

FIGHTING SOCIAL EXCLUSION

Local development, social protection and inclusion: Typology of selected initiatives in Brazil

Working Paper



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**Local development, social protection and inclusion:
Typology of selected initiatives in Brazil**

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1. Abstract

Local development is increasingly being included in the discussions on possible ways out of poverty for a significant portion of Brazil's population. This is not necessarily anything new as it is known that both social inclusion and job creation are linked to the local level; however, the possibilities and difficulties of the isolated transformation of the *local* into a privileged – if not exclusive – space in order to tackle inequality and unemployment should be examined.

Once it is understood that social exclusion has a broad and complex base of productive and reproductive motivations, the limitations surrounding the reductionist approach to exclusion and development concentrated at the local level can be understood immediately. Ever since the adoption of social therapies in the eighteenth century, the *local* has been losing identity in the fight against unemployment and its consequences generated by an enormous surplus of labour and the generalization of poverty.

With the territorial segregation of poverty, not to mention unemployment, the subject of social inclusion and employment has become extremely relevant within a national support policy for local development, inclusion and social protection. Therefore, we should advance with the considerations on the strategic role of the so-called local exits for exclusion and unemployment in Brazil.

Therefore, our study aimed first to examine the historical evolution of the treatment of social exclusion and unemployment in Brazil. Thus it was possible to understand the importance played by the construction of the national development project in building a Brazilian identity associated to developing enough productive forces to promote inclusion through the work of the masses.

Industrialization and urbanization in Brazil advanced considerably particularly between the 1930s and the 1980s; as a result the poverty and illiteracy levels which originally affected the rural population fell significantly, mainly thanks to a substantial increase in urban employment. However, this did not mean poverty and exclusion had been overcome. On the contrary, they became more complex and were generalized among several segments of the urban population, even in regions with the highest indicators of economic development.

After a quarter of a century with almost no national development plan, Brazil has been witnessing the emergence of countless and varied local development initiatives which ultimately test integration itself and national synergy. However, three broad and distinctive vectors for promoting the dynamics of the material bases of production are clearly visible in all of them, and their social consequences have yet to be revealed.

This research examined the local development initiatives for each of the three sub-national development patterns, so as to better identify their potentials and difficulties when tackling exclusion and the lack of social protection. In relation to the sub-national development pattern for agro-business, we see, for example, that it is hard to incorporate the mass of rural workers; family farming is almost the only alternative open to these people in order to survive. Our analysis of the northern half of the State of Rio Grande Sul permitted a reflection on governmental initiatives such as *Prorenda* and *Pronaf*; despite their influence in the local development of regions with small rural estates depending on family farming, very little progress has been made in social protection and inclusion.

Similarly, on the basis of results from initiatives in the capital of the Ceará State, an analysis was made of initiatives fostering local development by means of an agreement between government and business players where the focus was not entirely on reducing the cost of production. The potential and limitations were observed particularly in relation to social protection and inclusion

in the sub-national development pattern linked to the competitive insertion of the productive sector.

Finally, the possibilities and restrictions to fight exclusion and the lack of social protection were examined within the scope of the sub-national development pattern involving the investments in new technologies. There have been noteworthy social and economic advances in the initiatives fostering local development, particularly in the periphery of the city of São Paulo. In isolation, however, they are unable to stop the enormous gap produced by the wave of technological modernization (information and communication technology industries).

In short, due to its continental characteristics and enormous regional heterogeneity, Brazil provides an enormous opportunity for the diffusion of studies on local development initiatives. Although this is interesting and necessary, we should be alerted – *a priori* – to the importance for reference purposes of having a basic typology of local development initiatives that takes the potentials and constraints of inclusion and social protection into consideration.

This study aims to contribute to the formulation of this basic typology of local development, social protection and inclusion initiatives in Brazil. It can be used not only as a methodological reference for further research but also to compare the quality and quantity of the initiatives in the ambit of local development. Furthermore, it provides an objective platform for a new kind of public policy intervention.

The certain dissonance between the three different types of local initiatives taking place in Brazil, with diverging results in social protection and inclusion, is also indicative of the effort required to homogenize intervention measures. Similarly, there is an opportunity to construct a national policy supporting local development that is capable of bringing about convergence in terms of scale and results.

2. Introduction ¹

In the debate on local development, there often tends to be a somewhat stereotypical view of the paths that must be followed. Without considering the national perspective, signs of clear and healthy competition between territories becomes important in the search for better economic and social results.

In other words, there is a return to the famous Ricardian *law* (David Ricardo, 1772-1823) of the 19th century in which development resulted from the potential provided by comparative advantages of the different territorial spaces. In the case of more recent concerns for local development, the micro-economic assumptions of the individual decisions made by economic agents have also been used, when the focus of an undertaking should essentially follow the competitive differential of the local space.

Because indigenous development has been an exception to the rule, it must be asked how far inclusion and social protection can be generalized, particularly when the construction of local development may involve the destruction of others where there is inter-territorial competition within the same country.

That explains why our research ultimately seeks to understand the national question as well as the current repercussions resulting from the lack of a national development project in the midst of a profusion of local development initiatives. Hence, this final report provides the basis for constructing a typology of three selected local development, social protection and inclusion initiatives.

The study consists of six complementary parts. The first two provide an abstract and general introduction while the third gives the background to the Brazilian context in which numerous and distinct local development initiatives are springing up across the country. Given the scope and heterogeneity of the cases identified by distinct bibliographical references and specialized databases on this subject, the fourth section makes a more far-reaching reflection on the perspectives for forming sub-national development patterns in Brazil.

Thus, the fifth part is able to analyze the common characteristics of the nature, origins and evolution of groups of local development initiatives, as well as how they relate to social protection and inclusion. Finally, the sixth part presents some concluding comments on the research in general, as well as some recommendations.

¹ This paper is a national report for Brazil based on case studies and recommendations of the author in the context of the development of resources for a training program on Integrating Local Economic Development and Social Protection for CIARIS – LEARNING AND RESOURCES CENTRE ON SOCIAL INCLUSION.

3. General characteristics of the national development pattern

The historical formation and constitution of the Nation State of Brazil has been marked by significant changes and social, political and economic readjustments in the interior of the national territory. For example, on the eve of national independence in 1822 two thirds of the country's total population, estimated at 1.1 million people, lived in the north and northeast and people of negro and mixed race represented 74 per cent of the total inhabitants.

Just one hundred years later, the north and northeast had only 40 per cent of the total population which exceeded 20 million people and just a third of the resident population were of negro and mixed race. By the start of the 21st century, the population had exceeded 180 million people; one in two Brazilians are now either negro or of mixed race and just one third of the population live in the north or northeast regions of the country.

Parallel to this evolution in the occupation of the national territory and composition of the population, national development has also been accompanied by significant political and economic movements. The reflection – albeit brief – of the most important characteristics of the trajectory of national development provides an understanding of the real dimension, possibilities and limits of the current local development initiatives underway in Brazil.

Three aspects of the historical path towards development in the national territory are therefore presented. We begin with the origins of the constitution of the Nation State, when the lack of integration of national development nuclei was associated to the image of a “territorial archipelago”. Later, and for a period of fifty years during the cycle of national industrialization, the unleashing of industrialization and urbanization rooted the national space on the concentration and decentralization of the development of the national territory.

Finally, the last 25 years are presented from a distinct perspective in which the rash of the local development initiatives seems to occur in the face of the nation's poor systemic integration. As a result, a veritable myriad of local development initiatives has been emerging although it has not yet achieved national convergence superior to the current situation.

3.1. From the “archipelago” to the national development project

The formation of an internal market in a specific country can correspond to the construction of a nation, at least from the economic perspective. This is why the explanations of the wealth of nations (from Adam Smith to Marx) concentrate on national specificities for development on the basis of the internal market, natural resources, skilled work force, education and technological innovation among others.

In addition to economic aspects, emphasis should be given to the fact that the notion of development is linked to the concepts of a nation's homogeneity and autonomy. While homogeneity tends to be constituted within the social structure (domination and conflicts inherent to social stratification), the concept of autonomy is bound to the regulation pattern between private and public segments and organizations (Monteiro Neto, 2005).

In the case of Brazil, the basis for national development originated from the strength of localism linked to the production cycles for export; these were ultimately responsible for regional groups being formed which had little to do with the internal market. Therefore, there was a kind of cumulative process for each economic cycle, such as sugar in Brazil's northeast region, and later gold in the Minas Gerais region and part of the central west, among others, which led to a deepening division of labor throughout the colonial economy. (Brandão, 2003).

Just as the territorial border moved in accordance with the economic advances which permitted the occupation of more regional spaces, an economic structure was accepted which was dependent on external dynamics and single crop farming on large agrarian estates, monocultures and forced labor (Santos, 1985; Abreu, 2000). Even with national independence, this formation of centers with distinct economic activities for export continued in the regional space and did not result in national integration.

In short, the varied range of jobs and production moved in enclaves which were determined exogenously and with no significant internal connections, and their advantage of efficiency was not reproduced in the national economy as a whole. Besides representing the contrary to autonomous development, it deepened structural heterogeneity (Pinto, 1976; Cardoso & Faletto, 1970; Lessa, 2001).

As a result, the national integration process was weak because there was almost no internal communication between the different parts of the economy and there was not even a national labor market. Hence, this favored the diffusion of local complexes run by regional oligarchies that had direct links with the exterior.

For example, while the economic expansion of the north region concentrated on the production and export of rubber and pepper, the northeast region depended on the local production of sugar, the centre west on mineral exploration and export and lastly, the southeast on the production and export of coffee.² All this undoubtedly contributed even more to hindering the construction of unity and national development.³

In this context, the control of the nation was balanced in the Emperor's capacity to reconcile with local powers, as slavery was a key political element of the national units. So much so that the end of forced labor in 1888 coincided with the breakdown of the Emperor's political regime, 66 years after national independence.

Hence, the first ten years of the Republic were accompanied by enormous political and economic instability. Unable to form a Republican party at national level, the regional oligarchies' opposition continued to prevail and their rules of domination determined that there was to be no federal interference in the dominant powers established at local level.

The failure of the proposals for the centralization of the Republican State at the end of the 19th century was evident in the pact consolidating the power of state governors made by Campos Sales in 1898 and which lasted 31 years. With the complete federal autonomy of the regional oligarchies, liberalism prevailed sponsored by the elites from the states of São Paulo and Minas Gerais (the *coffee with milk* policy, respectively); this resulted mainly in the reproduction of regional differences being maintained as a form of ensuring territorial unity in the national space. It should be said that this unity did not produce integration, only greater heterogeneity which was indispensable to the main exporting activities; in short, this resulted in the idea of the "territorial archipelago".

3.2. From concentration to the decentralization of the national movement

With the Depression in 1929, the primary-exporter model that had prevailed since colonial times went into a severe crisis, burying with it the basic rules of fraternity that derived from a true federation of local oligarchies. The 1930 Revolution was led by the Liberal Alliance which

² For more detail see: Furtado, 1977; Prado Jr., 1979.

³ On this, see: Chacon, 2001; Diegues, 2004; Machado, 1980.

included secondary factions of the oligarchies and urban bourgeoisie interested in greater participation and political, economic and social reforms; this ultimately gave rise to an alternative means of national development that was no longer strictly dependent on the expansion possibilities of the international economy, but was linked more to the advances in the internal market.

The politicized pattern of capital accumulation resulted from a significant concentration and centralization of local power in the central State, which at the same time was accompanied by regulation and increased state bureaucracy and economic control. On adopting the industrialization and urbanization project, the national territory – marked until that time by truly regionalized economic and social expansion – rapidly started to become integrated, and there was growing convergence of political and social support from the federal government. During the 1930s and 1970s, the country stood out for its structuring of the State and the diffusion of public policies which were absolutely vital to strengthen its national internal market.⁴

With the unleashing of industrialization, the national economy was able to put an end to its heavy dependence on the exterior. Between 1930 and 1955, for example, national industrialization continued to be constrained by the export of primary products, bearing in mind the internal effort to replace the import of more processed industrial products.

But from 1956, industrialization advanced rapidly with the *Plano de Metas* – Target Plan of the JK government (1956/61) which was completed in the 1970s with the adoption of the second National Development Plan (1974/78).⁵ In short, the social and economic integration achieved in the national plan was an outcome of very distinct governments, even in periods of authoritarian regimes (1937/45 and 1964/85), systematically renewing their commitment to macroeconomic policies based on expanding industrialization.

Despite this, it should be noted that national integration was greatly affected by the strong regional concentration of the productive structure. The southeast region for example absorbed the largest proportion of investment in production, and produced mainly industrialized goods aimed at meeting the needs of the national internal market.⁶

The economic expansion of the southeast region was like a kind of national industrialization locomotive that was ultimately the greatest driver of growth in the internal market. This was because Brazil's most industrialized region was specialized in meeting the demand of the national internal market, which indicated a direct correlation between regional and national economic and social dynamics.

To a great extent, the national development project was made viable by the politically imposed reproduction of heterogeneity, as only economic growth and political centralization could provide the necessary conditions to overcome the obstacles linked to the diversity of local powers. At least until the start of the 1960s, this was the only reason that the industrialization project – based on the rule of inequality as a political viablization strategy – fell captive to its own contradictions (Fiori, 2003).

As industrialization and urbanization advanced, radical changes took place in the internal composition of national wealth and this had with a serious impact on the base and strength of local powers. In the re-articulation of the new and old bases of the domination pact, the State

⁴ On this see: Draibe, 1985; Haddad, 1985; Pereira, 1981.

⁵ See more in: Mello, 1980; Tavares, 1985.

⁶ For more extensive reference see: Cano, 1985; Dowbor, 1982.

played the combined role of arbitrator on the economic losses and gains from the value of money and settler of conflicts between the widely diverging local interests.

As a result, between 1930 and 1962 the dynamics of commercial integration prevailed, strengthened by the forming of an internal national market led by the rising industrial economy, particularly in the state of São Paulo. But thereafter, national integration became a more important driver of production, with relocation from the more industrialized regions to the other regions.

Both the promotion of regional development policies (creation of development agencies and regional and state banks for the northeast, southeast and central west regions) and the central planning of regional development (setting up of national development plans) contributed to this and were largely responsible for the advance of the productive structures in the peripheral regions of Brazil. The different investments in extending the road network and infrastructures in various regions of the country also had a positive impact.

Until at least the mid 1980s, there were significant indications of the decentralization of national development. Despite rapid economic growth of almost 7 per cent a year, Brazil has continued to experience considerable productive and social heterogeneity even though an important social protection and labor regulation system has been consolidated nationally. Positive aspects include the movement towards structuring the labor market (strengthening salaried and protected work) and the increase of organized representation of trade union and political interests.

3.3. Fragmentation and specialization of national development

The national development experience ended after severe constraints caused by the serious foreign debt crisis and the subsequent adoption of the recession inducing policy measures for the adjustment of the Brazilian economy at the very start of the 1980s.⁷ With the shattering of the old pattern of national development, average annual growth rates of Brazil's Gross Domestic Product started to be slightly higher than population growth (around 2.6 per cent each year), which has been characterised by the semi-stagnation of national income *per capita* over the last 25 years.

Simultaneously, this semi-stagnation was accompanied by significant changes in the State's role and its public policies. When the medium and long term national and planning policies were abandoned, they were followed by greater emphasis on sporadic and short term policies owing to the emergence of a number of serious problems such as hyperinflation, external and internal debt, weaknesses in the Balance of Payments and the public accounts imbalance.

In this general framework due to the poor expansion of the national economy, social problems became even greater and more complex. On one hand, there were general signs of the de-structuring of the national labour market, with a strong rise in open unemployment and increasing transfer to informal employment.⁸

On the other hand, the advancing social polarization resulted from the steady removal of the traditional work posts of the middle classes along with the increase in low paid work and income

⁷ The discussion on the nature of the national crisis of the development standards can be found in: Mello, J & Belluzzo, 1983; Fiori, 2003; Furtado, 1995.

⁸ On this subject, see Proni, & Henrique, 2004; Moretto, A & Pochmann, 2005.

generated from financial earnings. Lastly, the halt in the evolution of the *per capita* income was also accompanied by measures repeatedly taken in order to adjust government finances.⁹

The adoption of a fiscal adjustment regime generally led to greater social imbalances because it penalized public spending in response to social needs. This was often because precedence was given to meeting contracts on the public-finance debt contracts instead of social commitments (employment, poverty, and welfare, amongst others).

With the exception of occasional fluctuations and in spite of the persistence of the fiscal adjustment, the public sector debt remained at roughly 50 per cent of the Gross Domestic Product (GDP). Generally speaking, it was understood that the continued imbalance of public finances resulted from the more general trend of restructuring of assets, produced by large enterprises in the private sector that saw no perspectives of a national plan that would significantly expand the accumulation process of productive capital.

In that sense, it can be said that there was a structural aspect to the dynamics of the national economy which transformed the public sector into the producer of a new financed wealth, privately appropriated by means of property rights of securities which burden public debt. Therefore, in order to account for the property rights generated from the results of financial accumulation, it became imperative to implement a regular adjustment standard in public finances; ultimately this had a perverse effect for the vast majority of the population excluded from the financing cycle.

This is because the adjustment standard of the public finances represented an increase of the tax burden which had a proportional affect on the poorest, the relative containment of social spending, the de-linking of social tax revenue and the targeting of expenditure on assistance-based actions much more than on the universalization of goods and public services to the whole population. In short, the government policies as a whole caused the expansion of the national internal market to be relatively contained.

However, the country eventually moved towards a new mode of international insertion. Between 1981 and 1983, for example, the effect of measures aimed at export adjustment was to contain domestic consumption and also to develop exports and this made a decisive contribution to generating a positive balance of trade until the mid 1990s.

Between 1995 and 1999, however, there was a deficit in the country's balance of trade. Inflation was tackled by adopting an exchange-rate policy to valorize national currency, but this led to the destruction of some of the links of the domestic production chains which were unable to keep up with the rapid and careless opening of trade, labour, finance, production and technology which took place in the country throughout the 1990s.

Furthermore, the persistence of the national policies of exchange-rate valorization and the promotion of high real interest rates, unaccompanied by active trade, agricultural and industrial policies had a number of effects which were not always positive from a regional/local geographical perspective. At the same time, the lack of articulation in the national internal market predominated, with the strong back flow in the industrial chain from the productive structure which was heavily concentrated in the southeast of the country.

However, Brazil has managed to regain a positive balance of trade since 1999 after changing the exchange-rate policy. Imports have been contained and exports promoted, especially those of primary goods with lower labour costs and lower aggregated value and technological content

⁹ On the adoption of government policies and economic results see: Belluzzo, & Almeida, 2002; Gonçalves, 2002; Carneiro, 2002.

(soy, sugar, iron ore, chicken, among others). Nevertheless, the average annual rates of economic growth have continued to be very low.

In short, the path opened since 1980 resulted in upsetting the broad political and social convergence organised around national development; its main feature was rapid economic growth that allowed structural problems such as the shocking distribution of income, wealth and power to be pushed ahead, in a capitalist system incapable of accepting the need for civilizing reforms of the kind adopted in developed countries i.e. agricultural, tax and social reforms. On the other hand, in the last 25 years Brazil's territorial dynamism has become increasingly fragmented, accompanied by the decentralization of federal public policies and also by the greater responsibility to promote local development.

In other words, more relevance has been given to a kind of restricted and specialized regional development, when it is not excluding or very centrifugal, as already identified by several authors (Pacheco, 1998; Caiado, 2001; Monteiro Neto, 2005; Brandão, 2003). Along with the weakening of the central government's capacity to articulate and coordinate development policies with national scope, an increasing number of new ways of managing production and work organisation have appeared which take advantage of location externalities, giving greater preference to local initiatives to absorb investment and develop economic and social activities.

4. Sub-national development patterns: basis for a typology of local development

Since its independence in 1822, Brazil has been repeatedly trying out different strategic plans for national development. With José Bonifácio de Andrade e Silva at the start of the 19th century, a series of ideas was highlighted based on a plan to civilize society and make Brazil viable as one nation (Andrade e Silva, 2000).

Since then, Brazil has had at least three large scale political projects which were more or less structured around and committed to national development. (Fiori, 2003; Chacon, 1981, Novy, 2002). Firstly, the oldest and most organized liberal project for the nation's insertion in the world economy. On the arrival of the king of Portugal, D. João VI, in Brazil in 1808 when it was still a Portuguese colony, doors were opened and the foundations for development based on the liberalization of production, labor, commerce, technology and finance were consolidated. So the dependence on external dynamics tended to revolve round specific geographic poles of economic expansion and social and political modernization, in most cases becoming national spaces in a kind of "archipelago of development islands" in the midst of a tide of revolt of delay and subordination.

On the other hand, the second and more recent national plan is important; it was directed at the internal market by means of promoting industrialization decisively stimulated by state policies. This stood out more clearly with the positions taken by industrialists in the 1891 Constitution of the Republic and the state policies of Rui Barbosa. Following this, it was only in the period between 1930 and 1980 that Brazil made considerable advances towards the national project for industrializing development.

Lastly, the third national development plan remained a kind of historic possibility, even though there were no concrete initiatives or broad implementation. It has been much more visible at the ideological and cultural levels and in popular mobilization for national development with democratizing, civilizing and equalizing reforms; this is indicated by the varied course of the regional revolutionary processes of the republicans in the 19th century (Revolt in Bahia, Pernambuco Revolution, Praiera Revolution, Farroupilha Revolution, and others) and in the other social struggles of the trade unions, soldiers, communist and the democratization of land, income and wealth, among others.

Faced with the uncertain path of defining the national project bearing in mind the sustained horizons of politics throughout Brazil's history, it was decided to address some more local development initiatives and more specifically related to the current period. This is because in a country like Brazil which is the size of a continent, the term *local development* has become a kind of novelty in recent times in terms of the profile of public intervention and analytical approach; its historic references to the country's three previous strategic projects overlap and closely related to the local initiatives.

In short, we examine how the last 25 years seems to have been accompanied by the forming of sub-national development patterns, despite the breakdown of the national industrialization project. At the same time, we find that there is a context of productive and social competition between regions whose fierce dispute to attract new investment makes them increasingly specialized and an end in themselves; this has led to signs that some ties of solidarity, that previously kept the national territory together as one, are being broken.

4.1. National context and local development

The Brazilian tradition of planning medium and long term public interventions is clearly visible during the national industrialization cycle. As discussed above, between the 1930s and the 1970s

Brazil pursued development nationally, although concern for the regional perspective increased after the 1950s especially in the areas of the country with less industrial progress (northern regions, northeast and centre-west).

With the interruption of the national industrialization cycle from the 1980s, medium and long term planning of public interventions in national development was reduced if not abandoned. From that moment on, short term governmental concerns were of greater importance due to the fundamental problems which emerged such as hyperinflation (1979-1994), the foreign debt crisis, the Balance of Payment deficit and the imbalance in the public sector accounts.

In this unfavourable macroeconomic context, which put increasing limitations on the national planning of medium and long term development, countless different kinds of local development initiatives appeared, as already referred in the specialised literature.¹⁰ However, most of them tended to remain relatively unnoticed in the face of the slower economic growth (around 2.6 per cent per year) and the general situation of deepening social exclusion (unemployment, concentration of income, urban violence, among others), especially in the greater metropolitan centres which have roughly 40 per cent of the total population. This abundance of local initiatives brought some positive impacts in each specific territorial space, even if it did not offer systematic results at the national level.

Notwithstanding the scenario of an almost stagnant national *per capita* income and even of signs indicating the country's decline e.g. in relation to developed nations (falling from the 8th to the 14th world GDP, and from one third to one fifth of the USA's GDP *per capita* between 1980 and 2004), significant transformations took place both in the country's productive structure and social stratification. All these changes manifested themselves in a very distinct and fragmented manner in interior of the country making it difficult to recognize them as a product of a new national articulation.

The sum of the parts, i.e. the entire set of local development initiatives, is generally considered an inadequate representation of the national territory as a whole, the outcome of which has been based on the context that there has been no systemic pattern of national economic and social development in the last 25 years (1980-2005). Hence, an analysis must be made of sub-national development patterns which manifest themselves alongside the general context of the semi-stagnation of *per capita* income in the country.

In other words, our analysis is focused on understanding the convergence between the countless public actions characterised by the most localised of development initiatives, as well as their repercussions in terms of social protection and inclusion. By looking at the local situation, preference is given to the small scale over the regional level, for example, particularly when both are characterised by greater homogeneity in political, social, economic and cultural terms.

Accordingly, the decision was taken to analyze what was identified as local development based on the definitions of the local society and the regulatory systems in the territorial location. Local society is understood as the territory in which the cultural and social-economic conditions are manifested, whilst the local regulation systems reveal innovative means of management practices that are able to socially, economically and culturally codify and re-codify the historical process of localised territoriality.¹¹

This is followed by the analysis of the sub-national development patterns found in Brazil since the 1980s. This is essential to the general analysis on the manifestation of development,

¹⁰ For reference see, among others: França, *et al*, 2002; Fisher, 2002; Lastres, *et al*, 2003.

¹¹ For more details see, for example, Velásquez & Rodríguez, 1998; Sala *et al*, 1992; Marsiglia, 1996.

understood as a process broadening the possibilities and alternatives of building a country committed to bringing about an evolution in living conditions or, on the contrary, as one more of the conditions which deepen the structural reproduction of underdevelopment in the interior of the country, which is increasingly fragmented in Brazil.

4.2. Sub national development patterns

In our analysis of the manifestations of sub national development patterns in Brazil we consider the main axes which have helped structure the geographically distinct economic and social dynamics in the last 25 years. As we have tried to indicate, the expansion of the internal market was the main focus of the dynamics of industrialization until 1980, concentrating heavily in the southeast region which at the time was usually able to respond to endogenous demand at national level.

From the beginning of the 1980s the internal market started losing both its level of national autonomy and the productive and commercial centrality in the southeast region in the face of the advancing semi-stagnation of the income *per capita*. To a certain extent, what prevailed was the reproduction of a new means of the national economy's international insertion which ultimately conceded distinct regional and local dynamics in terms of production management and the organization of labor.

So a new relationship was formed between competitiveness and the territory, based on the national context of redefined relations between the internal and external market. To do this, two main vectors contributed decisively to the promotion of distinct regional/local dynamics throughout the national territory.

The first vector responded directly to setting national policies aimed at opening up the country's commerce, production, technology and finances. When combined with the enormous liquidity of international resources and the internal monetary stability achieved in the mid 1990s, the policies opening up commerce, technology and finance contributed to the end of the former articulation of the productive base associated to the internal market which was concentrated in the southeast region. Instead, the geographic relationship with the exterior and with the internal market in the purchase and sale of goods and services was re-codified (through measures that valorized the local vocation and even through productive conversion), and this produced clear signs of distinct local/regional initiatives from the socioeconomic perspective.¹²

As a result, there were two distinguishing features of regional dynamics. Initially, the so-called export drive which played a leading role as a result of the adoption of government measures aimed at containing the external debt crisis (generation of positive results in the trade balance) seen in the first half of the 1980s. Thus, the places which were best able to generate tradable export goods, e.g. paper and cellulose, orange juice, soy and derivatives, iron and steel products, ore processors, meat etc., benefited most e.g. the region of the western centre and the states of Rio Grande do Sul, Paraná, also the interior of São Paulo from agro-business and the north sub-region (Carajás), Minas Gerais and south of Bahia from mining and steel works.

Later, when the monetary situation was stabilized in the mid 1990s, there was a surge in domestic consumption and additional (domestic and foreign) private investment; this had a significant and varied impact on the national territory, and deepened the regional and local selectivity of the social and economic dynamism. For example, when tax and financial incentives were attributed as well as those for locations and workers, the northeast region acquired a greater cost differential

¹² For more see: Gonçalves, 2000; Lacerda, 1999.

which attracted the relocation of companies and investment in some industrial sectors such as textiles, clothing, foodstuffs, beverages, footwear and others.

In other regions of the country with a more advanced industrial base, investments were made in leading sectors of the national economy. This was the case of investments in the automobile sector in the mining centers (mining triangle) and south (São José dos Pinhais in Paraná and Gravataí in Rio Grande do Sul), in the electro-electronic sector in the traditional Zona Franca de Manaus (Amazon) and in electrical domestic appliances in the southeast and south centers of the country and in the new information and communication technologies industries in São Paulo.

The second vector responsible for the promotion of distinct regional local dynamics involves the deep rooted reformulation of the State's role. On one hand, public intervention of a business nature dried up due to the advance of privatization in the state productive sector and the end of national planning as a result of the reduction and decline of federal public administration (Pochmann, 2001; Carleial at all, 1994).

Both the fall in the State's participation in investment in national production (from 6.8 per cent of GDP in the 1970s to 2.8 per cent in the 1990s) and the decline in national development policies and medium and long term planning contributed to this. As a result, this brought about the deregulation of the national economy and triggered internal inter-capitalist competition. In the same way, the review of the State's role in the planning and coordination of national policies of regional development also contributed to weakening synergies and the national integration process.

Nevertheless, certain regions in the country were able to participate in a significant surge in sporadic investment between 1995 and 1998 in high technology in the areas of agricultural biotechnology (seeds, defenses, agricultural machines and equipment, etc.), energy infrastructures (petroleum, particularly in the Campos basin in Rio de Janeiro, and manufacturing and gas, such as the Brazil-Bolivia gas pipe) and information technology (in the São Paulo metropolitan region and surroundings). To a great extent the transfer of a significant share of the former state national production to private groups, many of which were transnational, by means of privatization led to the renewal of investment concentrated in areas with better infrastructures, especially in the southeast region.¹³

In short, a new territorial mosaic was formed, with the reinforcement of some islands of development surrounded by immense areas of under development. In fact, the enhancement of competition between the distinct units of the federation, particularly in the sub-national spaces interested in promoting their own development, seems to have contributed to dissipating the old bonds of solidarity that had existed between the distinct regions; its manifestation was undisputed and had great potential to expand during the periods of economic growth.

As a result, the expansion found in some regions tended to take place at the expense of others, as in the case of the abusive use of the so-called tax war to attract private investment funds.¹⁴ In other regions, the valorization of local competitiveness seems to have been the result of the greater flexibility provided by paid employment, as various measures were introduced during the 1990s deregulating the labor market.

There were undeniably differentiated regional/local advances in the system for hiring self employed workers who were still not covered by the social and worker protection system. This resulted in the spread of new kinds of work such as legal advisors, consultants, work cooperatives

¹³ See more on this, see: Campolina, 2000; Albuquerque, 2000; IPEA, 2005; Ribeiro, 2004.

¹⁴ More details in: Prado & Cavalcanti, 2000; Varsano, 1997; Prado, 1999.

and networks of micro-enterprises while the new assistance based policies not linked to work e.g. income supplement for the poor, took on greater importance.¹⁵

On the other hand the reformulation of the State's role advanced with the decentralization of public policy from the federal government to the sub-national spheres. With this, the local governments were benefited both by the increase in their responsibilities in various policies such as education, health and social assistance as well as by the greater participation in the national public expenditure which went from 9.5 per cent in 1980 to 17 per cent in the 1990s in the case of the set of municipalities.¹⁶

In the same way, the decentralisation of public policies was accompanied by greater popular participation. Fruit of the 1988 Federal Constitution, the decentralized public policies that conferred greater autonomy to local governments were organized on the basis of the organization and formation of national, state and municipal management councils.¹⁷

In the light of this manifestation of distinct regional/local dynamics, it is necessary to analyze the constitution of sub-national development patterns. If we consider the sectorial behaviour of Brazil's economic activities as a whole in the last 25 years, we find at least three broad indications of productive convergence manifest themselves.

The first indication of the regional/local convergence can be confirmed in the geographical areas with strong emphasis on agro-exporting economic activities. Cattle farming is the main economic base of more than 81.4 per cent (4500) of the 5500 municipalities in Brazil, representing just 30 per cent of the national population.

Two quite distinct productive models operate simultaneously in these municipalities with a rural economic base. On one hand, there is agro-business which represents 21 per cent of national GDP, employing 37 per cent of the workforce and responsible for more than 40 per cent of exports. On the other, there is family based farming, with a strong emphasis on production and the internal market and providing work for nearly 16 million, mainly low income families.¹⁸

In the last two decades, public policies have given quite distinct emphasis to the two models of agriculture. With the liberalization of tariffs, the deregulation of the sectorial markets, the broadening of credit and the incentives for export, the centre west regions and other areas located in the states with an agricultural base (Rio Grande do Sul, Paraná, São Paulo, Mato Grosso, Goiás, among others) formed a significant part of the economic expansion conditioned by agriculture and cattle farming activities.

Solely as an example, the country's annual production of chick peas almost doubled during the 1990s, while the occupation of land by the agricultural sector fell by more than 2.5 million. To a great extent, the places most committed to production for national consumption, especially those bound to family farming, were the most hit by the measures to improve the external competitiveness of the national economy.

¹⁵ For more details, see: Jaccoud, 2005; Draibe, 1999; Fagnani, 2005.

¹⁶ More details can be found in: Rolnik & Somekh, 2001; Arretche & Rodriguez, 1999.

¹⁷ At the federal level, there are about 25 management councils of public policies whereas the number at municipal level may be 16. In 1999, Brazil had 27,000 management councils, an average of 4.9 per municipality. For more on this, see: Abramovay, 2000. Draibe, 1998; Santos, 2000; Santos Jr, 2001.

¹⁸ For further information see: Veiga, 2001; Sachs, 2002.

More recently, the government has renewed its efforts with the adoption of policies aimed at resettling the families of rural workers and also providing credit for family farms. Nevertheless, there continues to be an enormous differentiation within the agricultural sector between agro-business and family farming.

The second indication of regional/local convergence is revealed in the regions that attempt to strengthen their international integration supported by the incentives for economic activities committed to competitive integration for the production and export of low cost industrial goods.¹⁹ In this case, attention is drawn to the regions that even without registering a great industrial tradition, such as Ceará, Rio Grande do Norte and Bahia, tried to integrate themselves competitively in the world production chain of goods of lower aggregate value by means of subcontracting and relocating companies and part of the production process for the textile, footwear, foodstuff and other sectors.

Equally, we highlight the regions that already had an industrial base and managed to absorb a significant part of the additional Foreign Direct Investment (FDI) made in Brazil in the 1990s, in particular in the automobile, electro electronic and domestic electrical appliances sectors. This was the case of the metropolitan regions of Porto Alegre, Curitiba, Rio de Janeiro, Belo Horizonte, Zona Franca de Manaus and the interior of the state of São Paulo (Indaiatuba, Valinhos and São José dos Campos).

It must also be stressed that one of the effects of the efforts directed towards industrial production and exports in these places was that there was a kind of emptying of the country's main industrial centres, particularly in the states of São Paulo and Rio de Janeiro, to a greater or lesser extent. This was because in general the inter-regional competition measures were based on promoting fiscal war and greater flexibilization of labour, as a competitive advantage over the official rules adopted in the country's most developed regions.

Lastly, the third indication of regional/local convergence can be seen in the regions where investment was concentrated in the new technology sector. In most cases, the activities that stood out were those linked to communication and information, education and health, specialized support services for production such as marketing, finance, logistics and others.

As a result, some geographical regions that attracted investments in new technologies during the 1990s assumed importance such as Recife (Porto Digital), Porto Alegre (electronic components), Campinas-SP (software and telecommunication and information equipment), São Paulo (information technology industry), among others. These mainly private investments were fruit of the privatization movements of the state productive sector and of the FDI's somehow articulated with the geographic concentration of the representations of the trans national corporations in Brazil.²⁰

Despite the importance of the advance of these new investments at the regional/local level, there was little modernization of infrastructures and little diffusion to the remaining economic activities throughout the country. Furthermore, there was also an emptying of the productive structure triggered by the new mode of external competitiveness in new locations in Brazil.

Generally speaking, the three indications of regional/local convergence allow us to recognize not only that there was a number of economic gains located in specific territories of Brazil, but also the formation of sub-national development patterns. Nevertheless, the ability to raise the well being of the population as well as its generalization across the territory must be examined.

¹⁹ See more in: Lastres, *at all*, 2003; Tonedo Jr, 2000; Moretto *et al.*, 2004.

²⁰ See more in: Pochmann, 2004; Klink, 2001.

It is therefore essential to make an in depth analysis of the local development initiatives and their relations with social protection and inclusion. The next section is devoted to describing selected local development initiatives for each of the sub national patterns.

5. Local development, social protection and inclusion

From 1980, with the breakdown of the national industrialization project, at least three distinct sub-national development patterns took shape in Brazil (agro-business for export, industrial low-cost production geared to competitive insertion and activities focussing on new information and communication technologies). One local development initiative has been chosen from each of these sub-national patterns with a view to understanding their relations with social protection and inclusion.

As can be seen, the local initiatives promote expanding the productive forces more than protection and social inclusion. The São Paulo initiative however is different in that it dares to articulate synergies of local development with protection and social inclusion.

Hence, the northern half of the state of Rio Grande do Sul is taken from among the regions emphasizing agriculture for export, in order to analyse actions focussing on the development of family farming. A large part of this region is occupied by small family farmers who were affected by the dynamics of agro-business in the Rio Grande do Sul state.

Without prejudicing reference whenever necessary to other regions and programmes with emphasis on the indication of convergence in cattle farming activities, an attempt should be made to consider the local initiative which was formed on the basis of mobilizing community participation around the spread of development and credit for agriculture. In this case, the measures from the state's *Prorenda* and the federal government's *Pronaf* and their territorially localized implications stand out.²¹

The second initiative selected tries to show the local experience resulting from the sub-national development pattern based on promoting low income industries integrated in the world production chains. In this case, the initiatives attracting industrial investments in the north-eastern states are used as the reference, which are centred in the Fortaleza municipality, capital of the state of Ceará.

Even though other regional/local initiatives characteristic of the activities of competitive integration in the production and export of industrial goods are not ignored, preference is given to the case of Ceará state because it has been a benchmark for local policies stimulating industrialization for over nearly two decades. It also provides the opportunity to examine the local experience of the Ceará Cooperation Pact.²²

In the third selected initiative, part of the sub-national development pattern in activities concentrated in new technologies, a set of initiatives are considered that aim to tackle social exclusion. In this case, the central reference is the initiative undertaken between 2001 and 2004 in the São Paulo municipality.

In no way does this choice undermine other experiences that have the same focus of analysis. However, the case of the São Paulo municipality stands out due to the size of the investment made and also to the enormous local contrasts generated by the transition from a largely

²¹ Additional details can be seen in: Fisher, 2002; Domingues et al, 2001.

²² See more in: Paiva & Monteiro, 2001; Fontenele, 2004.

industrial economy to one of services, based on investments both in high technologies and in social inclusion actions in the periphery.²³

Each of the three regional/local economic and social dimensions can be used to analyze the set of local development, social protection and inclusion initiatives. To do this, each case studied sought to cover four aspects, namely: (i) the economic and social exclusion process at the local level; (ii) the origin of the local development, social protection and inclusion initiatives; (iii) the specificities of how the local development, social protection and inclusion strategies are formed; and (iv) the results of the different local development strategies.

5.1. Local development initiatives in areas of activities for agricultural exports

Rio Grande do Sul is one of Brazil's main cattle farming states. Together with the states of Santa Catarina and Paraná, which form the southern region of the country, they are responsible for nearly 30 per cent of the national Gross Value of Agriculture and Cattle Farming (VBA).

In addition, the share of the cultivated land between the family organization of production and the business organization of cattle farming is not that unequal. With this, Rio Grande do Sul alone represents 29 per cent of the entire VBA which had greater state participation than business farming.

After the national development project was abandoned in the 1980s, the agricultural policies were heavily affected and ultimately contributed to changing the dynamics of the different forms of cattle farming throughout the country. Commercial and financial liberalization had repercussions for example on the formation and definition of farming prices and also rapidly spread greater selectivity in the modernization process of cattle farming production (Dias & Amaral, 1999; Ramos & Reydon, 1995; Delgado & Conceição, 2005).

As a result, profound changes have taken place in rural Brazil, above all in the last two decades, and the gap has increased between the small landowner, organized around agriculture and family cattle farming, and the large land owner who usually runs an agricultural business. While the small country farmers were heavily penalized by the unfavorable macro economic context as well as by the lack of policies supporting the modernization of agriculture, the large landowners found market mechanisms favorable for technological progress (intensive cultivation supported by greater mechanization and the wide spread use of chemicals) and for the reorganization of production around the agro industry for export.

One way or the other, the end result was the general reduction in the use of agricultural labor in the country, with greater difficulties – essentially – for the reproduction of family farming. Family farming was negatively affected by all the events of the 1990s particularly in the region which covers the northern half of the state of Rio Grande do Sul, traditionally formed by small rural farms, and the local attempts to confront the new challenges of competitive insertion became emblematic.

In this region of Rio Grande do Sul, in particular, action taken by small municipalities to help family farming indicated the possibilities of local development in comparison with the limits of modernization dynamics in agro-business production and the repeated agrarian concentration in the country. Through mobilizing participation in small rural municipalities in Rio Grande do Sul, the *Prorenda* initiative was ultimately a measure aimed at the convergence of actions to promote development in places with a predominance of family farming.

²³ More details in: Oliveira, 2003; Santos & Barretta, 2004, Pochmann, 2004.

Equally, *Prorenda* was spread in communities trying to build a new kind of public policy aimed at integration and the articulation of programs in distinct spheres of government. Besides *Prorenda*, it is also interesting to note the federal government's *Pronaf* for example that has been characterized since 1995 by its commitment to family farming.

We note that concentrating the approach on a group of municipalities in the northern part of the state of Rio Grande do Sul is a precise target that recognizes the tension found between the business and family models of cattle farming in southern and northeastern Brazil and therefore includes a number of states and thousands of municipalities which are usually sparsely populated. Hence, the analysis is made of experience of the *Prorenda* (state) program and *Pronaf* (federal) for a group of municipalities in the state of Rio Grande do Sul.

5.1.1. The economic and social exclusion process at the local level

Brazil's agriculture has gone through two distinct phases of modernization in the last fifty years. The first took place in the 1960s and 1970s, when significant advances were made with mechanization and the increased chemical input strongly contained in some crops and in specific regions of the country.

Without changing the agrarian structure, which continued to be heavily concentrated in small and large country landowners, it became clear that the modernization process of national cattle farming was extremely conservative, and was a kind of reflection of the actual authoritarian regime which dominated in Brazil between 1964 and 1985. As a result, the exclusion of various crops and regions from the modernization process of agro-cattle farming gave rise to a rural exodus and to a clear division in the production dynamics organized by family farms and by cattle farming businesses.²⁴

It is important to underline yet again that the weakening of the national industrialization project in the 1980s was followed by substantial changes in macro economic policies (redefinition of the State's role and greater internationalization of the productive sector) throughout the 1990s, and this had a decisive impact on Brazilian agriculture. Furthermore, immediate and distinct responses started to be demanded, as in the case of the unleashing of a second wave of modernization in the country.

With regard the State, emphasis should also be given for example to the demobilization of the institutional apparatus of the Ministry of Agriculture and the public institutions which traditionally supported agricultural crops (Sugar and Alcohol Institute, Brazilian Coffee Institute, Brazilian Technical Assistance, Brazilian Silo and Warehouse Company, among others). Various kinds of agricultural policies also went into significant decline such as the guarantee of minimum prices, storage and credit.²⁵

Equally, the commercial and financial liberalization of the Brazilian economy exposed agriculture and cattle farming to international competition which had a substantial effect on prices, quantity and quality of the products from rural areas and their extensions. In reaction to all this, the rural producers followed two distinct kinds of procedure.

²⁴ See more on this in: Silva, 1981 e 1982; Kageyana & Silva, 1983; Szmrecsányi, 1983, Silva, 1983.

²⁵ For more details see: Goodman et al, 1985; Ichikawa, 2000; Gasques & Conceição, 2001, Silva, & Grossi, 2000.

The first procedure involved the convergence of organized production in the large estates leading to the increased strength of agro-business; this immediately resulted in a greater alignment with the business methods of the agro-industry and its competitive insertion with the exterior. This meant that greater importance was given, for example, to the decisions to increase investments focusing essentially on the modernization of agriculture in the large rural estates in most regions of Brazil.

Hence, not only were even greater advances seen in the mechanization of agriculture and the use of chemicals, but also the adoption of new and varied agricultural management methods, oriented particularly towards exportation. With the upgrading of agricultural machinery together with the controlling innovations of electronic programming, rural areas were reorganized with a view to greater competitiveness and raising the sector's profitability more rapidly.

To a certain extent, this movement was also in response to the further internationalization of the national economy, which for the first time experienced a great wave of foreign capital; this also penetrated farming activities, particularly in machinery and technology, in chemicals, in management methods and the commercialization of production. The relentless technological advance in organized agriculture in the large country estates gave rise to the decline in manual labor and the extension of planted land.

For example, the introduction of a harvester in cotton production was ultimately responsible for substituting 80 to 130 rural workers, while the addition of the harvester in coffee or sugar cane production led to the reduction of up to 160 workers. For this reason, there was a reduction of 1.6 million in the number of people directly employed in the agricultural sector over a period of 10 years (Belik *et al*, 2003; Proni *et al*, 2005).

On the other hand, the agro-business sector in Brazil evolved rapidly and had significant results in agriculture and cattle farming production and exports. Alone, agriculture and cattle farming represents 10 per cent of Brazil Gross Domestic Product (GDP) while the agro-business sector is responsible for nearly one third of the national GDP.

This is because the agro-business sector includes not only agriculture and cattle farming, but also the processing industries of the animal and vegetable products as well as distribution and product and machinery input. The agro-business sector is also important due to its participation in foreign trade, as it is responsible for 42 per cent of all exports and the generation of a surplus in the balance of trade estimated in 2003 as 25.8 billion dollars. As a result, Brazil is the seventh country in the world for agricultural exports and even reaches the top positions for a number of products such as meat, chicken, soy, alcohol, sugar, coffee and others (Castillo, 2005; Dias, 2000).

But the advance of agro-business, evident from the impetus in modernization recently seen in large rural estates, is simultaneously linked to the penalization of family farming. In other words, the prevalence of an agrarian structure with a strong concentration in large rural estates together with the de-capitalization of the small farmers brought about an even greater change in the Brazilian countryside.

Hence the importance of the second procedure adopted by the rural land owners, in particular that of small organization committed to family farming. In general, this concerns decisions marked by resistance and adjustment to the unfavorable context that resulted from greater competition within the agriculture and cattle farming sector.

A greater gap therefore appeared in the organizations of the small rural estates, as the family farms were increasingly removed from new technologies, new management methods of production and commercialization, from credit and other measures essential to modernization in the countryside. This gap between organized production in the small as opposed to large business estates has become even greater in the last twenty years.

The greater exclusion of the rural workers resulted both from the modernization process in the large estates and the delays in family farming. On one hand, growing unemployment, which went up to 14 per cent of the resident population in non metropolitan rural agriculture and cattle farming areas in municipalities with up to 50,000 inhabitants of the south of Brazil (Census 2000).

On the other hand, situations which had been uncommon until then such as pluriactivity and the development of non-agricultural activities in the country became more frequent. In other words, the increase of subsistence farming in a significant number of the small rural estates that were excluded from the selective modernization project of Brazilian agriculture resulted in forcing agricultural laborers to leave for the cities or to take up work in addition to their routine work in the fields.

The so-called pluriactivity gave rise to the practice of additional laboring work on other rural estates, either on a salaried or self-employed basis, whilst also working on their family farms. Furthermore, we highlight the new situation in non agricultural employment of people living in the country while employed in urban activities, such as domestic, industrial and civil construction work and other city occupations.

All this was found extensively in Rio Grande do Sul, bearing in mind its historic preeminence in agriculture and cattle farming, both agro-business and family farming. Facing up to the challenges of rural production and employment in the northern half of the state, composed of small municipalities with family farming, was strategic for the conception of incentives for local development.

5.1.2. Origin of the local development, social protection and inclusion initiatives

In the state of Rio Grande do Sul, concern for the development of agriculture and cattle farming has constantly been on government agendas. Despite the urban and industrial advances in a number of the state's cities since the 1930s, agriculture and cattle farming continued to play a strategic role in the creation of most policies and in the expansion of the local productive forces.

As a result, government measures were within the reach of small farmers and were relevant to their specific problems, even though attention was focused mainly on the large rural producer and most of the actions taken depended largely on the federal government. Following the political re-democratization process, back in the 1980s, the elected governments that had been forged in the struggle against the opposition to the military regime (1964-85) placed the issue of rural poverty higher on the agenda.

On the basis of the technical cooperation agreement between the Brazilian government's Ministry of Foreign Affairs (Itamarati) and Germany's Ministry for Economic Cooperation (GTZ) in 1985, the National Program for Viable Economic Spaces for Low Income Population (*PROREND*A) was set up in 1987. In Rio Grande do Sul, *Prorenda* was established in 1990, following its creation within the Rio Grande do Sul government.

The coordination of the Urban-*Prorenda* came under the responsibility of the Regional and Metropolitan Planning Foundation (Metroplan), while the coordination of Family Farming-*Prorenda* was assumed by the Secretary of State for Agriculture and Supplies (SEAA), with advisory support from GTZ. An innovative methodology was adopted that sought to combat rural poverty through the participation of low income families.

To do this, initially 20 communities were defined to operate as a pilot area for the methodological test and evaluation of results. Once low income families had been gathered and mobilized, reflection and action groups were set up who were to try to understand the nature of the process of becoming poor and also the means of escaping poverty with the help of popular participation.

Through the participative definition of a Community Action Plan – negotiated with organized society and existing institutions – it was possible to establish a platform of measures committed to promoting rural development in areas with low income families.

Hence, between 1990 and 1995, the *Prorenda* initiative was conducted in six municipalities. Six years after the first *Prorenda* initiatives were adopted in the state of Rio Grande do Sul, the program methodology spread rapidly and extensively, reaching its peak between 1998 and 1999 with more than 50 municipalities involved. In addition, at this time about 300 community groups were formed which simultaneously covered five thousand families in the northern half of this state (Brose, 2002).

To do this, however, the *Prorenda* methodology was shared with 5 of the 22 Regional Development Councils (COREDE's) of the state of Rio Grande do Sul and regional universities such as Santa Cruz do Sul University (UNISC), Ijuí University (UNIJUÍ) and the Integrated Regional University (URI) were also involved.

In this case, the role of the universities was to provide specialists who could act as development agents to accompany the field work conducted by the project's central team. The body of personnel involved in the diffusion of the *Prorenda* methodology was made up of a central team (30 people) and technicians to accompany and monitor the activities in the 50 municipalities and 500 communities (100 people).

This was all developed using an internal monitoring and evaluation system which gave great emphasis to raising the technical skills of the participants. Initially, *Prorenda* involved participative planning, as a logical sign of a project planning matrix that would be used for the project's general management.

Another part of the local development initiatives was the generation of a set of indicators of results which were systematized every month and made available by the central team of *Prorenda*. In this way it was possible to monitor and evaluate the evolution of the community group activities aimed at the unfolding of each local development initiative.

On average, a period of 38 months of full activities was required for the mutual trust of those involved to be obtained through the formation of an informal management and the full construction of a diagnosis of the local reality. This was the only way that a suitable plan of joint action could be defined.

The five dimensions of *Prorenda* involved social inclusion, strengthening the local economy, innovation in public management, environmental management and the rational use of natural resources and the mobilization of society. In all, *Prorenda* sought to raise the quality of life and combat poverty in the local context by means of a participative methodology.

Generally speaking, the action plans converged towards the need to democratize access to quality public health and education, as well as the definition of social policies focused on the most vulnerable social groups. A series of actions related particularly to the integration of the federal government's *PRONAF*²⁶ were also relevant, given that a significant percentage of the municipalities belonging to the northern half of Rio Grande do Sul state had a family farming base.²⁶

²⁶ For more details see: Brose, 2000.

5.1.3. Specificities of the local development, social protection and inclusion strategies

In the northern half of the Rio Grande do Sul state, the evolution of family farming was grounded on the organization of the economy around the small estate. This meant that a significant proportion of the local population found jobs or could obtain an income in agriculture and cattle farming.

Despite the rural exodus that was seen in the region, it was found that the migratory flow to the cities would not have been so great if there had been some appropriate public policies for the whole rural environment and not just for the large estates. It is to be noted that policies for the modernization of agriculture and cattle farming from the 1960s to 1980s were marked by the National Rural Credit System (SNCR) which essentially favored the agricultural model of the large business estates.

The small land owners were not given a place in this credit system which contributed even further to aggravating their de-capitalization and thus making it difficult for them to integrate in the chains of agro-business for the internal market and for export. If it had not been for the strong ties to the land and to families, the numbers of migrants from the country to the cities would have been much higher because small producers suffered from a dramatic decline into poverty and were given no place in the ample public policies.²⁷

In addition, the small landowners in the northern half of the Rio Grande do Sul state also developed the culture of pluriactivity, which helped contain the rural exodus. Pluriactivity provided more effective conditions to reproduce family farming, as the advances in the modernization of the agro-business from the 1960s to 1980s enabled them to complement their income by working outside or within their local area.

As a result of other non-farming work on their own rural estate or even rural or other work in other rural estates or in the cities, the culture of pluriactivity meant there was more work and more family income. People doing these numerous activities could be self-employed or were even paid as non farming workers, or even on a casual basis and this meant that living in the country could be compatible with working on other rural estates or even in factories, civil construction, in commerce and in domestic work.

Generally speaking, in this unfavorable context for the rural worker, the political movement for national re-democratization in the 1980s was important for the organization of movements aimed at creating public policies for the small landowners. In the first civil government (1985/ 1990), the implementation of the Ministry of Agrarian Reform was relevant as it indicated that rural poverty was associated to the concentration of agriculture and the lack of specific public policies.

This was because the results of the agrarian reforms until that time in Brazil had been very poor. In the case of public policies, we see that only in the mid 1990s did the Ministry of Agrarian Development (MDA) manage to implement the National Program to Strengthen Family Farming (PRONAF). Given that the MDA operated separately from the actions of the Ministry of Agriculture, whose compromise was principally with business farming, for the first time *PRONAF* represented the definition of family farming as a social base for the construction of

²⁷ Social policies for the countryside acquired a greater dimension from the 1960s (status of the rural worker and Funrural). But it was only with the 1988 Federal Constitution that there was a convergence of public policies for the urban and the rural worker.

another model of rural development which was now not so unprotected, given the generalized unemployment of the rural worker.²⁸

It should be stressed however that the aim of *PRONAF* was not a universal response to all small landowners but to those able to fulfill the requirements defined by the program. In other words, *PRONAF* kept the demands made by the market alive; this is demonstrated by its response to rural producers who owned consolidated family enterprises or who were in transition to a family enterprise, which was only about a quarter of all family farmers.

Furthermore, the context of family farming was made even more complex – and not just in the north of the Rio Grande do Sul state - by the painful modernization process of farming in the 1990s with the liberalization of trade and finance throughout the country. The so-called tax war which ultimately triggered the partial relocation of industrial and commercial undertakings in municipalities in the northern half of the Rio Grande do Sul state had a negative impact on the culture of pluriactivity and urban employment.

Due to this, members of the family farms were affected both by the constraints on agriculture and cattle farming production (valorized *real*, high interest rates and admission of imported products) which limited some of the working opportunities in rural activities and also by the pluriactivity on other estates and industrial and commercial establishments in the cities. In the face of rural poverty, *Prorenda* was put in a different light which was more favorable to family farming.

Without intending to empty rural activities, the two programs sought to collectively construct local development alternatives. To do this, it was necessary to face problems such as the low education level of people in family farming, as well as to rebuild the ties of trust and credibility in popular participation aimed at promoting family farming on a new basis.

Later, the increased skills of community members who benefited from *Prorenda* was linked to the construction of local action plans, as well as encouraging access to *PRONAF*. With the improved performance of the family farmers belonging to small rural estates, the hope was to achieve the modernization of the local production process, as well as to confront the specificities of the growing rural unemployment and the decline of work that could complement income in the former pluriactivity culture in the northern half of the Rio do Grande state.

In short, without affecting the predominant agriculture and cattle farming business model, the *Prorenda* of Rio do Grande Sul in combination with the federal government's *PRONAF* sought to valorize and strengthen family farming. Broadly speaking, a commitment was made to both agriculture and cattle farming models, and the small rural estates of the northern half of the Rio Grande do Sul state had the opportunity to put an innovative project into practice which promoted participation in local development.

5.1.4. Results of the local development initiatives

One of the difficulties encountered in developing the National Program for the Strengthening of Family Farming was that just 1665 cities (654 with only a service counter) out of the total 5658 Brazilian municipalities had no financial institutions capable of running the program. Equally, both the weakness in the organizations of the small rural landowners and the actual market logic in the *PRONAF* guidelines also contributed to the exclusion of nearly 75 per cent of the target public of family farming in the whole country in the second decade of 1990.

In this context, the *Prorenda* initiative in municipalities in the northern half of the Rio Grande do Sul state sought to promote local development in family farming areas by means of reorganizing

²⁸ See more in: MDA, 2000; Carneiro, 2000; Abramovay & Veiga, 1998.

civil society and the actions resulting from participative planning. For example, the organized presence of the rural milieu such as the Federation of Rural Workers of Rio Grande do Sul (FETAG), the National Confederation of Rural Workers (CONTAG), the Federation of Family Farming Workers (FETRAF), the *Central Única dos Trabalhadores* – Single Centre of Workers (CUT) and the Movement of Small Farmers (MPA) in the family farming activities was vitally important.

In addition, the progress of the *Prorenda* initiative also relied on the participation of representatives from the municipal, state and federal government as well as from local civil society. This meant that articulation was possible, especially that of public banks such as the Bank of Brazil and the Bank of the State of Rio Grande do Sul, when integrating in the credit system made viable by *PRONAF*.

The importance of the credit cooperatives (SICREDE, SICOOB, CRESSOL, among others) should also be mentioned in the diffusion of *PRONAF* itself in the Rio Grande do Sul state. The tradition of the region's family farmers to make banking transactions strengthened the role of rural credit for small rural landowners.

Lastly, attention should also be drawn to the work done by the Technical Assistance in the state (EMATER-RS) in order to achieve the necessary combination of the modernization of the small estate, technological innovation and rural credit. In this way, the emphasis on local development sought to integrate and articulate the various family farmers with the agro-industries in the region, such as pig farming, smoking, poultry etc. (Nascimento, 2005, Aquino *et al*, 2004).

In short, the *Prorenda* initiative in the Rio Grande do Sul state made it possible for local level public policies (state and municipal) to converge more with those at federal level; this contributed to the strengthening of the alliances between small farmers and the local agro-industry as well as of the social and technical organization of family farming supporting the development of credit cooperatives. Due to the increased productivity obtained in family farming, the family workforce was free to carry out other rural or urban activities (pluriactivity).

Although there was a surplus of labor in the countryside in family farming, it was not at the same level as the surplus found on the large estates of farming businesses whose adoption of new technologies and greater mechanization led to an increase in the rural exodus. As can be seen from the figures for the sale of farming equipment and machines, the agricultural sector, and particularly the large rural estates, aggregated new investments that were responsible for the reduction in the area planted and in the amount of labor required.

In the Rio Grande do Sul state, it can be seen for example that between 1990 and 2000 there was a reduction of 12 per cent in the area planted, while the decline in the amount of labor used was 22 per cent. This compares with a drop of just 2 per cent of the area planted in Brazil as a whole, while the reduction of labor in agriculture and cattle farming was 28 per cent for the same period.

The explanation for this difference in the decline of area planted and the use of labor between Rio Grande do Sul and Brazil as a whole is directly linked to the composition of the two models of agriculture and cattle farming production. As family farming in Rio Grande do Sul state is one of the biggest regional contributors to the gross value of agriculture and cattle farming, the local arrangements to generate work and income in areas with small estates provide a less anti social adjustment.

The decisions on pluriactivity and non agricultural farming therefore became important in family farming as responses to unemployment and the rural exodus. In the model of business agriculture and cattle farming, the changes in large estates in the area planted and the volume of labor used led to greater unemployment and this generally reflected directly on the rural exodus and poverty (Schneider, 1999; Navarro & Schneider, 2000).

In this way, the pluriactivity of one or more members of the farming family unit provided refuge through paid work in the clothing, footwear, civil construction industry, and others such as domestic work. Even with fewer jobs in the urban sector and the relocation of industrial establishments from the Rio Grande do Sul state to other regions of the country, just in the period of 1992 and 1999 the weight of rural families in pluriactivity fell from 18.0 per cent to 14.8 per cent.

Due to the decline of family members from the small rural estates in pluriactivity work in Rio Grande do Sul and the difficulties of the agriculture and cattle farming sector, there was a drop in the participation of family farming in the total number of rural domiciles. In 1999, for example, for every two rural domiciles one was a small estate involved in family farming, whereas in 1992 two out of three small estates were dedicated to family farming.

On the other hand, the participation of non-farming families living in the country, especially on small estates, rose 67.4 per cent in the same period for all Rio Grande do Sul from 13.2 per cent in 1992 to 22.1 per cent in 1999. During this time, the non-farming employment of family members living in the country rose nearly 3 per cent a year.

More recently, however, family farming has gained a new impetus and pluriactivity has increased in the rural area of Rio Grande do Sul. Between 2001 and 2003, for example, the presence of farming families in pluriactivity rose 8 per cent in all domiciles, while rural non-occupation in family farming as a whole declined by 3.6 per cent (in contrast with the increase of 5.9 per cent between 1995 and 1999).

From all this, it can be understood that profound changes took place in rural Brazil, especially in family farming in the Rio Grande do Sul state, without repercussions on the weight of the gross agricultural value, even with the reduction in area planted and occupied labor. In short, the social changes seen in the rural region of the northern half of the Rio Grande do Sul state were not so great as those in other agriculture and cattle farming regions, bearing in mind the importance of family farming and the institutional articulations at the local level.

However, this does not seem much when we consider the traditional polarization between the two organization models of agriculture and cattle farming and, above all, the weaknesses in family farming. Hence, the low social result in both employment and social protection reveal the great difficulties of social inclusion in the rural areas in south Brazil.

Undoubtedly, initiatives like *Prorenda*, which was put into practice with the articulation, organization and mobilization of various communities in the northern half of Rio Grande do Sul, led to the advance of federal government programs such as *PRONAF* and, as a result, the recent transformations in the rural world did not have such a drastic effect (Anjos, 2003; Brose, 1999). However, the same cannot be said for the large estates where the advance of agro-business activities seems to have led to deep-seated social change.

On the other hand, the economic gains in the large estates were undeniable thanks to greater competitiveness in agriculture and cattle farming, in the animal and vegetable processing industries and in the production and distribution of farming input and equipment. The agro-business sector alone is responsible for roughly one third of Brazil's Gross Domestic Product, and is now responsible for 42 per cent of national exports, which placed the country in seventh place in the world ranking of exporters of agriculture and cattle farming products (Castillo, 2005; Belik *et al*, 2003; Gasques & Conceição, 2001).

However, one essential questions remains which is difficult to answer. To some extent, we find that the initiative of the municipalities in the northern region of the Rio Grande do Sul state indicates public policy measures can be combined so that they benefit the family farming model without antagonizing the interests of the business-model of agro-business.

But how far can the initiatives analyzed be generalized to the national level given that it is known that tensions around the two organization models of production and labor in the rural environment have grown? The experience of the municipalities of Rio Grande do Sul open an innovative perspective to correcting the two agriculture and cattle farming models, but one which needs to be better evaluated, otherwise the country-city migratory process will continue.

5.2. Local development initiative in industrial areas integrated in the competitive market

The northeast region (NE) of Brazil has been marked by having a high concentration of poor people and it is therefore an area which supplies labor to other regions of the country. In 2004, for example, although only 28 per cent of the population of Brazil lived in the NE, it was responsible for 42 per cent of the population living in extreme poverty and for 53 per cent of illiteracy. This social fragility has a direct relationship with the more general behavior of the regional economy which is strongly influenced by the agricultural sectors and urban services. To a certain extent, the industrial sector continued to make little progress due to its archaic economic and social structure, generally linked to traditional production and dependent on other regions of the country and national development policies (Albuquerque, 2000; Maranhão, 1984; Affonso & Silva, 1995).

Faced with the breakdown of the national development project still in the 1980s, the Ceará state led one of the most advanced packages of continued measures aggressively promoting the competitive insertion of its industrial sector. As a result, industry's share in the state's Gross Domestic Product rose to 36 per cent, while its exports went up to 13 per cent of total exports for the northeast region, thus putting them in third place in the regional ranking of foreign trade.

One of the main references of the competitive insertion initiative was the Ceará Cooperation Pact which brought together representatives from business, government and civil society and helped bring about substantial convergence around local development. Its significance can be measured by the importance of the state capital, Fortaleza, in the state as a whole; although the capital has less than one third of the state's total population, it is responsible for nearly 43 per cent of its Gross Domestic Product.²⁹

In addition to the relative importance of the capital, mention should also be made of the strength of the Metropolitan Region of Fortaleza which has 40 per cent of the state's population and is responsible for almost two thirds of the state's Gross Domestic Product. Apart from the relatively insignificant weight of the agriculture and cattle farming sector, just 1.3 per cent of GDP, the industrial sectors are responsible for 46.4 per cent and the tertiary sector (services and commerce) for 52.3 per cent of GDP.

Given the relevant territorial concentration of industrial production and the tertiary sector, the impacts resulting from actions aimed at strengthening the manufacturing sector should be examined on the basis of adopting the competitive insertion strategy. Cost cutting (tax, labor, location, logistics, etc.) played an important role in attracting private investment in the context of strong regional competition and a lack of national support policies for local development.

Accordingly, an analysis is made of the local development initiative in the Fortaleza municipality, by identifying the competitive insertion project and its policy convergence with the Ceará Cooperation Pact. Our aim is to get a greater understanding of the various results of adopting the competitive insertion plan as a protagonist of local development, using this previously defined territorial area.

²⁹ See more details in Diniz, & Basques, 2004; SEPLAN, 2004.

5.2.1. Economic and social exclusion process at the local level

With more than 93.2 thousand formal employees in the manufacturing industry, the state capital of Ceará is currently the main industrial center of all the municipalities in the northeast region, according to Ministry of Labor and Employment (RAIS) data. Fortaleza is followed by the municipalities of Recife (53 thousand formal employees in the manufacturing industry) in the state of Pernambuco, Salvador (44.7 thousand) in the state of Bahia, and João Pessoa (22.9 thousand) in the state of Paraíba.

After Fortaleza in the state of Ceará, other municipalities of note are: Sobral, with 11.2 thousand formal employees in the manufacturing industry, Cariri (9.6 thousand), Pacajus (5.6 thousand), Baixo Jaguaribe (4.7 thousand), Cascavel (3.3 thousand), Coreau (2.8 thousand), Iguatu (2.2 thousand), Chorozinho (1.3 thousand) and Itapipoca (1.2 thousand). Moreover, the capital of Ceará, together with the Metropolitan Region of Fortaleza, suffer from serious economic and social distortions; with 44 per cent of the total population of Ceará, one in two people live in poverty.³⁰

Generally speaking, the economic and social exclusion process in Fortaleza has two main vectors. The first lies in the adverse circumstances facing the poor, in particular the enormous quantitative and qualitative shortcomings in the access to education, health and social insertion. This condition of social vulnerability encourages the intergenerational reproduction of poverty. Hence, breaking away from poverty tends to be related to the general access conditions to public services capable of meeting the needs for education, health, social assistance, housing, transport, etc.

The second vector driving the economic and social exclusion process involves non-personal adverse characteristics i.e. the underdeveloped environment in which the productive system operates which is responsible for low productivity and the low wages of the workforce.

From this perspective, the poor population results from an intensive input of labor for minimal financial returns i.e. wages and the high participation mainly of children, women and the elderly doing unpaid work (work with no exchange of money found particularly, though not exclusively, in agricultural labor).³¹ As a result, unemployment is disguised by precarious underemployment and by various survival strategies, subsistence farming and other unstable situations linked to living on the streets, forced inactivity, begging, car washing and minding, and so on.

Besides poverty driven by the anachronism of the underdeveloped base of the productive system, disadvantages are also growing in relation to the predominant life style in Brazil. In particular, it is found that the poor half of the population are no longer just those in absolute poverty (African levels, for example), but those in relative poverty generated by the absurd concentration of income, wealth and power.

The most important aspect of this is the consumption patterns typical of the great cities like Fortaleza. Even with widespread ownership of durable consumer goods e.g. refrigerators and televisions, poverty persists because there is a huge gap in relation to the life style of a significant proportion of the population, above all in the northeastern region, who have enormous incomes, wealth and power.

For example, nearly 44 per cent of all workers earning no more than one monthly minimum salary and just 0.7 per cent on incomes over 20 times the monthly minimum salary lived in the Metropolitan Region of Fortaleza in 2004. In relation to the whole state of Ceará, one third of all

³⁰ See more in: Diniz & Basques, 2004; Buonfiglio & Dowling, 1999.

³¹ For greater detail see: Rocha, 2001; Banco do Nordeste, 2001.

workers earning no more than one monthly minimum salary and 94.3 per cent of the group of work posts with more than 20 times the monthly minimum salary are concentrated just in the Metropolitan Region of Fortaleza.

5.2.2. Origin of the local development, social protection and inclusion initiative

The renewal process of the political elites in the state of Ceará in the last two decades coincided with the movement promoting the modernization of the local productive structure. Until the start of the 1980s, the industrial sector accounted for less than one quarter of the state's total Gross Domestic Product clearly affected by an archaic combination of an out-of-date agrarian structure and the dysfunctions of the local public administration.

The city of Fortaleza was a direct example of the greater emphasis of the service and trade sectors combined excessively with the agricultural sector of the state's interior. Furthermore, the heavy dependence on the national regional development policies was met with poor dynamics for building up the industrial economic activities because this could shake the old pact of local domination in which the poverty and ignorance of large segments of the population were in their interest to maintain their political dominance.

But the movement for national re-democratization in the first half of the 1980s had local repercussions and forced a significant change in the political forces following the opposition's victory in the elections for the Fortaleza municipality and later for the Ceará state. For a region where nearly two thirds of the population lived in poverty, linked to illiteracy and extremely precarious occupational insertion, it was immediately apparent to the new political forces that exclusive dependence on national policies would ultimately reproduce the same basis of domination rooted in the poverty and ignorance of a large proportion of the population and economic modernization.

In addition, with the central government's deepening fiscal crisis, the national policies of regional development were gradually being reduced, if not abandoned. Essentially, an attempt was being made to reshape the role of the local public sector as the protagonist in policies for the modernization of the productive sector and, as a result, the renewal of the political elites.

In other words, a new political agreement was to be organized which would essentially valorize the construction of convergence that promoted local development. The continuous disputes between the governments of Fortaleza municipality and Ceará state made the attempts to build consensus around a new political majority tense and destructive.

It was in this context that the Ceará Cooperation Pact (PCC) was made in 1991 which initially contemplated the participation of a group of businessmen and government representatives. The mission of the PCC was to plan support projects of general interest to society, particularly because it was generally agreed that inclusive, integrated and sustainable development should be fostered.

To a certain extent, the Ceará Cooperation Pact also contributed to the significant task of organizing and building convergence in order to overcome the obstacles to local development.³² The articulation of a majority among the main players in business and government proved important to foster measures that would alter the old economic and cultural structure of the Ceará society as a whole.

³² See more in: Paiva & Monteiro, 2001.

The PCC did not operate as a tripartite forum as there was almost no representation of workers, in particular when compared with the participation of businessmen, government representatives, political parties and civil society (non governmental organizations, students, teachers, technicians and specialists, public managers etc.). The different local, sectorial and thematic pacts and forums spread beyond the capital of Ceará, and were based on private financing, initially for three years, from a large economic group and later with contributions from the state's Federation of Industry and from SEBRAE (Brazilian support service for micro and small enterprises).

Hence, the joint solutions proposed gained importance e.g. for basic and higher education, health, security, industry, agriculture and cattle farming, commerce, tourism, technology, etc.. In Fortaleza, for example, we note the proposals for the enlargement of the Pinto Martins airport, the attraction of industries, education and health, water and sewage and the transport areas such as Fortaleza Metropolitan Railway.

The joint construction of the Cooperation Pact around the vision of Ceará in 2020 should also be underlined. In short, encouraging associative work, the qualification of the labor force and articulation of policy decisions taken for local infrastructure committed to breaking with the past and the formatting of new data bases for the future.

From this perspective, the members of the PCC started to give priority not only to consolidating a new, wider and more modern productive base but also, and above all, to the construction of policies aimed at redistributing income more fairly as a pledge that ensures the success of future generations. It is with good reason that the renewal of the productive and social structure of Fortaleza and of Ceará state was strengthened by the convergence of ideas promoting local development from the dominant political forces

5.2.3. Specificities of local development, social protection and inclusion strategies

The aim of the local development strategy was to confront the archaic productive and social structure which predominated throughout the Ceará state. Emphasis was therefore given to adopting public policies targeting the promotion of the competitive insertion of the industrial sector in Fortaleza as well as in other regions of the state.

The protagonism of competitive insertion was to be the engine of development in the private sector. The government and the institutions were to have new functions as the public sector would no longer do the work but to create a favorable environment for decentralized initiatives from the private sector. Furthermore, the public sector should agree on investing more in people both by raising schooling levels and by broadening knowledge.

In this way, some economic specializations could be strengthened which would contribute to greater integration both in the world production chains and in the national economy (BNB, 2003; Buonfiglio & Dowling, 1999). Two kinds of public policies were used in the promotion of local development.

The first refers to policies on the supply side that are characterized by the diffusion of credit, of management assistance, tax and labor subsidies, technical assistance and others. The second includes policies on the demand side such as providing public policy measures to help open local, national and international markets (private and governmental) and to stimulate the substitution of imports from other regional economies, among others.

Therefore, the advance in local development was strengthened by two different kinds of government policy. On one hand, progress in investments in urban infrastructures and, on the other, the adoption of measures aimed at reducing operational costs, as in the case of direct taxation and labor benefits and financing with subsidized interest rates.

In the case of infrastructures, emphasis can be given to projects like: the Ceará waters (construction of the Castanhão dam), works on the new Pinto Martins airport, the Fortaleza Metropolitan Railway, Guamaré (RN) and Pacém (CE), Gas Pipeline with 323 Km, Pecém Port, with base industries (Cia thermoelectric source and Ceará Thermoelectrics), Tucuruí electrical energy transmission line (723 Km construction), the upgrading and extension of the railway network, etc. Of the measures to reduce operational costs in private enterprises, emphasis is given to the innovations in management and in current practices.

In the case of tax incentives, reductions in federal taxes have already been used to stimulate regional development, for example, since SUDENE (Supervision of Northeastern development) was formed at the start of the 1960s. The incentives from federal taxes allowed both a reduction of up to 75 per cent on Income Tax for a period of 10 years and also the 18 per cent application of tax to be collected from the Northeast Investment Fund.³³

However, the recent novelty was the reduction of state taxes when they were not municipal taxes of the Ceará state. Although the Ceará state has had some tax incentives since 1979, it is found that more recent government strategies have given increasing emphasis to this instrument, particularly in the 1990s.

On one hand, the tax exemption was different in the Metropolitan Region of Fortaleza from the other state municipalities. In the case of Fortaleza municipality there was a 75 per cent loan of the Tax on the Circulation of Goods and Services (ICMS), with a 10 year payment deadline, plus 36 months of exemption or 75 per cent reduction in Long Term Interest Rates (TJLP). This was possible for companies that were considered pioneers following the issue of a government certificate.

To complete the movement to attract companies, an industrial area was made available with the necessary infrastructures (water, energy, communication services and road access) in the factory facilities. In addition, it was possible to defer ICMS through exemption on the imports of machinery and equipment for use in the companies' fixed assets.

Other measures to reduce companies' operational costs worthy of mention include the local initiatives of flexibility in hiring labor. The companies began having a selection service and training for labor with public (federal, state and municipal) financing as well as forms of contracting laborers below the official salary level.

Using an articulation of partnerships, the intermediary labor service was offered by the federal government's National Employment Service (SINE) and by the state government's Labor Development Institute (IDT). The qualification and training services were provided by (federal) technical schools, (state) vocational schools and System "S" (industry, commerce, services and agriculture employers' system) for the long term training of the worker. Short term training came from SEBRAE's entrepreneurship courses, SESCOOP's courses on cooperativism and on paid work from the National Plan for Training and Professional Qualification (PLANFOR); funding came from the Worker Protection Fund (FAT) managed by tripartite representation (state and municipal employment committees attended by government, employer and worker representatives). Another important aspect in relation to hiring was the use of labor from work cooperatives, many of which were false, and that had much lower costs.

In this context, the efforts made in the educational area should also be underlined. Tackling the issue of child labor and universal basic schooling became important references both for the building of schools and increasing the numbers of teachers as well as in creating more advanced curricula methodologies.

³³ For greater detail see: Scipião, 2003; Souza et al, 2004; Amaral Filho, 1999.

One important innovation was the forming of a network of vocational centers which extended into the interior of the state and which was able to provide both training in citizenship and prepare people for the labor market. The reorganization of the health system also led to an improvement in the service provided and resulted in a significant reduction in infant mortality for example.

Lastly, the investment attraction program also included making special lines of credit available with lower than market costs. Public regional (Northeast Bank) and national (BNDES) development banks provided long term loans with interest rates below those of the market.

In the context of forming a local development policy, we note that the use of tax incentives was repeatedly updated e.g. from the initial concession to isolated companies to, later, just the companies in selected production chains, as well as the differentiation between firms that require long term benefits (structural change) or short term (conjunctural adjustments). Progress was also made in the use of incentives with the adoption of corrective and supervisory measures, such as defining penalties for companies that do not comply with the obligations agreed and the monitoring of policies by specialized teams.³⁴

As a result, the competitive insertion model of the industrial sector sought to have private initiative contribute decisively to the new socio-economic and environmental balance of the region by means of a set of actions to stimulate local development. The role of the public sector was therefore to foster a new concept of public policies supporting local development, and the Ceará Cooperation Pact contributed substantially to its political convergence.

5.2.4. Results of the local development initiatives

A diagnosis of the necessary reformulation of the public sector's role, which was traditionally seen as incapable of producing economic modernity and social well being, had to be made before constructing the local development plan. The main guideline for the decision to reformulate public policies was to form a competitive insertion model for the private sector focused on overcoming disadvantages of location.

As a result, the perception of local development involved creating a favorable environment for decentralized initiatives from the private sector. Between 1993 and 2000, for example, 469 companies were attracted by the set of incentives defined by state and municipal public policies.³⁵

In this same period, the total investment involved reached 4 billion *reais*, generating almost 43,000 direct work posts and another 170,000 indirect work posts. The performance of the industrial product value was therefore significant and allowed Ceará to become the northeastern state with the most industrial employment, providing one in four of the jobs in the Northeast region.

But this took place in different ways according to the various kinds of productions. In the case of the textile, clothing and footwear industry, the Fortaleza region began to account for 32.1 per cent of all the jobs in the Northeast region (Ceará state accounting for 45 per cent), while the chemical, pharmaceutical and veterinary product, soap, perfume and candle industries and were

³⁴ On this subject see: Amaral Filho, 2003; Amaral Filho et al, 2003; Rocha, 2002.

³⁵ On this subject see: Costa, 2000; Santos, 2002.

responsible for 11.3 per cent of all jobs in the northeast region (Ceará state accounting for 13.2 per cent).³⁶

On the other hand, in the metal-mechanic and electrical industry, the Fortaleza region accounted for 19.5 per cent of total jobs in the northeast region (Ceará state accounting for 22.2 per cent), while in food and beverages Fortaleza region provided 8.8 per cent of the northeast region's jobs (Ceará state accounting for 14.2 per cent).

Equally, the Ceará state significantly increased its participation in the northeast's total Industrial Production Value in just 15 years, going from 11.6 per cent in 1985 to 20.5 per cent in 2000. All this expansion in industrial production led to a substantial change in the composition of the state's Gross Domestic Product (GDP).

In 2002, for example, the industrial sector accounted for 36 per cent of the state's GDP in contrast with just 30 per cent in 1987. During the same period the weight of the service sector remained almost unchanged which means that there was a significant decline in the relative participation of the agriculture and cattle farming sector in the state's Gross Domestic Product from 17.2 per cent to 6.6 per cent.

In the Fortaleza municipality, the weight of the agriculture and cattle farming sector was almost non-existent, with just 0.3 per cent of GDP. The weight of industrial production (40 per cent of GDP) started becoming increasingly significant and of services which represented nearly 60 per cent of the municipal product.

In short, the local development strategy which played a leading role in the competitive insertion plan had positive results in terms of increased production and industrial employment especially when contrasted with the meager performance of the national economy. Equally, there was a significant growth in exports; for example, between 1990 and 2002, Ceará state's participation in the total exports from the northeast region went from 7.6 per cent to 11.7 per cent, losing out only to exports from the states of Maranhão (14.3 per cent) and Bahia (51.7 per cent).

It is also important to analyze the behavior of a set of social variables, to compare with the performance of the selected set of economic indicators which suggest an improvement in the position of both Ceará state and Fortaleza municipality. Initially, the question of unequal income will be addressed.

Based on the Gini Index, whose aim is to measure inequality of income, it can be seen that no significant progress was made especially when compared with the evolution in Brazil. In 2004, for example, the Gino Index for Ceará state was just 3.2 per cent lower than in 1993, whereas the decline for the same period in Brazil as a whole was considerably bigger (-6.7 per cent).

In contrast, Ceará state's performance during the 1990s in relation to the Human Development Index (HDI) is considerably better than that of the other states in the northeast region. While Ceará state made more progress in HDI, especially in the pluriactivity and life expectancy indicators, this was not true in relation to income where there were no significant differences in the average performance of the states in the northeast region. As a result, the summary index of the Ceará HDI was ultimately not that different from the average for the northeastern states as a whole.

Therefore, the question of the behavior of earned income warrants further reflection. Undoubtedly, the evaluation of the labor market is more relevant in the interpretation of the income of working families.

³⁶ For greater detail see: Diniz & Basques, 2004; Fontelele & Melo, 2004.

Firstly, the more recent evolution of the labor market in Fortaleza should be examined using the Study on Unemployment and Underemployment conducted by the Institute of Labor development. It should first be noted that the employment level in the capital of Ceará reached more than 41 per cent of the population of working age during the 1990s.

But between 1998 and 2003 there was a downward trend in the employment rate which dropped to below 38 per cent of the active population. However, there has been a recovery since 2004 and the figure for 2005 was 41.5 per cent.

Besides referring to the quantity of work posts, attention should also be paid to the quality of jobs in the city of Fortaleza. For example, informal work oscillated between 44.1 per cent and 49.1 per cent of total employment between 1984 and 1990. This figure passed the 50 per cent mark in the 1990s reaching 55 per cent in 2005.

As the evolution in the number of work posts was lower than the growth rate of the economically active population, this means there was greater unemployment. Although in 1984, for example, the unemployment rate in Fortaleza reached almost 15 per cent of the total of the economically active population, it went into decline until 1991 when it stood at 10 per cent.

In the second half of the 1990s, unemployment started to rise again and went up to 13 per cent of the labor force in 1999 and 17 per cent in 2004; this was followed by a fall to 15.7 per cent of the economically active population in 2005. Nevertheless, youth unemployment is high and is up to 3.3 times higher than the average rate for adults.

Even though the information presented here is not enough to provide a comprehensive analysis of social protection and inclusion in the scope of local development in Fortaleza municipality, it is clear that social behavior did not accompany the performance of the economy. As a result, the new public administrations in the state started placing more emphasis on building a social development strategy as government policy priorities.³⁷

Given that the local development model adopted motivated the private sector to become competitively inserted in the national and international economy, social protection seems unquestionably to have been damaged. The economic growth that followed undoubtedly led to an increase in employment levels, which gave rise to advances in inclusion through work – even though this was insufficient to return to the unemployment levels of 1980.

But in terms of the quality of work, the social development model does not seem to have been able to provide a sufficient response in reaction to the levels of informal labor. On this matter, attention is drawn to the importance of labor cooperatives in the state of Ceará. For example, while the Ceará state had 7 per cent of all the cooperatives registered in Brazil, it had only 2.6 per cent of all formal employment in the country.

This perhaps provides an insight into the role that various cooperatives started to play in coalition with the companies in the footwear and clothing sectors. In general, they represented undifferentiated normal paid work, but without the social and work protection entitled by the law in force.

For those people suffering from unemployment, such a proposal represents an opportunity for inclusion through precarious work. It does not therefore necessarily mean having a decent job, not even in terms of social protection and inclusion (Gaiger, 2000).

Nevertheless, the local effort did contribute to furthering a strategy which had a more economic basis. Despite this, there were some social gains.

³⁷ See more in: Holanda, 2003; Holanda et al, 2004.

If we consider, for example, the progress in the reorganization of health, the forming of a network of vocational centers and other areas of the public employment service, we find that the attraction of new investment and relocation of companies and their impacts on the labor market took place to some extent simultaneously.

There were undoubtedly improvements in the composition of employment, with a greater weight of on jobs in the manufacturing sector. This takes on even greater significance when compared with the economic and social performance of other states in northeast Brazil, especially with regard the evolution of decent work.

5.3. Local development initiatives in investment areas concentrating on new technologies

Despite the significant changes in its productive structure in the last two decades, the municipality of São Paulo, which has a radius of 150km, concentrates almost two thirds of the country's industrial employment. This truly mega region which includes not only the metropolitan region of São Paulo with its 39 municipalities, but also the areas Santos, Sorocaba, São José dos Campos and Campinas has become increasingly involved with Brazil's science and technology field.

Besides having the main universities, there are also various research institutions and a large number of national and transnational technology companies (aeronautics, telecommunications, information, chemical, computers, etc). The São Paulo initiative was selected as a large proportion of Brazil's investment in science and technology is concentrated here and it focuses on the recent initiative to integrate and articulate significant groups of the population who are marginalized from the advances in local development.

The public policies adopted locally to confront the complex process of social exclusion are examined as a reference for social protection and inclusion in local development driven by the concentration of investment in the information and technology industry. The São Paulo initiative of social inclusion warrants emphasis not only because of its scale but also for the courage with which it tried to tackle the causes that result from the transition of an industrial city to one of technologically advanced services.

5.3.1. Economic and social exclusion process at the local level

In a context of investment concentrated in new technologies, which implies a series of opportunities, the municipality of São Paulo is pressured by three broad factors that explain the more general behavior of the economic and social exclusion process, particularly in the more peripheral regions. The first involves the predominance of macroeconomic policies liberalizing commerce and finance, together with high interest rates and valorized exchange rates. This combination is ultimately responsible for a fivefold increase in unemployment and a fall in workers' incomes by one third, in light of the unfavorable situation resulting above all from labor intensive companies that were forced to close down, leave the city or get rid of existing work posts.

The second factor that generated exclusion was the irresponsible handling of municipal finances in the past. São Paulo's accumulated debt during the last municipal mandates (1993 to 2000) made it impossible for local government to obtain new loans even though there were private and public institutions interested in offering credit. On the other hand, due to the agreement made in 2000 between the municipality and the federal government on public indebtedness, the São Paulo budget was reduced annually by 13 per cent so as to pay the service charge on the debts incurred by previous administrations.

Lastly, the third factor responsible for increased social exclusion concerns the fiscal adjustment standard imposed by the federal government which raised the tax burden so as to obtain more tax revenue from the richest municipalities. In 1991, for example, the capital of São Paulo which had the third largest budget in the country, accounted for 20 per cent of the entire national tax collection. At that time, for example, 2 of every 10 *reais* collected went to the city's public budget.

Ten years later, in 2001, the municipality of São Paulo had the fifth largest budget in Brazil although it accounted for 25 per cent of the entire national tax collection. In addition, for every 10 *reais* collected in taxation and contributions in the city, 95 cents was for the municipal budget.

As a result, it is understandable that the municipal action against social exclusion – even for the biggest city in Latin America – was more limited than under the previous administrations. But this was not enough to stop or paralyze the municipal government above all in the field of innovating and developing social inclusion policies, given the opportunities provided by the arrival of investments in new technologies in the municipality of São Paulo.

These investments, which were one quarter of the total investments made in Brazil during the 1990s, were undertaken without much synergy with the economic and social context of São Paulo. The concern to trigger new economic centers in the interior of municipality's territory was a constant reference in the local government's organization of social protection and inclusion policies.

If investments in new technologies had not been possible, perhaps the social inclusion strategy in São Paulo would have been reviewed as it would have lost its main guiding axis from the local development perspective. In another form of economic development, for example, the social protection and inclusion measures would have required better synergies and integration.

5.3.2. *Origin of the local development, social protection and inclusion initiatives*

Against this complex economic and social backcloth, the local government had to reconstruct new and additional decision making structures based on the principle of democracy, popular participation and the decentralization of public policies. This included the decision to create a municipal secretary to construct a social inclusion strategy meant that the traditional decision making, management and coordination structure had to be revised for economic and social policy action that converged in an interdependent way on the local level. The chosen path allowed the São Paulo social inclusion strategy to be established and consolidated; its initial results were brought about by management innovations which set out to oppose the vices of clientelism and the anachronism of the State apparatus in the municipal context.

From the outset, the most important principle was the preliminary assessment that the construction of an economic and social inclusion strategy had to overcome the underdeveloped and outdated perceptions of residual, assistance based social policy, of improvisation and competition between sporadic and targeted programs. In most cases, this meant actions with low social coverage and high operational and administrative costs that were highly political and more committed to authoritarian rule than emancipative citizenship. Hence, the combination of organizational planning and the decentralization of actions was vital; this differed from the traditional structures bound to a senior secretary, with departments and sectors for numerous micro programs with high administrative costs, little effectiveness and limited coverage; or a mid level secretary, generally contaminated by the bureaucratic vision of targeting, improvisation and unproductive assistance welfare rather than the need for universalization and the vision of social,

political and economic universalization of the excluded public.³⁸ Furthermore, the organization by programs, with responsabilization, a flattened organization structure and articulation with all sectors of the São Paulo Municipal Prefecture and civil society emphasized the strengthened local government and allowed planning and decision making to draw closer to the places where the social policies were effectively implemented.

In this way, it was possible to start a process inverting administrative policies, which required more balanced and appropriate skills to govern a global project of this dimension and significance that sought to transform the realities of exclusion by means of internal and external innovations.³⁹ In the internal sphere, for example, emphasis should be given to the format of management by program and technical support activity which relied on the cooperation of international organisms to set up innovative initiatives in citizenship training and in measures aimed at emancipation and local development.⁴⁰ This happened for example following the adoption of an information and technology support system able to supply enough data to set up a kind of intelligence and monitoring unit of the whole social inclusion strategy. By constructing an intelligent information system, it was possible to manage and monitor a set of actions that sought to register the target population, respond to the beneficiary with a specific income guarantee program whilst also offering increased skills through articulated basic and specific modules, providing information and directing towards the micro-credit circuit and managing social insertion in activities generating income and work by means of support actions for local development. All this was preceded by the official definition of a poverty line for the city of São Paulo, a measurement to determine general and specific targets for attending beneficiaries throughout the timetable for the territorial implementation of the social inclusion strategy. The priority of responding to a set of economic and social programs in the territory of the city of São Paulo also involved the prior conception and implementation of a summary indicator on social exclusion. This summary indicator resulted from a combination of distinct indicators such as poverty, violence, unemployment, schooling, literacy, inequality of income and participation of youth in all the 96 administrative districts which have a total population of 10.5 million people.

The setting up the Citizen Data Bank was therefore vital to the success of the entire social exclusion strategy. Besides its importance for the convergence of the actions of the nine social programs, it was also necessary for the new integration and management of São Paulo government actions with government programs from the State of São Paulo and the federal government.⁴¹ Equally, local governments efforts to be united with the will of organized community participation in tackling the social exclusion process was made possible by the following: the introduction of a flatter management structure by the public administration; emphasis on a matrix of actions and embodied in clearly defined projects; and the objective of the whole working process focused on the target segments of the inclusion strategy. Given the decentralization of the decision making process and participative management, an attempt was made to address the management of government actions using orientation by objectives and a

³⁸ For greater detail see: Motta, 1991; Petrucci et alii, 1995.

³⁹ On this subject see: Oliveira, 2004; Campos, 2004; Pochmann, 2004.

⁴⁰ Two international conventions made with FAO and UNESCO offer flexibility for tests with new administrative methodologies and for the implementation of social programs. See more in Pochmann, 2003.

⁴¹ We stress, for example, the integration and articulation between municipal redistributive programs (minimum income and work subsidy), with state programs (citizen's income and family support) and federal programs (young agent, program for the eradication of child labor, school allowance, food allowance and family allowance, first job). There was also integration from the management of information from the Citizen Data Bank with the federal intermediary programs for labor, professional qualification, literacy and micro-credit.

control of the bureaucratic culture so as to encourage the allocation of tasks with set performance targets and the responsabilization of the coordinators and leaders.

At the external level, we stress the initiative combining the action of various players and governmental and non-governmental organisms with the introduction and development of each of the set of nine programs which made up the social inclusion strategy. This occurred with the implementation of programs based on the articulation of the integrated actions of the municipal government with the regional administrations, the state and federal government, state enterprises, organizations from civil society and non-governmental organizations for the development of programs and their evaluation and monitoring.⁴²

Lastly, articulation with the local communities for the regional development actions was essential to put an end to the sporadic and improvised public policy logic, which was often competitive and had high operational costs. The effective and complementary action around social responsibility from companies, from the collaboration with entities representing employers' and workers' interests and a support network of local government organisms (religious or not) allowed the integrating synergy at the local level to be valorized in the distinct initiatives for the recovery of citizenship in the municipality of São Paulo.

5.3.3. Specificities of local development, social protection and inclusion strategies

The economic and social inclusion strategy at the local level included the management of a set of nine programs that sought to articulate and integrate with each other. In this way there was a pledge both to universalize access to this social inclusion strategy and to break away from the residual welfare assistance and sectorial approach to actions generally reproduced by merely electoral dynamics.

Three different program lines were therefore developed which tried to standardize and identify both the points of entry (redistributive programs) and the points of exit of the basic condition of social exclusion (emancipating and local development support programs) for the impoverished and unemployed populations.⁴³ In the first program line, which addressed the issue of the entry point for the São Paulo social inclusion strategy, the programs were redistributive and tried to combine temporary income supplements with opportunities to raise the beneficiaries' autonomy.

⁴² Of particular note is the setting up of a municipal inter-secretarial council – which included eleven municipal and four public enterprise secretaries – responsible for building a territorial matrix for the action and implementation strategy of a series of social programs. It is also worth noting that each social program had the support of a group of civil representatives to monitor actions and results. This was the case, for example, of the micro-credit and solidarian economy programs. The São Paulo Confia – São Paulo Trusts program was organized using a social support network for the dissemination of a micro-credit centre in the city of São Paulo, composed of a Civil Social Organization of Public Interest (OSCIP) formed by five Trade Union Centers (CUT, CGT, CGT-B, SDS and CAT), a private bank (Santander) and an employers' entity (CIVES), in addition to the actual Prefecture. All these institutions provided the necessary resources for the fund that financed micro-credit, although the majority of the resources came from the São Paulo Prefecture budget. Also, in the case of the emancipating programs e.g. those providing occupational skills and solidarian opportunities, specific forums were set up which operated in network. Hence, both the creation of the fund for solidarian undertakings within the São Paulo Confia credit center and the technical support for undertakings formed by the partner institutions were made possible by the Solidarian Economy Forum; it was also responsible for holding an annual fair to present initiatives in the city of São Paulo.

⁴³ For a broader analysis see: Pochmann, 2002; Pochmann, 2003.

In this case the income transfer programs were justified by the need to provide a response for the most excluded group of the population who were caught up with simple survival. Without supplementing their income this social segment would find it hard to abandon their already consolidated and established survival strategies which took up nearly all of their daily life.

On the basis of this first program line which guaranteed temporary income supplements, the second line was constructed around the social, political and economic emancipation of the beneficiaries. The points of exit, in this sense, were broad and varied, depending on the kind of social exclusion process in the São Paulo capital.

Hence, there was a Minimum Family Income program for low income families with dependents up to the age of 15 years, while there was a Work Subsidy program for young people between 16 and 29 years on low incomes or unemployed. Both programs were based on education, as they gave a temporary guarantee of an income transfer linked to increased schooling and involvement in community activities on the subject of belonging and playing a leading role.

The work subsidy program, for example, also sought to provide a response for young people on low incomes through the pre-school courses (*“Bolsa Trabalho Cursinho”*), which were part of the municipal process to make grants available in private universities (benefiting from the reduction in municipal tax on services) and public universities, as a way of contributing to increasing the schooling of the offspring of poor families (Entrepreneur Grant for selected university research projects by the University Forum). Also in the case of the Work Subsidy program, there was another format aimed at in-company training for training young people on low incomes both in the final stage of high school or university (Work Placement Grant), or for new graduates (Job Grant). Hence, the new born to 29 year old age group was covered by a series of actions that aimed to raise the level of schooling and improve the preparation of young people on low incomes for insertion at a later date in the labor market.

The initiatives therefore sought to valorize a sense of belonging, leadership and the assuming of responsibilities among the poorest segments of the community through guaranteeing income and providing community skills. At the same time, the municipal public authorities also worked to provide similar conditions to those found usually in medium or high income families who could afford to finance their children’s training for longer and therefore enable them to enter the labor market when they were sufficiently prepared to take up the best positions available.

For older age groups there are programs that guarantee income linked to reinsertion in the labor market by means of job and income creation alternatives. The *Operação Trabalho* – Operation Work program targets long term unemployed and those on low incomes in the 21 to 39 year age group, while the *Começar de Novo* – Starting Afresh – targets the unemployed on low incomes aged 40 years and over and seeks to combine temporary income supplements with training for the salaried worker, autonomous worker, entrepreneur and community agent. In the case of long term unemployment (8 months and over), it should be noted that the Operation Work is distinct in that it offers income benefits for those who participate in theoretical training and practical learning, and also seeks to finance the transport costs involved in the necessary qualification for an active job search. In the Starting Afresh program newly contracted employees aged 40 years and over also have the guarantee of in company training as well as the transport costs involved in the active search for work (*Começar de Novo Emprego* – Starting a New Job).

The recognition of beneficiaries’ emancipation as a process implies an understanding that the basic knowledge of families in the minimum income program is disseminated (literacy, home economics and budgeting, health and hygiene, etc.). Beneficiaries of the other redistributive programs could choose specific training after going through a basic two- month module on general knowledge (ethics and citizenship and political culture and economics).

The specific modules last between 4 and 10 months and try to cover as many aspects as possible in the areas of collective or individual entrepreneurship (*Oportunidade Solidária* – Solidarity Opportunity Program), providing professional skills for salaried or autonomous work

(*Capacitação Ocupacional e de Aprendizagem em Atividades de Utilidade Coletiva* – program for Vocational Skills and Community Skills) and for community activities (community agents for recreation, environment, logistics and others). In the case of beneficiaries needing financial backing to start a business, purchase equipment or clothing, working capital, etc. the *Central de Crédito Popular São Paulo Confia* provides low interest loans compatible with the borrower's ability to pay. It therefore operates through credit agents supported by branches located in the more peripheral regions of the city.

From the perspective of the social inclusion strategy, the third program line is characterized by the exit points more specifically dealing with economic emancipation; it provides support for local development, especially in regions where there are beneficiaries of the redistributive programs. By seeking to transform the places of residence and creating job opportunities it helps bring about the geographic reorganization of the productive activities and new forms of insertion into the labor market. However, this is linked to the broader planning of economic development in the city, with incentives for labor intensive production chains which generate business. This leads to the opening up of new spaces that are necessary to absorb the beneficiaries of social programs in activities generating work and income, thus resulting in the opportunity for their economic emancipation.

On one hand, the *São Paulo Inclui* – São Paulo Includes program is a large network of intermediaries for work and business that starts with beneficiaries going through the redistributive and emancipating programs. The articulation with the productive sector is essential, as well as an operational network with the available job vacancies that can be passed on to all the beneficiaries qualified for salaried, autonomous or community work. On the other hand, the Local Development program articulates and integrates the city's relevant social players. The players from business, labor and universities are involved through the Sectorial Development Forum in measures that aim to bring progress to productive sectors like textiles, furnishing, transport, and others.

Competitiveness is increased and more new technologies are introduced through the upgrading of technical and management skills in businesses and this can interact with the hiring of beneficiaries from the social programs. Equally, the Local Development Forums try to involve the organized civil society in the city's more distant geographical regions and stress the empowerment of excluded segments by setting up the local development agenda among the people. In this way, the Prefecture becomes involved in the government agenda for managing the defined proposals particularly in the local forums.

5.3.4. Results of the local development initiatives

Over a period of four years (2001 to 2004), the São Paulo strategy for social inclusion reached 96 administrative districts of the São Paulo municipality, covering 480,000 families. In other words, nearly 20 per cent of the population of São Paulo (2 million people) was directly or indirectly affected by the social inclusion strategy.

For every 10 families living in poverty in the state capital, 8 benefited from the matrix based and integrated intervention of the local public authority in partnership with civil society. From the outset of the implementation of the social inclusion strategy, the board scope of the social programs meant that great concern was taken about the potential impact that municipal action could have on the population.

As a result, a methodology was developed that could address both the concern to systematically evaluate efficiency and monitor the effectiveness in meeting targets, as well as to justifiably

accompany the whole administrative process and the potential results.⁴⁴ A brief summary of the results observed during the application of the social inclusion strategy in the municipality of São Paulo is given using the official statistics available and also general information from sample research conducted specifically with beneficiaries of the social programs and local economic agents.

An attempt was made to measure the operational impact resulting from the new management model of social policy at the same time as the implementation of the social programs in the state capital. This is because the standard of social policies in Brazil is generally characterized by low social coverage and high operational costs. The former federal *Bolsa Escola* – School Grant program serves as a good example of this; it transferred 15 *reais* per month per child of which the operational cost for the municipality was an estimated 7 *reais* owing to registration, selection and monitoring as well as socio-education activities and the supervision of the child's attendance at school. That is, the operational cost was nearly 50 per cent of the amount received by the beneficiary. Equally, the limited coverage of the Brazilian social policy, which traditionally works on a quota system, ensures that the principle in question is addressed but not the universalization of public action. The former federal program (School Grant) is again a good example; it had a quota of just 79,000 families for the municipality São Paulo, when there were actually 300,000 families with the prerequisites for the benefit. The same can be said of São Paulo's state program for income supplements (*Renda Cidadã* – Citizen Income), which had a quota of only 16,000 beneficiary families for the São Paulo municipality. By adopting a new model of social policy, São Paulo abandoned the narrow minded perspective of targeting in favor of universal actions. In the period from 2001 to 2004 the municipal *Renda Mínima* – Minimum Income program alone reached 320,000 families in the city's 96 administrative districts, with federal and state governments participating with the controlled income supplement programs. The municipal coordination of the income supplement programs linked to education led to public resources increasing which had a positive impact on the number of families that benefited. In 2004, for example, 6 of every 10 *reais* applied in the income supplement programs in the state capital came from the Municipal Prefecture, 3.5 *reais* came from the federal government and half a *real* from the state government; in contrast, in 2001 all the resources came from the São Paulo government. As a result, yet another of the weaknesses of the traditional social policy i.e. high operational costs, was overcome. In the municipality of São Paulo, the whole social inclusion strategy pledges 8 per cent of the total amount applied.⁴⁵ In short, an excellent operational result and above all one which contrasts with the traditional standard of Brazilian social policies.

Three socio economic impacts resulting from the implementation of the social inclusion strategy have been identified. One of the impacts of great importance in confronting poverty involves the redistributive programs (Minimum Income, Job Grant, Operation Work and Starting Afresh). It was found for example, that the total family income of the beneficiaries rose considerably, reaching figures well over the poverty line defined as 1.47 the minimum salary, whenever the original income is added to the income supplement paid by the Prefecture. Hence, the public authorities were able to transfer enough monetary resources to families for them to obtain an average monthly income higher than the minimum required for survival. Another important socio economic impact is related to where the beneficiaries of the redistributive programs spend what they receive. Research conducted with the beneficiaries of the redistributive programs provides data on the geographical areas where the beneficiaries spent their money; this reveals the impact

⁴⁴ Three mechanisms were adopted for the monitoring and supervision of the São Paulo municipality social inclusion strategy: (i) at municipal level (studies with beneficiaries, visits and supervision from the Prefecture, interviews with relevant partner entities and social players), (ii) at the national external level (selection and hiring of four national research institutions to monitor and evaluate the social programs) and (iii) at the external international level (selection and hiring of an institution to evaluate and monitor the social programs).

⁴⁵ For greater detail see: POCHMANN, 2003.

on local activity because more than 80 per cent of the total income supplement was spent near the place of residence. Lastly, the majority of local economic agents, particularly in administrative districts affected by the social programs, note an improvement in their business. The improved turnover of local economic agents is largely attributed to the additional business from beneficiaries of the redistributive programs in the São Paulo Prefecture. It was not by chance that the income-effect of the social programs – generally linked to more money being spent on foodstuff – ultimately influenced the actual collection of tax in the municipality. The survey conducted on the collection of Tax on Services (ISS) demonstrates that the best results were linked to the regions where the programs had been implemented. Another aspect which should be stressed in relation to the socio economic analysis of the social programs concerns the impact at the level of employment and income. On one hand, it is found that the redistribution of income in poor families led to the additional consumption of primary goods, as indicated both in the sample research carried out among beneficiaries of the social programs and economic agents working in the administrative districts affected, and also in the official data on municipal tax collection. On the other hand, the income-effect on the sales indicated additional production which in turn was accompanied by a greater demand for labor.

Measurements of the effects resulting from the adoption of social programs within the labor market were made using a methodology that could identify the influence of public policies on the general behavior of employment and income.⁴⁶ Although the macro economic environment in the period under analysis was extremely unfavorable for increasing jobs and the real incomes of the employed, three distinct positive impacts were noted. Firstly, an analysis was made of the inactivity-effect resulting both from the absorption of more income by families and by the reduced pressure of the so-called secondary labor in the labor market (children, young people, women with young dependents, the elderly and others). Accordingly, the higher the increase in family income, the higher the inactivity rate (relation between the inactive population and the population of working age) would tend to be for specific age groups. Secondly, the income-effect can be seen as a result of the inactivity effect; this resulted from less pressure on the competition between the labor available for the same existing work posts. When the level of employment and cost of living remain unchanged, programs guaranteeing income have a positive influence on the real average income level by reducing competition between employed workers and the unemployed. Equally, without the social programs there would be more people entering the labor market; as the level of employment is the same, the real average income of the employed would be depreciated by the increased competition within the labor market. Lastly, the increased income was used to measure the occupation-effect generated by the social programs and consequently the consumption of poor families. Accordingly, local consumption was boosted especially among the poorest strata of the population and in the most peripheral regions – not forgetting however that the social segments affected by the social programs are less likely to save. This, in short, contributed to raising the level of production and sales, thus causing an increase in the size of the workforce. Therefore, to a greater or lesser extent, a series of positive effects are seen within the labor market particularly when the economy registered growth. In reality, the social programs of the São Paulo Prefecture, conducted through the SDTS, ultimately had more of an anti-cyclical effect than one which generated pro-cyclical impacts, bearing in mind Brazil's unfavorable economic situation which causes high unemployment and a drop in the real income of the employed.

The unemployment rate in the municipality of São Paulo would have been higher, for example, if the social programs had not been applied by the SDTS. Research on Employment and Unemployment from the *Seade and Dieese* Foundation estimates that unemployment would have been on average 8.5 per cent higher than the figure registered in December 2002. In short, it is observed that without the social programs of the São Paulo Prefecture the estimated unemployment rate of the Economically Active Population in the municipality of São Paulo

⁴⁶ On this subject see: SCHMID, et al, 1996; MÄAREK, 1994.

would be 19.2 per cent instead of 17.7 per cent. This is explained essentially by a combination of the three effects (inactivity, employment and income) acting within the São Paulo labor market. Equally, the income-effect on the São Paulo labor market was estimated on the basis of the social programs of the São Paulo Prefecture. According to observations made between January 2001 and November 2002, the behavior of the average income of the employed would not have been the same without the social programs. In November 2002, for example, it was estimated that the buying power of the employed in the São Paulo municipality would have been on average 4.1 per cent lower than the registered figure.

The results have also been positive in the case of education. The Minimum Income and Work Subsidy programs sought to increase schooling by trying to provide conditions that would encourage people to delay their entry into the labor market, following the same pattern taken by the richer strata of the population that usually tends to place their children in contact with work only after completing higher education. Even in the Operation Work and Starting Afresh programs, aimed more at building new kinds of job and income creation, it was found that the illiterate beneficiaries and those with little schooling are given access to actions combating illiteracy as a means of improving schooling levels. Furthermore, courses are also given on how to increase vocational skills for salaried work, or for autonomous work, entrepreneurship or community activities. This opportunity is also extended to beneficiaries of the Work Grant programs and those responsible for the beneficiary children in the Minimum Income program. According to the sample research conducted with beneficiaries of the social programs, they identify strongly with programs tackling poverty and valorizing education. The population itself considered that this had been addressed by the social programs. It is also noted that another educational impact resulting from the social programs was related to the sale of the school transport passes. According to the study conducted with primary data of the Municipal Transport Secretary, a higher number of school passes were sold in regions covered by the SDTS social programs. Lastly, attempts were also made to evaluate the possible effects resulting from the pledge made by the beneficiaries of the social programs regarding education. This is the case, for example, of the Minimum Income and Work Grant programs whose beneficiaries had to continue attending school. There was a fall for example in dropping out and failure, accompanied by a rise in the pass rate in schools. This was more visible in regions covered by the social programs, according to the Municipal Secretary of Education primary data. Therefore, there has been a gradual reduction in the marked inequality that had existed in the performance of children who studied in the periphery as opposed to those who studied in the city centre. In 2003, for example, two and a half years after adopting the social inclusion strategy, we can see that there was no longer inequality of school performance between São Paulo's periphery and city school children.

Turning now to the main socio-cultural impacts of the implementation of the social programs. The first concerns the social programs' contribution to rescuing citizenship and the credibility of the public authorities. It was seen at the start just how little people believed in the public authorities, particularly the poorer segments of the population. The past had certainly proved how the authorities ignored the anxieties of the excluded in the municipality of São Paulo. At the same time, the lack of self-confidence and low self esteem was increasing among the poor strata of the population. The implementation of the social programs in the more peripheral regions and among the poorer populations was a novelty in terms of socio-cultural impacts. The sample research conducted with beneficiaries of the social programs showed that a share of those interviewed did not believe they would be reached by the Prefecture's intervention. Equally, the social programs' importance to the improvement in the family and community situation was identified. The exercising of citizenship was not ignored, considering the social inclusion strategy's commitment to the social, political and economic emancipation of the target population. In this way the building of shared rights was made possible and this represented a fundamental victory for

democracy; the poor ceased to be merely manipulated by the old clientelism and assistance welfare for electoral purposes and became players in the new trajectories of citizenship.⁴⁷

A second socio-cultural impact involved the inclusion process in banking generated by the social programs. Of the total number of Bank of Brazil bank accounts (the financial agent for the São Paulo Prefecture social programs) about a quarter were beneficiaries of the social programs. This is not to be trifled with when we consider that about 25 per cent of the total population in Brazil has no access to banks. In addition, in São Paulo – as in all of the country - there is a strong geographical concentration in the distribution of bank branches. In the more central regions of the city, for example, there is one bank branch for every 2000 residents while in more peripheral areas there is only one branch for roughly 20,000 residents, not to mention another 10 per cent of all administrative districts with no bank branches at all. With the implementation of the social programs the bank services provided in regions farther away from the center were increased, and there was also a greater circulation of monetary resources in the regions that benefited from self service banking. With self service banking, the beneficiary population started using their bank card, which went with the social programs, to withdraw their benefits from the bank as well as to make payments. Furthermore, it should be noted that according to sample research carried out with the beneficiaries of the social programs of the São Paulo Prefecture, 21.2 per cent stated that they received their benefits in the area where they live while 76.9 per cent received them in other administrative districts. Meanwhile, only 1.9 per cent of all beneficiaries withdraw their benefits in the city center. Furthermore, we find that the course taken by banking inclusion is not limited simply to the poor's access to the circuit for receiving and making payments. Progress was also made with the micro-credit initiative developed by the *Central de Crédito Popular (São Paulo Confia)*, particularly in instituting and fostering activities generating work and income in the *favelas* (shanty towns). At service counters in the periphery, the credit agents of the *São Paulo Confia* can identify business opportunities and support the financing of new undertakings and those already underway. In research conducted in 2003 with holders of loans from *São Paulo Confia*, it is found that 72.2 per cent were able to increase the turnover of their small businesses. In addition, it should also be noted that the entrepreneurial population on low incomes were provided a better response thanks to the existence of the various lines of micro-credit (0.48 per cent interest a month for business from beneficiaries of the social programs, 1 per cent a month for cooperatives and 2 per cent for itinerant workers). Besides the loans being relatively small, we also find that solidarity groups were the appropriate and most organized means of ensuring the success of the undertakings and of the low rate of default (less than 3 per cent, on average).

The third socio cultural impact identified addresses the question of insecurity felt due to violence. When the administrative districts benefiting from the social programs are compared with others, the marked impact on violent deaths can be seen. According to official statistics (Pro-AIM), there was an upward trend in the murder rate in the city of São Paulo until 2000, which went from 50 murders per 100,000 inhabitants in 1997/98 to 57.3 per 100,000 inhabitants between 1999/2000. After that, the murder rate started to decline with for example, 4999 violent deaths in 2003 compared with 5,990 murders in 2000. The fall in the number of violent deaths in the city of São Paulo coincided with the implementation of the social programs, and we see, for example, that the biggest falls in the murder rate were in the regions benefiting from the SDTS inclusion strategy. The longer the social programs were running in the geographical areas under study, the greater the fall in the murder rate, thus indicating just how far we can combat exclusion through social policies as opposed to simply using police repression.

In most cases, the conservative vision of the role of public policies links the application of resources in the social area simply to unproductive welfare expenses, equivalent to any other expense. This is perhaps because it is not appreciated that spending in the social area is closely

⁴⁷ For a more detailed, in-depth discussion on the concept of rights among the population affected by the social programs of the São Paulo municipality see: CAMPOS, 2004.

related to investment above all in terms of its occupational, educational, cultural and other returns as described above. It is known, *a priori*, that money well spent operationally by the government stimulates the generation of more income than the amount initially coming from private dynamics; this is because public spending stimulates demand from the private sector and family consumption, feeding a virtuous circle in production and, therefore in employment and income. Just as a significant share of the public expenditure returns to the government through taxation as the greater generation of income broadens the tax base, we find that the development of redistributive programs seeking social, political and economic emancipation of the target population produces a return on the investment made. The complex issues of social policies such as welfare, health, public security and education were directly and indirectly affected by the positive reflexes from applying the social programs in the city of São Paulo. Therefore, guaranteeing reasonable amounts of income for a significant group of the excluded population has direct and indirect impacts, reducing, for example, the need of resources in hospitals and medication, particularly in the cases of illnesses linked to malnutrition, and also in education, above all in the decline in repeat schooling following failure and dropping out, as well as in public security with the fall in the death rate, among others. In short, as a result of the preventive action resulting from the social inclusion strategy there have been significant returns in terms of cost containment and the rise in government receipts, as confirmed in the city of São Paulo. According to research conducted in 2002, it can be said that for the total resources applied in the redistributive programs, 10.7 per cent returned to the municipal government without taking the additional state and federal tax collected into account. We can also see that an equivalent of 6 per cent of the total sum invested in redistributive programs was saved through the effect on education (reduction in drop outs and repeating of school year due to failure) and health (lower expenditure on medication and hospitalization as a result of diet related diseases). In all, without accounting for the fact that a young beneficiary of the work grant program receives a guaranteed amount of nearly 180 *reais* a month, plus theoretical and practical classes in community and solidarity activities intended to increase the sense of belonging and his active role in the community where he lives. In general, the opposite of this occurs in *Febem* actions which cost an average of roughly 1400 *reais* a month for each young person involved.

Lastly, emphasis is given to the financial effects resulting from the emancipating and local development support programs. Whenever a beneficiary was covered by a redistributive program, he could participate in an activity to develop citizenship and to generate work and income and this tends to give rise to considerable savings for the municipal public authorities. When we consider the results obtained by the raising of skills both through the incubation of self-managed undertakings and through training for salaried, community and autonomous work, together with the loans from *Central de Crédito São Paulo Confia* and from local development actions, there is an economy of the state's resources and some returns through tax collected. Between December 2001 and February 2004 nearly 200,000 formal, new places of salaried work were created in the São Paulo municipality. Two thirds of these were in the peripheral regions in contrast with figures for 2000 when 7 out of ten were in the central region and only 3 in the periphery. The building of new centers for economic expansion and employment within the city of São Paulo was accompanied by a better application of resources. We see, for example, that for every 10 *reais* invested for the social inclusion strategy, 2 *reais* returned to the state through the collection of tax or savings on expenses in various areas.

For a long time in Brazil, the excluded population has been systematically manipulated by the ruling elites who are therefore not interested in adopting public policies that can break the circuit of dependence, clientelism and political paternalism. The social inclusion strategy of the São Paulo municipality started out with the assumption that it was impossible to make real advances without the political, social and economic emancipation of the target population. Hence, since the social inclusion strategy started being implemented in the first quarter of 2001, the development of the social programs and their impact on the target populations have been accompanied, evaluated and monitored. The beneficiaries' autonomy to express themselves together with their inclusion and empowerment in the local development forums have been necessary and fundamental steps of a strategy aiming at social, political and economic emancipation. All new

programs are evaluated periodically and generally by the target population. The intention was to investigate the response of the social programs, as well as the reception of the target group on the content of the theoretical and practical courses given so that improvements could be made whenever necessary and possible. Ultimately, this means an almost cultural change because social policy was conceived as a right rather than an assistance based, paternalistic and clientelist donation. Nevertheless, there continues to be unemployment and social exclusion in the capital of São Paulo, albeit on a lesser scale.

5.4. Base for a typology of local development, protection and social inclusion initiatives

One of the aspects highlighted in this research is the kind of initiatives analyzed by local development. Although local development was originally the strategic objective, the results obtained can hardly be compared either in terms of the level of economic expansion, the situation of protection and social inclusion, or the nature of local development.

Undoubtedly, economic and social grounds as well as the historic specificities of each location should be considered as a whole, revealing distinct kinds of initiative.⁴⁸ If the theme of local development is taken as the reference, the following aspects can be listed that help form the basis for a typology using the experience from the three local initiatives:

- (i) the timing and political context involved in the expectation of promoting local development;
- (ii) economic context in which the promotion of local development is sought;
- (iii) social context in which the reproduction of exclusion is manifested;
- (iv) existing players and representations politically constructed by the local development process;
- (v) action projects and the degree of involvement and participation from the community in the support process for local development;
- (vi) conception and objectives of economic and social policies adopted in relation to aim of social protection and inclusion;
- (vii) level of integration and interdependence of all the public policies adopted at the local level;
- (viii) consistency, visibility and systematization of the results that permit the monitoring and evaluation of the local development support projects with inclusion and social protection;
- (ix) level of coherence between the start, middle and end of the local development support project;
- (x) capacity to train and disseminate the local development methodologies and social protection and inclusion.

⁴⁸ On this subject see: Estivill, 2003; Observatório dos direitos do cidadão, 2005; Fedozzi, 2005; Pochmann, 2004.

By qualifying the types of initiatives studied, it is possible to indicate a set of very heterogeneous situations, in particular because they deal with territorial specificities such as:

- (i) Rural exclusion and under development (business agriculture and cattle farming and family farming) in the south of the country;
- (ii) Urban marginalization and socio economic delay in the northeastern metropolitan region and
- (iii) Social segregation and economic degradation in metropolitan areas of the southeast with investment in new technologies.

Furthermore the local development, social inclusion and protection initiatives analyzed are distinct in the conception of the start, middle and end of the public policies. In short, it is understood that in the south of Brazil an effort was made to promote inclusion by participation in and access to already existing public policies in areas in economic decline, while the approach taken in the northeast was to raise the level of economic activities as a necessary condition to make up for the delay and make the competitive insertion of the marginalized social groups viable.

Finally, it should be stressed that the advance in technological investments combined with tackling the inequality of the population suffering from social segregation, particularly in the periphery, in the metropolitan region of São Paulo was also relevant. The following table provides a summary of the three local development initiatives.

Table I. Base for a typology of local development initiatives

Items	Northern half of RS	Fortaleza	São Paulo
(i) economic and social exclusion process	Rural exclusion and support for family farming	Marginalization and support for low cost, labor intensive industry	Social segregation and investment block in new technologies
(ii) origin of the local development, social protection and inclusion initiatives	Organization of family farming and dissemination of rural credit	Business organization and articulation and the dissemination of tax and labor subsidies	Popular organization and articulation and dissemination of income transfer
(iii) specificities of the local development, social protection and inclusion strategies	Program to make Economic Spaces Viable for the Low Income Population	Ceará Cooperation Pact and programs to attract companies	São Paulo social inclusion strategy
(iv) results of the different local development strategies	Stemmed the rural exodus linked to pluriactivity, non-agricultural employment and to productivity gains	Development of economic activity and employment	Reduction of inequality and strengthening of economic activities in the periphery of the city

From a general perspective, however, the extent to which the local development initiatives as a whole positively impacted national development should be observed. This will allow the role that local development tends to play in relation to social protection and inclusion beyond the areas under analysis to be considered.

As seen in the above table, even though the local development initiatives are extremely varied, they can be analyzed on the basis of typologies, whether by encouraging credit and participation, or through subsidies for business undertakings, or through income transfers linked to the role played by low income urban families. Hence, the typology base can contribute to providing a

greater understanding of the challenges of initiatives committed to local development, social inclusion and protection.

6. General considerations and recommendations

The decision to study the three selected initiatives which provide a picture of the local commitment towards development helps identify important distinctions in relation to the issue of social protection and inclusion. Brazil has gone for a quarter of a century without any national development project and has increasingly complex signs of social exclusion; it therefore provides a particularly clear understanding of how the proliferation of local initiatives indicates that society is not immobilized but is concerned and taking action to tackle the country's serious social and economic framework.

After fifty years of strong economic growth – largely as a result of the national industrialization and urbanization project between 1930 and 1980 - Brazil started having various initiatives whose target was local development, even though there were no national policies with this objective. With the proliferation of countless localized actions, to a greater or lesser extent each territorial space sought to achieve better results than those obtained at the national level.

This was the only reason that the national synergy process ended up being voiced by the practice of local initiatives. While knowledge of these initiatives allows us to see the enormous heterogeneity in the procedures and results, we can appreciate the wealth and dynamism of the communities and the policies aimed at economic expansion linked to raising social well being.

Furthermore, the construction of a typology for local development, social protection and inclusion on the basis of the case study of three emblematic initiatives of the diverse regional processes, allows a new methodological approach to be provided which can support both the evaluation of initiatives and the proposal of modalities concerning the local specificities. This was one of the main reasons for this research as it enables contrasts to be made with other local development initiatives in other parts of the world.

For the national reality, we see that the dissonance in the results in terms of social protection and inclusion reveals very distinct perspectives in the construction of the local development proposal. Participative dynamics are found to a greater or lesser extent in the three initiatives studied, although constructed by quite distinct social players.

Given the national context of low economic growth, it is noted that the initiatives under study ultimately give more emphasis to the promotion of local development than to social protection and inclusion as such. With the exception of the São Paulo initiative, a somewhat determinist perspective prevailed that suggested economic expansion as an almost self sufficient condition for social development.

On the other hand, it should also be considered that the local initiatives reveal difficulties in developing all embracing strategic plans; in most cases, there is one central aspect or another for the promotion of development, as though everything else should take place automatically. To some extent, the limited local capacity to promote development should not be underestimated given the Brazilian tradition for the locality to be more concerned about control than about promotion.

Nevertheless, the identification of sub-national development patterns since the 1980s allows us to consider that the manifestation of new and complex forms of social exclusion require the participation and cooperation of live forces at the local level, as well as the reshaping of the specific policies for the combination of economic growth and social progress. This brings us to the four recommendations of this research.

The first lies in the setting up of an observatory to analyze, monitor and oversee the countless different local initiatives in Brazil. A data bank which could systematically accompany the

setting up and evolution of development projects in new geographical areas of Brazil would of great use.

This would allow, for example, the targets and course of intervention at the local, state and federal levels to be corrected whenever necessary and would also contribute to establishing convergences between the set of actions taken forward nationally. The federal units of Brazil, like the states and the Union have secretaries and ministers to promote development and social protection and inclusion, but they have no systematic and up to date knowledge or a data bank on the experiences and evolution of local initiatives; this leads to more assignments without necessarily converging synergies.

The second recommendation is in response to the research requisites regarding the results of local development in terms of social protection and inclusion. The lack of official research sources and consolidated indicators at the local level makes it difficult to fully accompany and evaluate all the events taking place locally; the comprehensive comparison of the social effects and inclusion resulting from the development also becomes more complex.

Therefore, a matrix of indicators should be formed that can be adopted in each of the local development initiatives. Obtaining and systematizing this information using a data bank would open up new possibilities for the analysis and interpretation of the progress being made in social protection and inclusion.

The third recommendation has to do with the public policies implemented by the local development initiatives. Questions such as the nature of the policy adopted, the criteria defined for its implementation and the results in terms of effectiveness and efficiency have yet to be answered.

It would be extremely constructive to know about and accompany public policies adopted by local development initiatives so as to find out about the emergence and evolution of new public policies and also to be able to indicate the most successful initiatives to regions in need of local development. Combining the effort of already existing work could serve as a reference for a new benchmark in terms of building and diffusing public policies in a country where there is great inequality and social exclusion.

Lastly, the fourth recommendation is to increase the skills and training of the right technical personnel to promote local development with social protection and inclusion. It is not enough to consider the need for systematic methodologies to fully train and improve senior technicians who can contribute to setting up plans and involving the local community; it is also necessary to organize a network for technical support and advice from the initial experiences and those already underway.

From the national perspective of training economic and social development agents at the local level, both medium to long term plans and shorter term plans should be made so that Brazil's new regionalism can become less unequal. However, technical training is of great importance if this is to be achieved as this is a new form of development which is no longer exclusively dependent on central power.

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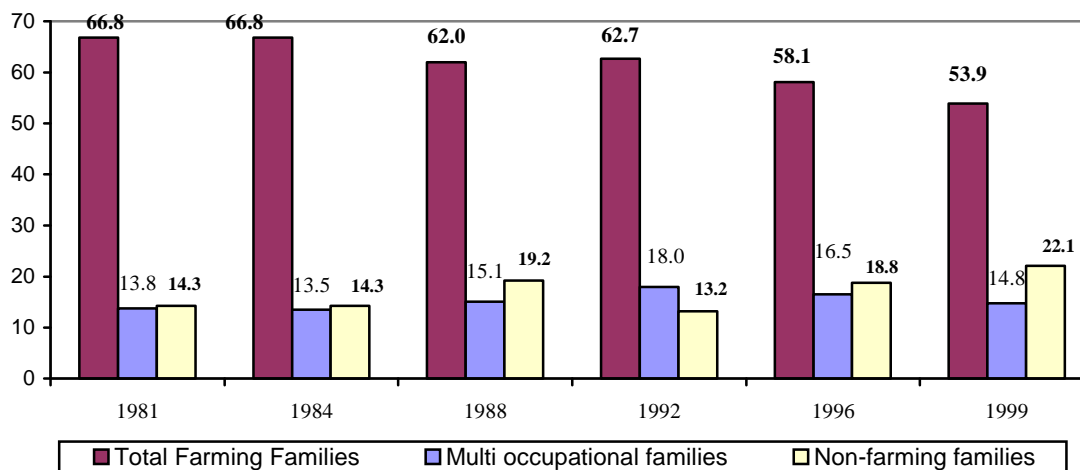
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8. Annexes

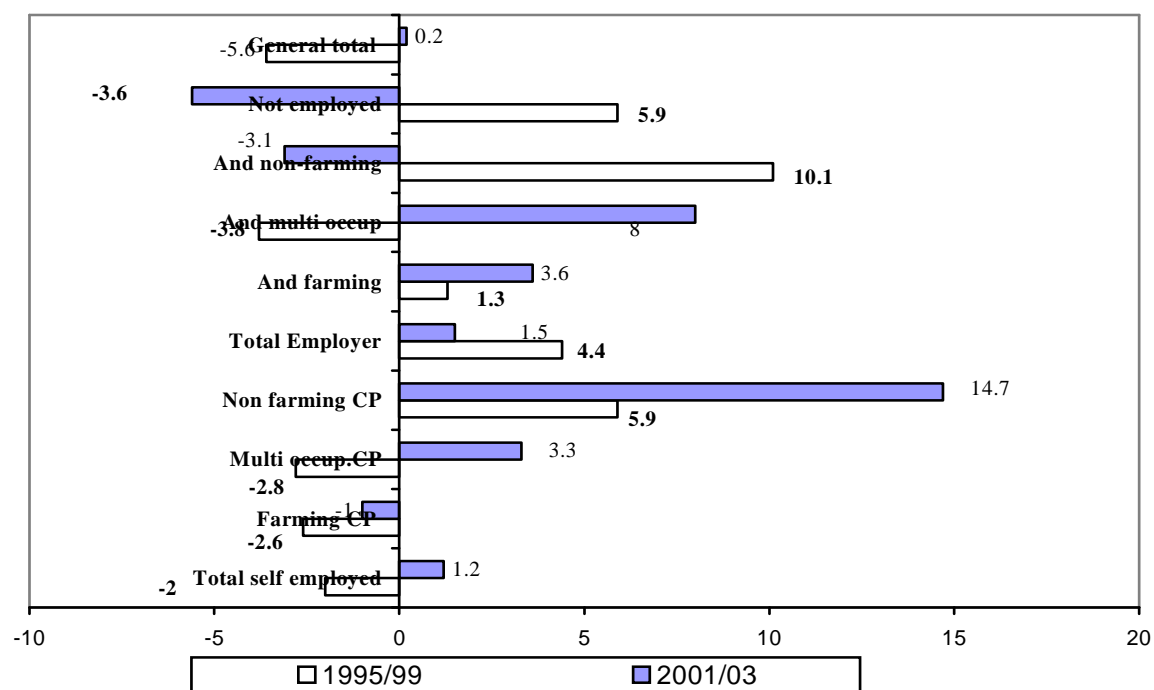
1. Northern Half of Rio Grande do Sul

Graph 01. Participation of family types in total rural families, 1981-1999 (in %)



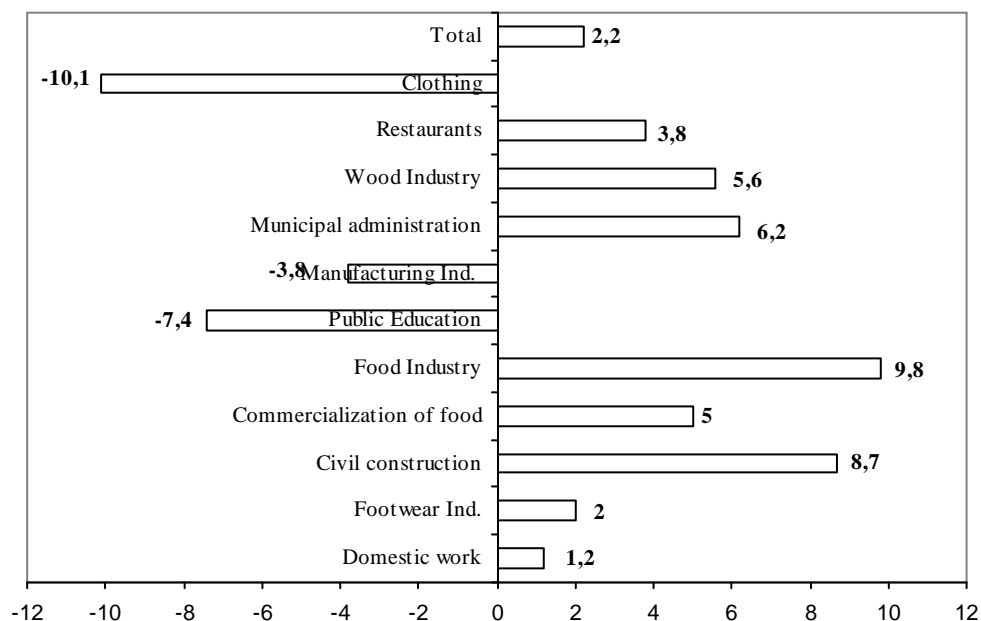
Source: IBGE, PNAD –Special Tables.

Graph 02. Variation in the kind of rural families, 1995 – 2003 (in %)



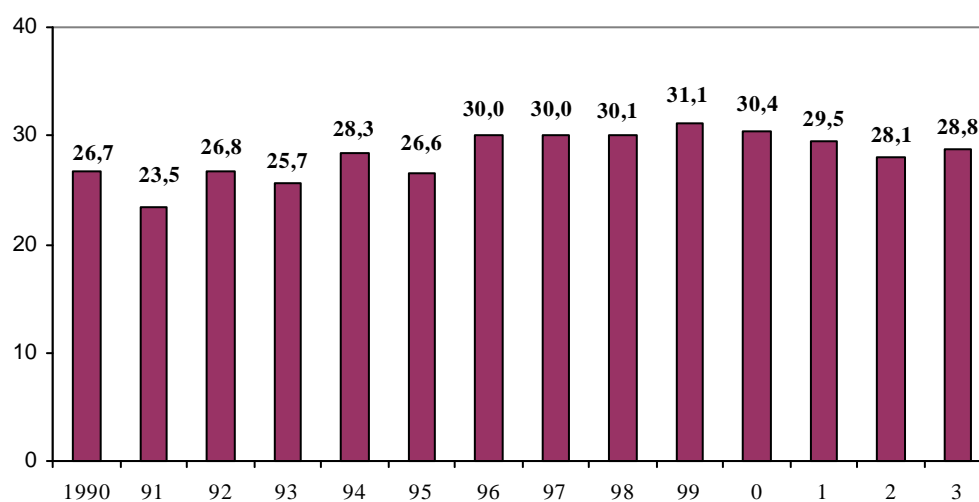
Source: IBGE, PNAD –Special Tables.

Graph 03. Variation in the jobs taken by the resident population in the non-metropolitan rural agriculture and cattle farming area of Rio Grande do Sul, 1992-1999 (in %)



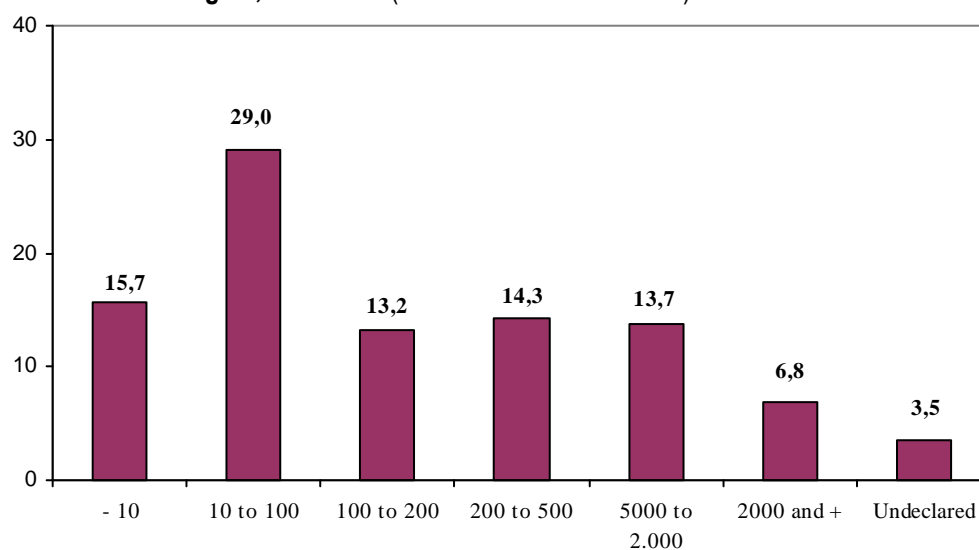
Source: IBGE, PNAD –Special tables.

Graph 04. Participation of the south region in the Gross Value Added in agriculture and cattle farming, 1990-2003 (in %)



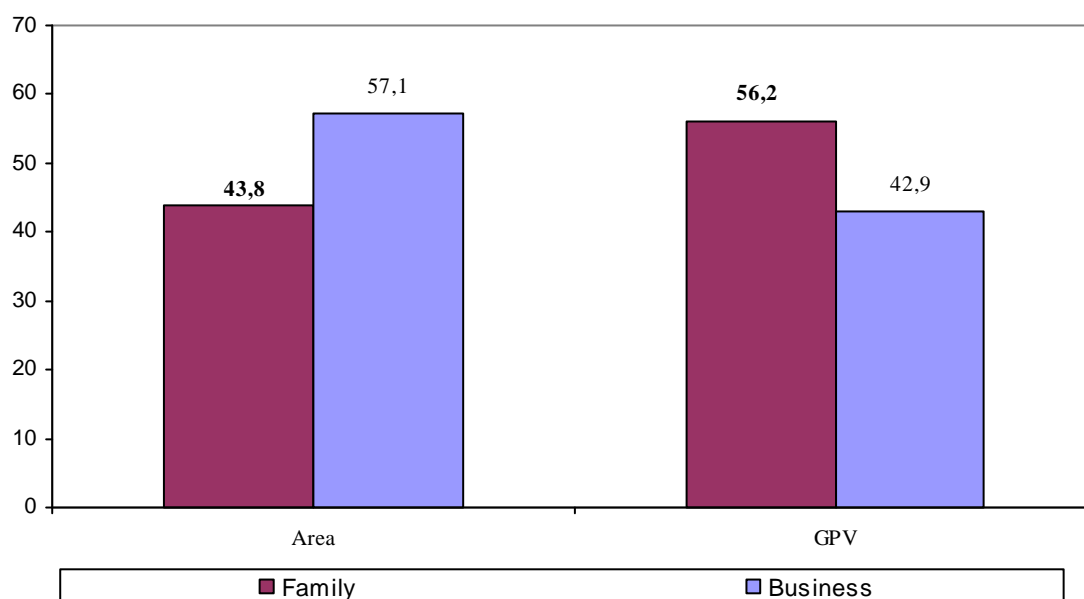
Source: IBGE.

Graph 05. Distribution of establishments and of occupied area by groups of area in the south region, 1995-1996 (in % and in hectare of land)



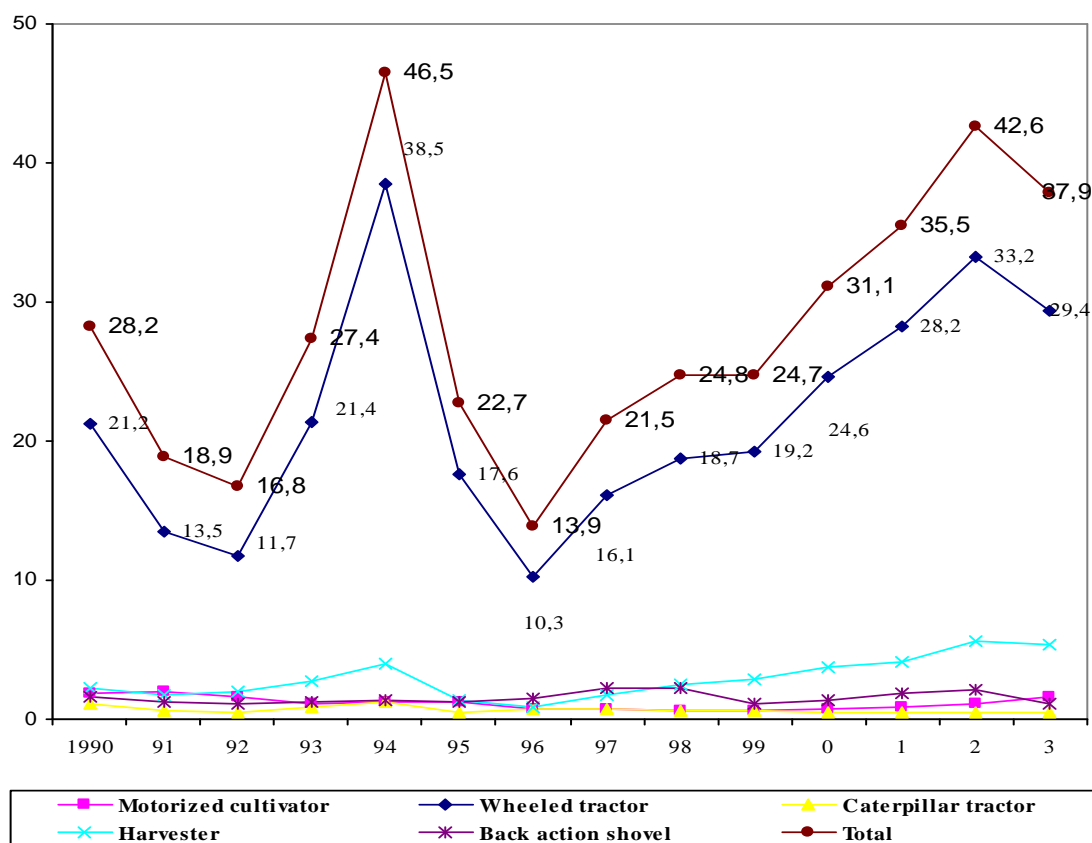
Source: IBGE.

Graph 06. Participation of family and business establishments in the total area and in the gross value of production types, 1995-1996



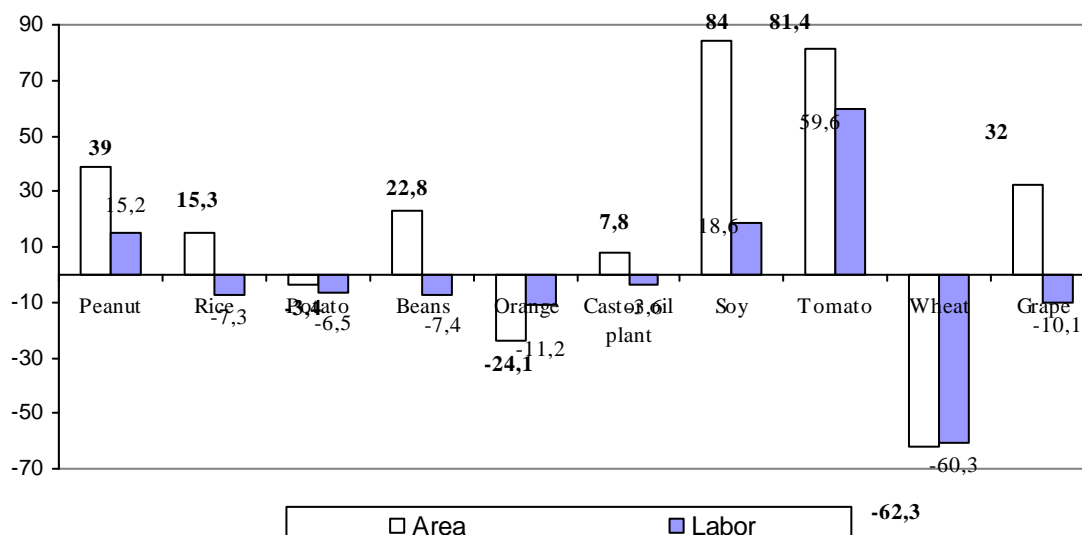
Source: IBGE.

Graph 07. Domestic sales of automated agricultural machines, 1990-2003 (in units)



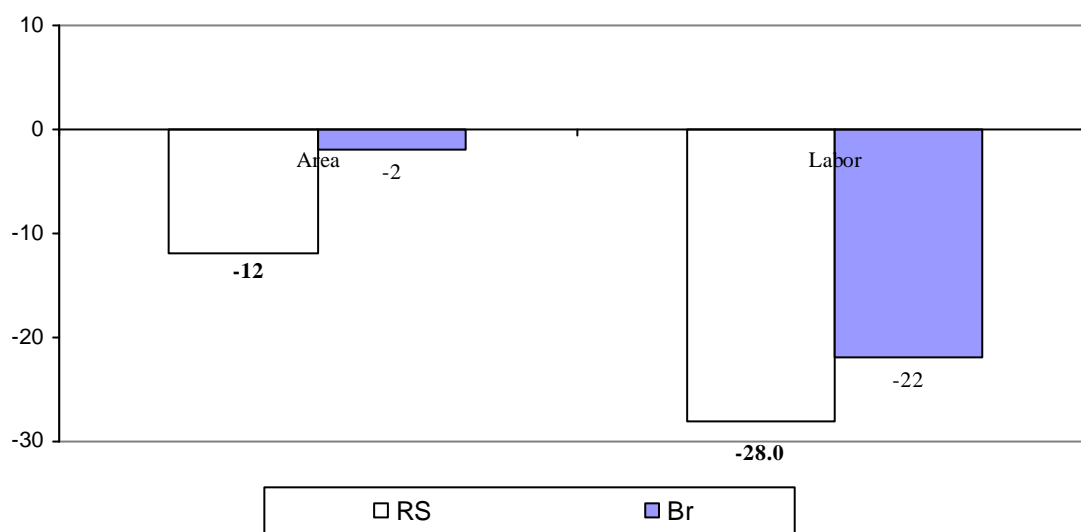
Source: IBGE.

Graph 08. Variation in the planted area and the employed labor between 1990 and 2000, according to selected agricultural crops in Brazil (in %)



Source: Sensor Rural Seade.

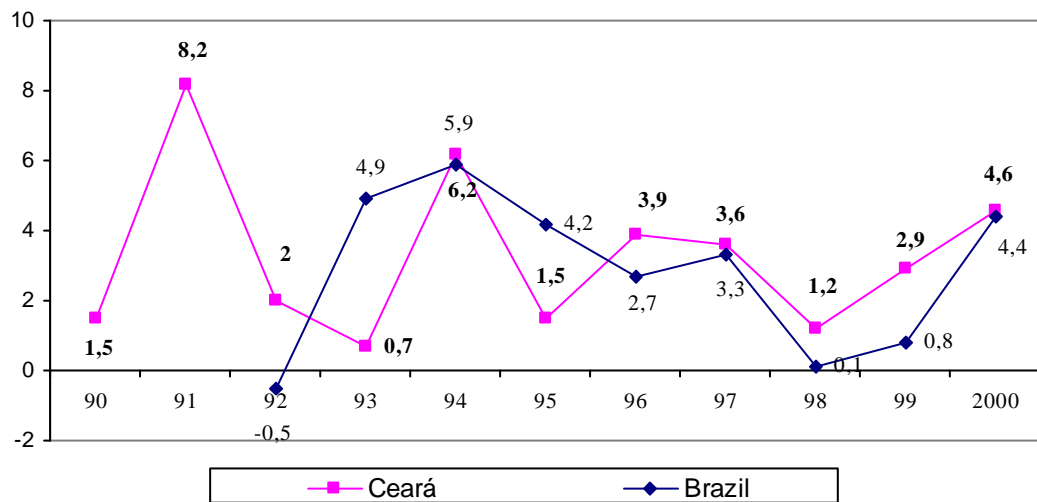
Graph 09. Variation in the area planted and employed labor between 1990 and 2000, according to all agricultural crops in Rio Grande do Sul and Brazil (in %)



Source: Rural Seade Census.

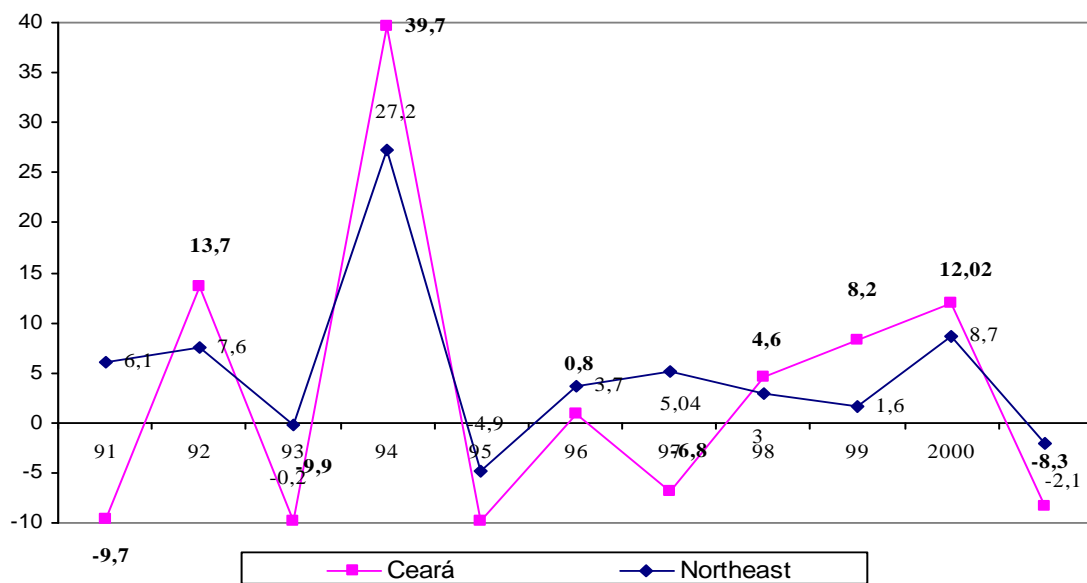
2. Fortaleza

Graph 01. Variation rates of Gross Domestic Product for Brazil and for Ceará, 1990-2000 (in %)



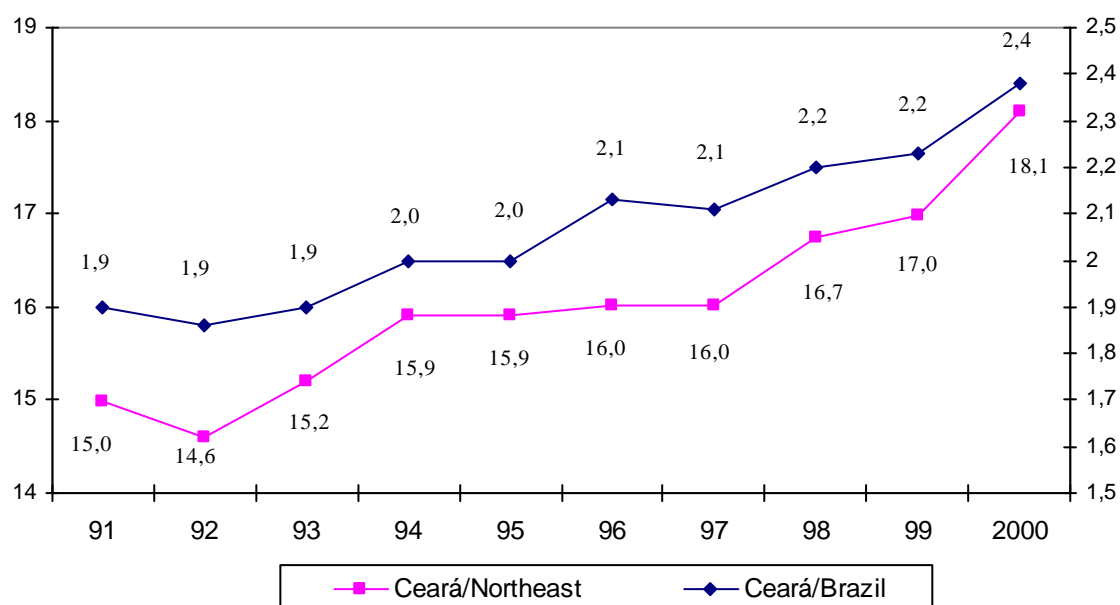
Source: IBGE.

Graph 02. Variation rates for Industrial Production in the Northeast and Ceará, 1991-2001 (in %)



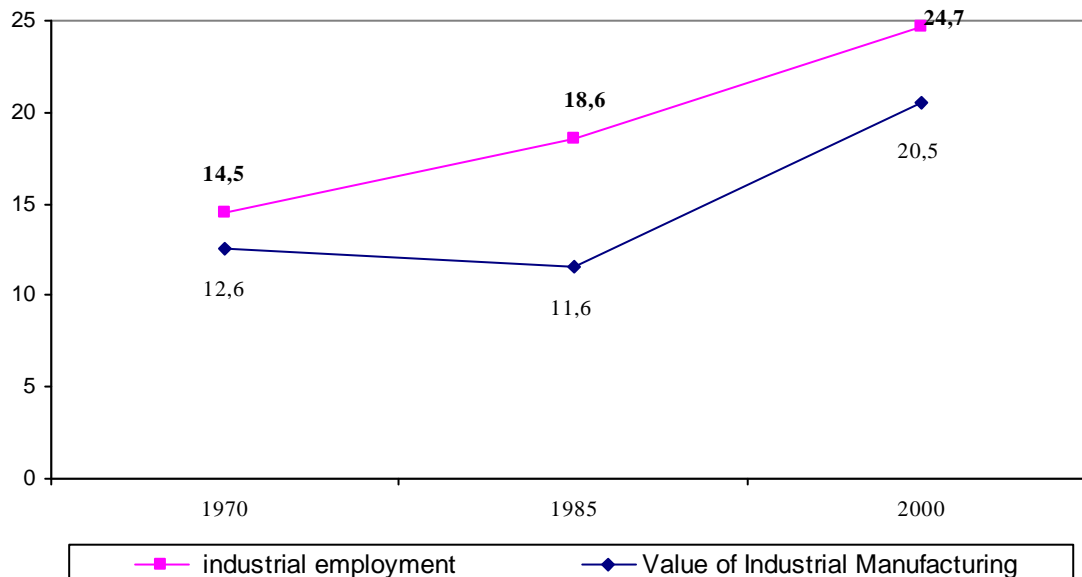
Source: IBGE, BC.

Graph 03. Relative participation in the ICMS, 1991-2000 (in %)



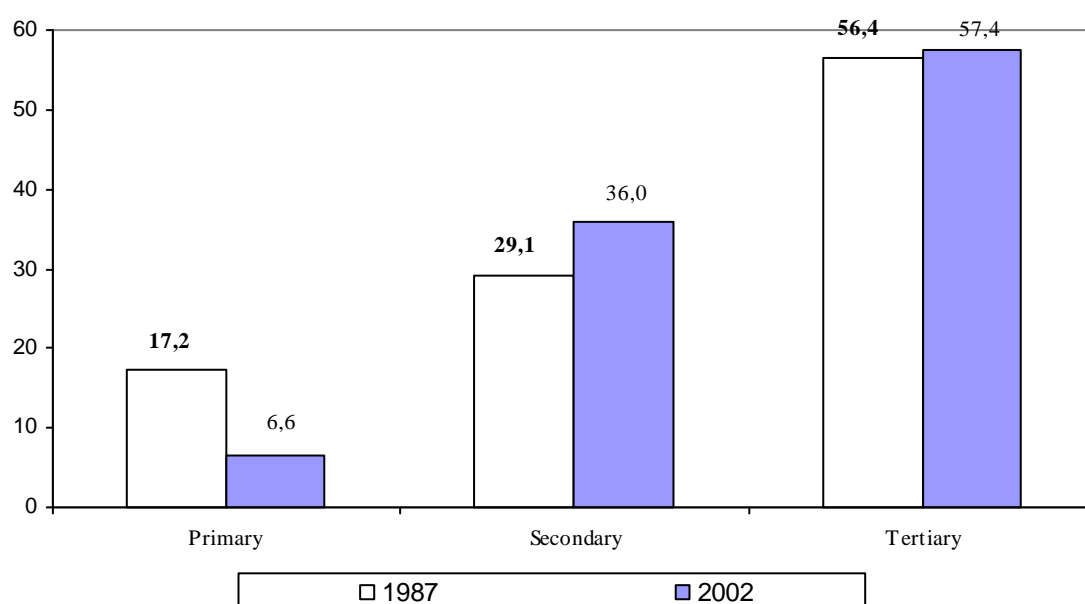
Source: SEFAZ, CE, STN.

Graph 04. Ceará's participation in industrial employment and in the Value of Industrial Manufacturing (VIM) of the Northeast, 1970-2000 (in %)



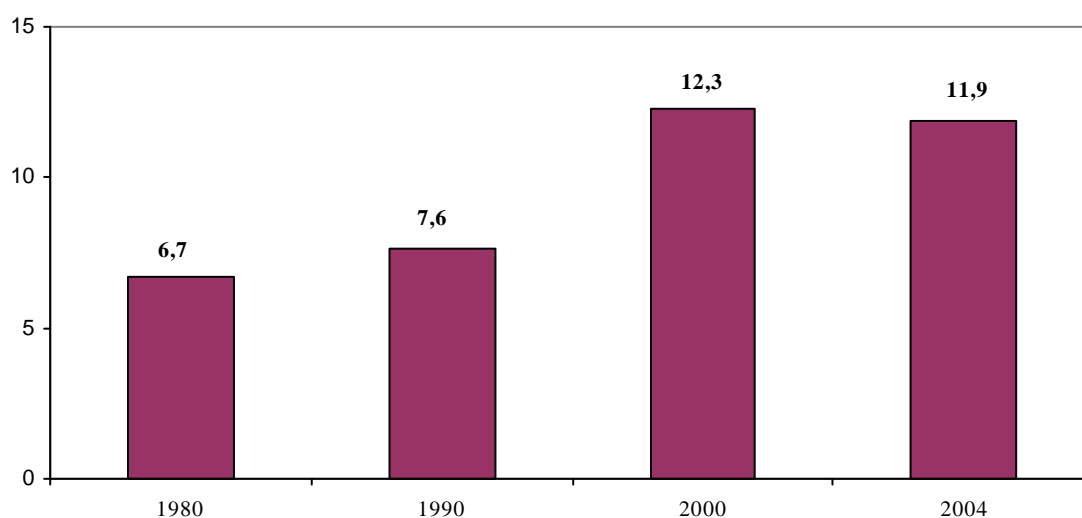
Source: IBGE, PIA.

Graph 05. Variation in the composition of Ceará's Gross Domestic Product, 1987-2000



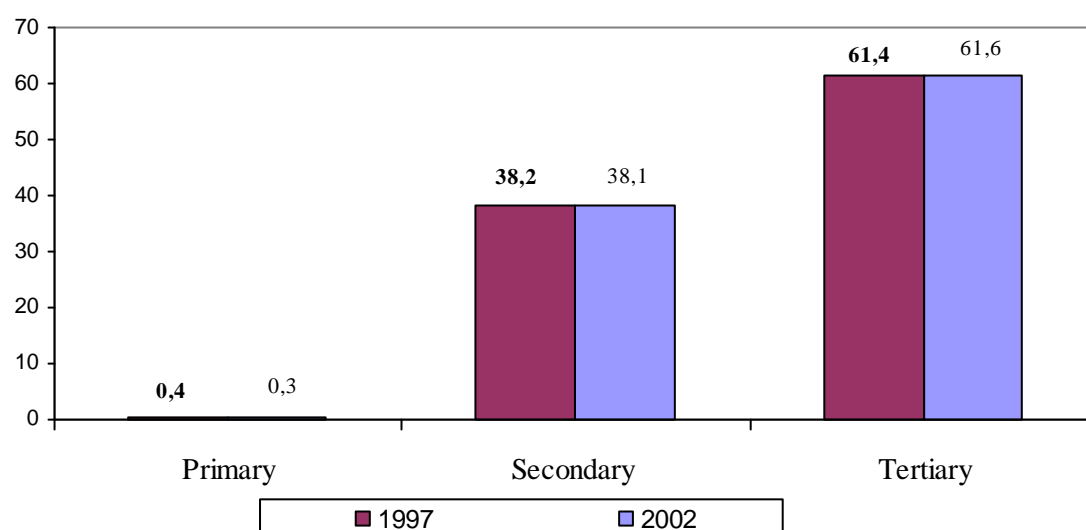
Source: IBGE, IPEA.

Graph 06. Ceará's participation in the total exports in Northeast, 1980-2004 (in %)



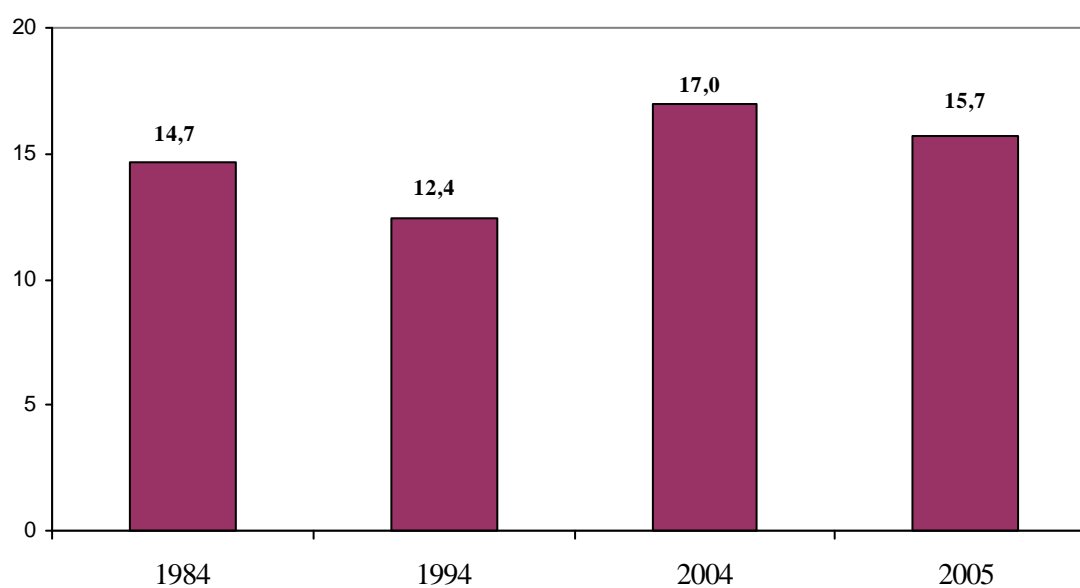
Source: BCB, IBGE, IPEA.

Graph 07. Composition of Fortaleza Gross Domestic Product by sector, 2000-2002



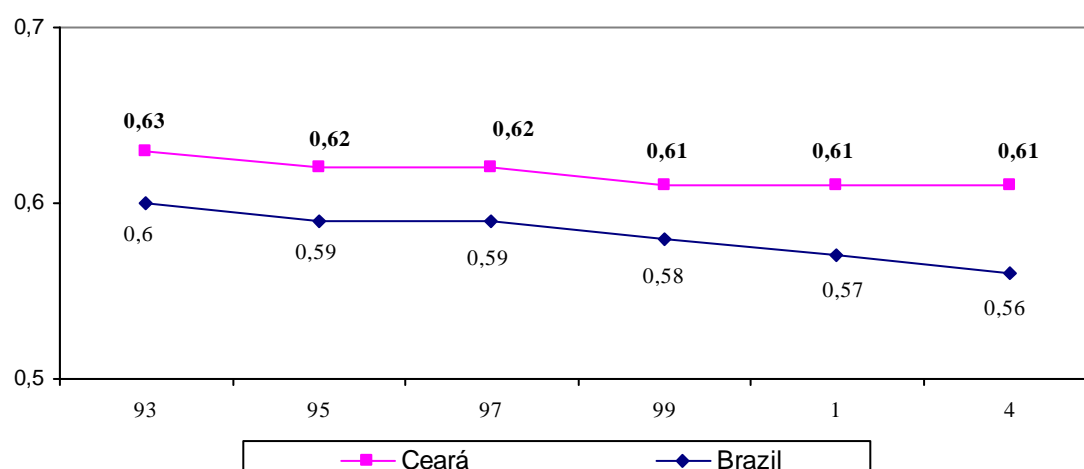
Source: IBGE, IPEA.

Graph 08. Evolution of unemployment rate in Fortaleza, 1984-2005 (in %)



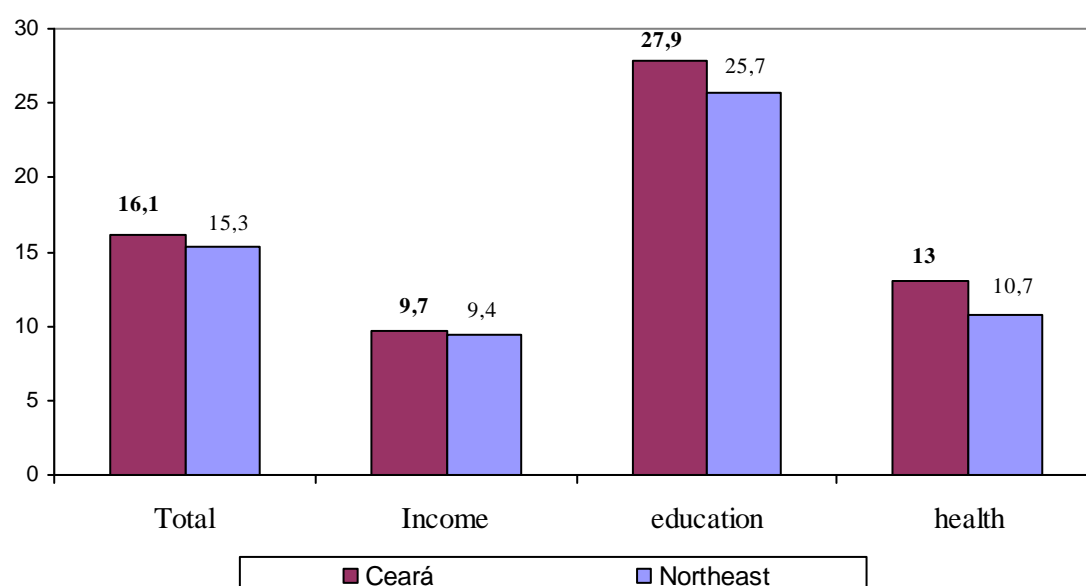
Source: IDT.

Graph 09. Inequality of income (Gini Index) in Brazil and Ceará, 1990-2000



Source: IBGE.

Graph 10. Variation in the Human Development Index in the Northeast and Ceará between 1991 and 2000 (in %)



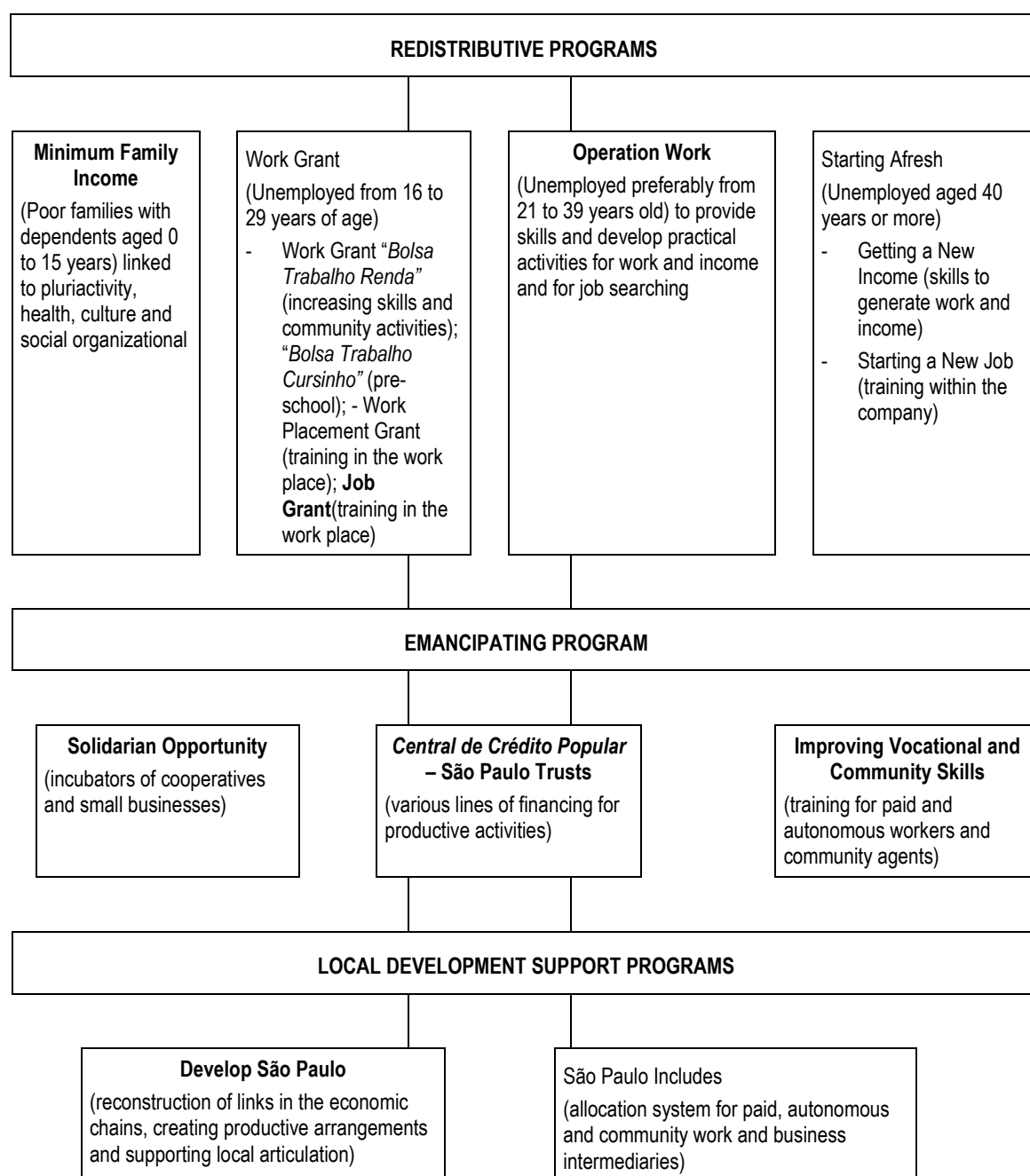
Source: IPEA, IBGE.

3. São Paulo

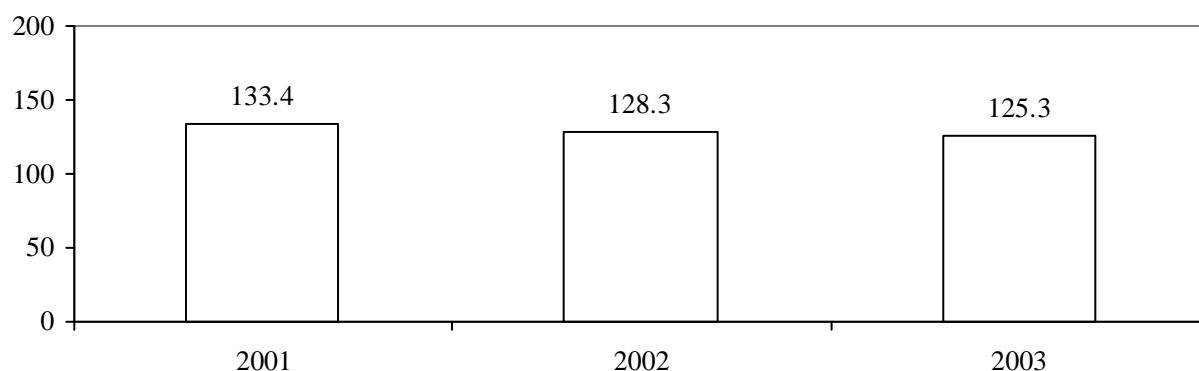
Main administrative innovations for the implementation of social inclusion policies:

- creation of a flattened management structure with emphasis on matrix based actions, put into practice through planned and well defined projects with social, political and economic emancipation of the population benefited;
- implementation based on the articulation of the STDS actions with other secretaries, regional administrations and municipal companies, in an articulation model based on the conception of agile government and local communities;
- whole work process defined around the target segments of the inclusion strategy;
- decentralization of authority and management with a view to local people participating in the management of government actions;
- orientation by objectives, with regulations and bureaucratic culture taking second place;
- decentralization of tasks, with increasing accountability and responsabilization of coordinators and leaders;
- adoption of information and technology support systems, with broad evaluation and monitoring of results;
- setting up of support networks and the integration of actions with programs from other areas of government (state and federal), from the private sector. Non-governmental organizations and organized civil society.

Figure 1. Program lines of the São Paulo social inclusion strategy



Graph 1. Municipality of São Paulo – relation between total average income* of beneficiary families of the minimum income program and poverty line **



Source: PMSP – SDTS (2004 research) * sum of original average income plus the average amount of benefit of the minimum income program.

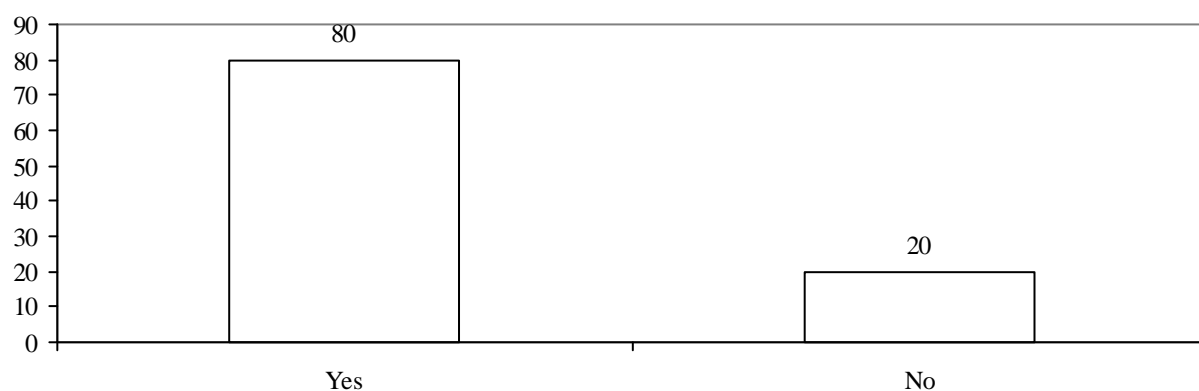
** Equivalent to 1.47 monthly minimum salary (Equal to 100.0).

Graph 2. Municipality of São Paulo –territorial distribution of beneficiaries' spending of redistributive programs (in %)



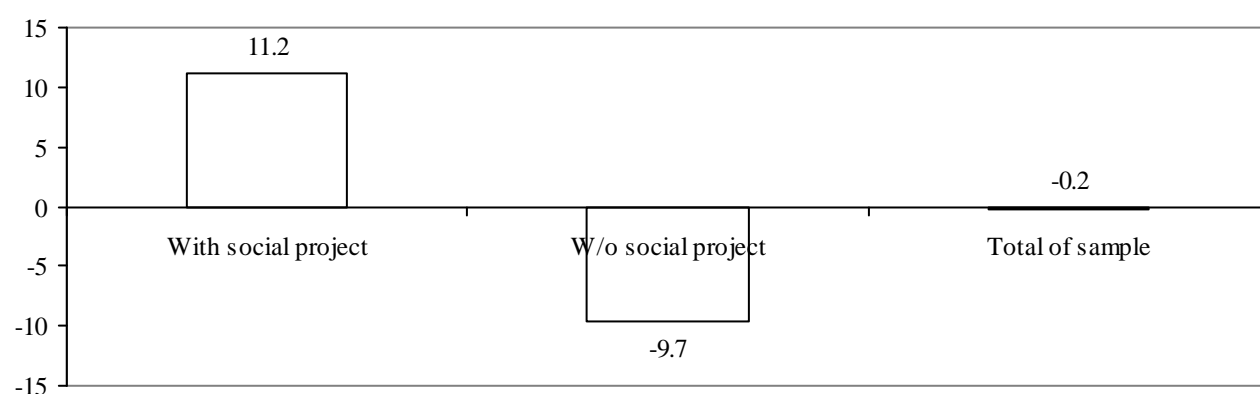
Source: PMSP – SDTS (2002 Sample research).

Graph 03. Municipality of São Paulo – perception of economic agents about income supplement in administrative districts benefiting from social programs (in %)



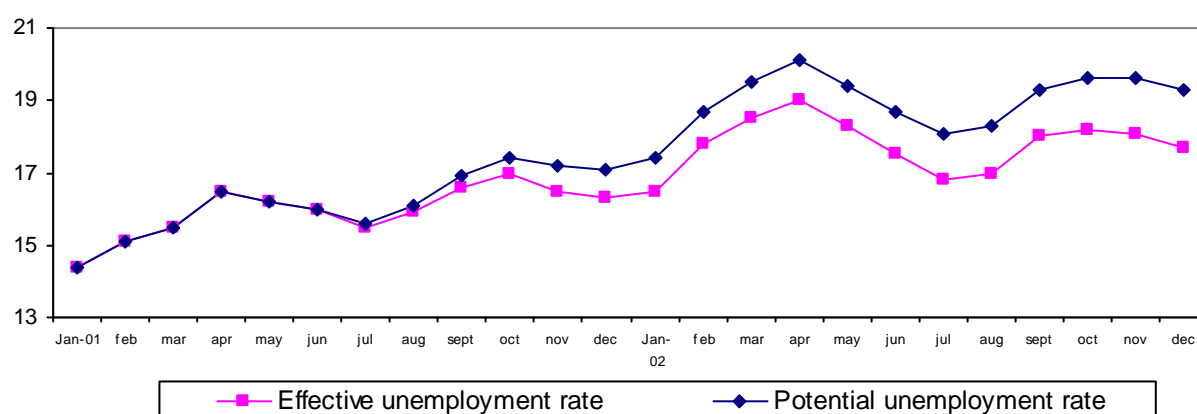
Source: PMSP – SDTS (2002 sample research).

Graph 04. Municipality of São Paulo – variation of ISS collection for a sample of regions with and without social projects (in %)



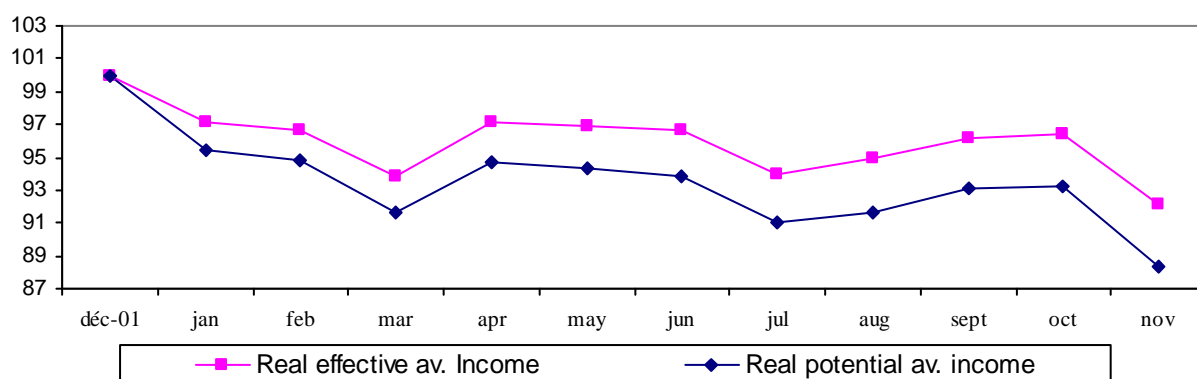
Source: PMSP – SDTS (SMFDE data – 2002).

Graph 05. Municipality of São Paulo – Effective and potential unemployment rate, with and without the effect of the PMSP social programs



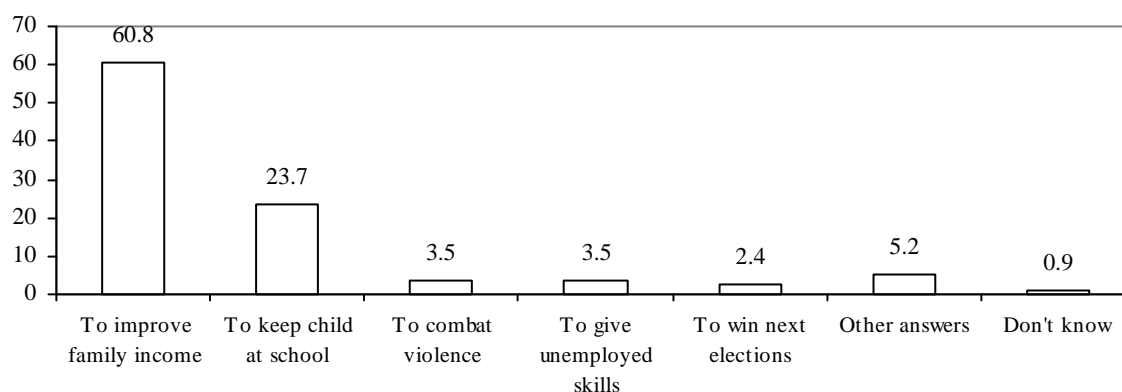
Source: Bacen and Seade/Dieese (2003 Research).

Graph 06. Municipality of São Paulo – Effective and potential average real income of employed, with or without the effects of the PMSP social programs (Dec/01 = 100.0)



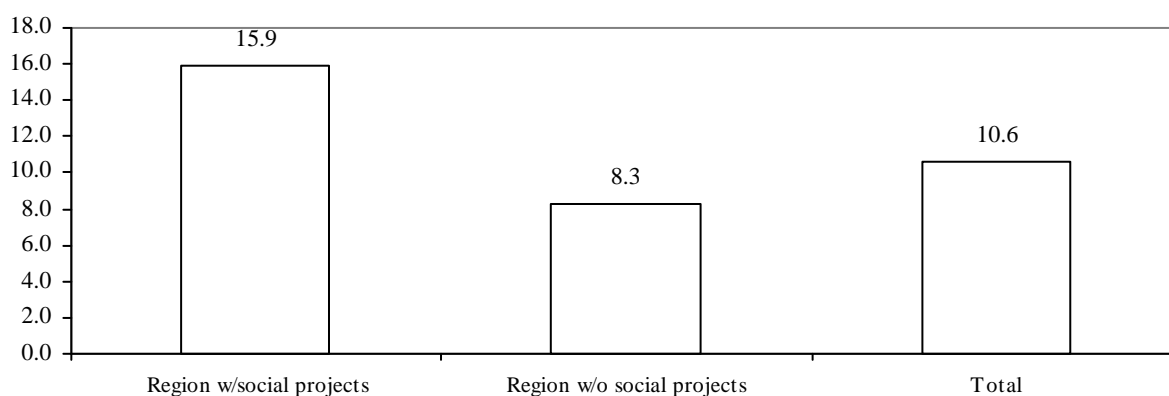
Source: Primary data from Bacen and Seade/Dieese (2003 Research).

Graph 07. Municipality of São Paulo – beneficiaries' assessment of reasons to set up social programs (in %)



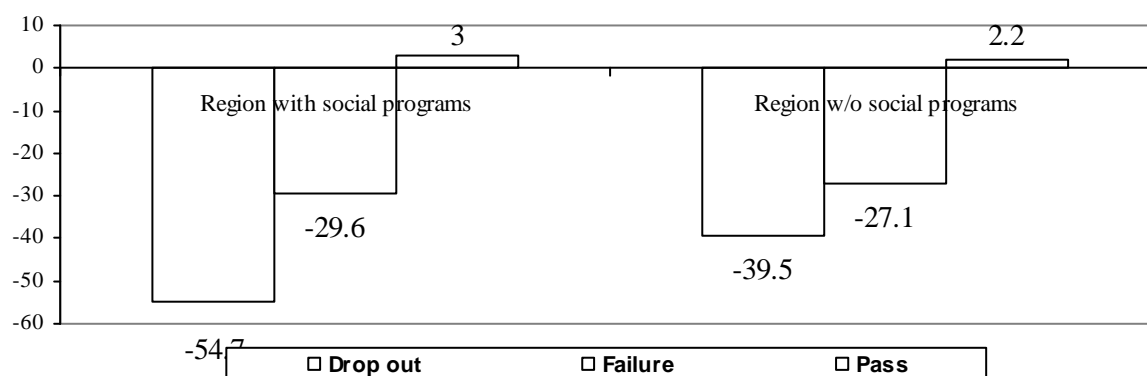
Source: PMSP – SDTS (sample research - 2002).

Graph 08. Municipality of São Paulo – growth in sale of school passes in regions with and without social programs (in %)



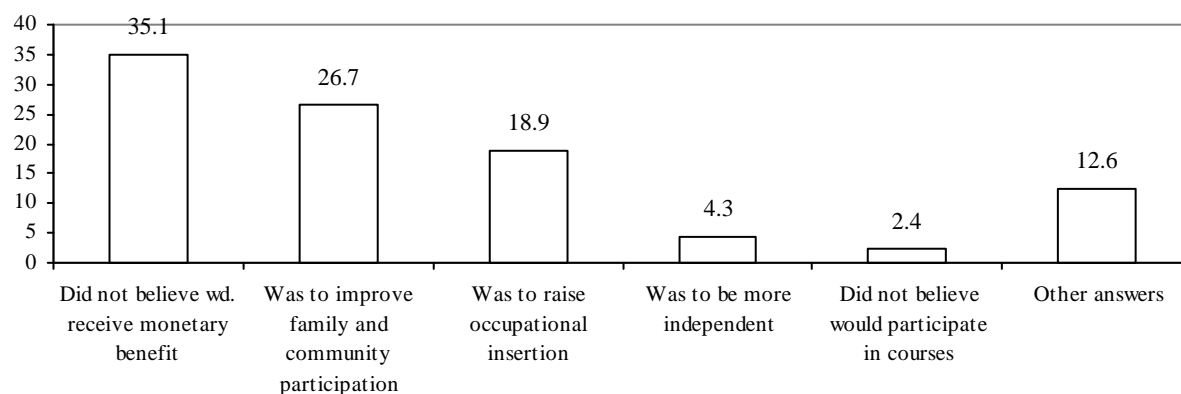
Source: PMSP – SDTS (2002 research).

Graph 09. Municipality of São Paulo – variation in indicators on dropping out, failure and pass rates between regions with and without social program (in %)



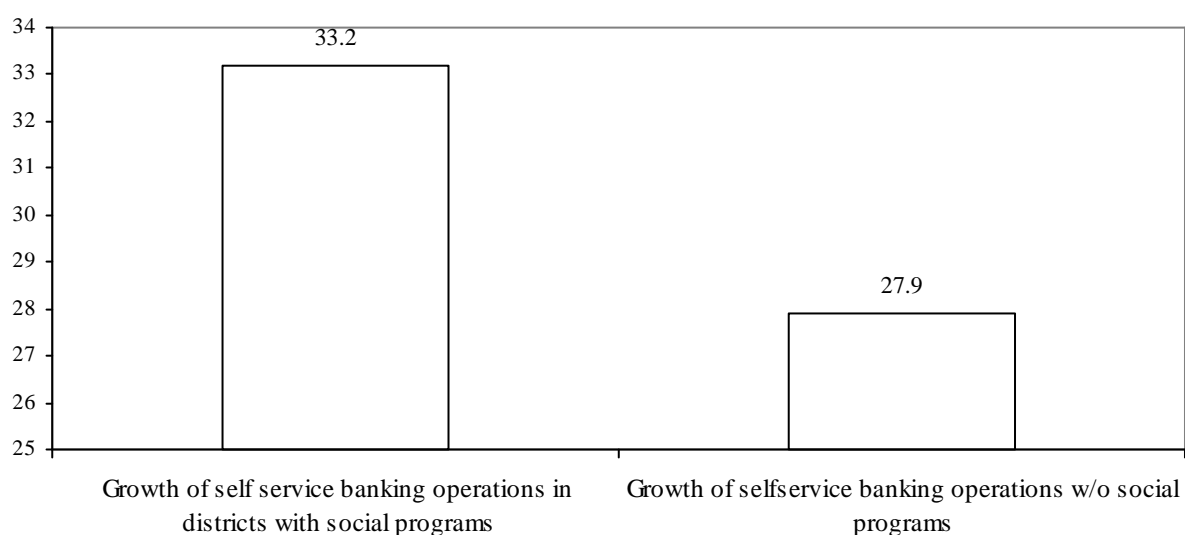
Source: PMSP – SDTS (2003 research).

Graph 10. Municipality of São Paulo – beneficiaries' evaluation of social programs (in %)



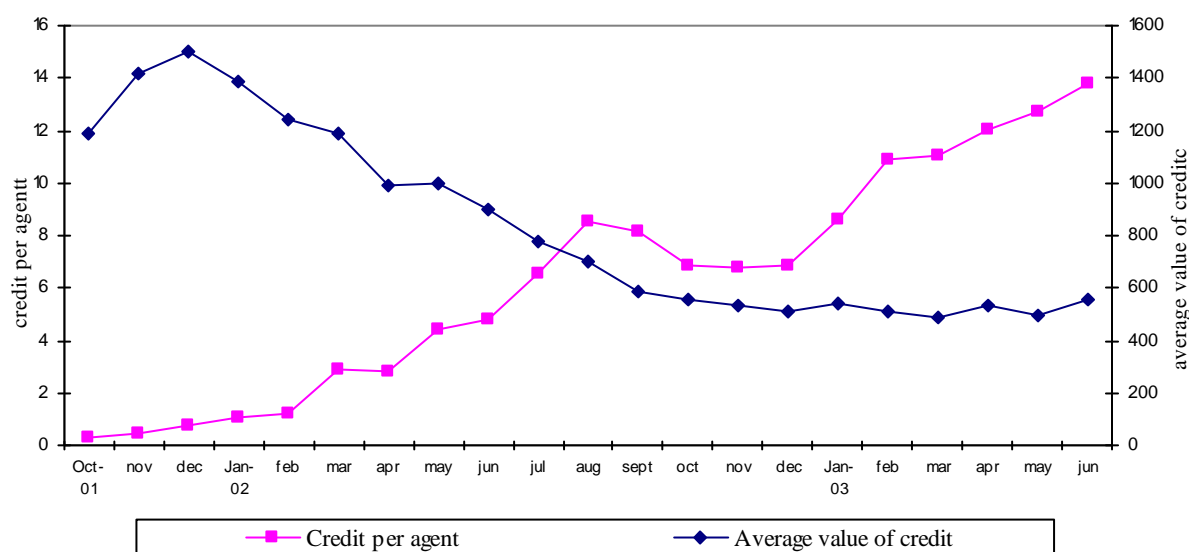
Source: PMSP – SDTS (Research sample 2002).

Graph 11. Municipality of São Paulo – variation in the self service banking indicators in regions affected by the social programs (in %)



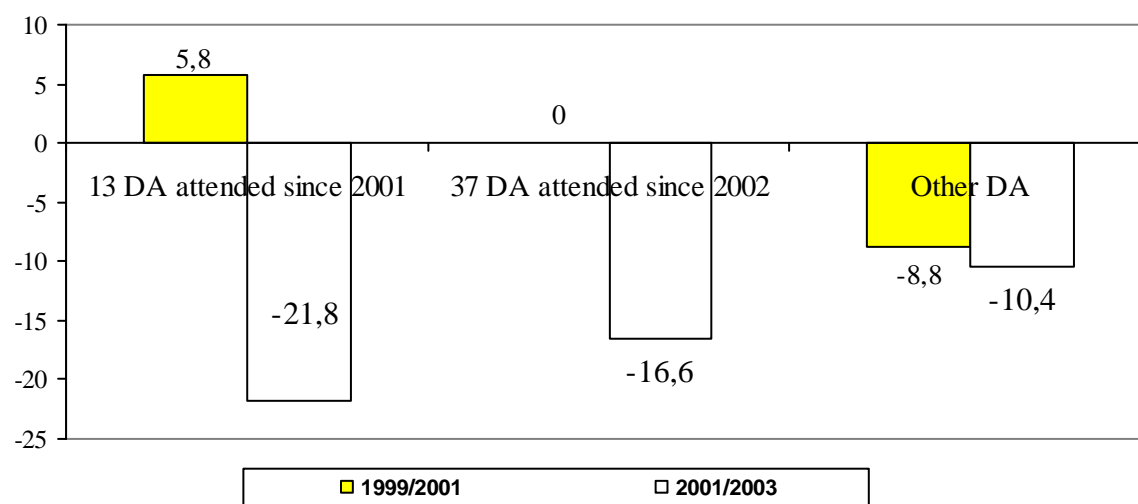
Source: PMSP – SDTS, based on primary data from the Bank of Brazil (2002 Research).

Graph 12. Municipality of São Paulo – Average monthly evolution of the amount of credit per agent and the amount of credit given



Source: CC-SPC (Prepared by SDTS/PMSP).

Graph 13. Municipality of São Paulo – variation in murder rates before (1999/2001) and after (2001/2003) the social programs in the administrative districts (DA) (in %)



Source: PMSP – SDTS, with primary data from Pró – AIM. (2004 Research).