

## City Development Strategy in Santo Andre/ABC Region, Brazil

The greater ABC region, composed of seven municipalities of over 2 million people in the southeastern part to São Paulo, including Santo André, was an economic powerhouse from the 1950s through the 1970s. It contained the majority of the multinational firms in the car-manufacturing sector and enjoyed a concentration of other industrial firms. However, by the 1990s, it started to suffer from some of the negative effects of this industrialisation, such as pollution and lack of land. At the same time, aggressive federal fiscal de-concentration policies resulted in the relocation of various industries outside the ABC region, and through the “Plan Real”, the country was undergoing macroeconomic shocks, such as overvalued exchange rates, trade balance deficits and high interest rates. Economic restructuring impacted Santo André and resulted in weak economic growth and increased unemployment in the 1990s. Small and medium enterprises have not reaped the benefits of technological and managerial modernization that is taking place in larger firms, and informal sector employment is on the rise.

Santo Andre, Brazil		
Background to CDS	Process	Outcome
<ul style="list-style-type: none"> <li>Population 625,000, the greater ABC region 2.5 million</li> <li>Most industrialized region of the country, experiencing structural problems, slow growth, high unemployment</li> <li>Inter-municipal consortium of greater ABC region created by Mayor of Santo Andre</li> <li>ABC regional Development Agency created in 1998 by municipality and private sector</li> <li>CDS process in Santo Andre seen as a part of the regional economic development process</li> </ul>	<ul style="list-style-type: none"> <li>CDS initiated in December 1999. Large number of stakeholders – private sector, financial institutions, research agencies, community groups involved in the process</li> <li>Total ownership of the CDS process by the city government</li> <li>Identification of key action areas based on diagnostic studies of informal sector and SME. This study has taken much longer than expected</li> <li>SWOT analysis of regional economy</li> <li>Action plan and investment framework developed</li> </ul>	<ul style="list-style-type: none"> <li>CDS still not complete, but many intermediate actions have been taken.</li> <li>The regional development agency now more broad based to include informal sector</li> <li>Social inclusion/exclusion mapping done. Pilot projects for improved service delivery in low income settlements</li> <li>Establishment of a service network for small and medium enterprise integration with large industries</li> <li>Participatory process of evolving detailed action plans and investment packages ongoing</li> </ul>

An awareness of the challenges associated with the economic transformation process has led to the creation of a series of new institutions that are making efforts to work together with a range of stakeholders. The International Consortium of the Greater ABC region was created in 1990, and, partly to support this effort and partly to fill the gap, a Forum on Issues of Citizenship, comprised of over 100 NGOs and CBOs, was established in 1996. In 1997, following the election of seven new mayors in the ABC Region, a decisive step towards a new type of regionalism was made with the formation of the Chamber of the Greater ABC Region, with the participation from the public, private and civil society sectors. Through this Chamber, the Regional Development Agency was formed. These institutions are a part of the complex and sometimes overlapping layers of formal and informal economic coordination efforts. They have proved to be a flexible, decentralised and practical mechanism for regional planning.

The CDS in Santo André and the ABC region was aimed at strengthening this participatory, multi-stakeholder process, particularly with regard to socio-economic dimensions. It was incorporated within the regional economic development planning process in the greater ABC region, and the Mayor of Santo Andre influenced this process by making it more participatory and pro-poor. The major objective was the participatory preparation of an economic action plan, containing guidelines for priority programmes and projects capable of contributing to the revitalization of the regional economic of the ABC region. More specifically, this implied the following:

- An inventory of the existing research on the economy of the region;

- Specific sectoral studies on the informal labor market and the service sector;
- A rapid participatory diagnosis on the main strengths and weaknesses of the regional economy;
- Preparation and discussion of a Regional Economic Action Plan with priority investments;
- Discussion of the Plan with the individual cities, who would then adapt it to their specific needs and circumstances, and;
- Preparation and implementation of a monitoring and evaluation methodology, which can be replicated to other CDS work.

The CDS process was first negotiated and agreed with the regional stakeholders (the Regional Development Agency), the Urban Management Programme and UN-HABITAT. The first stage was focussed on preparing an inventory of all existing work on the regional economy and undertaking comprehensive studies. In the second stage, the material was analyzed and a participatory diagnosis was conducted on the main strengths and weaknesses of the regional economy. This diagnosis led to recommendations for priority programmes and projects in the third phase.

The CDS proved to be an extremely rich and dynamic learning process among the stakeholders, especially when compared with traditional top-down urban development projects. Although time-consuming to undertake, the detailed studies in phase one, such as those on the informal sector and small and medium enterprises (SME) were considered critical by all stakeholders. The press in the region showed a remarkable interest in the critical issues of the regional economic development process.

The second stage, involving a participatory diagnosis, followed the UMP city consultation process very closely and indeed, the prior success of the UMP – supported Integrated Programme for Social Inclusion created a positive environment for the CDS to unfold. Interviews and interaction with stakeholders served to motivate them further. Ultimately, the work of this stage culminated in a regional vision that incorporates the following elements:

1. The Regional Development Agency should work as a communication and enabling multi-stakeholder body, performing a coordinating role towards regional economic development based on local solutions;
2. The main production chains need to be strengthened, particularly through a more dynamic role for the small and medium enterprises involving a continuous process of technological and managerial modernization;
3. The negative externalities of the region should be transformed into assets/local public goods that symbolize a more mature phase of the New Regionalism (cost of water to focus on clean water, traffic congestion to focus on associative mechanisms between enterprises aimed at joint transportation services for employees etc.);
4. The main stakeholders (universities, research centres, labour unions, local governments, enterprises, etc.) should be able to articulate an ongoing and financially viable network of real services for SME in the region (training for managerial and technological modernization, information services, regional marketing etc.);
5. The quality of living in cities must be improved considerably, including through the implementation of a series of pilot projects that symbolize and leverage real changes.

Advances have already been made in these various areas. Changes are underway in the work of the Regional Development Agency to make it more responsive to real demands around local economic development, and new tools and products will be produced to support this. A project proposal aimed at strengthening the networking capacity of small and medium enterprises in important basic sectors is in the final stage of negotiation with the Inter-American Development Bank. And the CDS process has already created a broader network of actors and institutions that can create and disseminate knowledge than existed previously. This regional vision is now being discussed with the seven cities in the ABC region, so that each can apply it to the creation of a city-specific action plan for implementation. Some intermediate actions have been taken to institutionalize the participatory decision-making process and undertake pilot

programmes for improved service delivery in low-income settlements. A monitoring system has been established to track progress on CDS activity.

**Evaluation and Lessons:**

The CDS process was also one of learning. Preparing and implementing studies on local economic development issues at the level of city regions proved to be much more complex and time-consuming than expected. For example, the creation of an entirely new database of information around the informal sector, proved challenging. It was necessary to create a broad network to contribute to this, resulting in a positive output from the process. As the process unfolded, areas where stronger capacity was needed in the Regional Development Agency were identified. It became clear that the RDA should have an enabling role, rather than an executing one. The UMP city consultation methodology, which had been successfully used in Santo Andre, proved a good basis for the CDS exercise. The strong enthusiasm and support from all stakeholders proved the importance and relevance of the issues being discussed, and at the same time carried the process forward.

How could the CDS process have been improved? First, the involvement of higher levels of government should have been secured from the beginning. Ideally the CDS should link local, national and international strategies and in doing so add value through better defined projects and programmes. In addition, the national and state level agencies responsible for modernization of small and medium-sized enterprises still operate through national parameters, ignoring the impact and issues of local development and competitiveness. The participatory processes that are fundamental to the CDS should play a key role in triggering broad-based and lasting change in the way these institutions work.

It is also important to discuss, with all key stakeholders, what follow-up actions and steps will be taken once the CDS process is complete, and by whom. Otherwise, the process runs the risk of losing its momentum. This should be built in to the process from the beginning. The UMP City Consultation methodology was suggested as a model for this. Finally, a longer timeframe and larger budgets are needed to properly achieve the goals of the City Development Strategy.