

City regional economic restructuring with weak institutional frameworks for metropolitan governance – Lessons from the ABC region – São Paulo

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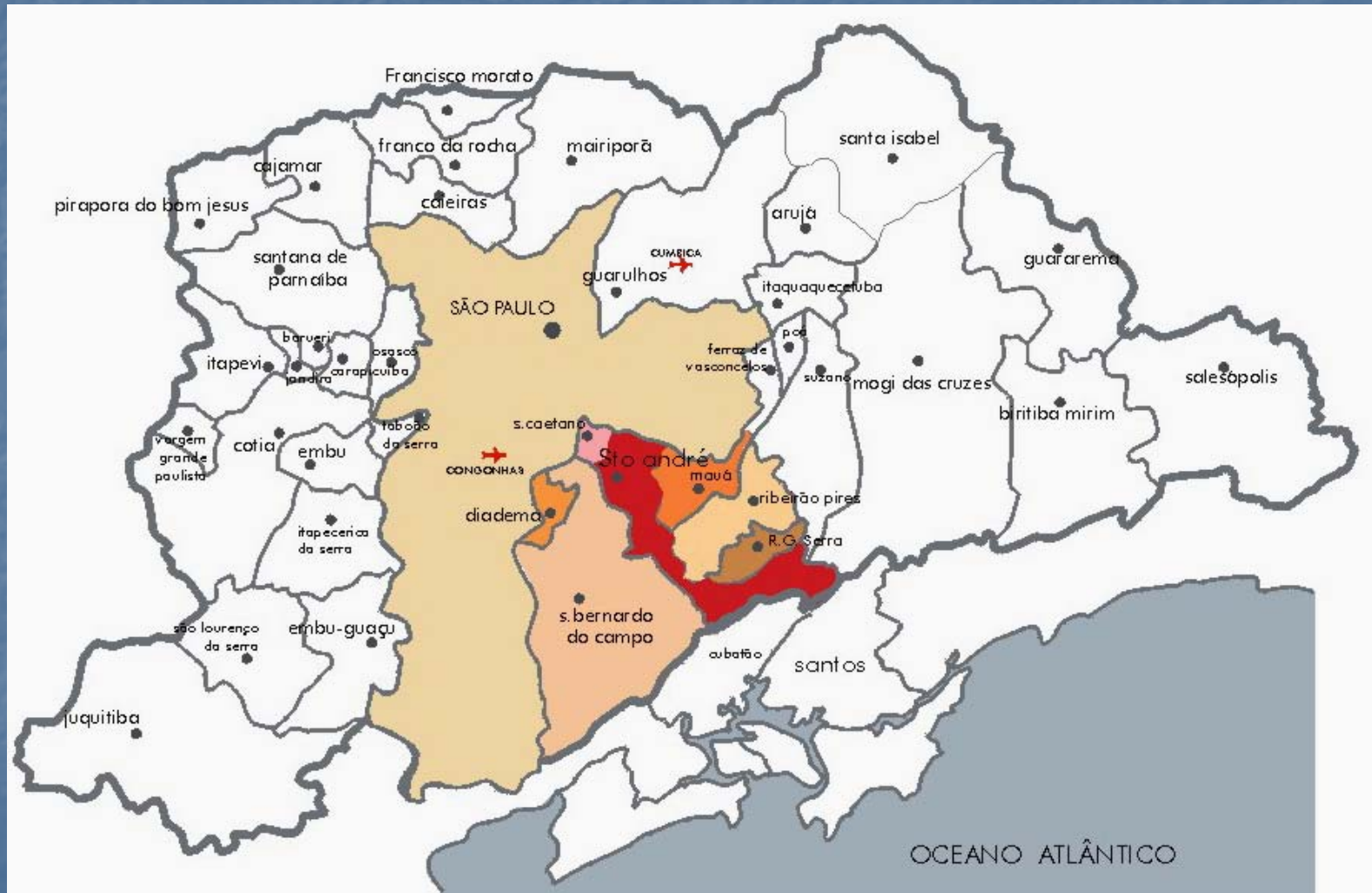
Structure

- The institutional setting for metropolitan governance in Brazil
- Characteristics of the ABC region
- The rise, fall and resurrection of regional governance in the ABC region from the 1990s onwards
- The role of non governmental stakeholders
- Perspectives

The institutional setting for metropolitan governance

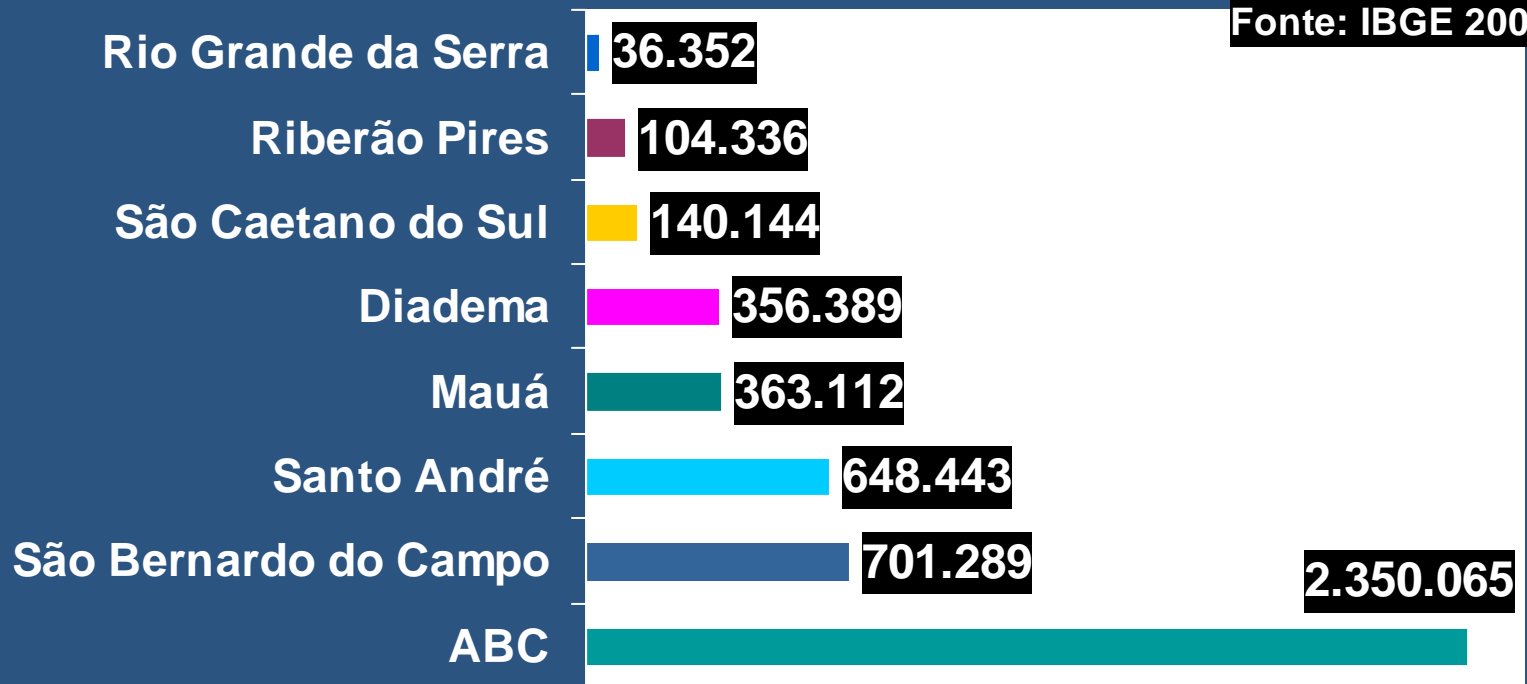
- Legacy of the previous (military) regime for metropolitan governance – top down, technocratic and lack of participatory mechanisms involving local governments and private stakeholders;
- Fiscal crisis, redemocratization and lack of political legitimacy of the state governments – federal and state govts. move out of the “business” of metropolitan governance
- Institutional vacuum in the Constitution of 1988;
- Strong mayor system and the rise of social movements – call for systems with political legitimacy;
- Net result: Cities as fragmented and relatively isolated players – indications of an excessively competitive system – mayors trapped into a *prisoner’s dilemma*
- Paradox – Intense process of restructuring in the 1990s, with dramatic impacts on metropolitan areas. However, weak institutional frameworks in order to guide the organization, management and finance of those areas.

ABC within Metropolitan São Paulo



Population of GABC

Fonte: IBGE 2000



THE ABC REGION - GENERAL CHARACTERISTICS

- Concentrated the bulk of industrial investment during the phase of import substitution (car manufacturing, petrochemicals, metallurgy etc.)
- Integrated vertical structure of firms
- Strategic presence of larger firms
- Most SME have not benefited sufficiently from the modernization cycles that have occurred in larger firms during the 1990s
- Strong political, economic and territorial identity

Sequence of economic restructuring in the ABC region

- 1970s: diseconomies of agglomeration - congestion, land, labor, quality of living
- 1990s: abrupt changes in macroeconomic framework (trade regime, industrial and technological policy)
- 1994 onwards: *Plano Real* and microeconomic changes taking place within larger firms
 - > Macroeconomic impacts of the Plano Real on interest rates, trade balance and GDP growth figures
 - > Car manufacturing: microeconomic changes in relations between manufacturers and suppliers, just in time, more flexible production etc.
- Net result: increasing unemployment levels, informalization of employment relations, stabilization of figures on value added – dual economy?

The rise, fall and resurrection of regional governance in the ABC region

- Building Social capital among municipal governments – the Intermunicipal Consortium - 1990
 - Multisectoral – watershed management, LED, solid waste;
 - Voluntary cooperation;
 - Focussed on planning and lobbying (and not implementation);
- Fórum de Cidadania\Forum for Citizenship - 1994
 - Important role in the period 1994-1996 (lack of interest for a regional agenda from the mayors)
 - Strongly linked to territorial identity building and lobbying
 - Presence of Social movements, labor and entrepreneurial stakeholders
- Regional Chamber of the ABC region – 1997
 - Based on previous national experience (sectoral platform for the car industry);
 - Regional platform for strategic planning, with participation from the state, consortium, labor, capital, NGOs and social movements (incl. The Forum de Cidadania)
 - Clear synergy between the state and local gvts in the region (e.g Minas Gerais today);
- Regional Development Agency – 1998
 - Regional economic development planning;
 - Minority share of local governments (49%-51%) – motivation – technical autonomy; - active participation from the private sector;
 - SME development, marketing, information sharing
- Recent stakeholders – The Universities? (e.g. Federal University) - 2005
 - Regional innovation systems, capacity building for regional governance (with Canada) etc.

The importance of non-governmental stakeholders.....

- 1994 – Mayors enter into a Phase of “splendid isolation” – Forum for Citizenship is created;
- 1998 onwards => The Relative success of the Regional Development Agency – Cluster policy, information systems, marketing => car suppliers, plastics, petrochemical chain etc. Recent partnership with the universities (including UFABC)
- Economic stakeholders: initially, defensive restructuring and crisis management. More recently: a clearer perception of opportunities – For example: Expansion of the petrochemical sector, active participation in the RDA, incipient partnerships with universities on R&D;
- The Regional Chamber of the ABC region as a participatory multistakeholder platform for strategic planning – labor unions, enterprises, governments => triggered important projects – road system, flood protection, environmental planning, capacity building etc. N.Governmental stakeholders perceive the importance of longer time horizons.
- Thus: the ABC governance model has provided a relative flexible and pragmatic framework for regional planning, with political legitimacy – private stakeholders have partially mitigated and absorbed exogenous shocks associated with the political cycle

But political legitimacy and voluntary cooperation are necessary but not sufficient conditions for success....

- Lack of scope, scale and enforcement of regional agreements – e.g. Regional Chamber of the ABC region
- Political cycles create short time horizon for projects – imply severe bottlenecks for effective and efficient strategic planning and implementation of metropolitan services (with participation of the private sector);
- Flexibility, informality and decisionmaking based on consensus may create a dilemma of collective action (also considering the structure of Brazilian federalism)
- Focus on good process, governance and participatory planning needs to be complemented with more formal mechanism for the organization, management and finance of metropolitan functions (see IADB study);
- The ABC model has been much more focussed on (strategic) planning, conflict negotiation and lobbying, as opposed to the actual delivery of metropolitan services
- Private stakeholders also increasingly claim for the actual delivery of metropolitan functions (evaluating the occasional critique on the performance of the Chamber, consortium and RDA)

Recent Perspectives and challenges

- Challenge of institutional strengthening – without repeating the errors of the past – i.e. combining political and functional legitimacy;
- Re-entrance of state and federal government – *legal enabling framework conditions (“Standards”)* => e.g. recent law on public consortia, discussions on the creation of the metropolitan region of São Paulo
- Financial incentives (*“Prices”*) that leverage ongoing processes of territorial mobilization of private and public stakeholders at the metropolitan level (territorial pacts, stimulate alternative arrangements for project finance etc.);
- Example of the ongoing reorganization process of the Consortium – limits and potentials of moving towards an agency that delivers regional services (*“need to combine standards and prices”*)