



The Brazilian Scenario and the Productive Development Policy (PDP)

Roberto dos Reis Alvarez, *Ph.D.*
International Affairs Manager
ABDI - Brazilian Industrial Development Agency

Köln, Deutschland

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-
- Brazil: basic facts and figures
 - Economy and market in Brazil
 - Productive Development Policy (PDP)
 - ABDI and its role
 - Final remarks



Facts and figures

- Borders with 10 countries
- 50% of South America's surface
More than 8 million sq. Km
- 50% of the South American Population
184 million inhabitants
- 50% of South American GDP
US\$ 1.067 billion
10th world's largest economy

*

VENEZUELA:

full MERCOSUR member,
in process of adhesion

Brazilian economy hits the international headlines

Economist.com

The Americas

Biofuels in Brazil

Lean, green and not mean

Jun 26th 2008 | RIBEIRÃO PRETO

From *The Economist* print edition

The United States may drop a tariff on Brazilian ethanol. But the industry is still the victim of much misplaced criticism



The New York Times

Strong Economy Propels Brazil to World Stage

By ALEXEI BARRIONUEVO
Published: July 31, 2009

FORTALEZA, [Brazil](#) — Desperate to escape her hand-to-mouth existence in one of Brazil's poorest regions, Maria Benedita Sousa used a small loan five years ago to buy two sewing machines and start her own business making women's underwear.

Enlarge This Image



Douglas Engle for The New York Times
Recent oil discoveries off the coast of Rio de Janeiro State have led to a construction boom in the port town of Angra dos Reis. [More Photos](#)

Today Ms. Sousa, a mother of three who started out working in a jeans factory making minimum wage, employs 25 people in a modest two-room factory that produces 55,000 pairs of cotton underwear a month. She bought and renovated a house for her family and is now thinking of buying a second car. Her daughter, who is studying to be a pharmacist, could be the first family member to finish college.

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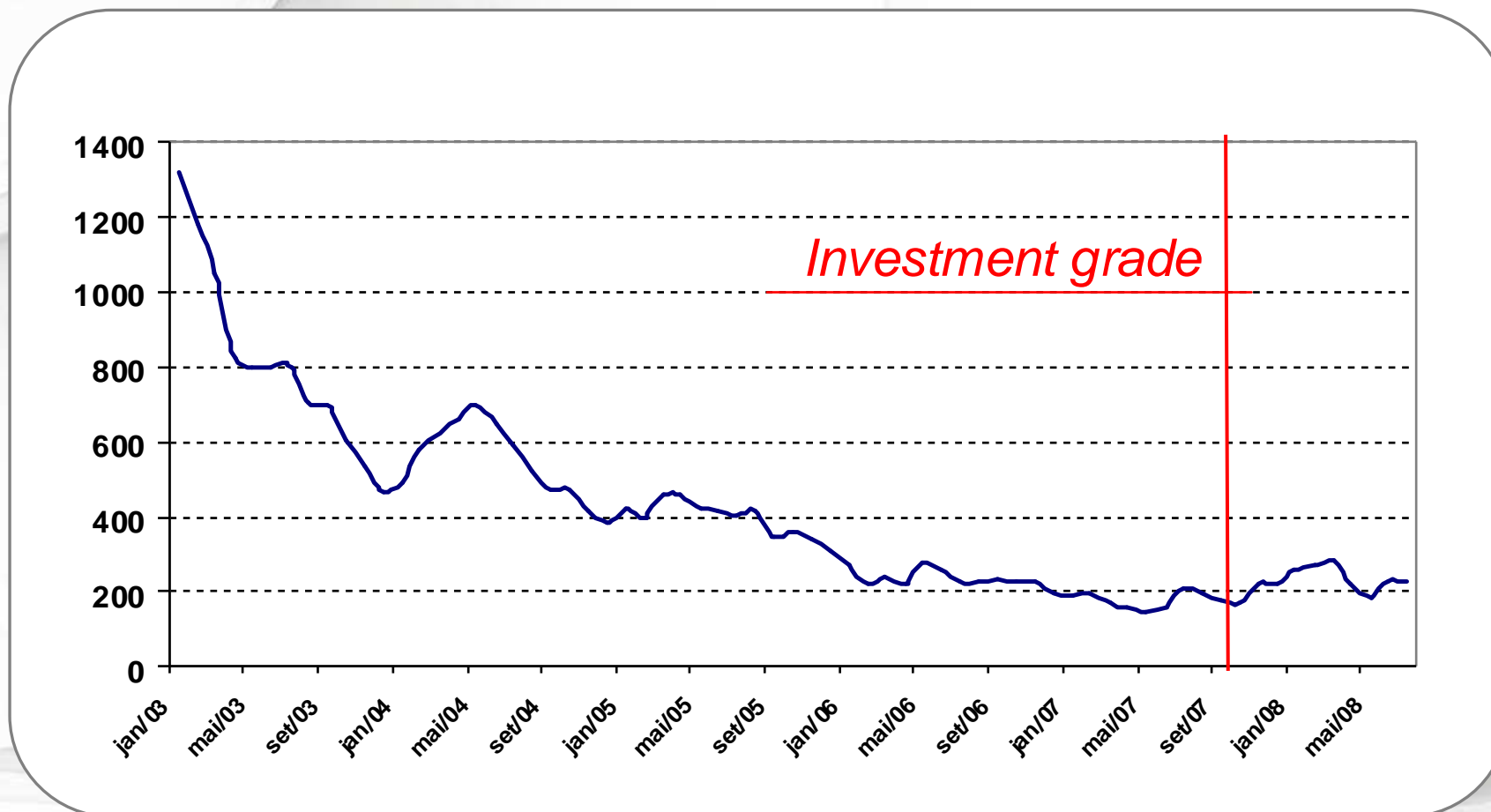
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Stability leads to investment

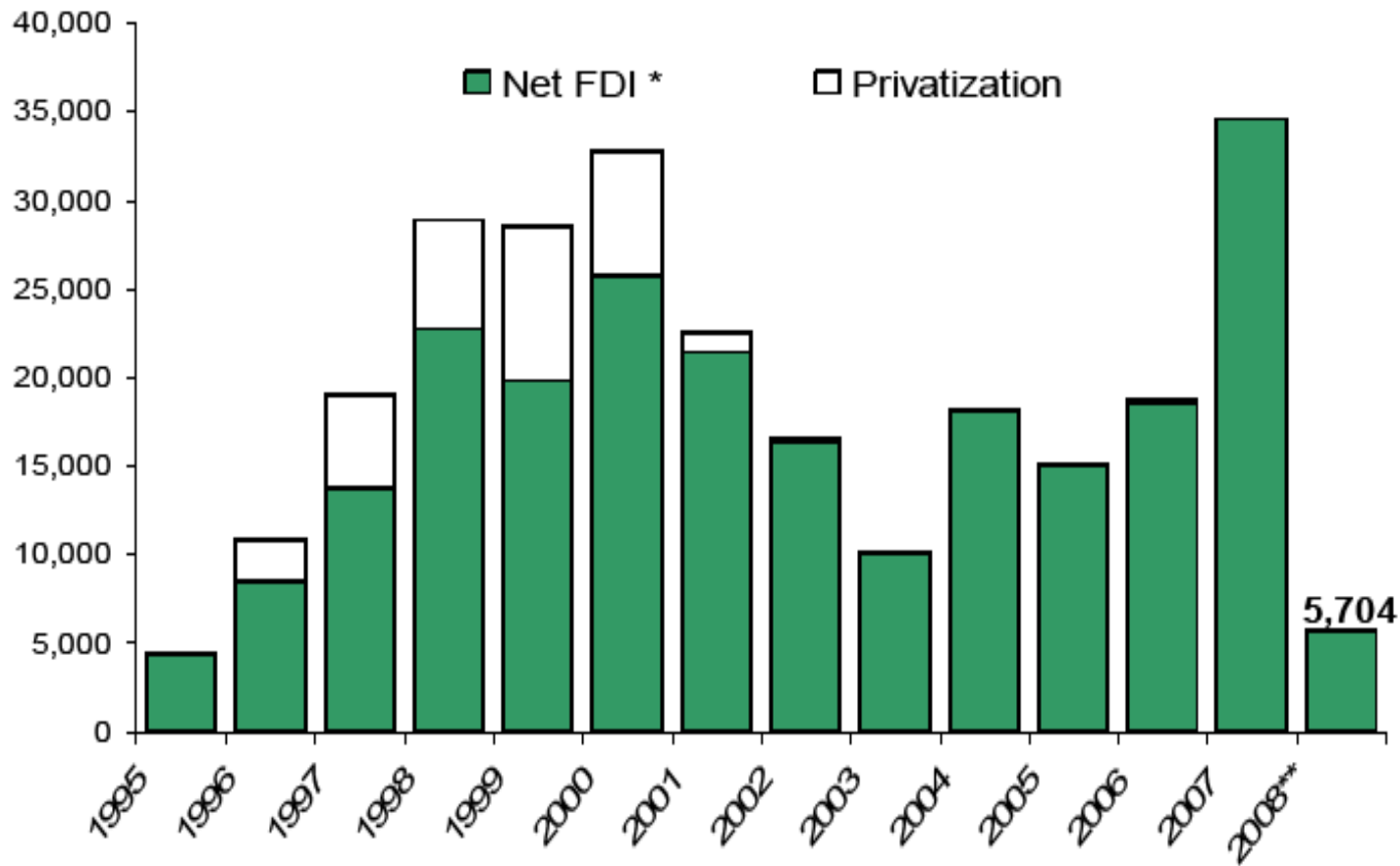
Brazilian country risk was significantly reduced since 2003, creating new opportunities and attracting foreign investors



Investment grade granted by Standard & Poor's and Fitch Ratings (April-May 2008)

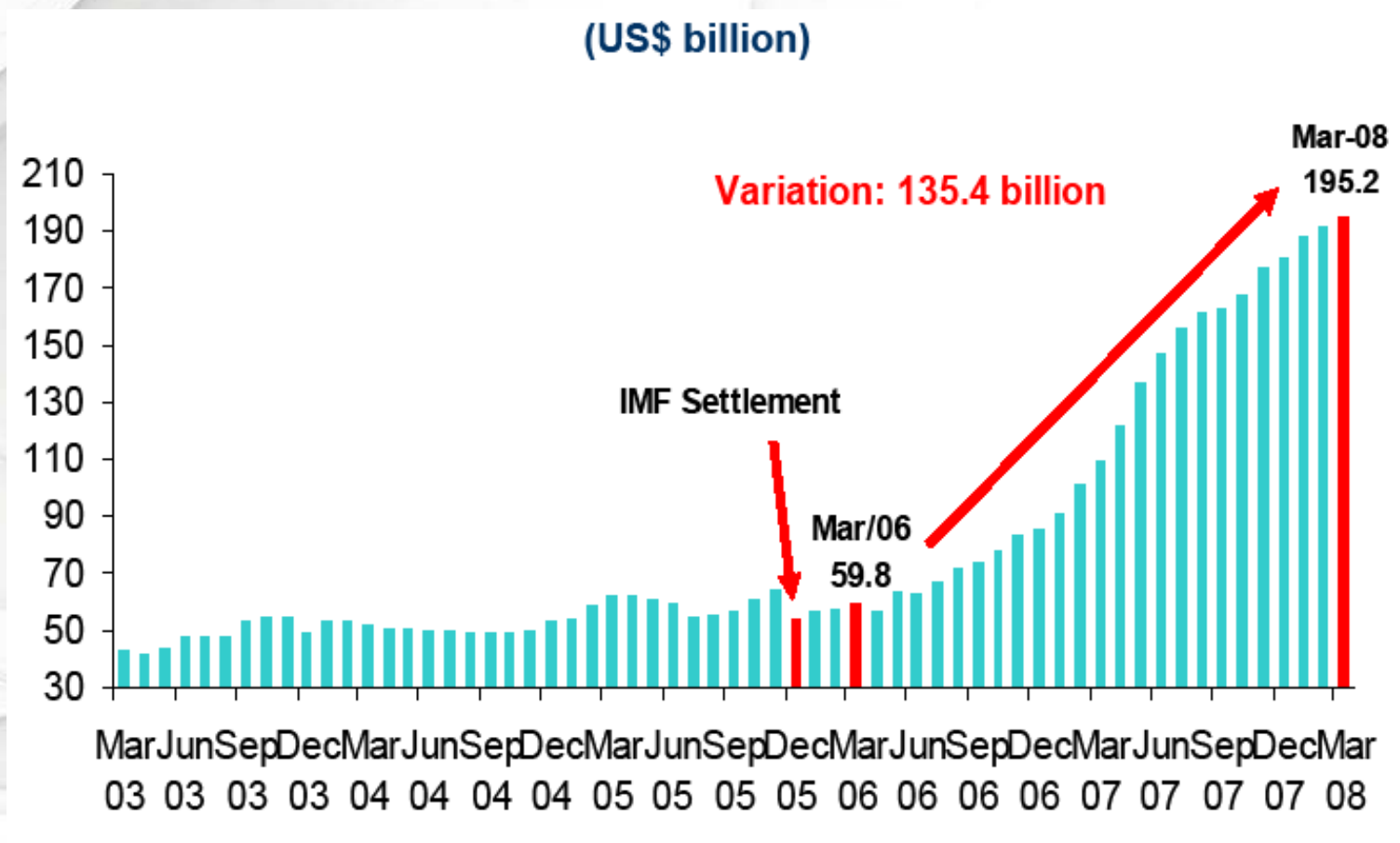
FDI in Brazil

Long term commitment to macroeconomic stability, alongside with stronger governance, makes Brazil one of the world's most attractive markets to invest



International reserves

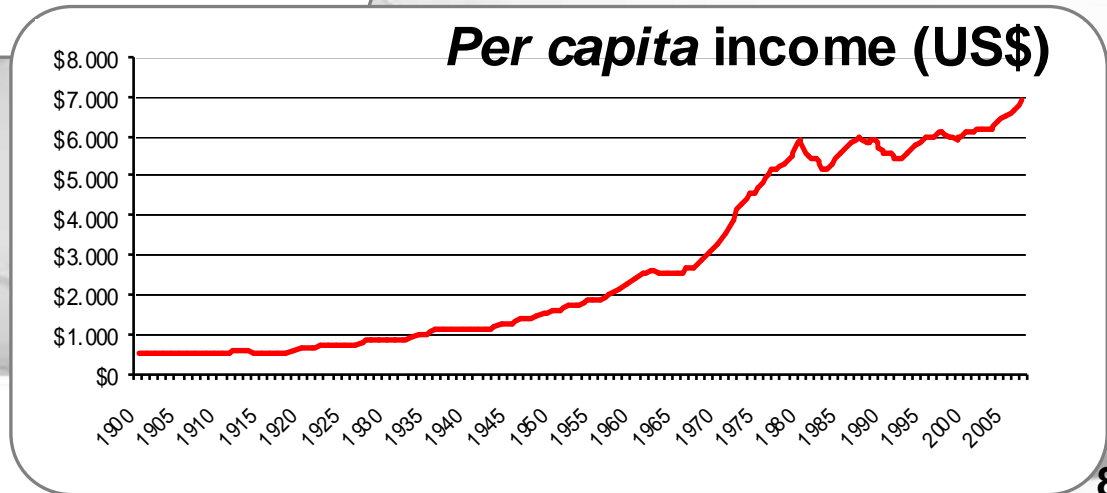
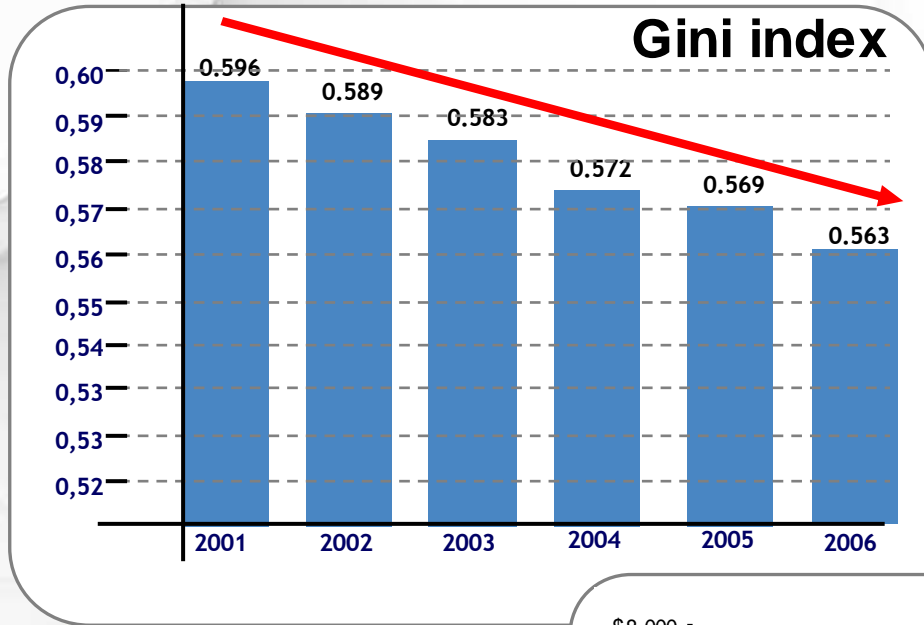
Long term commitment to macroeconomic stability, combined with a sound and successful foreign trade policy, allowed the Country to virtually solve its external debt, reduce external vulnerability and consolidate the bases for a new development cycle



Source: Central Bank, Brazil.

Social inclusion created new mkts

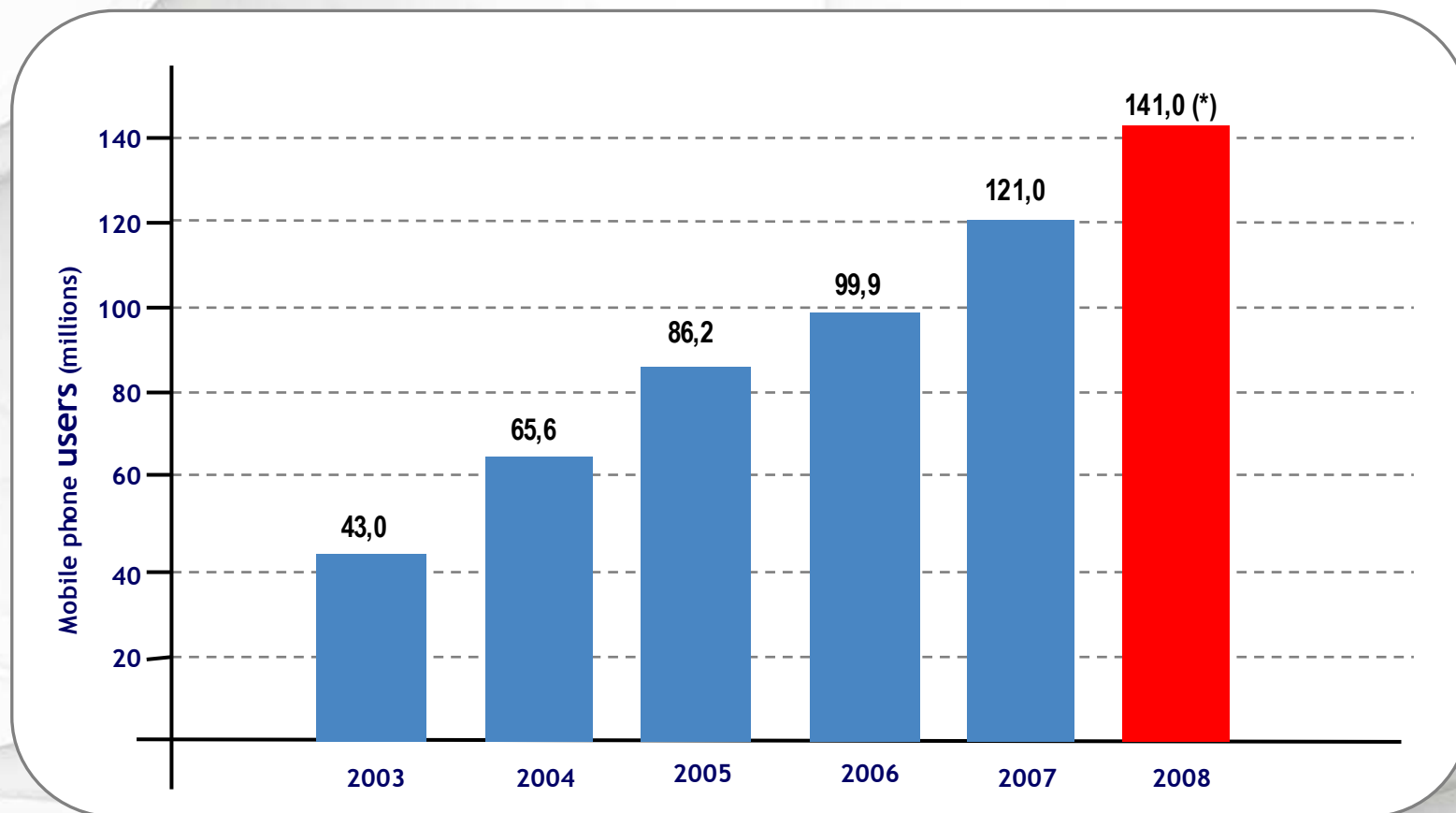
As inequality is being reduced and income level increases, Brazilian middle class expands and the domestic market booms



Sources: IPEA

Internal market is expanding steadily

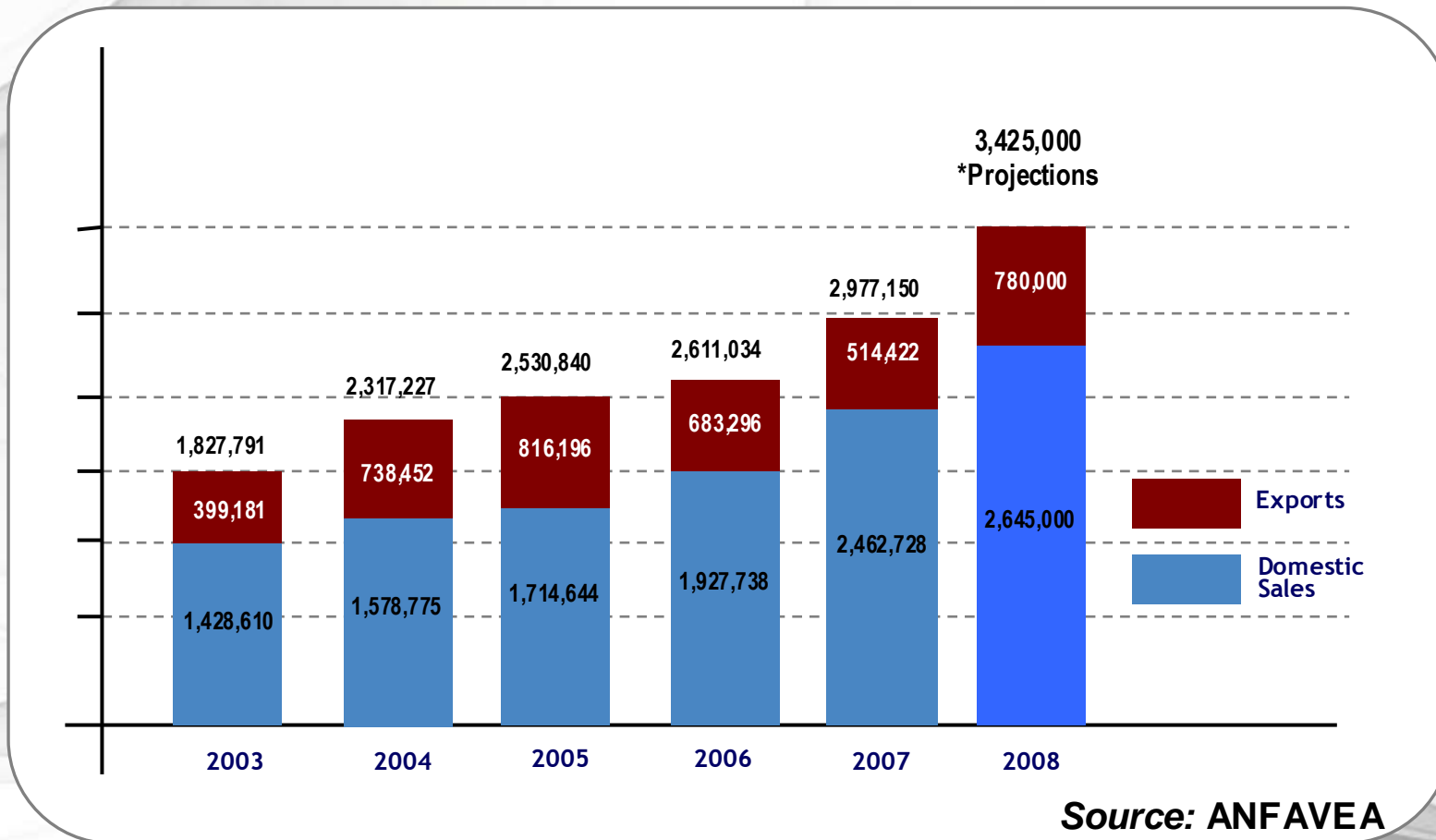
Mobile sets, computers, TV sets and many other consumer goods multiplied their sales in today's Brazil



(*) Projection (Source: Tendências Consultoria)

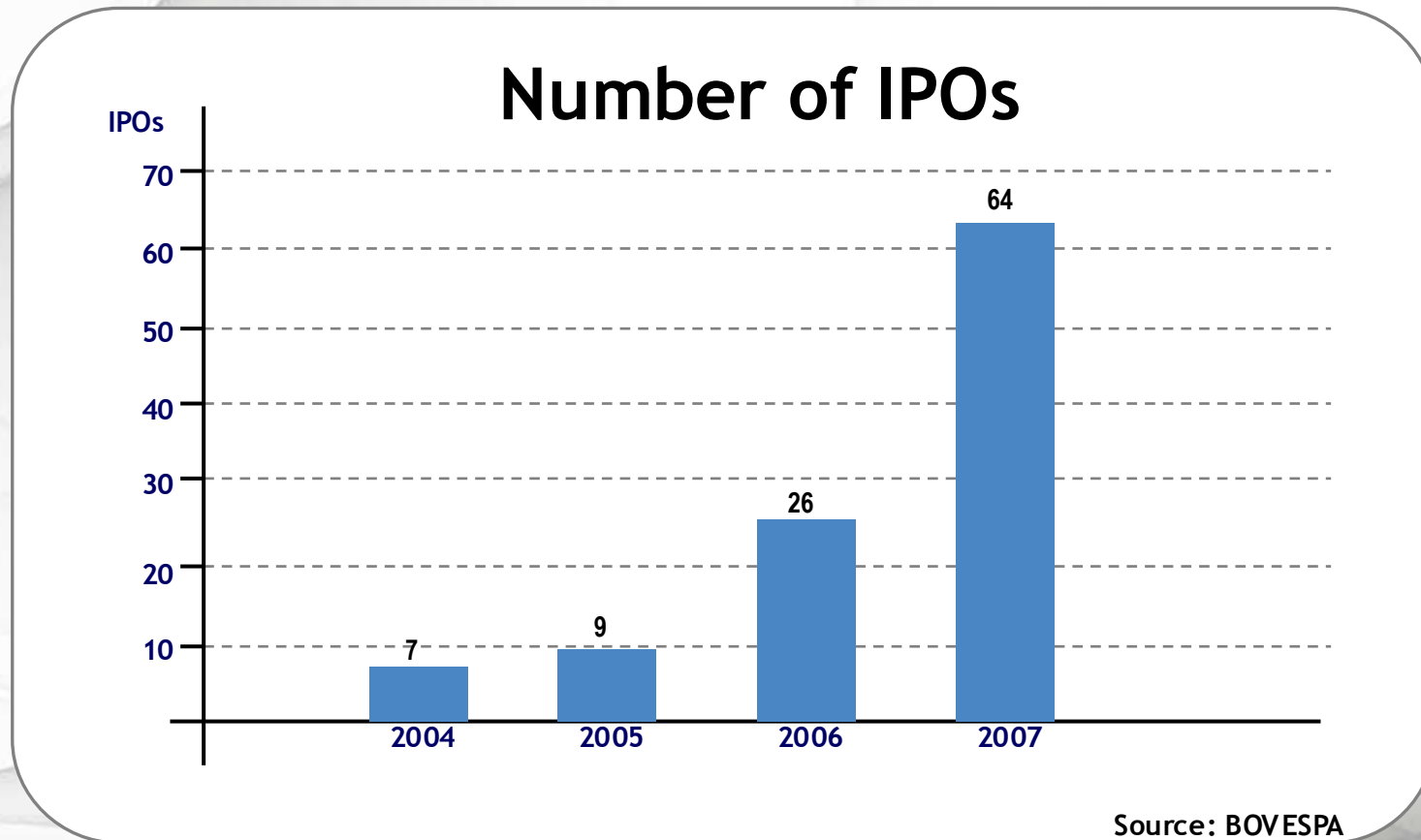
An automotive leader emerges

Brazil has historically developed strong capabilities in auto parts and vehicles engineering and manufacturing. These very fundamental conditions, when combined with recent years' developments in the internal market, made it possible to the Country to become the world 6th largest automobile producer.



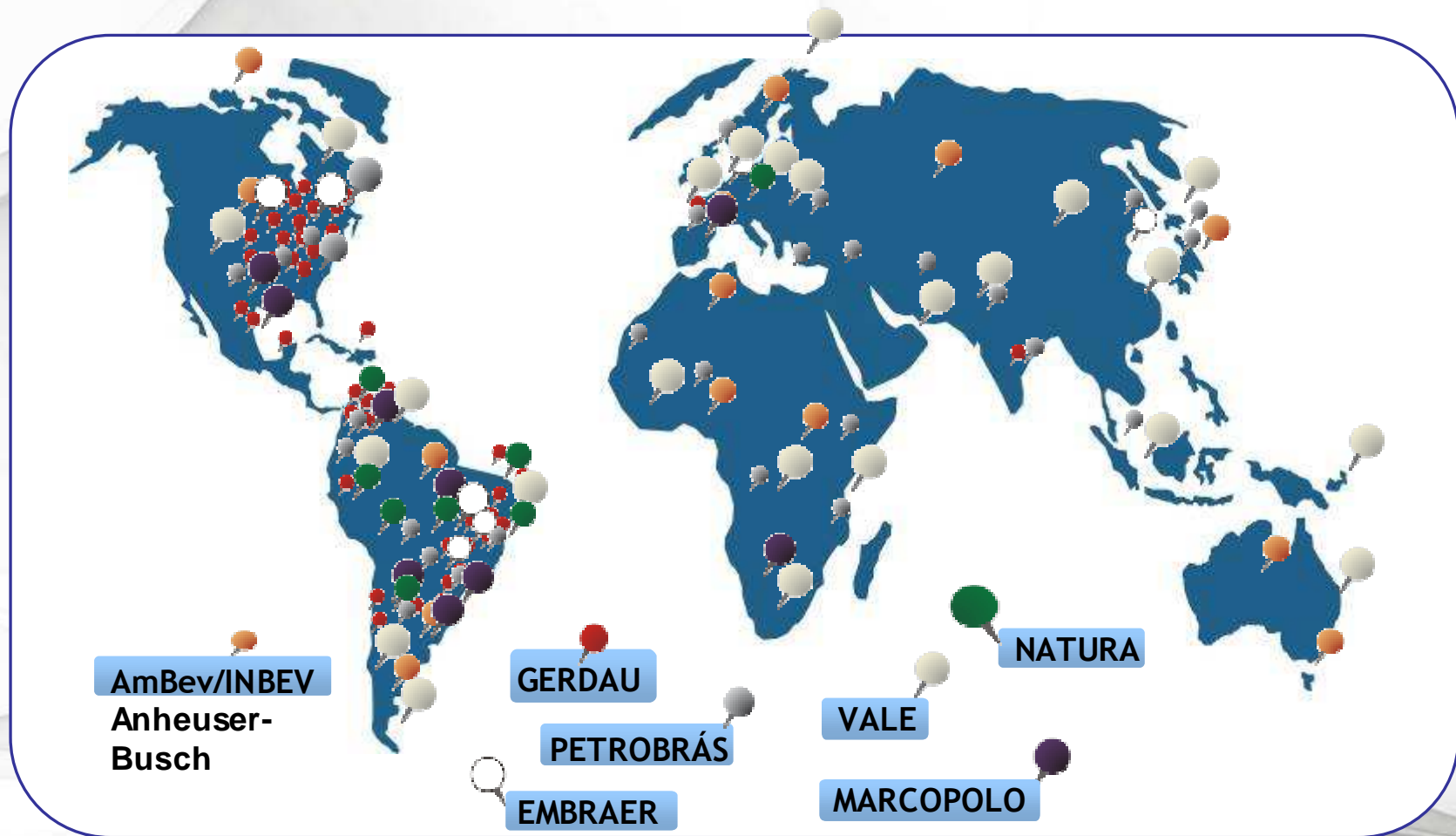
A solid capital market is in place

As the macroeconomic scenario improved and innovation is fostered, a series of companies went public – many of them in technology-intensive areas



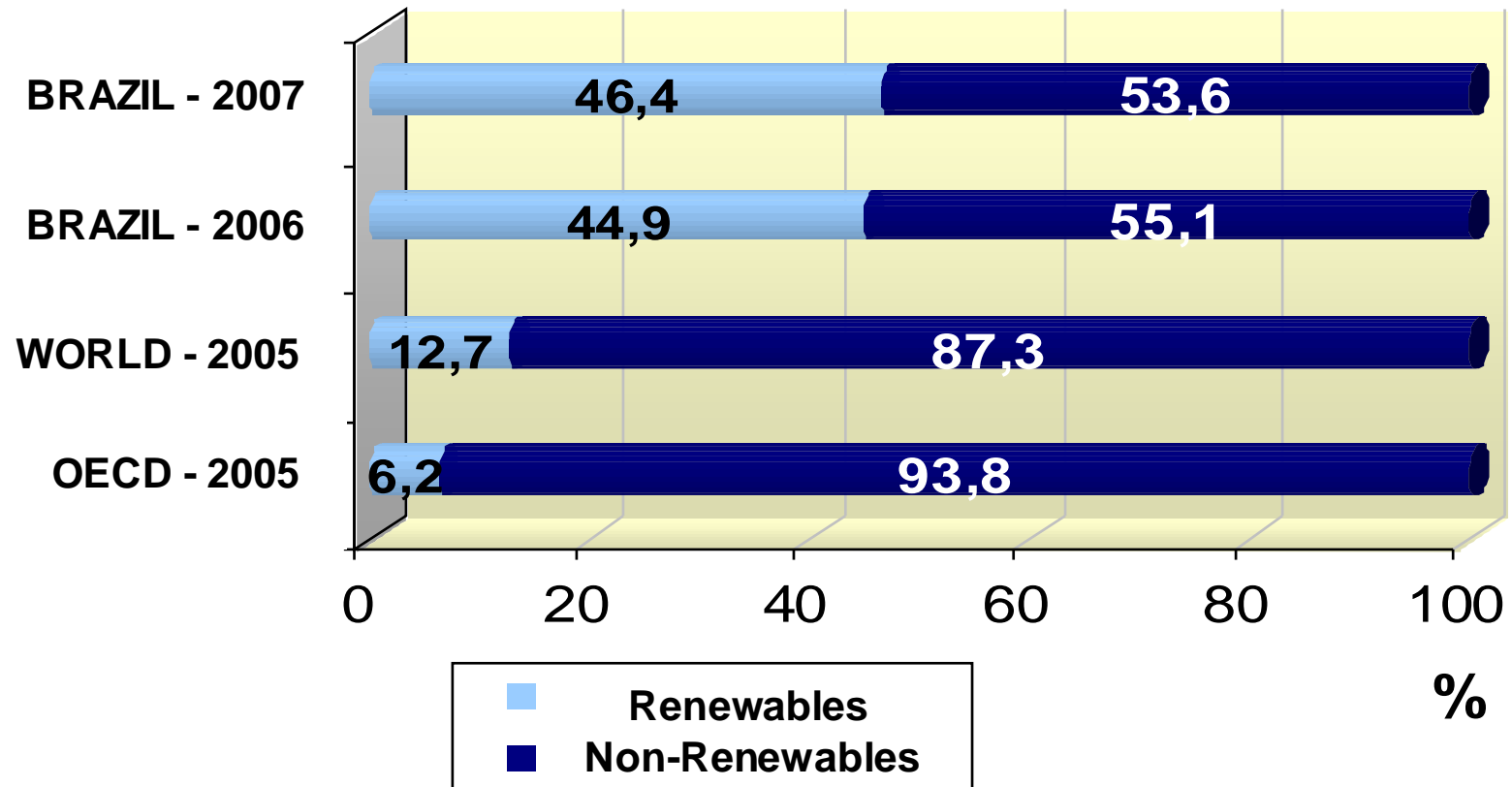
Brazilian companies go global

Automotive, beverage, aircraft, cosmetics, mining, steel and oil&gas Brazilian companies, among others, invest overseas and expand their international operations



R&D led to energy self-sufficiency

As a result of long-term public and private investments in R&D, Brazil is nowadays a world leader in renewables (more than 9 out of every 10 cars nowadays sold in Brazil are flex fuel cars) and deep water oil exploitation (current target: > 3,000m)





Productive Development Policy (PDP)

Innovate and invest to sustain growth



PITCE (2004): resuming a development strategy

The launching of the Industrial, Technology and Foreign Trade Policy (PITCE), in 2004, symbolizes the resuming of policies aiming at the competitive development of the Brazilian industry

- **The Brazilian State recovers its policy making and coordination capacities**
- **Integrated actions aiming at changing Brazilian industry's competitive pattern**
 - **Strengthening of innovation and scientific-technologic development as strategy for facing competition and enhancing Brazilian international presence.**

Context: the economy

- Equilibrated balance of payments and high level of foreign reserves.
- Low, stable and predictable inflation rates.
- Expansion of credit and capital markets.
- Unemployment was reduced; formal jobs were increased; the total amount of money paid on wages grew; the social inequality felt.
- The private sector can invest: increased profits, reduced debt levels.
- Investment Grade.

The Brazilian economy shows, today, all the necessary conditions for a new long-term growth cycle .

Context: the public policies

- **Acceleration Growth Program - PAC:** being expanded, aims at overcoming infrastructure bottlenecks.
- **Action Plan on Science, Technology and Innovation - PACTI:** programs oriented towards the promotion of innovation and science & technology development.
- **Education Development Plan - PDE:** investments to attack the biggest constraint to Brazilian long-term growth: human resources capabilities.
- **‘More Health’ Program (“Mais Saúde”):** attacks immediate necessities and builds future capacity in the area.

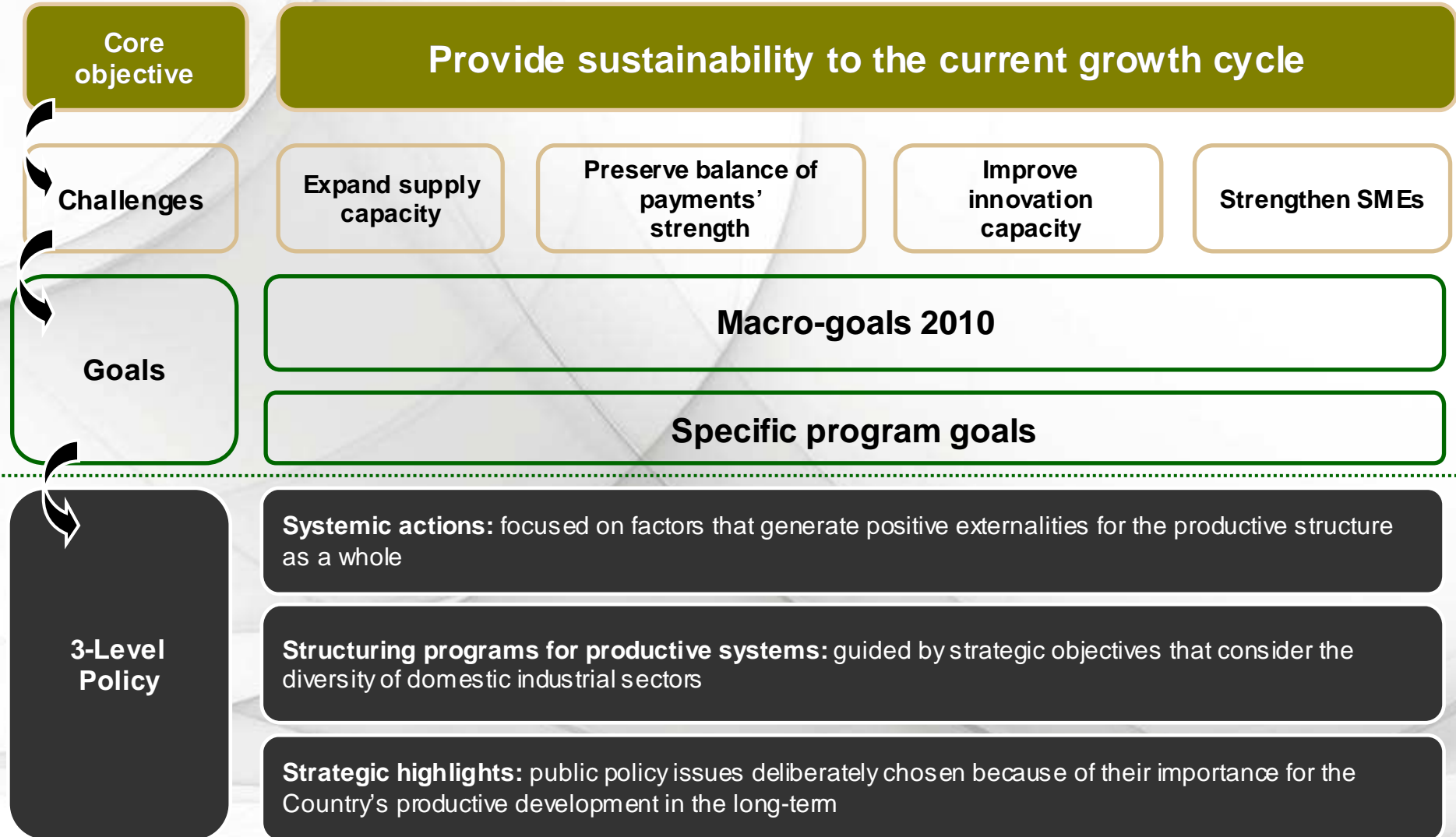
Long-term and convergent projects are in place.

Guidelines for designing the Productive Development Policy

Power and realism of PDP

- Comprehensive proposition, convergent with the macroeconomic policy and other government policies
- Implementation by programs, with defined instruments, resources and responsibilities
- Clear and feasible targets
- Partnership and coordination among public agencies and the productive sector

Synthesis



Macroggoals – National goals 2010

Expand Capital Investments

INVESTMENT/GDP

Goal 2010: 21% (R\$ 620 billion)

2007: 17,6% or R\$ 450 billion

Compound Aggregate Growth Rate 11,3%
2008-2010

Increase R&D spending in private companies

PRIVATE R&D/GDP

Goal 2010: 0.65% (R\$ 18.2 billion)

2005: 0.51% or R\$ 11.9 billion

Compound Aggregate Growth Rate 9,8%
2007-2010

Increase the participation of Brazilian Exports in the Global Trade

SHARE IN GLOBAL EXPORTS

Goal 2010: 1.25% (US\$ 208.8 billion)

2007: 1.18% or US\$ 160.6 billion

Compound Aggregate Growth Rate 9.1%
2007-2010

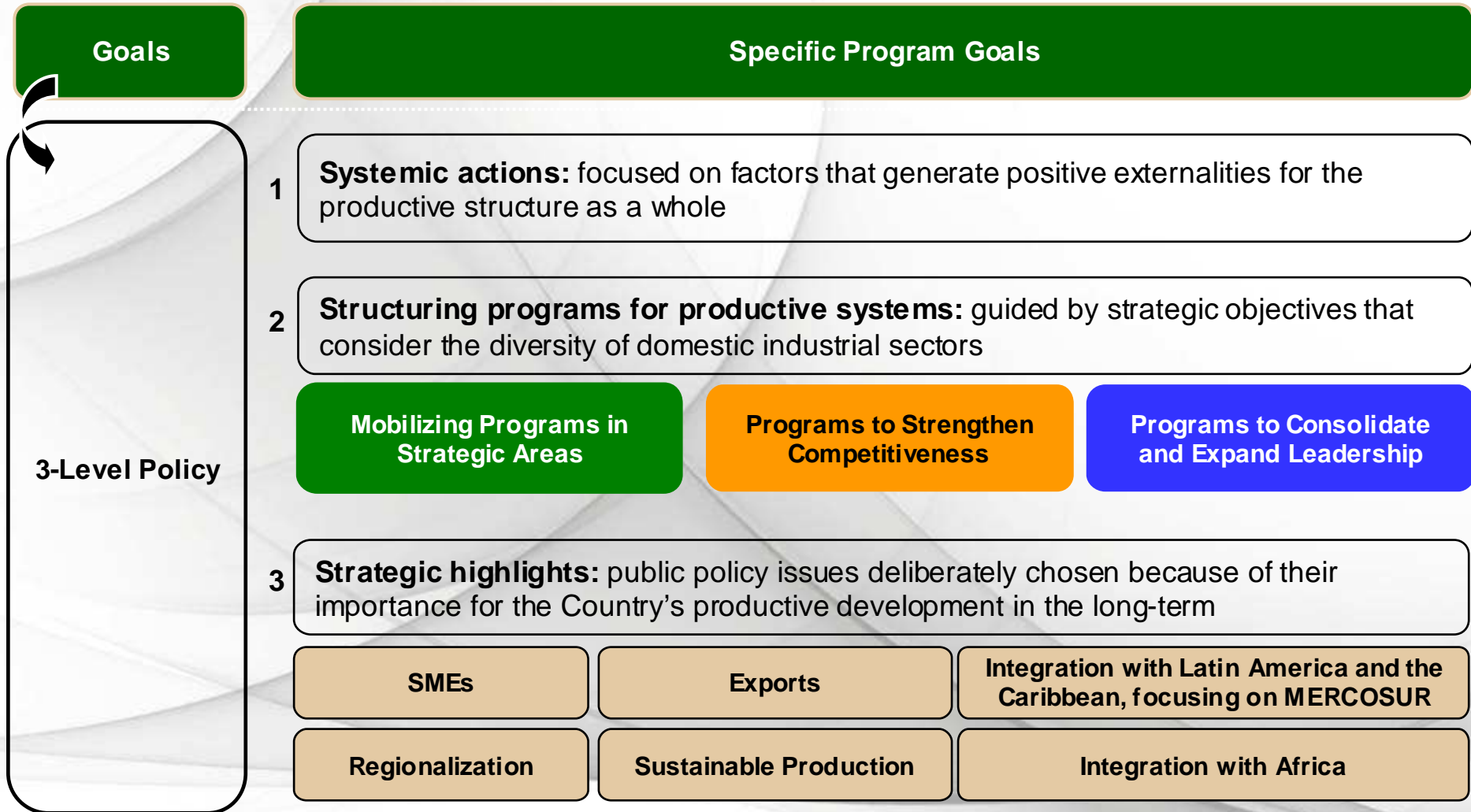
Competitiveness of SMEs

NUMBER OF EXPORTER SMEs

Goal 2010: 10% increase
in the number of exporter SMEs

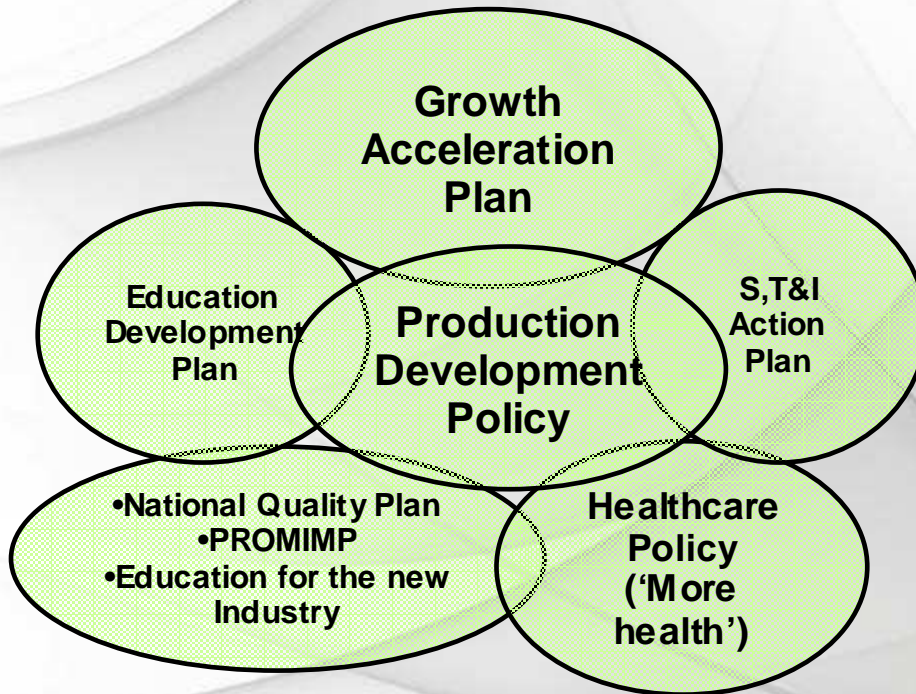
2006: 11.792 companies

A 3-level Policy



PDP – Level 1: Systemic measures

1. Interface with other governmental policies



2. New Initiatives

Lower tax burden on investments

More funds and lower interest rates for capital investment loans

More funds for innovation

Improvements on the legal environment

Improvements on foreign trade regulation

Systemic actions: initiatives in course and results expected by 2010 (1/2)

Dimension	Action	Responsible	Goals
C&T Infrastructure	IP system development	MDIC/INPI	<ul style="list-style-type: none"> Double the number of IP rights requests made in the Country by Brazilian companies by 2010 Triple the number of IP rights requests overseas made by Brazilian companies by 2010
	Industrial Technology Development & promotion	MDIC INMETRO MCT FINEP	INMETRO's budget (2007/2010): R\$ 430 millions
	PACTI	MCT MDIC others	<p>PACTI total investment: R\$ 41 billions from 2007 to 2010</p> <ul style="list-style-type: none"> - SIBRATEC implementation: R\$ 533 millions (2007-201) - Increase the number of CNPq/CAPES's grants (target: 105 mil in 2010, -R\$ 3,3 billions (2007-2010) - Support to infrastructure and basic/applied research: R\$ 5,7 billions (2007-2010) - Increase the number of researchers working in companies to 33,5% of total in -2010 (26,3% in 2005) - Increase to 24% in 2010 the proportion of innovative companies involved -in governmental projects (18,8% in 2005)
	PAC	Casa Civil	<ul style="list-style-type: none"> - 45.000 km of roads - 2.500 km of railroads - 20 airports - 12 sea ports - 67 fluvial ports - 12 MW of power generation - 14.000 km of transmission lines (power grid)

Systemic actions: initiatives in course and results expected by 2010 (2/2)

Dimension	Action	Responsible	Goals
Human Resources training and development	National Education Plan	MEC MCT	-Professional and technological education: 214 new schools and 260.000 new enrollments - Undergraduate education: 500.000 new enrollments in the federal system
	Education for a New Industry	SESI/SENAI CNI/MTE	16 million enrollments in basic and professional education

PDP – Level 2: structuring programs

Policy levels

Structuring programs for productive systems: guided by strategic objectives that consider the diversity of domestic industrial sectors

Strategic highlights: public policy issues deliberately chosen because of their importance for the Country's productive development in the long-term

Systemic actions: focused on factors that generate positive externalities for the productive structure as a whole



Strategic goals

Worldwide leadership

Keep or position the productive system or Brazilian Company amongst top 5 world players

Conquering markets

Keep or position the local productive system amongst the top 5 world exporters

Focalization

Build and consolidate competitiveness in high technological density strategic areas

Differentiation

Position Brazilian companies and brands Amongst the top 5 in their operating markets

Expand access

Expand population access to basic goods and services for quality of life

PDP – Level 2: structuring programs (areas)

Mobilizing programs for strategic areas

Healthcare Industry

Information and Communication Technologies

Nuclear Energy

Defense Industry

Nanotechnology

Biotechnology

Programs to consolidate and leadership

Aeronautic Industry

Oil & Gas / Petrochemical Industry

Bio-ethanol

Mining

Steel

Cellulose

Meat Industry

Competitiveness to strengthen competitiveness

Automotive Industry

Capital Goods

Textile and Clothing

Wood and Furniture

Hygiene, Perfumery and Cosmetics

Civil Construction

Services Sector

Ship-building and Coastal transportation

Leather, Shoes and Artifacts

Agribusiness

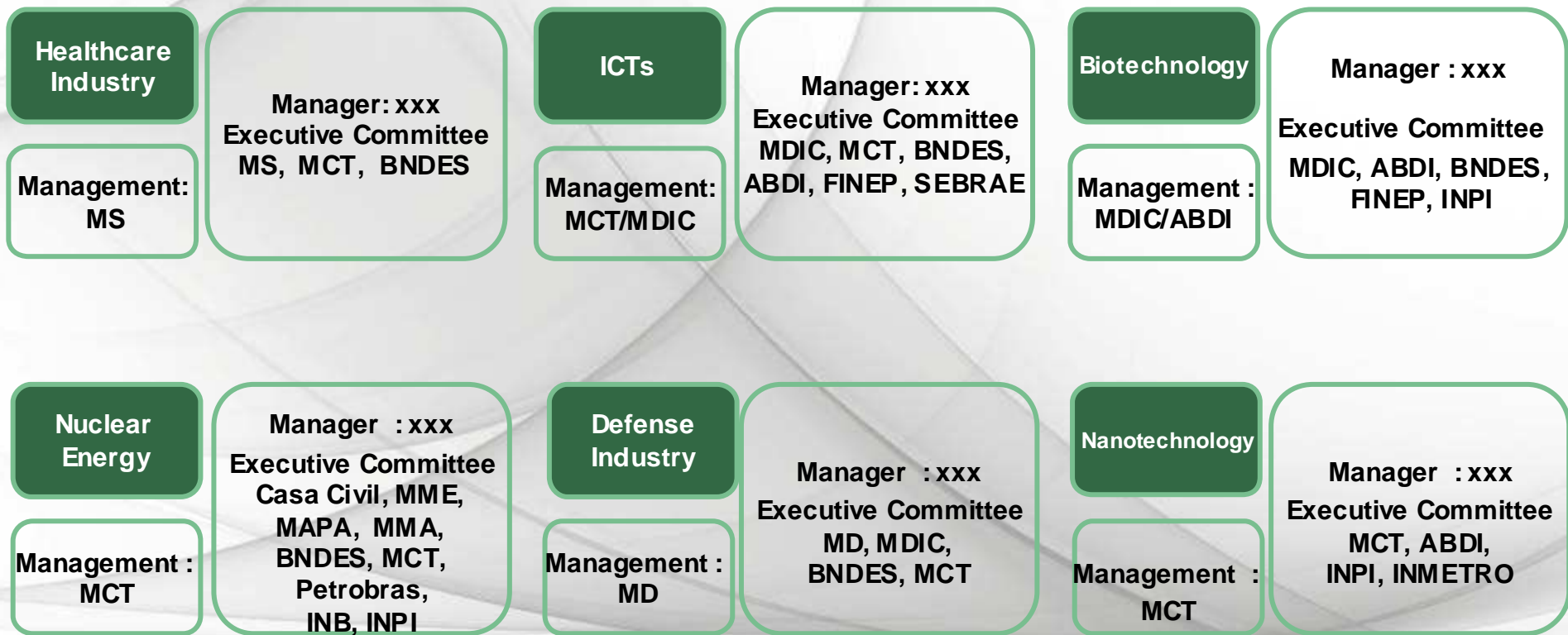
Biodiesel

Plastics

OTHERS (TBD)

Structuring programs for productive systems

Mobilizing Programs in Strategic Areas
Coordination: MCT



The investment in 2010



Source: IBGE e BNDES

Note: a 5% annual growth rate is assumed for GDP.

**A sustainable growth requires a investment
growth bigger than the GDP growth**

Resources

Investment financing

MDIC/BNDES: R\$ 210,4 billions for industry and services sectors from 2008 to 2010

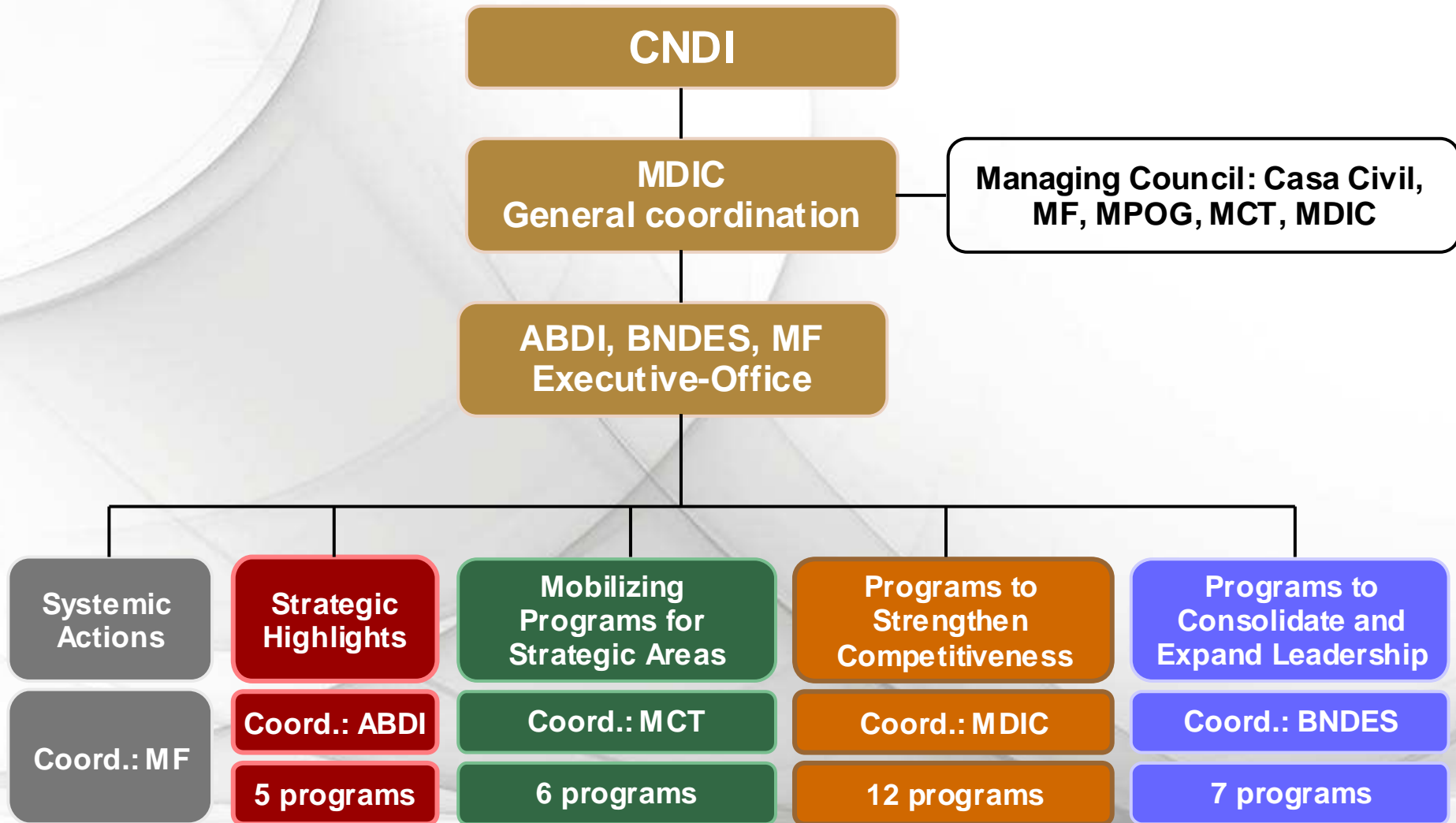


Innovation promotion

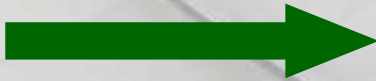
PACT/MCT: R\$ 41,2 billions for ST&I from 2007 to 2010^(*)

^(*) Includes BNDES' resources for financing innovation

PDP coordination and management structure



PDP implementation: responsibilities, management and public coordination

- **General Coordination:**
Ministry of Development, Industry and Foreign Trade (MDIC)
- **Executive-Office:** Brazilian Agency for Industrial Development (ABDI), Brazilian Development Bank (BNDES) and Ministry of Finance (MF)
- **Linkage and coordination between the Productive Development Policy and other programs (PAC, PACTI, PDE, “Mais Saúde”):** Presidential Staff Office (Casa Civil)
- **Forum of validation and monitoring:**
National Council for Industrial Development (CNDI), Economic Policy Chamber (CPE) and the Science and Technology Council (CCT)
- **Policy management:**
Managing Council (Casa Civil, MF, MDIC, MCT, MPOG)
- **Programs management:**
Specific Executive Committees (CE_x) 
- **Accountability**
 - Every 3 months, the Executive Office collects the results presented by the Executive Committee and presents them Policy Governing bodies (MDIC and the Managing Council)
 - Every 6 months, the Managing Council presents the results to CNDI

Composed by representatives of pertinent institutes, bodies and agencies

- coordinated by a proper governmental body

Coordination with private sector: guidelines

- **Permanent dialog to improve and include new productive chains/systems**
- **Private sector mobilization, by strengthening and enhancing the current articulation mechanisms**
 - Competitiveness forum, development chambers, sectorized chambers, work groups
- **Relationship model: programs associated to compromised actions**
 - Goals and instruments defined in consultation with the private sector
 - Schedule and indicators for permanent monitoring and evaluation
 - Establishment of counterparts and contracting of responsibilities

Final remarks

- Brazil has a solid and stable macroeconomic situation.
- The social scenario is being soundly improved.
- Fast growing internal market.
- Competitiveness in the international market is a basic assumption.
- The PDP is a coordinated initiative to boost industrial development.
 - Investment + innovation;
 - Horizontal measures + vertical programs + strategic highlights;
 - Mgt principles: coordination, evaluation and public accountability;
 - Public-private partnerships as the *modus operandi*.
- Brazil has a long-term and strategic partnership with Germany!

Danke Schön!

Roberto dos Reis Alvarez, *Ph.D.*

roberto.alvarez@abdi.com.br

+55 (61) 3962-8700

Skype: roberto.dos.reis.alvarez

www.abdi.com.br