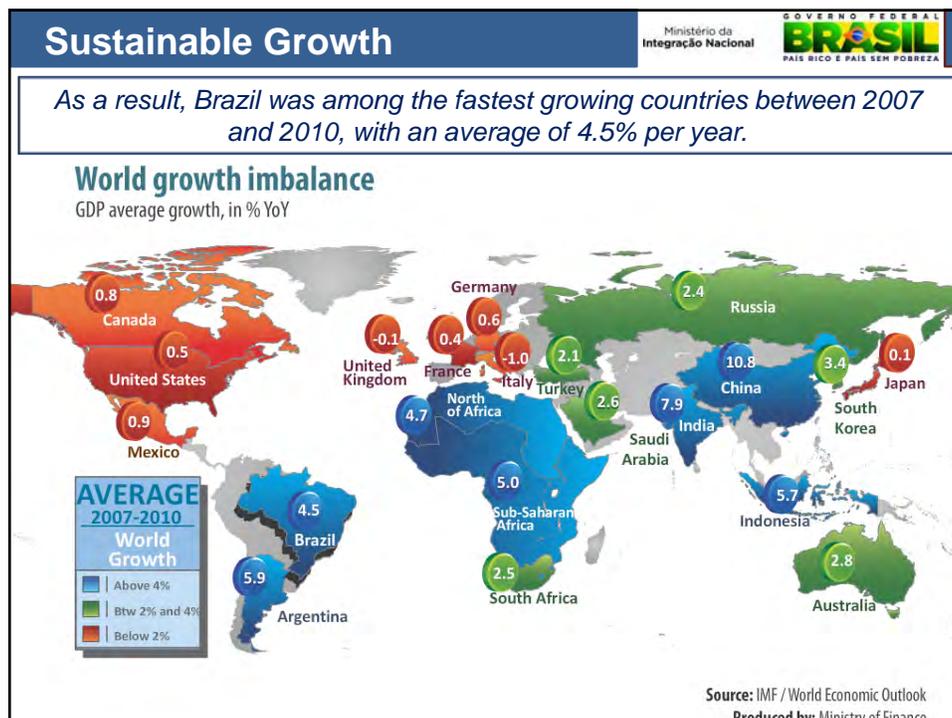
Ministério da
Integração Nacional

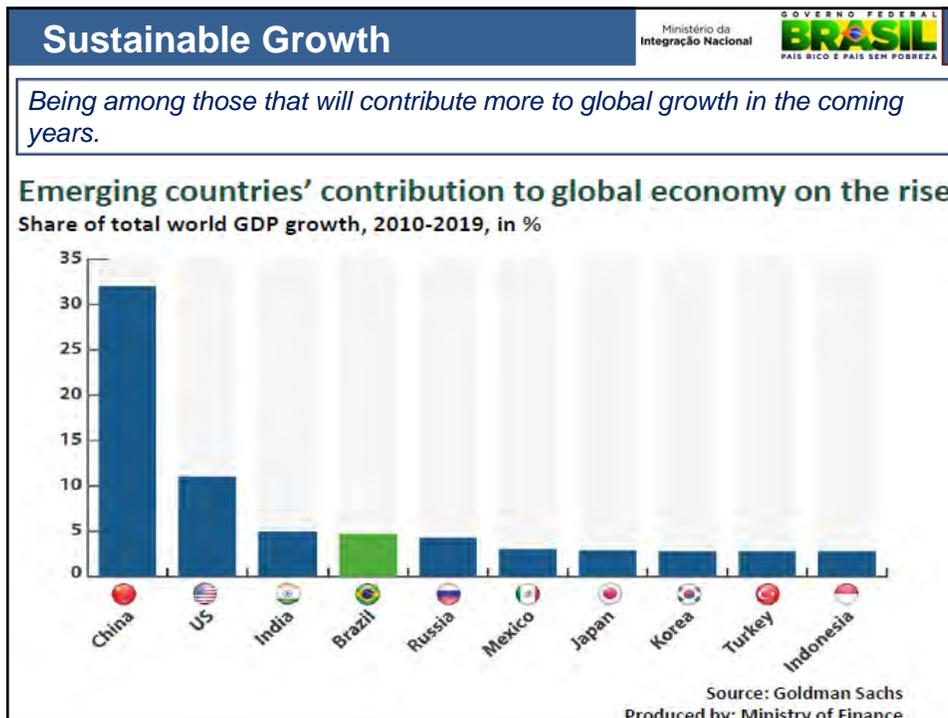
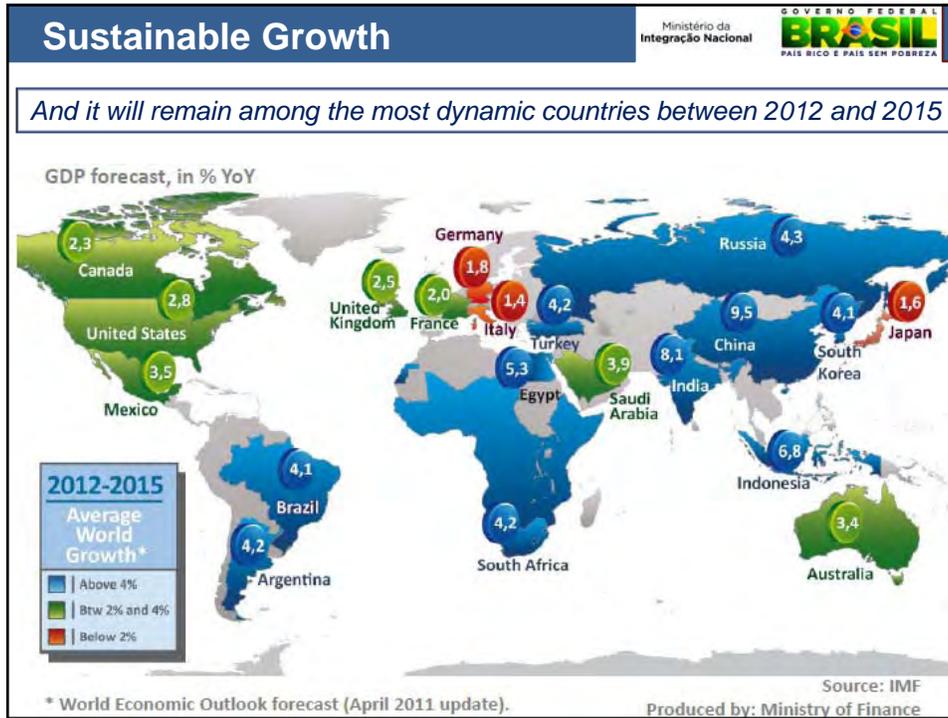
GOVERNO FEDERAL
BRASIL
PAIS RICO E PAIS SEM POBREZA

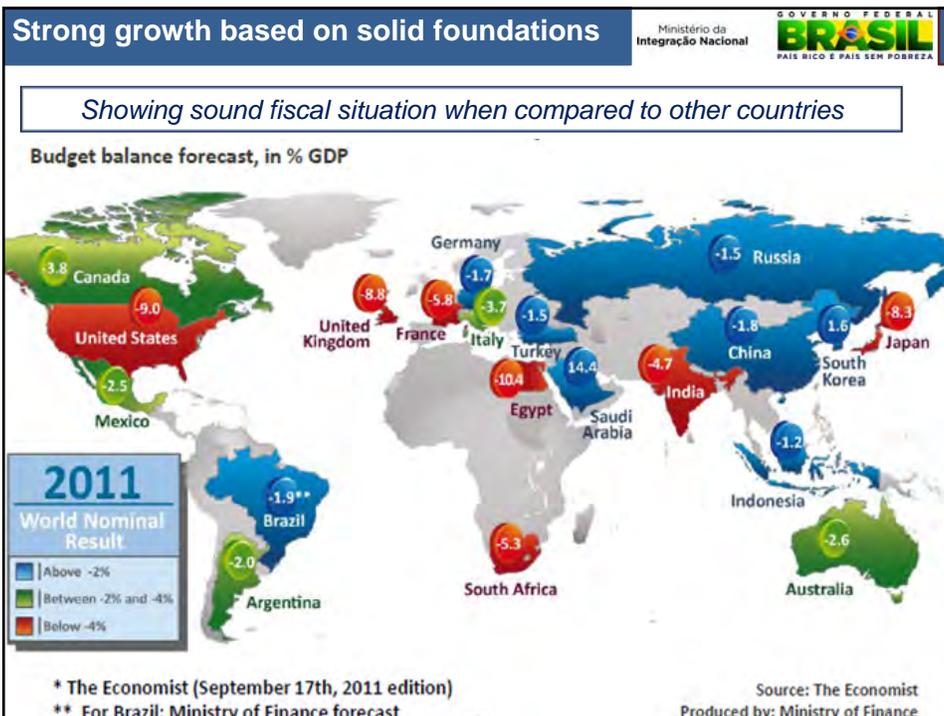
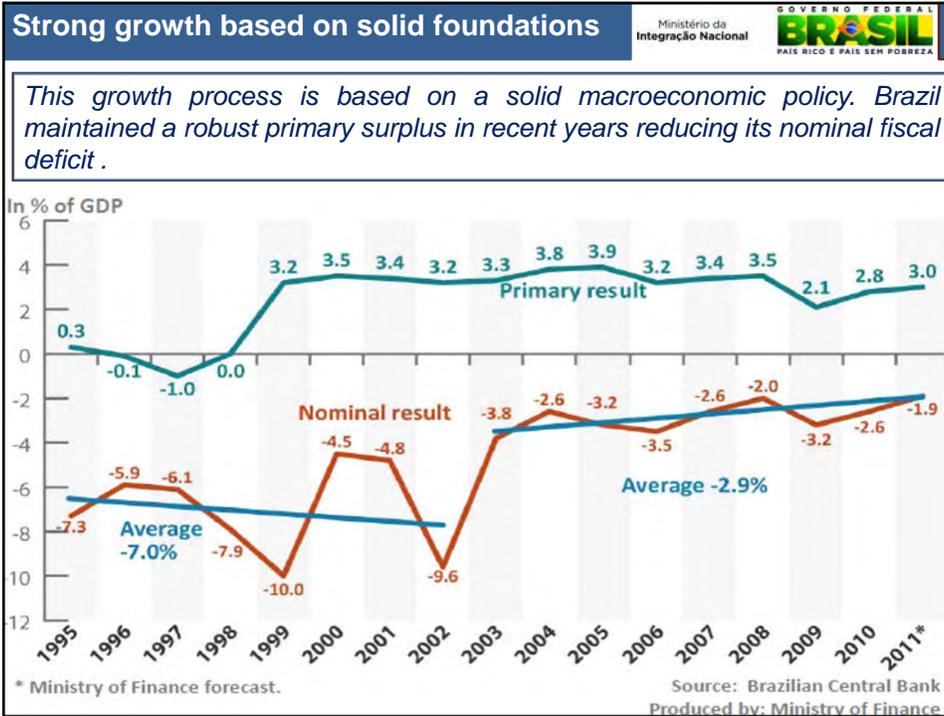
This new phase is a result of economic stability since 1994 and bold public policies, especially from 2003 when the government adopted a “growth with equality” development strategy based on an explicit pro-growth strategy balanced by aggressive social policies.

The strategy includes:

- Fiscal policy pursuing budget surplus and reduction of public debt.*
- Increase in infrastructure investments*
- Active redistribution policies*
- Policy for Regional Development*







Ministério da
Integração Nacional

GOVERNO FEDERAL
BRASIL
PAIS RICO E PAIS SEM POBREZA

To establish the infrastructure required for the process of development and to stimulate growth, the Brazilian government established the Growth Acceleration Programme (PAC, in portuguese).
This is a large programme of investment in the areas of logistics, energy and social and urban infra-structure. During the first phase, between 2007-2010, the programme invested almost US\$ 1 billion.

Brazilian investment plan – PAC 1 improved GDP growth
In US\$ billion

| PAC 1 - 2007-2010 | | | |
|-------------------|----------------|--------------|--------------|
| Projects | (US\$ billion) | | |
| | 2007-2010 | After 2010 | Total |
| Logistics | 48.9 | 44.7 | 93.5 |
| Energy | 179.7 | 515.6 | 695.3 |
| Social and Urban | 165.1 | 19.9 | 185.0 |
| Total | 393.7 | 580.2 | 973.8 |

* PAC – Growth Acceleration Program

Source: Ministry of Planning,
Budget and Management
Produced by: Ministry of Finance

Ministério da
Integração Nacional

GOVERNO FEDERAL
BRASIL
PAIS RICO E PAIS SEM POBREZA

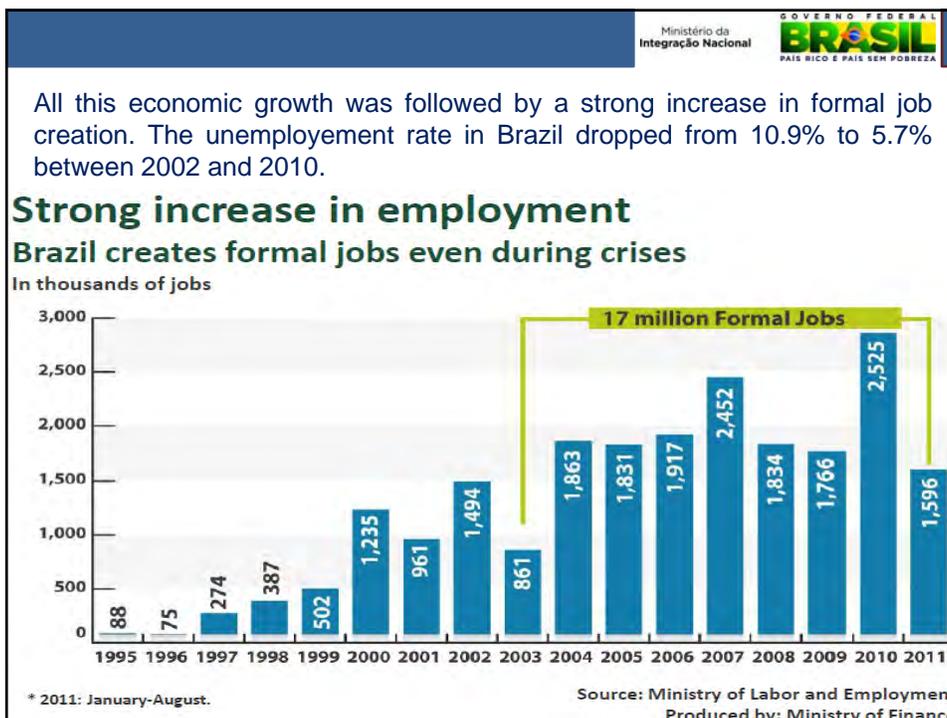
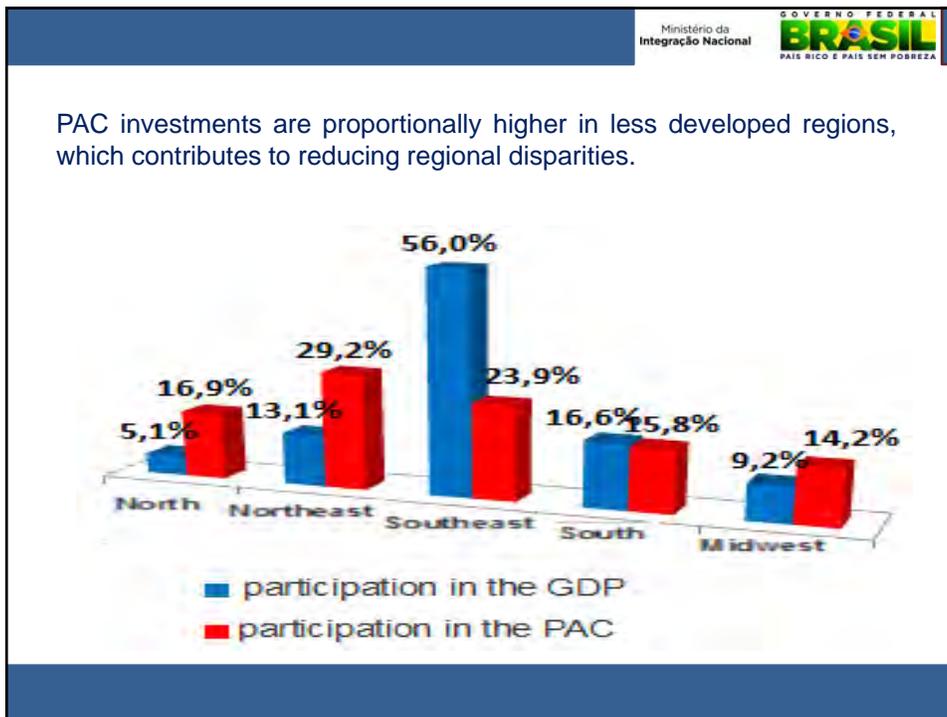
During the second phase (PAC 2), between 2011 and 2014, a similar level of investment will be made.

Brazilian investment plan – PAC 2 supports future growth
In US\$ billion

| PAC 2 - 2011-2014 | | | |
|-----------------------------|----------------|--------------|--------------|
| PAC Projects | (US\$ billion) | | |
| | 2011-2014 | After 2014 | Total |
| PAC Better Town | 34.2 | 0 | 34.2 |
| PAC Citizen Community | 13.8 | 0 | 13.8 |
| PAC My Home My Life | 166.6 | 0 | 166.6 |
| PAC Water and Light for All | 18.3 | 0 | 18.3 |
| PAC Transportation | 62.6 | 2.7 | 65.3 |
| PAC Energy | 276.4 | 375.4 | 651.8 |
| Total | 571.9 | 378.1 | 949.9 |

* PAC – Growth Acceleration Program

Source: Ministry of Planning,
Budget and Management
Produced by: Ministry of Finance



Strong Social Policy

Ministério da
Integração Nacional



One important aspect of the strategy is an active redistribution policy that includes:

- ❑ *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)*
- ❑ *Several innovative social programs such as Programa Bolsa Família. A benefits program that transfers cash to extremely poor families. It has transferred U\$ 9,3 billion in 2011, benefiting 13.4 million families.*
- ❑ *Increased Federal Social Spending which rose from 11.2% of GDP in 1995 to 12.9% in 2003 and to 15.4% in 2010.*

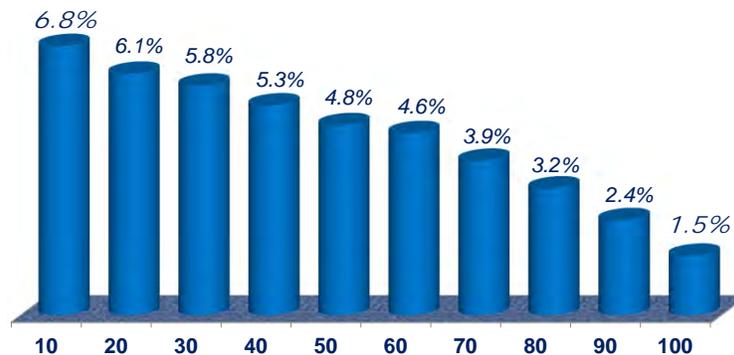
Income Distribution

Ministério da
Integração Nacional



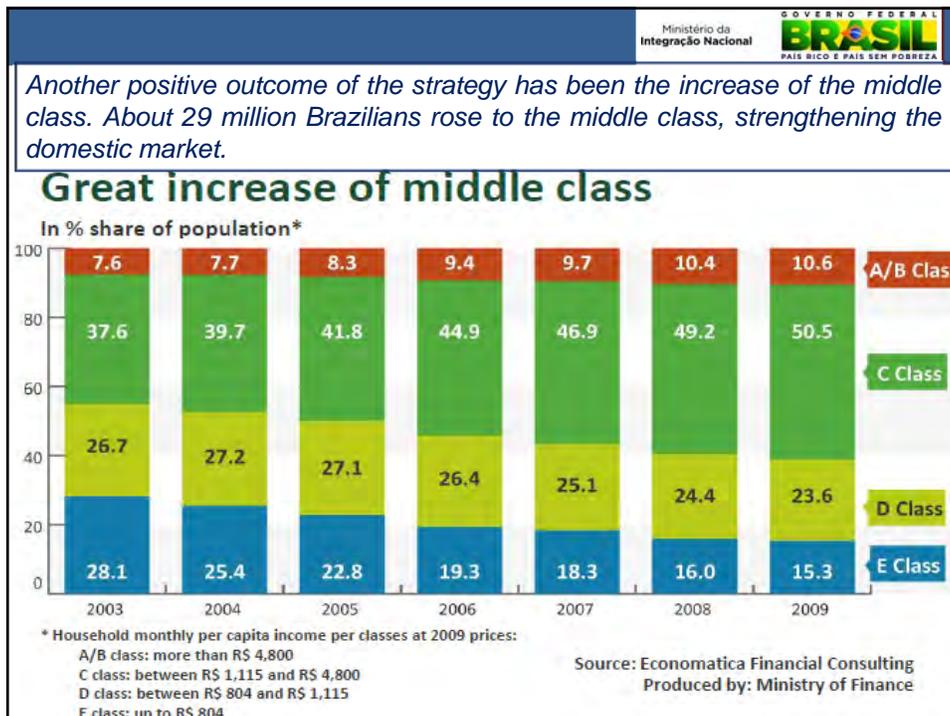
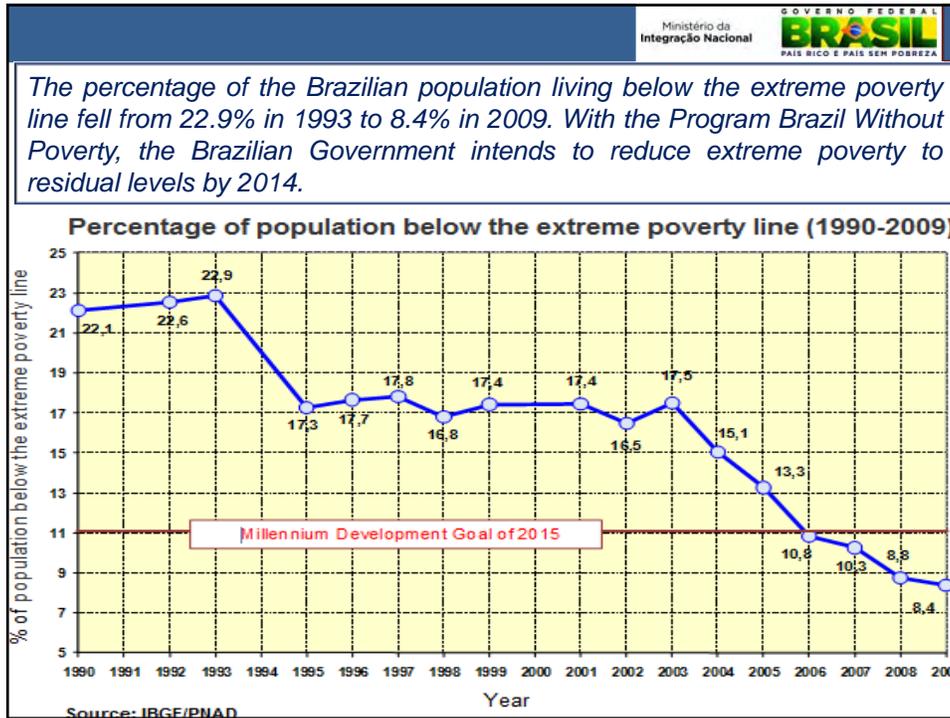
As a result of these policies the personal income grew faster in the poorest extracts, reducing social inequalities. Between 2001 and 2009 the income of the poorest 10% grew 6.8% while that of the richest 10% grew only 1.5%. The GINI index fell from 0.59 to 0.54 over the same period.

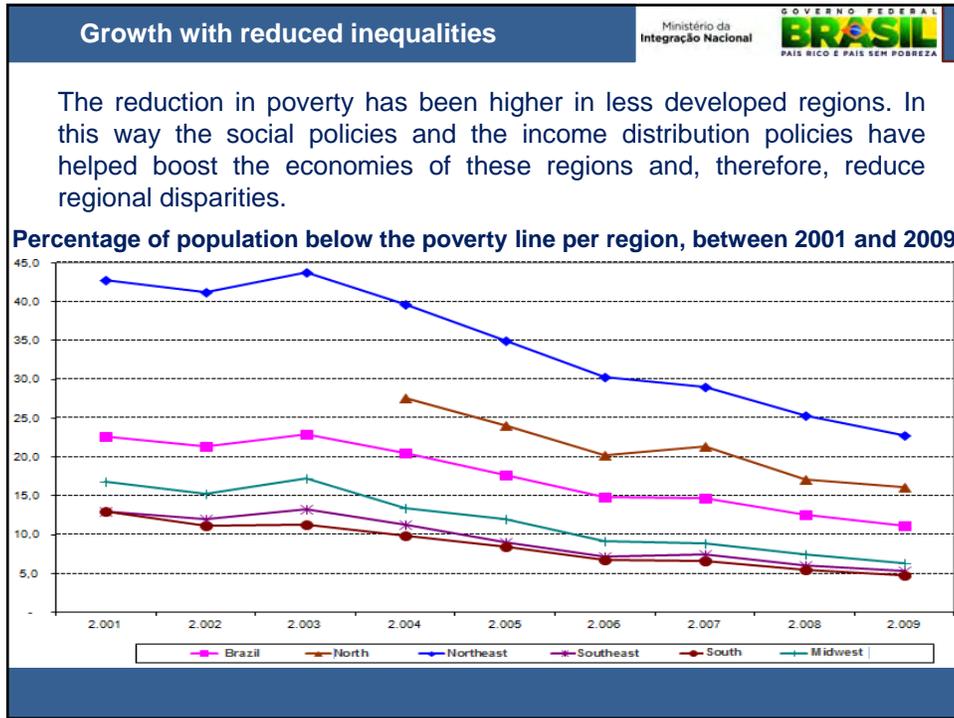
Variation of average income per capita, per income decile, Brazil (2001-2009)



Source: CPS/FGV based in PNAD/IBGE

Richer →





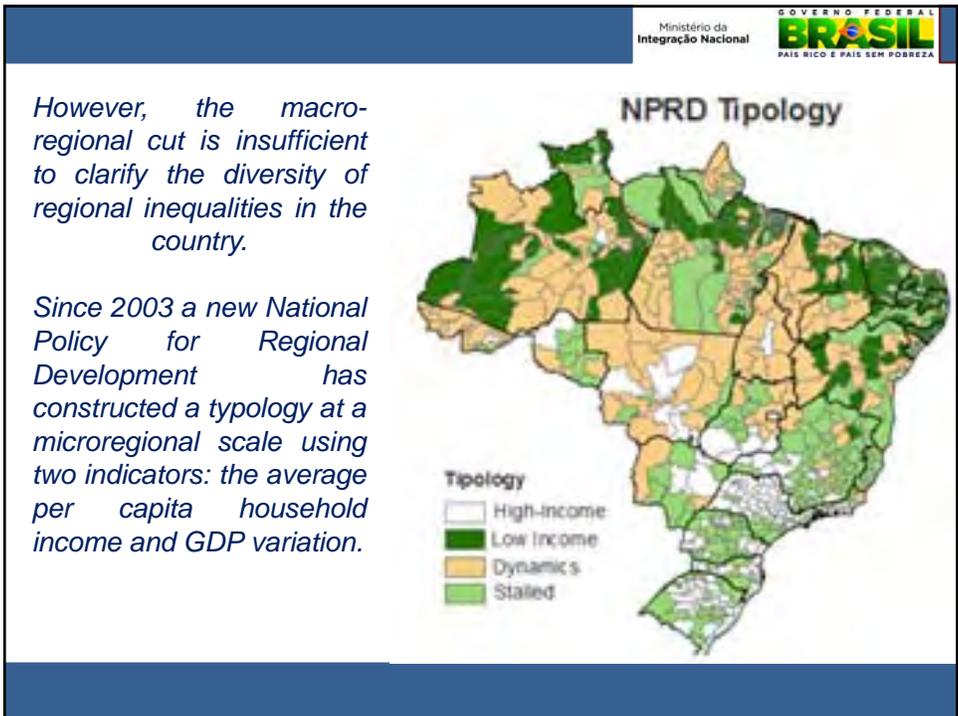
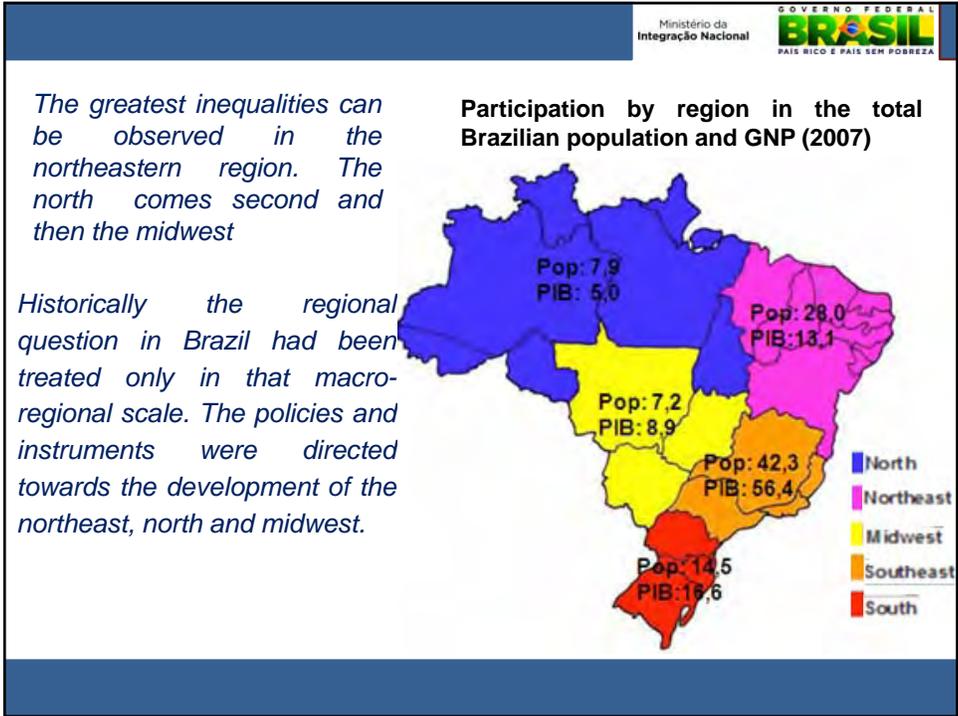
Ministério da
Integração Nacional

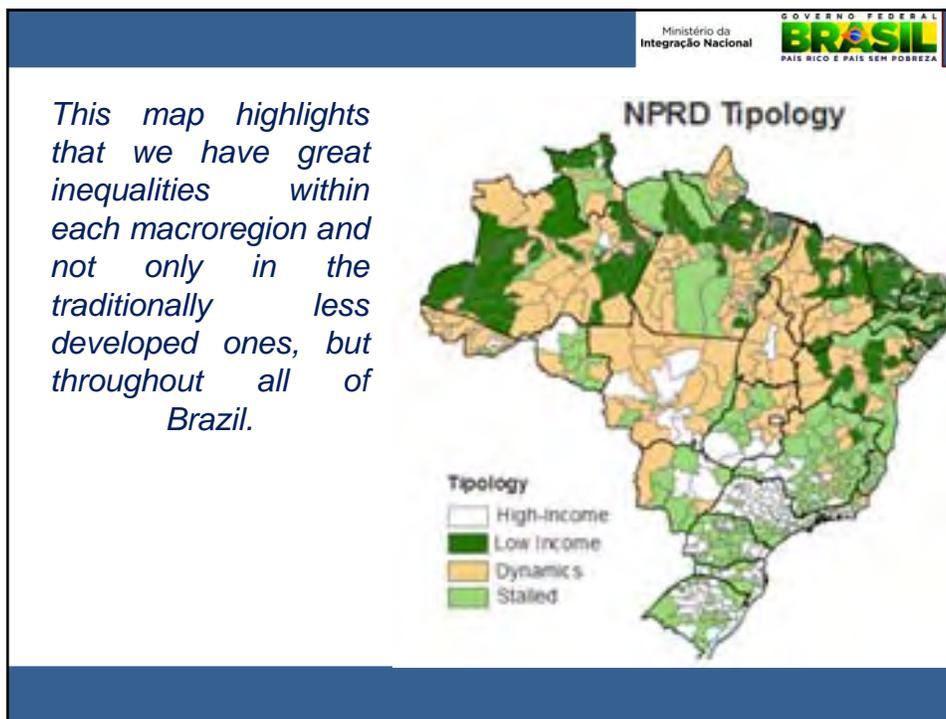


On top of the investments in infrastructure and social policies, the National Regional Development Policy made substantial resources available to finance new ventures, which contributed to promote reduction of regional inequalities. Those include:



- Constitutional Regional Funds (2004-2010): U\$ 39,7 bi
- Development Funds (2006-2011): U\$ 3,9 bi
- Tax breaks (2004-2011): U\$ 17,7 bilhões





Ministério da Integração Nacional

GOVERNO FEDERAL
BRASIL
PAÍS RICO E PAÍS SEM POBREZA

**National Policy of Regional Development -NPRD
a paradigm shift**

The National Policy for Regional Development represented a paradigm shift in the approach to regional policy in Brazil.

The changes that occurred were as follows:

First, with the changing from a macro-regional approach to a new vision including multiple scales, which recognize the need to design policies that are decentralized, coordinated and articulated at the national, regional and local levels.

Secondly, with the change from a Top Down vision, based on the attraction of large investments, with decisions taken by the Federal Government with low social control.

Which led to a Bottom Up approach, based on the identification and exploitation of potential development sites, with a focus on territory and participation of the local community in the formulation and implementation of policies.

Local production and innovation systems

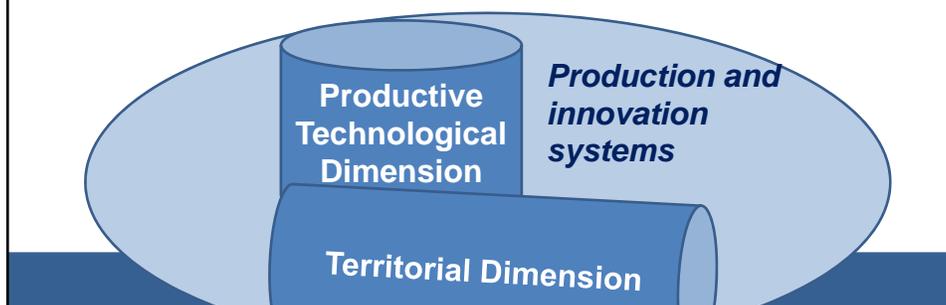
Ministério da
Integração Nacional



It's in this context that the approach of employing the concept of local productive and innovation systems –“LIPS”--are to be used in Brazilian regional policy.

This constitutes a systemic approach which combines the productive and innovative dimension, with a territorial approach.

This policy emphasizes the relationships between companies and different groups of actors seeking to build cooperative solutions. This stimulates the flow of knowledge and learning processes and values the geographical proximity and historical, institutional, social and cultural identities, considering them as sources of diversity and competitive advantages.



GTP-APL

Ministério da
Integração Nacional



The utilization of the LIPS approach in Brazilian public policy gained strength in the early 2000s. Initially used by the Ministry of Science and Technology and the Service for Support of Micro and Small Enterprises, SEBRAE, this approach quickly spread to other ministries and governmental and non-governmental organizations.

In 2004 the government created a Permanent Working Group for the Support to LIPS (GTP-APL in Portuguese), bringing together 33 governmental and non-governmental institutions. Additional similar units were organized in all 27 states.

GTP -APL

Ministério da
Integração Nacional

GOVERNO FEDERAL
BRASIL
PAÍS RICO E PAÍS SEM POBREZA

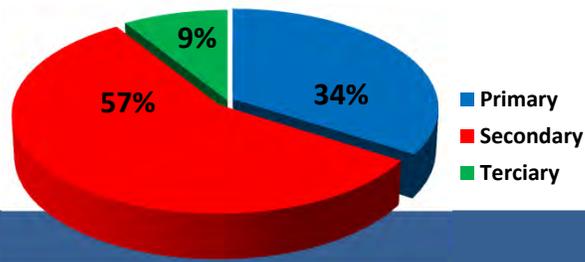
This Working Group was created with the purpose of:

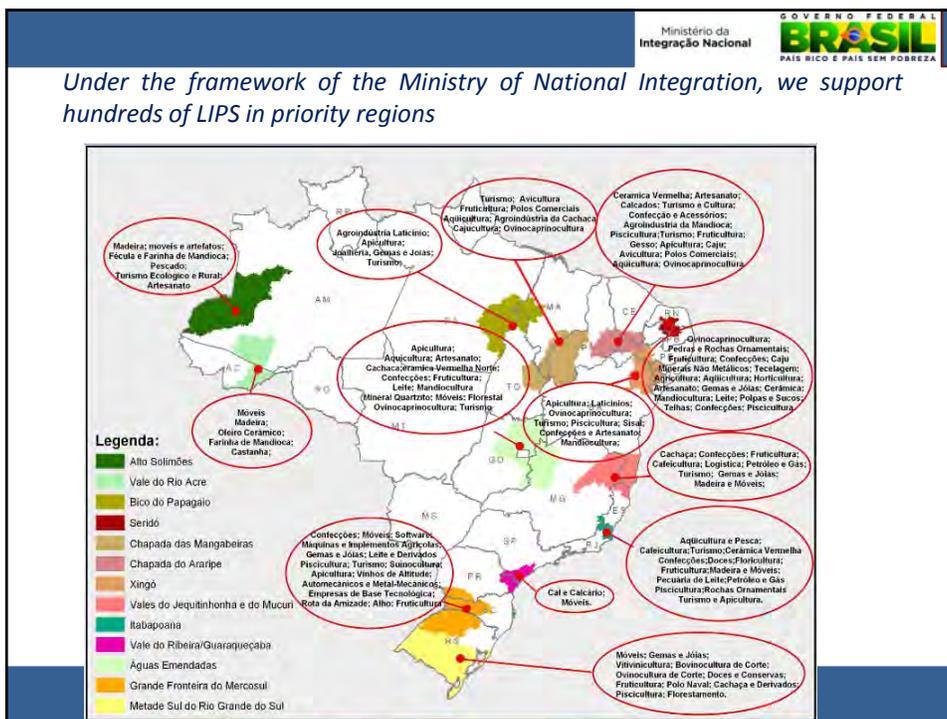
- Selecting the priority LIPS for support from the federal government from recommendations at the state level.
- Set criteria for joint government action to support and strengthen LIPS;
- Propose a management model for multisectoral actions of the Federal Government in support of strengthening local production and innovation systems
- Build an information system for managing support policies*

The GTP identified 1.359 LIPS were supported throughout Brazil in 2012, being 57% industrial, 34% with activities in the primary sector and 9% in the services sector. Of these, the GTP selected 267 to receive priority support from the federal government.

There are LIPS being supported in many different segments such as: aerospace industry, automotive, information technology and biotechnology, some in services like tourism, health and other, but mainly in more traditional sectors such as clothing, footwear, furniture and small agro industry. with strong participation of micro and small firms and in many cases with a high level of informality.

This policy has enabled organized and coordinated support to LIPS in traditionally excluded sectors and regions of the benefits of development policies.





Ministério da Integração Nacional
BRASIL
PAÍS RICO E PAÍS SEM POBREZA

A focused evaluation of 10 years policy and experiences in supporting LIPS shows that we made great advances:

- Evidenced in the number of supported LIPS
- Valuated the strategic importance of this new approach
- The incorporation of new actors, activities and regions that had been excluded from these policies
- The intensification of joint efforts and coordination of governmental and non governmental organizations in territories

Ministério da
Integração Nacional

GOVERNO FEDERAL
BRASIL
PAÍS RICO E PAÍS SEM POBREZA

However there are also some limitations in policy implementation, such as:

- A certain localism in actions that often do not articulate with broader strategies for industrial and regional development at the national and state levels. With specific actions for isolated LIPS
- For the most part it is not considered for action of local productive development / regional but as compensatory policy in areas with fragile economies and social risk
- An almost exclusive support for only agglomerations of micro and small firms
- An insufficient emphasis on learning and innovation
- A limited use of the approach to support settlements in the services sector

Ministério da
Integração Nacional

GOVERNO FEDERAL
BRASIL
PAÍS RICO E PAÍS SEM POBREZA

The lesson we learned from this first phase is the need to think over the long term and are therefore building a second generation of policies for LIPS in Brazil based on:

- Greater coordination between LIPS policies among local, regional and national levels, and a clearer alignment with national strategies around three major axis. Our Industrial policy, called Greater Brazil, the Brazil without Misery Plan, poverty eradication and the National Policy for Regional Development
- Increased focus on learning and innovation
- Greater systemic policies and able to cover actors with different roles in one or more segments and clusters of companies of varied sizes, respecting the specificities of each territory.

Ministério da
Integração Nacional

GOVERNO FEDERAL
BRASIL
PAÍS RICO E PAÍS SEM POBREZA

In an effort to advance to the second generation of policies under the National Policy for Regional Development, the Ministry of National Integration is working on three strategies to support LIPS in less developed regions:

- Support LIPS Networks for developing regional production systems*
- Support LIPS in the vicinity of large structuring projects*
- Development of LIPS in the Border Strip*

GOVERNO FEDERAL

LIPS Networks for development and regional production systems

Route of the Lamb

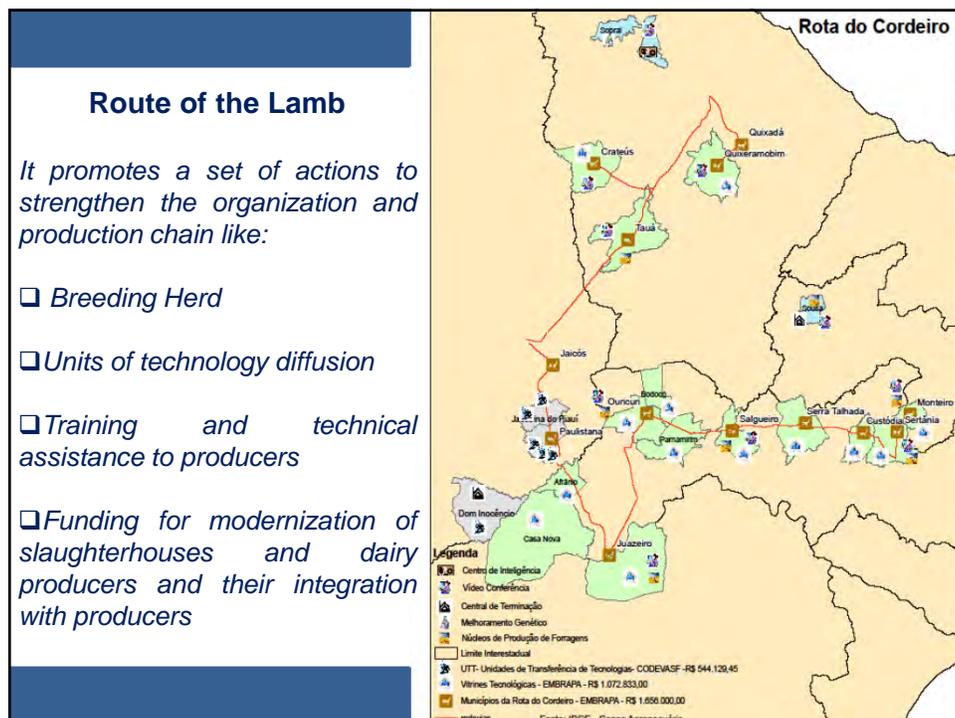
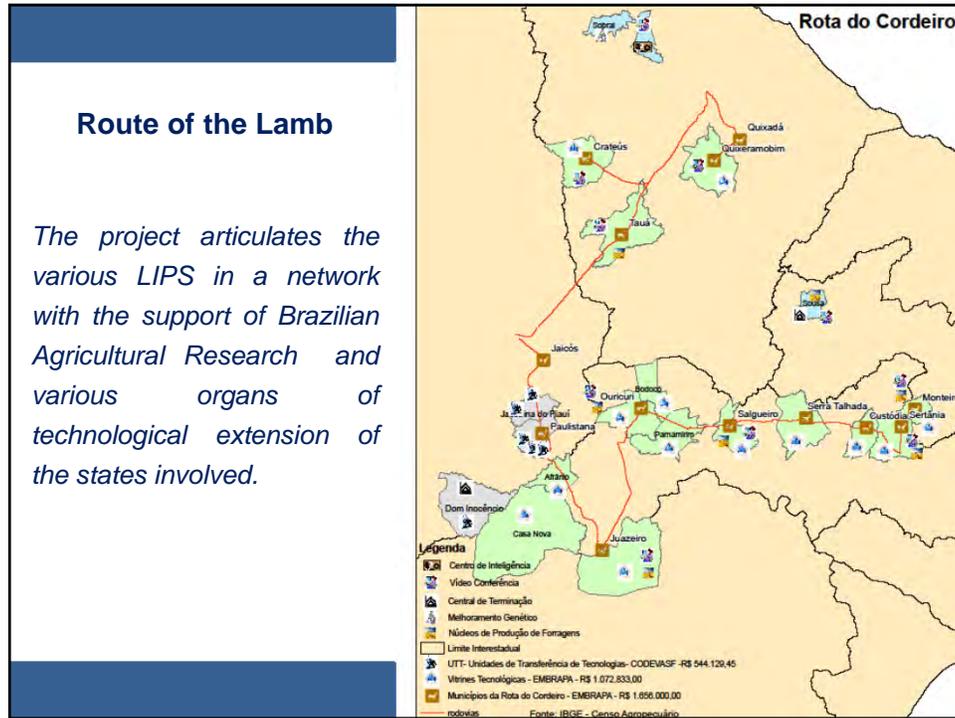
The Brazilian Northeast has a great tradition of Sheep and Goat Farming in the production of meat and milk. With several small communities with high rates of informality throughout the territory.

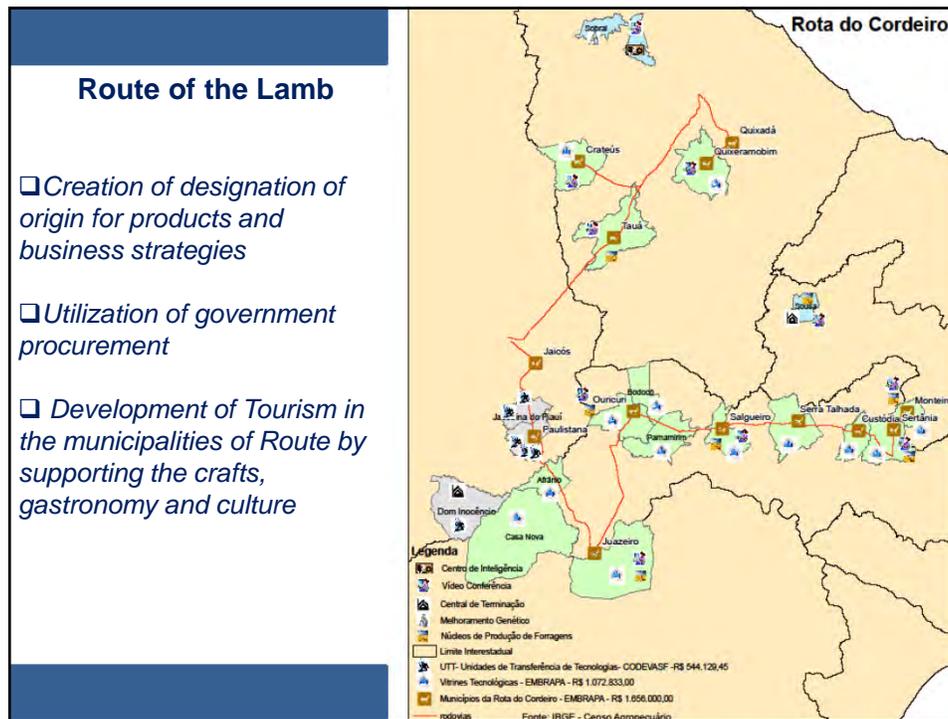
On the other hand, Brazil matter about 80% in sheep and goats' meat and milk consuming.

Legenda

- Centro de Inteligência
- Vídeo Conferência
- Central de Terminação
- Melhoramento Genético
- Núcleos de Produção de Forragens
- Limite Interestadual
- UTT - Unidades de Transferência de Tecnologias - CODEVASF - R\$ 544.120,45
- Vitrines Tecnológicas - EMBRAPA - R\$ 1.072.833,00
- Municípios da Rota do Cordeiro - EMBRAPA - R\$ 1.656.000,00

Fonte: IBGE - Censo Agropecuario





Route of the Lamb

Ministério da
Integração Nacional

We have several initiatives like this in other production systems in different underdeveloped regions in the country

The actions in each regional system are combined with the identification and articulation of various possibilities of systemic LIPs in each of the localities involved.

Including those associated with the provision of public services like education and health, with the goal of strengthening the local economy and productive inclusion in a perspective of sustainable economic, social and environmental development .

Ministério da
Integração Nacional

GOVERNO FEDERAL
BRASIL
PAÍS RICO E PAÍS SEM POBREZA

Support LIPS in the vicinity of large structuring projects

This in an action in partnership with BNDES. The strategy Helena already referred in the morning.

The goal is minimize possible negative impacts and take advantage of opportunities of strengthen of local activities in the vicinity of large infrastructure projects and large industrial investments structuring.

Vicinity of large projects - Transnordestina

Municípios nos Projetos:
 Ferrovia Transnordestina
 Transposição do Rio São Francisco
 Ambos (20 municípios)

Atividades Econômicas:
 Turismo, café orgânico e ovinocaprino
 Artesanato, redes de dormir, cerâmica vermelha, fruticultura e metal-mecânica
 Bordapiés
 Turismo religioso, calçados, jóias folheadas, pedras ornamentais e redes de dormir
 Confeições
 Turismo, TI, plásticos, madeira e móveis, cachaça, construção civil
 Floricultura, Madeira e móveis
 Avicultura
 Pecuária
 Ovinocaprino
 Cesso
 Hortifrut
 Apicultura, aquicultura, fruticultura
 Turismo, mel, ovinocaprino, mamona e artesanato

Ministério da
Integração Nacional

GOVERNO FEDERAL
BRASIL

Development of LIPS in the Border Strip

Brazil has a wide border strip

- ✓ 150 Km wide
- ✓ 15,719 Km Border
- ✓ 11 States
- ✓ 588 municipalities (122 bordering, 28 Twin Cities)
- ✓ 27% of national territory
- ✓ 10 Countries
- ✓ About 10 million people

Tipologia Básica das Sub-regiões da Zona de Fronteira

População das Cidades Gêmeas (1991-2000)
 • < 15
 • 15-50
 • 50-150
 • > 150
 □ Var. Não-Def.

Sub-regiões:
 I - Suriname
 II - Guayana Francesa
 III - Guayana Francesa
 IV - Guayana Francesa
 V - Guayana Francesa
 VI - Guayana Francesa
 VII - Guayana Francesa
 VIII - Guayana Francesa
 IX - Guayana Francesa
 X - Guayana Francesa
 XI - Guayana Francesa
 XII - Guayana Francesa
 XIII - Guayana Francesa
 XIV - Guayana Francesa
 XV - Guayana Francesa
 XVI - Guayana Francesa
 XVII - Guayana Francesa

Ministério da
 Integração Nacional
 

Development of LIPS in the Border Strip

Our border strip has low development indicators in Brazil and even lower in most neighboring countries.

And we have many social problems there, and in addition security problems: smuggling, drug and weapons trafficking, environmental crimes etc

Development Program of Border Strip
The core policy objectives

- Promote economic and social development in regions on both sides of common borders seeking the integration and activation of local potential
- Articulate investments in social and economic infrastructure to support the process of economic and population density of less dynamic regions of the boundary zone and the integration of South America.

The identification and support for LIPS, including transboundary systems, plays a key role in this program

Ministério da
 Integração Nacional
 

**Ministry of National Integration
 Department of Regional Development**

Sérgio Castro
Secretary of Regional Development

SBN Qd. 02 Lote 11
 Ed. Apex Brasil, Portaria B
 2º Subsolo
 70040-020 Brasília DF - Brazil

Fone: 55 61 3414.5619/5425
 Mobile: 55 61 9824-0464
 Fax: 55 61 3414.5711
sergio.castro@integracao.gov.br