Santo Andre / ABC Region
Metropolitan Region of São Paulo, Brazil

City Development Strategy Report

November 2001

Prepared By:
UMP Regional Office for Latin America and the Caribbean
UN-HABITAT Regional Office for Latin America and the Caribbean
Municipality of Santo Andre

City Development Strategy Study
A. Basic City Information

**Santo Andre, Sao Paolo, Brazil**

| City Population: | 624,820 inhabitants (2000 figure) |
| Population Density: | 3,570.4 inhabitants/km² (2000) |
| City Growth Rate: | 0.28% (1998) |
| City’s Main Function: | Industrial, commercial |

**City Economic and Poverty Profile**

| Unemployment Rate | 12.5% (1998) |
| % of Households Below the Poverty Line | 6.5% (1998) |
| % of Households with Access to Basic Services | Water - 98% |
| | Sewage – 95% |
| | Electricity – 99.9% |
| | Telephone – 78.9% |
| % Working in Informal Sector | 25.4% |
| % Households in Squatter Settlements | 19.0% |
| % Adult Literacy (Male and Female) | 90.74% |
| % Population with Higher Education | 2.0% |
| % Child Mortality Rate | 2.02% |
| Administrative Structure | The mayor and city council members are elected by the people. |

**CDS Activity**

- **CDS Start Date:** April 2000
- **CDS Completion Date:** Not Completed
- **Focus of the CDS:** The Santo Andre CDS focused on regional economic development.

### NATIONAL, METROPOLITAN AND LOCAL DATA

<table>
<thead>
<tr>
<th></th>
<th>Santo Andre</th>
<th>Sao Bernardo do Campo</th>
<th>Sao Caetano do Sul</th>
<th>Diadema</th>
<th>Mauá</th>
<th>Ribeirão Pires</th>
<th>Rio Grande da Serra</th>
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<tbody>
<tr>
<td>Area (km²)</td>
<td>174.38</td>
<td>406.2</td>
<td>15.3</td>
<td>30.7</td>
<td>62.4</td>
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<td>Population</td>
<td>648,443</td>
<td>701,289</td>
<td>140,144</td>
<td>356,389</td>
<td>363,110</td>
<td>104,336</td>
<td>36,352</td>
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<tr>
<td>Budget (US$ millions)</td>
<td>300</td>
<td>368</td>
<td>71</td>
<td>100</td>
<td>71</td>
<td>22</td>
<td>5</td>
</tr>
<tr>
<td>GDP (US$ billions)</td>
<td>6.3</td>
<td>7.3</td>
<td>2.3</td>
<td>2.4</td>
<td>2.2</td>
<td>0.5</td>
<td>0.2</td>
</tr>
</tbody>
</table>
SPECIFIC DATA ON THE CITY OF SANTO ANDRÉ:

Key stakeholders involved:

Executive Agency: The Greater ABC Economic Development Agency
Rua Laura, 543 – Vila Bastos, 0940-240, Santo André, SP e-mail: grandeabc@osite.com.br
Executive agency team:
Executive director: Engineer Celso Augusto Daniel
Executive Secretary: José Carlos Paim Vieira
Research Coordination: João Bastista Pamplona
Executive Board of Directors Advisors: Nadia Somekh/Jeroen Klink

Santo André Municipal Administration Advisor: Paulo Luiz Miadara
Administrative assistant: Delfina Godoy

For contact details, please see Annex 1
B. Narrative of the city situation – national context

The socio-economic evolution of the ABC region, reflects the Brazilian development model. The region is composed of seven municipalities and 2.3 million inhabitants located in the Southeastern part of the metropolitan region of São Paulo. During the Brazilian import substitution phase, from approximately 1930 until 1985, a majority of the industrial investments were concentrated in the metropolitan region of São Paulo. From the 1950s onwards, the bulk of the multinational firms in the car-manufacturing sector were concentrated in the ABC region. In addition, and as part of a National Development Strategy, the region received important new investments in the petrochemical sector. Thus, until the 1970s, the ABC region was considered an economic powerhouse, and was characterized by a complex and relatively diversified industrial structure and a concentration of firms operating in car manufacturing, petrochemicals, machines and equipment, plastics, and metallurgy, among others.

By the 1970s, however, it became increasingly clear that the ABC region was suffering from pollution, congestion and a lack of land. A number of industrial establishments, also attracted by an aggressive policy of federal fiscal incentives aimed at a de-concentrating of industrial locations, relocated to the interior of the state of São Paulo. Relocation of these establishments was also facilitated by the investments in physical and technological infrastructure that were being implemented by the federal government.

In the beginning of the 1990s, the region was affected by a series of macroeconomic impacts. First, the import substitution regime ended abruptly as a result of measures aimed at opening up the Brazilian economy. This tendency was accelerated from 1994 onwards by the Cardoso regime, which combined trade liberalization with an inflation stabilization plan based on a mechanism for pegging the exchange rate. It became increasingly clear that the federal government was no longer willing to continue its intense involvement with industrial and technological policies, which characterized its interventions during the stage of import substitution.¹

Inflation levels did stabilize after June 1994, however there were considerable costs associated with the implementation of the Plano Real. The exchange rate became heavily overvalued and resulted in successive trade balance deficits, which in Brazil had traditionally shown surpluses. At the same time, interest rates had to be kept at relatively high levels in order to attract the required external capital to finance the deficits on the trade balance. Consequently, private investments were reduced in a period where investments in technological and managerial modernization were badly needed. Finally, the situation on the trade balance lead to severe constraints regarding the maximum allowable growth figures of the Brazilian economy (in order not to lose control of import levels that tend to move proportionally to GDP).

This macroeconomic scenario dramatically affected the ABC region in the 1990s, with its heavy concentration of large industrial firms. Car manufacturing, for example, is extremely vulnerable to these macroeconomic fluctuations, leading to a drop in overall production levels. In addition, the suppliers in this production chain have suffered from severe downsizing and de-nationalization from trade liberalization (which exposed the

¹ Both pragmatic – a lack of resources - and more theoretical considerations – leaving the adjustment process to the market – were used to justify this reduced interventionism at the federal level.
structural vulnerability of the sector) and the overvalued exchange rate regime (which reduced its international competitiveness). Due to the relatively high real interest rates, national firms also had difficulty borrowing on the capital market in order to finance badly needed investments in technological and managerial upgrading.

The opening up of the trade regime and the exposure to a more competitive international scenario also facilitated the microeconomic adjustments process in a number of multinational firms in the region. Car manufacturing firms, for example, started to implement a series of new procedures, such as flexible production, quality control and a more selective strategy in relation to its first tier suppliers in the production chain. The net effects of these changes were higher productivity levels, or the same production levels achieved with lower levels of employment.

The tables below summarize basic information on how production and employment in Brazil, the state of São Paulo and the metropolitan region of São Paulo (including the ABC region and the city of Santo André) were affected by these trends.

Table One: State of Sao Paolo and Selected Municipalities:

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<tbody>
<tr>
<td>Diadema</td>
<td>100.0</td>
<td>293.3</td>
<td>556.7</td>
<td>682.7</td>
<td>461.6</td>
<td>595.3</td>
</tr>
<tr>
<td>Mauá</td>
<td>100.0</td>
<td>147.5</td>
<td>278.5</td>
<td>283.6</td>
<td>209.8</td>
<td>277.9</td>
</tr>
<tr>
<td>Ribeirão Pires</td>
<td>100.0</td>
<td>193.8</td>
<td>325.3</td>
<td>290.5</td>
<td>300.4</td>
<td>441.6</td>
</tr>
<tr>
<td>Rio Grande da Serra</td>
<td>100.0</td>
<td>204.9</td>
<td>330.0</td>
<td>513.4</td>
<td>840.8</td>
<td>1169.5</td>
</tr>
<tr>
<td>Santo André</td>
<td>100.0</td>
<td>167.6</td>
<td>172.7</td>
<td>161.8</td>
<td>168.4</td>
<td>190.1</td>
</tr>
<tr>
<td>São Bernardo do Campo</td>
<td>100.0</td>
<td>177.2</td>
<td>258.7</td>
<td>194.3</td>
<td>149.2</td>
<td>176.9</td>
</tr>
<tr>
<td>São Caetano do Sul</td>
<td>100.0</td>
<td>102.9</td>
<td>134.0</td>
<td>96.9</td>
<td>96.8</td>
<td>98.5</td>
</tr>
<tr>
<td>Total Greater ABC region</td>
<td>100.0</td>
<td>161.1</td>
<td>220.0</td>
<td>190.1</td>
<td>162.6</td>
<td>191.6</td>
</tr>
<tr>
<td>São Paulo</td>
<td>100.0</td>
<td>156.9</td>
<td>197.3</td>
<td>184.4</td>
<td>189.6</td>
<td>232.4</td>
</tr>
</tbody>
</table>

**Source:** Foundation IPEA

Table 1 shows that while production levels in São Paulo grew from 100 (in 1970) to 305 (in 1996), the ABC region lagged behind with 191.6. The city of São Paulo does slightly better with an index number of 232.4. The city of Santo André has been dramatically effected by the impact of economic restructuring, as can be seen by the relatively modest growth figures of 90.1.

The same pattern of a relative intense impact of economic restructuring on the metropolitan regions can be seen in the Tables 1 – 6 in Annex 2. For example, while formal industrial employment in Brazil was reduced by 23% during 1986 – 1999, the reduction was much higher in relatively industrial city regions like São Paulo and the ABC region. Over the same period, industrial employment was reduced by almost 50% in the metropolitan region of São Paulo. For the city of Santo André, the reduction reached a dramatic 64% over the period 1986–1999. From these figures it is also clear that, although tertiary employment increased, it did not compensate for the losses of employment in the basic (industrial) sectors.

The impact of economic restructuring on the city-region should not be misinterpreted as a process of de-industrialization, as is sometimes claimed by the local media. The losses of industrial employment are not accompanied by proportional losses in value added, as is shown by Figure 1.
However, considering the historical legacy of limited participation of small and medium sized enterprises, the city-region faced several challenges within a rapidly changing macro and microeconomic context at the beginning of the 1990s.

Several studies have pointed out that the regional economy faces structural – or systemic – weaknesses in terms of its industrial system. This is reflected in the limited benefits small and medium enterprises (SME) are able to reap from the process of technological and managerial modernization that is taking place in larger firms.

As has been documented in a number of studies on Brazilian metropolitan city-regions, the labour markets show increasing informalisation. In a study on the informal market in the ABC region, the Regional Development Agency confirmed that in 1998–1999, the informal sector represented approximately 32% of total employment, or some 295,000, the majority located in the tertiary sector (89%).\(^2\) The same study indicates that over the period 1988/89 – 1998/99, informal sector employment increased by 106,000, largely due to the increase in informal services. The scarce empirical evidence that is available on the characteristics of this informal market in the region does not give reason for much optimism: the majority of informal employment is composed of relatively older men, heads of households, with an inferior school attendance, lower income levels and longer working weeks.

There are also indications that the initial gains in terms of poverty reduction associated with the inflation stabilization plan have largely been eroded over time. This is partly due to the negative impact of the Plano Real on intergovernmental transfers for housing and urban development finance to the local levels.

Among the regional leadership, this increased awareness of the challenges associated with the economic transformation process led to the creation of a series of new institutions in the 1990s, all of them characterized by a bottom-up approach and coordinated by coalitions among private and public actors. In relation to the public sector, the Intermunicipal Consortium of the Greater ABC Region was created in 1990.

\(^2\) O setor informal na Região do Grande ABC Paulista. (“The Informal Sector in the ABC Region”). Study implemented within the CDS. December 2000.
Its main focus was on the coordination of municipal policies where these policies were having regional impacts.

The process of regional coordination of municipal policies went through a severe crisis in 1993 – 1996 because of the weakening position of the Consortium. In the meantime, however, the local community itself was taking complementary relevant initiatives. This reflected the awakening of a regional identity and awareness about the common problems of the municipalities of the region. One of the most important initiatives was the creation of the Forum on Issues of Citizenship, composed of a more than 100 Non-Governmental Organizations from civil society, such as associations of enterprises, labour unions, ecological movements, and environmental groups. The agenda of the Forum put a large emphasis on regional issues.

With the election of 7 new mayors in January 1997, all clearly dedicated to the regional case, a decisive step towards a new type of regionalism was made. In March, in the presence of the most important regional leadership and the State government, a Chamber of the Greater ABC Region was created with participation from civil society, the public sector and the local economy (businesses and labour unions).

One of the most important results of the regional planning process articulated through this Chamber was the creation of the Regional Development Agency in October 1998. The RDA’s board of directors is composed of the private sector (associations of enterprises, labour unions and SEBRAE, with 51% participation) and the Intermunicipal consortium (with 49% participation). The main mission of the Regional Development Agency is to articulate and stimulate a participatory strategy aimed at economic recovery in the region.

It should be stressed that this scenario represents a complex and overlapping tissue of formal and informal mechanisms of coordination of the economic activity in the city region. For example, the Regional Development Agency co-exists with the municipal secretaries for local economic development in the seven cities. The role of the Regional Development Agency is to complement these municipal policies and the needs of the private sector through a consistent policy towards marketing, support to SME (small and medium sized enterprises) and systematisation of socio-economic information on the city-region. This has proven to be a flexible, decentralized and pragmatic mechanism of regional planning, characterized by horizontal and vertical coordination between several stakeholders.

THE CDS IN THE CITY AND NATIONAL CONTEXT:

The CDS in Santo Andre and the ABC Region was aimed at strengthening this participatory multi-stakeholder planning process, particularly with regard to its socio-economic dimensions. The major objective of the CDS was the participatory elaboration of an economic action plan, containing guidelines for priority programs and projects capable of contributing to the revitalization of the regional economy. More specifically, this implied the:

- implementation of an inventory of the existing research on the economy of the ABC Region;
- implementation of specific sectoral studies on the informal labour market and the service sector;
• elaboration of 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;
• devolution and discussion of the Plan with the individual cities;
• elaboration and implementation of a monitoring and evaluation methodology, which can be replicated to other CDS work.

C. Description of the CDS process

From the initial stages it was clear that the CDS, in the case of the ABC region, would be focused on strengthening the process of participatory regional economic development planning. There were basically two main reasons for this.

- The role of the regional institutions that had been created in the 1990s, i.e. the Intermunicipal Consortium, the Chamber/Câmara and the Forum, represented already reasonably consolidated bodies. For example, the Consortium was to guarantee the political coordination among the 7 local governments, mainly aimed at service provision, and later on at the participation of the cities in the Câmara Region. The Forum for Issues on Citizenship channelled the pressures and concerns from leading NGOs regarding issues as environmental management, local economic restructuring and violence. Finally, the Câmara/Chamber represented the political forum aimed at the negotiation of agreements focused on social, economic and territorial revitalization. Within this broad division of responsibilities, it was evident that the regional institution that had been created more recently, the Regional Development Agency, needed additional strengthening.

- However, the economic mission of the Agency was supported by broad sectors from the regional society, more particularly business associations, unions and local governments. All these sectors supported the idea of accelerating the preparation and implementation of an action plan that could trigger an alternative development trajectory for the ABC Region, particularly one based on a greater role for small and medium sized enterprises.

The design of the CDS involved an intense process of negotiation among the regional stakeholders (coordinated and mediated through the general board of Directors of the Regional Development Agency) and the regional offices of the Urban Management Program and UN-HABITAT. This phase, which covered the period January – March 2000, was essential as it focused on extracting maximum value added in relation to participatory regional planning processes that had already been set in motion by regional stakeholders in the 1990s. The preparatory phase of the CDS broadly defined three stages of the CDS.

The first stage focused on preparing an inventory of all existing work on the regional economy. For example, the regional strategic planning process of 1998 had been supported by a series of consultancy studies with recommendations on how public policies could strengthen the industrial system in the region. At the same time, the Regional Development Agency had begun to analyse economic data on the structural characteristics of the region, for example on location strategies of firms. These studies

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3As mentioned, the Board is composed by the local governments, enterprises, SEBRAE (a para-statal training organization), the labour unions, and representatives from the civil society.
were based on a database (PAEP – Pesquisa das Atividades Econômicas Paulistas) that had been elaborated by a state research foundation SEADE. However, it was perceived that important data on the regional economy were missing. More particularly, two new studies, on the service and the informal sector, were to be implemented.

In the second stage, a consultant analysed all the material and conducted a participatory diagnosis on the main strengths and weaknesses of the regional economy. This diagnosis, in the third phase, led to recommendations for priority programmes and projects.

The preparatory phase also defined actors and their roles. The Regional Development Agency would perform the main implementing role of the CDS. This involved both the subcontracting of the service and informal sector studies to a local university (IMES and the state foundation SEADE) and consultancies (in order to implement the diagnosis). In addition, the Agency coordinated the logistic organization of workshops and consultations. The CDS also provided a specific but limited budget for monitoring and documentation of the experience, which was undertaken by a local NGO, the Instituto de Governo e Cidadania do ABC. The regional offices of UMP and UN-HABITAT were responsible for the general coordination of the CDS.

The CDS proved to be an extremely rich and dynamic learning process among the stakeholders, especially if compared with more traditional top-down urban development projects with national and international donor involvement. The following section we will briefly describe some elements of the trial and error and learning processes that occurred in each phase of the CDS.

The first phase was primarily focused on the elaboration and implementation of two innovative studies. The study on the service sector proved to be especially labour intensive. It involved staff from local governments (particularly from Santo André, through its secretaries for international relations and fund raising and local economic development), the local university IMES, and the research staff from the Regional Development Agency. In addition, in order to select the sample of service establishments that would be interviewed by IMES, it was necessary to establish a partnership with the state research foundation SEADE, which had the most recent and updated Cadastre on service sector establishments.

As the budget for the services sector study was limited (US$ 67,250), it was necessary to make additional analytical choices regarding the focus. After intense discussions among the staff of the local governments, the Regional Development Agency and IMES, it was decided to focus on producer services (transport, logistics etc.). Considering the tendency of increased interaction between the sector of producer services and the industry at large, this proved a logical choice. In addition, several members from the Board of Directors from the Regional Development Agency perceived that the producer services would represent a privileged target sector for public policies aimed at endogenous local development.

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4 The Intermunicipal consortium had paid for a special and more detailed sample for the economy of the ABC region. The Regional Development Agency started to analyse this database from 1999 onwards.
5 For example, larger interaction between larger and smaller and larger enterprises will occur through subcontracting of just in time processes and logistical services. In addition, there is a tendency of larger integrated establishments to decentralize part of their activities to smaller establishments within the production chains.
The same actors (staff from Regional Development Agency, the IMES, state research foundation SEADE and local governments) were involved in preparing the questionnaires. The final list incorporated items such as general characteristics of the establishments, factors influencing location strategies, strengths and weaknesses and recommendations for public policies. The SEADE state research foundation stated that it would use the questionnaire as a model for its future research on the economic profile of the economy of the state of São Paulo.

Finally, training of the team that went into the field to interview the service sectors establishments, data collection and analysis, coding, typing and processing were all carried out by IMES, which was also responsible for providing the lists and the electronic database with the results.

The analysis of the data was the responsibility of the technical team of the Economic Development Agency of the Greater ABC Region. In addition, some local governments, like Santo André, helped to analyse some of the results. It should also be noted that the local government of Santo André, through its Secretary for Local Economic Development, subcontracted a more detailed sample for its service sector with its own financial resources.

The discussion and presentation of the results of the survey were coordinated and implemented by the Economic Development Agency of the Greater ABC, with participation from IMES, and done through workshops with the participation of local stakeholders. The regional press showed a remarkable interest in critical issues of the regional economic development process. This is described in more detail in the final monitoring report of the Instituto de Governo e Cidadania do Grande ABC.

Finally, a smaller study on the informal labour market was elaborated and presented by the Regional development Agency in December 1990. It was based on special disaggregated data that were made available by the SEDAE foundation as a result of its partnership with the Agency. The research showed quantitative evidence on the size, composition and evolution of the informal labour market in the region over the 1990s.

The second stage was focused on a participatory integrated analysis of the strengths and weaknesses of the regional economic structure, taking into account all the previous quantitative and qualitative work that had been undertaken (including the main results of the service and informal sector studies). This stage was heavily based on the methodology of a group of university professors/consultants (Giuseppe Cocco and Gerardo Cocco) from the Federal University of Rio de Janeiro with an extensive track record in local economic development issues. Their working methodology combined quantitative and qualitative dimensions and, throughout the CDS, proved remarkably consistent and compatible with the well-known City Consultations procedures of the Urban Management Programme.

Their participatory diagnosis began with extensive research on the region, including the service and informal sector studies. Their inventory incorporated coverage of economic issues by the local media, an important but often neglected player in the local economic development scenario. In addition, they implemented an intensive series of interviews with stakeholders from local and state government, labour unions, enterprises and NGOs. These interviews were quite productive in terms of pre-evaluating the viability

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6 A good example is the local magazine “Livre Mercado” and the regional newspaper “Diario do Grande ABC”, which can be considered important opinion leaders on local economic development issues.
of some elements of the action plan. For example, several important stakeholders were unaware of the CDS and the incipient elaboration an action plan. Surprisingly enough, the actors who had least accompanied the regional discussion process were the ones who contributed the most to the elaboration of a regional critical vision regarding the next steps into the regional economic development process. In addition, the interviews allowed for a greater publicity of the CDS and the action plan.

The methodology, diagnosis and strategic recommendations were discussed in a series of workshops with participation from the main stakeholders of the regional society. The resulting vision had several elements:

1) The Regional Development Agency should work as a communication and enabling multi-stakeholder body, performing a coordinating role towards regional economic development in the ABC city-region, based on local solutions;
2) The main production chains need to be strengthened, particularly through a more dynamic role for the SME 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.

At this moment, the regional vision is being devolved to each of the seven cities in order to produce specific local action plans.

The monitoring and evaluation work of the Instituto de Governo e Cidadania do Grande ABC detected several elements of the CDS process (these are detailed in the final report):

1) **Undertaking studies on local economic development issues at the level of city-regions proved to be more complex than expected.**

This is partly due to the scarcity of national institutions that produce economic data for cities and city-regions on a consistent basis. In addition, local governments only have basic experience with local economic development planning, and have received little support from partner institutions such as universities, research centres and consultancies. Eventually, through trial and error, the CDS process helped to create a broader network of actors and institutions (The Regional Development Agency, local governments, IMES, other regional universities, state research foundation etc.) that can create and disseminate knowledge on local economic restructuring.

In this context, there were several lessons learned:
• internal adjustments in the process of the service sector study caused a delay in
the anticipated deadlines. At the same time, this study was essential for the
diagnosis of the strengths and weaknesses of the regional economy;
• the classification of activities used by the Labour Ministry, whose database
should have supported the survey, could not be used as a source as it clearly
presented a profile of the ABC, which was no longer accurate. This required re-
definitions, and extra time.
• Enterprises that were interviewed in the context of the service sector study had
difficulty answering the questionnaire, either because of the size of the document
or the time required. Most of them did not return the questionnaires in time.
This was solved by changing the working procedures. In addition, two forms were
developed – a complete version and an executive summary;
• As to the informal sector study, there were problems in identifying irregular
informal stakeholders. It was a major challenge to build an entirely new
database, when there were no records or studies available. Criteria previously
used in other studies developed by IMES were established to use the available
information, which made the task somewhat less complex.
• the confidential nature of information in the service sector study required
internal negotiations between the Regional Development Agency and the
consultant that was responsible for the participatory diagnosis. This proved to be
a slow and cumbersome process and the lack of clear definitions on procedures
causd new delays in the established deadlines.

2) The Regional Development Agency will be a fundamental enabling and information
institution aimed at creating a dynamic and competitive learning economy in the
ABC region. The CDS process, however, showed the Agency's vulnerabilities and was
able to suggest improvements in its functioning.

• The actual image and real influence of the Agency over local stakeholders as well
as the insufficient initial marketing effort of the CDS-ABC slowed down the
process. This was reflected in the difficulties in coordinating an agenda for
interviews with the regional stakeholders, which was a responsibility of the
agency;
• During the CDS it became increasingly clear that the Agency should have an
enabling instead of an executing role.

3) The UMP City Consultation methodology proved very effective in preparing the
regional action plan and involving stakeholders in the process. However, working
with the subjective dimensions of each of the stakeholders required more time, which
partly explains the extension of several deadlines that were agreed within the original
IB.

4) After the first phase (the preparation of studies), there was intense participation from
the main stakeholders in the CDS. This reflected awareness of the importance of local
development issues from the main actors. People participated because they could see
the difference this process could make in influencing the relative competitiveness of
the city-region.

Local governments actively participated in the CDS process through officials
representing the mayors and/or the mayors themselves. The civil society, labour unions
and the private sector (through their industrial and commercial associations) were
represented through the Board of Directors and Council of the Regional Development
The state Government did not have a direct participation in the CDS-ABC process, but it participates in the Regional Chamber of the Greater ABC (a Câmara), which is a Council member of the Regional Development Agency. Through this, municipal elections at the end of the year 2000 had some negative effect on reaching deadlines.

Although its focus was not directly on poverty alleviation and social inclusion, the CDS-ABC will contribute to this objective in the medium run. It will do so by connecting innovative experiences of integrated slum upgrading, which mainly occur at the neighbourhood and city level, with broader processes of economic restructuring within the dynamic sectors of the economy, which largely occur at the city-region level.

In Santo André in 1998-99, the UMP helped to establish an Integrated Programme aimed at Social Inclusion. This programme combined participatory slum upgrading with several other socio-economic interventions, such as micro-credit, alternative vocational training and minimum income programs linked to school attendance of children. The programme was initially established as a pilot project for approximately 4000 families, but with the help of the UMP is now being replicated at the city level. One of the challenges the programme is facing is linking with the broader trends and activities of the regional economy. The active participation of local stakeholders of the city of Santo André (local government, the proper NGO Instituto de Governo e Cidadania do Grande ABC, enterprises) in the CDS-ABC has stimulated the linkage between the issue of poverty alleviation and local economic restructuring.

**D. Outcome and Results of the CDS Process**

The CDS has resulted in the participatory preparation of a strategic direction for the future of the regional economy, which has several components:

1. The Regional Development Agency will be required to change its role from an executing towards a communication and enabling multi-stakeholder body, performing a coordinating role towards regional economic development in the ABC city-region, based on local solutions;
2. The main production chains need to be strengthened, particularly through a more dynamic role for the SME 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 will also symbolize a new and more mature phase of the Regionalism;
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.

In each of these areas, advances have been made. For example, regarding the role of the Agency, a series of changes have been undertaken as a direct result of the CDS. Initially, the Agency was working with fixed technical coordinators for thematic area such as marketing, information services and support to small and medium sized
enterprises. This proved to be an excessively rigid structure. The role of the technical coordinators will be changed into professional brokers, responsible for mediation between the principal regional stakeholders (enterprises, unions, NGOs, universities etc.) aimed at the provision of specific local public goods relevant for economic development at city-regional level. Three additional brokers will contracted in the beginning of 2002. The implication is that the technical staff of the Agency will be much more outward and market oriented.

During the CDS it became increasingly clear that the Regional Development Agency itself could not use its time and personnel for undertaking research. Instead, its role would be an enabling one, determining demand in the market for specific information products, and passing this on to the network of research institutions, consultancies and universities. As a first step to increase this brokering capacity, the main universities of the region were incorporated into the Board of Directors of the RDA. This improved capacity of the Agency to intermediate demand and supply of real information services has been a direct result of the CDS.

Finally, in partnership with SEADE and others, the Agency is preparing a series of new products aimed at the elaboration of a managerial information system. The system will contain a guide for potentially interested external investors, information services and a Cadastre with the firms in the region. These programs will begin at the end of 2001.

Regarding the role of SME, a project proposal aimed at strengthening the networking capacity of these establishments in important basic sectors has been elaborated among the main stakeholders (involving SEBRAE, the local governments, the labour unions and the RDA). The proposal is in the final stage of negotiation with the Inter-American Development Bank and is expected to start operations in January 2002.

The proposal is aimed at creating a tradition of greater collaboration within such production chains as car manufacturing and machines and equipment. A network of real services (on line available managerial information, training services for managerial and technological modernization) will be internalised by these SME. The estimated cost of the project is $1.8 million, of which about a third is financed by local stakeholders (through human resources, payments for fees etc.)

Finally, regarding the quality of living, the subsequent phase of the CDS will consist of devolving the regional plan with strategic direction to the cities. The mayors and their Secretaries for Local Economic Development will hold discussions with the main city stakeholders, towards a specific desired vision and action plan for the future of each city.

In addition to the tangible direct results of the CDS, it should be stressed that the CDS has reinforced the intangible dimensions, which are often undervalued in the regional economic development process.

In particular, and as mentioned earlier, the Fordist industrial system of the ABC region has historically been characterized by a lack of cooperation between public and private actors, and also among private actors within the main productions chains. There are several reflections of this relatively fractured industrial system. For example, research centres and universities have only been marginally involved in the issue of regional economic development. In addition, there is a lack of cooperation among small and
medium sized enterprises in vital thematic areas of marketing, training and information services. The commercial and industrial associations have traditionally been relatively fragmented (they also operate at the city level) and have recently even faced difficulties in representing their members. Finally, SME does not sufficiently benefit from the microeconomic modernization process, which is taking place in larger firms (flexible production, subcontracting of several high value added services from smaller firms etc.)

The CDS process has been fundamental in giving a clear indication of the systemic inefficiencies of this regional development model, and has helped stakeholders internalise the direction of the required changes down a more internal local development path. That this indeed has occurred, is reflected in the series of concrete measures that have been stimulated by the CDS.
E. Reflections on the CDS Process

Overall, the objectives of the CDS have been reached. However, the original planning of the CDS underestimated the complex and dynamic learning process involved in the multi-stakeholder processes at the level of city-regions. The additional time required added value to the process by allowing a rich progression characterized both by innovative procedures for conflict negotiation and by internal learning among actors.

More specifically, and in light of the experiences of the CDS-ABC, the following recommendations can be made:

First, the involvement of the higher levels of government should be ensured in the initial preparatory stages of the CDS. Ideally, the CDS should be the link between local, national and international strategies, specifically bringing added value through better defined programmes and projects that are politically supported by the network of local actors. In the case of the CDS-ABC, there should have been greater involvement at the state and federal levels. For example, time was lost incorporating the SEADE, though the effort ultimately proved highly successful and worthwhile.

Several national and state level agencies that are responsible for technological and managerial modernization of small and medium sized enterprises still operate according to a paradigm based on national parameters. They generally ignore the territorial dimensions of local development and competitiveness. Here, the local consultation procedures that are part of the CDS strategy should play a fundamental role in triggering broad-based, lasting changes in working procedures in some of these state and national level institutions. On one hand, the new regional institutions in the ABC city-region are still young and vulnerable. Nevertheless, the CDS-ABC has shown that there is a great deal of local potential that could be leveraged by stable and transparent sources of finance from the higher levels, channelled to both private and public actors in the city-region.

There needs to be more effort and clarification during the preparatory phase of the CDS on the necessary follow-up actions, and assessing responsibilities. This should be undertaken in consultation with all stakeholders, and is critical to ensuring the process continues and is implemented once the action plan and visioning are completed.

Perhaps a good model for the definition of these subsequent steps could be the City Consultation guidelines of the Urban Management Programme. This methodology already contemplates subsequent steps, such as the elaboration of specific action plans that are to be forwarded to local, national and international agencies.

The CDS did not have that same clarity, though it succeeded in maintaining political mobilization among stakeholders. This has resulted in specific projects that are being negotiated with local and international donors. Local actors were aware of what was at stake and were motivated to follow through on the actions, however they also have previous experience with participatory processes (based, for example on the successful UMP sponsored project in Santo André, the Integrated Program aimed at Social Inclusion.)
Annex 1

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Annex 2

City Development Strategy (CDS) Tools and Methods

Name of City, Country: Santo André, ABC region – metropolitan region of São Paulo, Brazil
CDS Start Date: April 2000
CDS Completion Date: September 2001

Tools Used in the CDS Process

a) Planning for CDS:
The scope, general and specific objectives, methodology and actors involved were designed in an intense consultation and negotiation process among the UMP, the UN-HABITAT regional office and the Executive Board of the main implementing body, the Regional Development Agency.

In order to understand the eventual result of this joint planning process, and the choices that were made in the design phase of this CDS, a short contextual background on the ABC region should be given. The ABC city-region, composed of 7 cities (among others Santo André) located in the southeastern part of the metropolitan region of São Paulo, is going through an intense process of economic restructuring, partly as a result of the changing Brazilian macroeconomic framework in the beginning of the 1990s. Consequently, its basic industrial structure is facing dramatic losses in industrial employment.

Considering this background, it was decided that the CDS would be intrinsically linked with participatory local and regional economic revitalization strategies in a broad sense, mobilizing all stakeholders from private and public sectors.

In addition, the CDS would link in with an innovative process of participatory multi-stakeholder regional planning already set in motion in the city-region in the beginning of the 1990s. As a result, the region increasingly gained a certain institutional thickness, characterized by such institutions as the Intermunicipal Consortium (7 local governments of the region), the Forum for Issues on Citizenship (an umbrella non governmental organization with more than 100 member organizations), the Chamber of the Greater ABC region (a forum aimed at strategic planning with participation from the 7 local governments, the most important labour unions, civil society and enterprises) and, last but not least, the Regional Development Agency.

It was envisaged that the CDS would be a process that would bring additional value to this regional planning process, particularly by focusing on the economic dimensions of the ongoing transformation process in the metropolitan region of São Paulo, and within the ABC city-region. The CDS would also involve an intense consultation process with more regional stakeholders than is usually the case in traditional consultancy studies, also bringing in new quantitative and qualitative data on the main strengths and weaknesses of the regional economy.
In summary, the CDS focused on the participatory elaboration of an economic action plan, containing guidelines for priority programs and projects capable to contribute to the revitalization of the regional economic of the ABC region. The CDS was distributed in three stages.

The first was focused on elaborating an inventory of the previous quantitative and qualitative studies available on the region, in addition to the implementation of two new studies were absolutely crucial information was missing, i.e. the service and the informal sector. In a second stage, a consultant would conduct a participatory diagnosis on the main strengths and weaknesses of the regional economy, which would eventually, in the third phase, lead to recommendations for priority programs and projects.

The Regional Development Agency would perform the main implementing role of the CDS. This involved subcontracting out of the service and informal sector studies to a local university (IMES and SEADE) and of consultancies (in order to implement the diagnosis). In addition, the Agency coordinated the logistic organization of workshops and consultations.

The CDS provided for a specific but limited budget for monitoring and systematisation of the experience, which was performed by a local NGO, the Instituto de Governo e Cidadania do ABC. The regional offices of the UMP and UN-HABITAT were responsible for the general coordination of the CDS. This also involved periodical consultations between the UMP and the local NGO doing the monitoring work of the CDS.

b) State of the City Report

Demographic, social and physical data on the ABC city-region are available on a reliable basis through such federal bodies as the IBGE and IPEA. Each decade IBGE publishes a demographic census with main data on demographic, physical and social data.

For the purposes of the specific economically oriented work of the CDS in the ABC region, however, it should be stressed that local economic development planning is a relatively new item with the urban planning agenda of Brazilian local governments. Perhaps related with this, de-aggregated sectoral data required for local economic planning (employment, value-added etc.) is scarce and scattered over several planning agencies. The traditional 10-year economic census data that were provided by the federal IBGE agency up to 1985 have been interrupted and are not expected to be taken up again.

In the meantime, however, state level agencies like the SEADE foundation (that has also been involved in the CDS through the study on the service sector) have started to work on alternatives to fill this gap of economic data at the level of cities and city regions. Considering that its leadership is convinced of the necessity to upgrade the quality of socio-economic information, the SEADE foundation, in particularly, has sought a partnership with the ABC region. In 1996, for example, SEADE has implemented an almost census like research on the economy of the state of São Paulo (PAEP), with information on the impact of economic restructuring on industrial and commercial establishments located in the state of São Paulo. The ABC region,

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through the Intermunicipal Consortium, contracted an even more detailed specific sample of the research in order to establish a firm basis for its policymaking. Since 2000, the Regional Development Agency has published three detailed reports on the general characteristics of the economy, the factors influencing location decisions of firms in the state of São Paulo and in the ABC region and elements that have influenced the transfers of firms to and from the region. All these studies were implemented on the basis of the work of PAEP. The SEADE foundation is expected to implement a new version of PAEP every 5 years (the new one is being planned for the year 2002).

Finally, and related to the traditional urban planning methods where conversations between public and private actors have not been very common, there is a notable absence of more qualitative data with subjective evaluations of stakeholders from civil society, local governments, unions and enterprises on the future of the economy of the city-region. For example, there are no updated and regular opinion surveys with the main stakeholders on the main strengths and weaknesses of the economy, with recommendations to improve the framework of public polices for regional economic development.

The CDS was aimed at triggering a process whereby new qualitative and quantitative data would be generated which would also improve the quality of the diagnosis required for the elaboration of economic action plans. In addition, this process would also provide a more sustainable basis in order to develop an improved framework for data collection and participatory diagnosis, all of which are fundamental elements to improve the quality of economic policymaking.

c) Strengths, weaknesses, opportunities and threats analysis

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<th>Strengths</th>
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<tr>
<td>Political mobilization and awareness among principal stakeholders of the economic transition process.</td>
<td>Incipient problem solving oriented process of regional strategic planning</td>
<td>Presence of a complex economic structure and diversified pools of qualified labour</td>
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<td>Incipient problem solving oriented process of regional strategic planning</td>
<td>Presence of a complex economic structure and diversified pools of qualified labour</td>
<td>Large accumulated experience with industrial processes</td>
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<th>Weaknesses</th>
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<td>SME do not benefit from managerial and technological modernisation processes in larger firms</td>
<td>Lack of cooperation among SME</td>
<td>Relative under representation of advanced tertiary sector (e.g. advanced consumer and producer services)</td>
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<td>Weak integration between universities, research centres and economic policy makers</td>
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<td>Weak integration between universities, research centres and economic policy makers</td>
<td>Lack of urban quality (high quality public space, innovative urban design projects)</td>
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<th>Opportunities:</th>
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<td>To stimulate the enabling role of the Regional Development Agency</td>
<td>To foster the modernization and technological upgrading of SME through clustering</td>
<td>Insert SME into the modernization processes of larger firms (subcontracting, flexible production etc)</td>
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<td>Innovative and pro-active communication and marketing strategy that symbolizes real ongoing changes</td>
<td>Entrepreneurial and participatory strategy aimed at urban and cultural revitalisation of the region</td>
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<th>Threats</th>
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<td>Short planning horizons of main stakeholders involved in the economic development planning</td>
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d) Vision for the City-Region

The main themes that came up during the implementation of the various steps of the CDS (studies on the informal sector and the services, the participatory diagnosis, the consultancy study, interviews and workshops) were:

1) The Regional Development Agency will be working as an articulating and enabling multi-stakeholder body that is able to perform a coordinating role in leading the main stakeholders towards a trajectory of endogenous regional economic development in the ABC city-region;

2) The main production chains will have been strengthened, with a much more dynamic role for the SME that will be systematically inserted into a continuous process of technological and managerial modernization, which is required to guarantee dynamic competitiveness of the regional economy of the ABC region;

3) The negative externalities of the region will have been transformed into assets/local public goods that symbolize a more mature phase of the New Regionalism in the region (cost of water – clean water, traffic congestion – associative mechanism between enterprises aimed at joint transportation services for employees etc.);

4) The main stakeholders (universities, research centres, labour unions, local governments, enterprises, etc.) have been 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 urban quality of living of the region has been improved considerably, including through the implementation of series of well-succeeded pilot projects that symbolize and leverage the real changes though which the region is going.

e) Strategic Directions

In relation to point 1 of the vision: Market oriented reform of Regional Development Agency, which will increasingly act as a professional broker that will incrementally gain credibility in relation to the regional stakeholders. The financing pattern will be based on a mix of local (through the sales of real services), national and international finance.

In relation to points 2 and 4): Participatory elaboration of more specific project proposals aimed at the improvement of horizontal and vertical networking among small and medium sized firms. The proposals will also stimulate the interaction within production chains among enterprises, research centres, local governments, labour unions and other stakeholders. It is envisaged to start with production chains, which can be considered representative for the regional economy.

In addition, an increasing integration between research centres, universities and the Regional Development Agency will be established.
In relation to point 4: a number of initiatives are being implemented aimed at the provision of real information services intermediated through the Regional Development Agency.

In relation to point 3 and 5: On the basis of the diagnosis and strategic recommendation that came out of the CDS process, each of the 7 cities in the ABC region is, together with the main stakeholders from the private and public sector, implementing a visioning exercise that incorporates strategic directions and action plans compatible with its municipal vocations. These exercises will ultimately be inserted within the regional strategy. For example, the directions for municipalities 100% located in watershed protected areas (like Ribeirão Pires and Rio Grande da Serra) will be different from those cities with a substantial presence of industrial activity and smaller watershed protected areas (like São Bernardo and Santo André). However, while implementing a regional development strategy, these intra-regional differentials have to be taken into account in order to politically and economically fine-tune the right portfolio of regional development projects.

f) Action Plans

Each of the strategic guidelines is being worked out in action plans and are direct consequences of the CDS.

In relation to point 1):

a) Change in the organizational and remuneration structure of the Regional Development Agency, with a more pro-active and entrepreneurial role for the executive staff. Data: ongoing.

b) Contracting of 3 additional professional staff (who will perform a role of so-called professional brokers) with a mix of local and external resources. Sources of finance: local and IADB. Data: First trimester 2002.

In relation to 2 and 4):
Finalization of a project proposal aimed at creating clusters with an endogenous potential to implement managerial and technological innovations on a continuous basis within the car manufacturing, machinery and equipment and plastics sectors. Finance source: IADB. Prevision of initiating date: January 2002.

In relation to point 4):

a) Implementation of Cadastre for potential investors;

b) Telephone services providing easily accessible information services to firms;

c) Implementation of a Cadastre with basic information on the establishments in the region etc.

Time prevision: Action plans and budgets finalized. Start in December 2002. Partnerships with agencies such as the state foundation SEADE (which also participated within the CDS) are being negotiated in order to realize the investment guide.

In relation to points 3 and 5):

a) Action plans will be established once the 7 municipal visioning exercises is completed (estimation of completion data of municipal visioning at the end of 2001);

b) Strategic projects with an urban and economic component are already being designed and implemented in Santo André since 1998. The CDS has reinforced the strategic importance of these actions and has triggered off additional
investments in the so-called Eixo Tamanduateí project. This project is aimed at the urban and economic revitalization of a deteriorated industrial area along the river and railway in Santo André. Particularly, for the first semester of 2002 a series of additional municipal investments aimed at revitalization of public space is envisaged, aiming at leveraging private investments in consumer and producer services (advanced tertiary sector) within the area.

**g) Implementation, monitoring and evaluation – and feedback**

The meeting of the General Board of Directors of the Regional Development Agency that occurred on the 6th September defined a time frame to the end of 2001, when the municipal visioning exercises are to be completed. The specification and selection of regional development projects compatible with the municipal vocation/advantages of each city will be undertaken subsequently. The monitoring of the municipal visioning, to be worked out in detail by the respective secretaries for local economic development of each individual cities, will initially also be undertaken by the Instituto de Governo e Cidadania do Grande ABC and will be extended until the end of 2001.

Other activities (such as 1, 2, and 4) will be monitored by the associates of the Regional Development agency as part of the regular baseline-activities of regional development planning. Other actions have already been incorporated into regular urban and local economic development planning and are as such monitored by each city.

**Monitoring Tools**

As mentioned earlier, the CDS in the ABC Region has offered substantial advantages in relation to traditional methodologies of urban development project financing with little direct involvement of cities and their stakeholders. In the more traditional approach, external consultants typically implement short-term oriented studies aimed at the realization of physical, financial and economic viability studies that simultaneously pave the ground for larger investments from the donor community. This more traditional approach towards urban development projects tends to ignore previously developed knowledge or less accessible information available within intra-regional networks of interpersonal contact between the main stakeholders. In addition, there tends to be a large emphasis on the elaboration of a series of tangible or material outcomes, while an increasing number of studies in the field of local and regional development point out the importance of intangible and subjective elements. This is all the more true if the planning exercise offers a high potential for conflicts regarding the right development path to be set in motion by the stakeholders, as is the case for the participatory elaboration of an economic action plan in the ABC region. Finally, the more traditional approach of viability studies doesn’t document the trail and error and learning process, which evidently occur in such innovative thematic fields as multi-stakeholder economic planning in metropolitan city-regions.

Considering the differences between a CDS and the evaluation procedures used in more traditional viability studies funded through national channels, it was fundamental to establish differential criteria to monitor the process and outcomes of the CDS. These criteria are described in the final report of the Instituto de Governo e
Cidadania do ABC and contemplate a combination of “hard” variables (timing and quality of the outputs as defined by the IB of the CDS, leverage of additional investments from local stakeholders) and soft, intangible dimensions. Examples of the latter are whether the CDS has:

- leveraged a learning process among the actors (eventually through trial and error);
- generated unexpected (positive or negative) results; and
- mobilized stakeholders around a much more focused and well-defined regional economic development program with clearer strategic guidelines and priorities.

As also mentioned in the final monitoring report of the Institute de Governo e Cidadania do ABC, the instruments to monitor these intangible and more complex dimensions have invariably involved questionnaires handed out during the workshops, interviews (with stakeholders from the Regional Development Agency, the consultants, and researchers, among others) and an evolution of the perspective of how the press has evaluated the intensification of the regional economic development planning process.

There have been difficulties in monitoring, basically because of the limited capacities of the Escola de Governo, the local counterpart for that component. However work is underway and it is expected that positive results will be obtained. However, that will take more time and much more effort than originally planned.

Initially, a monitoring method was defined and a manual was developed, however the method has not been entirely followed. Ultimately, the Escola has been considering the items presented here, which reflect only partially the guidelines for evaluation, and for which further elaboration is required.

The variables that were originally considered during the process are as follows:

**Tangible dimensions:**

- Project management:
  - cost of each activity;
  - financial resources available;
  - follow up of activities (planned and real);
  - timeframe (planned and real);

- Action plan and projects:
  - Quality of the formulation
  - Justification of the priorities
  - Coherence with the strategic vision

**Intangible dimensions:**

- Relations between the stakeholders:
  - Legitimacy, are the stakeholders representative?
  - Mutual perception of actors
  - Tensions between actors during the process.

Participation
- Level of apparent participation
- Level of commitment and “protagonism”
- Rate of consensus obtained on the strategies and on the plans

Results
- Efficiency of the process and potential for replicability
- Institutional appropriation
- Limits of the tools being used.

Although not very structured, the above list corresponds to what has been “appropriated” by the local partner. Although monitoring results thus far have been small, at the same time it is clear that monitoring is a complex process and not easily appropriated and implemented by local partners. Capacity building is necessary and is a challenge for UMP in Phase IV. On the positive side, the relationship with Santo André partners and with the ABC region is very good and we can expect results.

Five monitoring formats are attached to the full Santo André report in Portuguese, including:
- Table 1. General activities for monitoring
- Table 2. Diagnosis and Action Plan
- Table 3. Research on the Service Sector
- Table 4. Research on the Informal sector
- Table 5. Looking at the participatory process for the CDS.

**Monitoring the CDS**

- The detailed methodology is described in the final monitoring and evaluation report of the Instituto de Governo e Cidadania do Grande ABC as contains the following steps:
  
- The object – what is being monitored (key moments, participation of key stakeholders, presentation of the Regional Development Agency);

- The sources of information that will be used to undertake the monitoring and evaluation (IB, Terms of reference of consultants etc.);

- The activities that have been implemented (studies, participatory diagnosis, design of visioning, strategic directions and regional economic action plan);

- The monitoring instruments (workshops reports, questionnaires, interviews, registration of press clippings etc.);

- The impact of the CDS on planned investments and sources of funds