Regional Integration and Development

The EU-Brazil Dialogue on Regional Policy
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As large territories with wide economic and social disparities, Brazil and the European Union face many similar challenges in the process of integration. Today, these take on many forms, reflecting differing economic endowments as well as differences in the geographical impact of global competition, climate change, the pattern of energy dependency and changing demographic structures and migratory flows.

Against this background, on 29 November 2007 the Brazilian Minister for National Integration, Geddel Vieira Lima, and the European Commissioner for Regional Policy, Danuta Hübner, signed a Memorandum of Understanding designed to establish a structured dialogue on regional policy with the aim of promoting enhanced mutual understanding and bilateral cooperation in the field of regional policy and to open new channels of communication to strengthen information exchange.

EU-Brazil Cooperation Agenda on Regional Policy 2009-2011

The Directorate-General for Regional Policy of the European Commission and the Ministry of National Integration of Brazil have agreed an ambitious roadmap for cooperation in regional policy in two fields important to both sides:

1. Exchange of experiences, knowledge and best practices, including institution building in the area of regional policy

Central Purpose:

- To enhance skills among Commission staff and prepare policymakers and personnel at different government levels in Brazil - federal, state and local - for the challenge of implementing regional policies.

Activities:

- Technical missions, seminars, study visits and training programmes in Brazil and the EU, including exchanges for academics, research and technical staff;
- Exchange of experience on setting up an information system and how best to communicate on matters regarding good practice;
- Setting up a website devoted to regional policy cooperation with third countries;
- Exchange of experiences and best practices regarding solidarity mechanisms in the context of regional integration processes (EU-MERCOSUR).

Co-operation with Brazil on regional policy follows up on the commitment made in the Commission’s Communication (May 2007), ‘Towards an EU-Brazil Strategic partnership’, in which regional policy was identified as an important area on which both sides could share information and experience.

The EU-Brazil regional policy dialogue focuses on policies aiming at territorial cohesion and the reduction of social and regional inequalities, policies contributing to growth, competitiveness and employment, experiences in setting up and implementing regional policy and organising territorial development strategies, governance and partnership issues and planning and evaluation procedures and methods.

The regional policy dialogue is a formal recognition of the fact that Brazil and the European Union share common interests, ideals and aspirations, and that they face common challenges in achieving more balanced regional development.

<table>
<thead>
<tr>
<th>VARIABLES (amounts in euro)</th>
<th>EU27 (NUTS 2)</th>
<th>BRAZIL (MRG)</th>
<th>Value per region NUTS 2 / MRG</th>
<th>Ratio per region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (1 000 km²)</td>
<td>4 300</td>
<td>8 515</td>
<td>153</td>
<td>0</td>
</tr>
<tr>
<td>Population (1 000 inhab.)</td>
<td>488 751</td>
<td>169 795</td>
<td>11 490</td>
<td>12 789</td>
</tr>
<tr>
<td>Number of NUTS 2</td>
<td>271</td>
<td>558</td>
<td>832</td>
<td>731</td>
</tr>
<tr>
<td>Population density (inhabitants)</td>
<td>113</td>
<td>19.9</td>
<td>9 103</td>
<td>5 428</td>
</tr>
<tr>
<td>GDP in PPP (Purchasing Power Parity) 2005 (€ 1 000 000)</td>
<td>11 018 771</td>
<td>724 922</td>
<td>442 538</td>
<td>103 153</td>
</tr>
<tr>
<td>GDP in PPP 2005 per capita (€)</td>
<td>22 840</td>
<td>196 833</td>
<td>67 797</td>
<td>28 008</td>
</tr>
<tr>
<td>GDP in PPP per capita (2007 = 100)</td>
<td>100</td>
<td>302</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>GDP in PPP per capita (Brazil = 100)</td>
<td>100</td>
<td>656</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Population growth rate 1995-2005 (% aa)</td>
<td>0.30</td>
<td>1.46</td>
<td>3.38</td>
<td>11.93</td>
</tr>
<tr>
<td>Population over 25 years old with at least 12 years of school attendance (%)</td>
<td>19.00</td>
<td>9.26</td>
<td>36.00</td>
<td>19.79</td>
</tr>
</tbody>
</table>

(*) Conversion rate as of 08/2008: 1 € = 2.4405 R$
European Regional Policy

CHRONOLOGY

1957: (6 Member States) Treaty of Rome addresses ‘regional differences’.
1958: Creation of the European Social Fund (ESF).
1975: (9 Member States) Creation of the European Regional Development Fund (ERDF).
1986: (12 Member States) The Single European Act introduces the notion of social and economic cohesion and identifies the need to redress regional imbalances.
1989-93: First period with Community-wide rules for development programmes supported by the Structural Funds with ECU 68 billion (1997 prices); Cohesion Fund created in 1993.
1994-99: (15 Member States) Second common programming period, with ECU 177 billion (1997 prices) for the Structural Funds.
2000-06: (25 Member States) Third programming period with €213 billion (1999 prices). Structural Instruments for pre-accession created for candidate countries in central and eastern Europe.
2007-13: (27 Member States) Fourth programming period with €347 billion.

MISSION

In Article 158 of the European Community Treaty it is stated that “the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas”.

The European Union is one of the most prosperous economic areas in the world. At the same time, there are wide geographical disparities in income and levels of opportunity between Member States and regions. With each enlargement, these have tended to widen, especially after the accession of twelve new Member States after May 2004. In an effort to ensure that the benefits of the free-trade zone in Europe, or single market, are spread as widely as possible, the European Union has adopted explicit political priorities promoting harmonious development in the Union as well as economic and social cohesion.

OBJECTIVES

Geographical targeting

Today, EU cohesion policy is targeted on three priority areas:

I. Convergence areas

The top priority, the aim here is to promote growth-enhancing conditions leading to real convergence between the less developed Member States and regions and the rest of the Union. Aid is targeted at regions characterised by low levels of income, defined as those where GDP per head is less than 75% of the EU average and Member States defined as those where GDP per head is less than 90% of the EU average.

Convergence support thus covers 100 regions and 13 Member States representing in total some 35% of the EU-27 population. 81.5% of the total available resources for Structural Funds are concentrated on these areas.

II. Regional Competitiveness and Employment areas

The principle of extending regional aid to other parts of the Union faced with structural problems, such as declining industrial or rural areas, is an important aspect of EU cohesion policy. Accounting for 16% of the Structural Funds, the Regional Competitiveness and Employment objective covers such regions, some 168 in total, representing almost 65% of the EU-27 population. It aims to strengthen the competitiveness and attractiveness of regions and enhance employment.

III. European Territorial Co-operation areas

The European Territorial Co-operation objective aims to facilitate cross-border, transnational and/or inter-regional co-operation between regional and local authorities. The population living in cross-border areas amounts to 181.7 million (37.5% of the total EU population). 2.5% of the total available resources are available for the European Territorial Co-operation objective.

ELIGIBILITY MAP

Sectoral targeting

The role of the new generation of programmes for 2007-2013 (455 in total of which 225 are targeted on regions) is to promote more growth and jobs, also known as the Lisbon agenda. The programmes therefore seek to promote investment in activities related to the knowledge economy: research, innovation, human resource
development, information and communication technologies, business growth and development. As part of this effort, emphasis is placed on developing additional non-grant sources of finance for investment in business and urban infrastructure to complement the public grants on offer at national and European level under the programmes.

Structural and cohesion funds

The two Structural Funds and the Cohesion Fund each cover specific fields of activity:

The European Regional Development Fund (ERDF) finances infrastructure mainly in the least-developed regions, local development projects, support for economic change and competitiveness, and aid for territorial co-operation within the Union. Priorities are given to research, innovation, accessibility, the environment and risk prevention.

The European Social Fund (ESF) aims to increase the adaptability of workers and enterprises, enhance access to employment and participation in the labour market, reinforce social inclusion by combating discrimination and facilitate access to the labour market for disadvantaged people, and promote partnership for reform in the fields of employment and social inclusion.

The Cohesion Fund contributes to interventions in the field of the environment and trans-European transport networks in Member States whose GNP per head is less than 90% of the EU average.

Brazil Regional Development Policy

CHRONOLOGY

1958 – Report of the Working Group for Development of the North East (GTDN) – initial theoretical analysis of regional inequalities in Brazil, drafted under the guidance of Celso Furtado;

1959 – Creation of the North-East Development Superintendency; the federal government’s response to the great drought of 1958 (Law No. 3,692), following the suggestions of the GTDN and appointing Celso Furtado as first Superintendent;

1961 – Establishment of a fiscal and financial incentives system (Article 34) within the scope of the SUDENE (North-East Development Superintendency) Master Plan, approved by Law No. 3,995 of 14 December 1961. The system was crucial in implementing the GTDN recommendation, which gave the public sector a fundamental role in promoting the development of the North East, essentially driven by industrialisation. That article was modified by Article 18 of law Nos. 4,239/63 and 4,869/65;

1974 – Creation, by Decree-Law No. 1,376, of 12 December 1974, of the North-East Investment Fund (FINOR) and the Amazon Investment Fund (FINAM), which gave its name to what came to be known as the FINOR System;

1988 – Creation, under the Constitution of 1988, of the Central-West Investment Fund (FCO), North-East Investment Fund (FNE), and North Investment Fund (FNO);

1991 – Creation of Mercosur, through the Treaty of Asunción, with the aim of creating a common market between the founding countries: Argentina, Brazil, Paraguay, and Uruguay;

1999 – Creation of the Ministry of National Integration, the first federal institution charged with administering regional development at national level;

2000 – Establishment of Differentiated Meso-Region Programmes within the scope of the 2000-2003 Multi-Year Plan;

2003 – Draft National Regional Development Policy (PNDR), setting forth the assumptions, parameters, and basic criteria for reducing regional inequalities in Brazil and establishing sub-regional types by micro regions, on the basis of which the federal government would be able to guide the actions to be developed on the ground;

2004 – Creation of the Mercosur Structural Convergence Fund (FOCEM), through CMC (Common Market Council) Ruling No. 45/04, intended to fund programmes for promoting structural convergence; developing competitiveness; promoting social cohesion, particularly in the smaller economies and less developed regions; and supporting the operation of the institutional infrastructure and strengthening the integration process;

2006 – Adoption of PNDR Sub-regional Types to differentiate the limits on production sector funding granted through constitutional development funding;

2007 – Institutionalisation of the PNDR through Decrete No. 6,047 of 22 February 2007;

2008 – Setting up of USAN, an international body that brings together the twelve countries of South America and aims to strengthen regional integration;

– Proposal for creation of the National Fund for Regional Development included in the Tax Reform Proposal sent to the National Congress in February 2008.

MISSION

Reducing regional inequalities is one of the fundamental objectives of the Federative Republic of Brazil, as stipulated in the Constitution of 1988. The government of President Luís Inácio Lula da Silva reiterated this constitutional commitment by adopting the reduction of inequalities as one of the core priorities of Brazil’s development strategy.

The National Regional Development Policy (PNDR) is the result of the priority treatment given to this issue. As a State policy, the PNDR is being implemented in a manner that will enable significant results to be achieved in regional matters. The PNDR has the dual purpose of reducing regional inequalities and unlocking the development potential of the Brazilian regions, exploring the immense and fantastic diversity that can be seen in this continent-sized country. The focus of concerns therefore relates to injecting life into the regions and better distribution of production activities throughout Brazilian territory. In this respect, the PNDR offers Brazilian society a pathway that promotes its active involvement in the formulation and leading of regional development projects, involving federal entities, the relevant social bodies, and the production sectors.
Sub-regional types based on income levels versus GDP variation levels 1991/2001

Sources:
Mean Household Income/Inhab. (R$ in 2000) (IBGE); 1990-1992 Three-yearly Mean Municipal GDP (IPEA-R$ in 2002); 2000-2002 Three-yearly Mean Municipal GDP (IPEA-R$ in 2002); Mean Basic Food Basket 2000 (DIEESE)

FEDERAL GOVERNMENT
Drafted by Monitoring and Information Management / DPR / SDR / MI.

NATIONAL POLICY ON REGIONAL DEVELOPMENT

PRIORITY MESO-REGIONS AND SUB-REGIONS
The PNDR provides a vision of the country as a whole, enabling the actions and programmes implemented to be regulated on the basis of a common national benchmark capable of producing the desired effects in reducing regional inequalities.

It consists of pioneering initiatives in integrated and sustainable development, for example the Local Production Arrangements (APLs) established in the different meso-regions, such as the ones for precious stones and cachaça, in the valleys of Jequitinhonha and Mucuri, and the ones for apiculture and goat farming in Chapada do Araripe, in the meeting point of the States of Ceará, Piauí and Pernambuco. These actions, initiated following approval of the PNDR in 2004 and the guidelines of which are applied to the sectoral policies of the different ministries of the federal government, are changing the reality of Brazilian sub-regional areas.

All the proposals were organised with the support of the regional society, based on a wide-ranging local participation and consultation process, which led to actions such as the Sustainable Amazon Plan (PAS), the North-East Sustainable Development Plan (PNDE), the Central-West Strategic Development Plan and specific sustainable-development plans for the valleys of Jequitinhonha and Mucuri, the Semi-Arid Strategic Development Plan (PDSA), and the Plan for the Integrated and Sustainable Development of the Jequitinhonha and Mucuri Valleys Meso-Region.

**General Aim**

- Reduce regional inequalities and unlock the potential of the country’s regions.

**Specific Aims**

- Provide the regions with the necessary conditions (in infrastructure, funding, technology, etc.) to exploit promising economic and productive opportunities for their development;
- Promote the productive social integration of the population, empowerment of human resources, and improved quality of life in all the regions;
- Strengthen the regional, social and productive organisations by expanding social participation and stimulating policy practices for the development of plans and sub-regional development programmes;
- Stimulate exploitation of sub-regional potential derived from the magnificent socio-economic, environmental, and cultural diversity of the country.

**MAIN INSTRUMENTS**

**Regional Plans**

- Macro-regional Development Plans (Sustainable Amazon, North-East/Semi-Arid, and Central-West);
- Meso-regional Development Plans.

**Governmental Programmes**

- Promotion of the Sustainability Sub-regional Areas – PROMESO: setting-up of a new management model for the development of selected regional areas (meso-regions);
- Semi-Arid Sustainable and Integrated Development – CONVIVER: economic strengthening and social integration in regions characterised by climate adversity (drought) and persistent socio-economic problems;
- Social Development of the Border Strip - PDFF: action aimed at economic strengthening and social integration of communities along the border with other South American countries, with the cross-border issue becoming increasingly relevant;
- Development of the Integrated Development Regions (RIDEs) of the Federal District and surrounding areas, Juazeiro-BA and Petrolina-PE, and Grande Teresina-PI: setting-up of an integrated government action management model.

**Regional Development Funds**

- National Fund for Regional Development;
- Constitutional Investment Funds (FCO, FNE and FNO);
- North-East Development Fund (FDNE) and Amazon Development Fund (FDA).

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Commissioner Hübner and Mr Geddel Vieira Lima, Minister of National Integration of Brazil, sign the Memorandum of Understanding between the European Commission and Brazil on Regional Policy Cooperation, Brasilia, 29 November 2007.