# “building a local economic development policy in the state of rio de janeiro”

# brazil

**Project Summary:** This Project aims to support the state government of Rio de Janeiro to develop its own competitiveness policy through the promotion of SMEs, based on the collaboration between public and private stakeholders and the appreciation of the territorial assets in the state; in other words, the Project will help the state build its own local economic development (LED) policy. Between 1960s and 1990s, the state of Rio de Janeiro went through a process of loosing much of its administrative/political functions and economic activities, which set the basis for a very unequal development across its regions. Today, the investments realized in light of the World Cup and the Olympics, on one hand, and the investments realized by the oil and ship building industries, on the other hand, are creating the opportunities for a more encompassing form of development, one that is not only concentrated in the metropolitan region of Rio de Janeiro, but that also extends to peripheral areas of the state. The project will create a policy dialogue involving public actors (all levels of government) and private stakeholders around a concrete experience in two regions of the state (Baixadas Litoraneas and Noroeste Fluminense), depressed areas with low socio-economic indicators but with high potential for a more inclusive development around two key productive sectors (garment and tourism in the first region, and marble and granite in the second one). In each region, a local economic development strategy will be designed and implemented, including the realization of concrete actions identified in the strategy. Around the two pilots, a policy dialogue will be established, consisting of the participation of the highest level of the state government, the exchange of experiences, modifications and improvement to the strategies, and the generation and communication of evidence. Through this process, the Project will strengthen local capacities for the adoption of LED policies, and will lay the foundations for the creation of a state-wide LED policy. Thanks to the experience of the Project, and through the generation of evidence, the Project also seeks to influence other Brazilian state governments for the application of similar model of interventions and policies. A dialogue with the federal government will be also sought in an effort to influence policy making at that level.   
A policy dialogue is a space where public officials in charge of public policies interact with peers from other levels of the government and different stakeholders from the private sector and civil society (firms, public agencies, associations, NGOS, universities, research institutions, etc.) in order to exchange practices related to their jobs and to gain ideas for new initiatives, solutions to concrete problems in the implementation of programs, and eventually to come up with ideas for collaborative initiatives. More details on the conceptual framework for a policy dialogue can be found in page 4.

### project details

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| Team Members | Luciano Schweizer (MIF/CBR), Natalia Laguyás (MIF/AMC), Monica Romis (MIF/AMC), Dora Moscoso (MIF/DEU), Anne Marie Lauschus (LEG), Laila Choe (MIF/KSC). | | |
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| Access Area | *Access to markets and capabilities* | Topic Area | *Business capabilities* |
| Agenda Name | *Expand the adoption of effective models and strategies for enabling MSME development at regional/local level* | | |
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| FOMIN Financing Type | *Grant* | FOMIN Projected Project Value | *$ 900,000* |
| Counterparts (if applicable) | *Grant* | Counterpart Contribution (if applicable) | *$1,500,000 (with expectations that the amount may increase)* |
| Executing Agency Profile and Risk Profile | *Perceived alignment of the project with mission and goals of the executing agency* The project was identified by the Secretary of Development of the State of Rio de Janeiro and will be executed by Sebrae in collaboration with the State Secretary. In the state of Rio de Janeiro, and overall in Brazil, Sebrae has been a pioneer (often in partnership with MIF) in the execution of projects involving clusters and local productive systems of firms (Arranjos Produtivos Locais, APL, in Portuguese). This project naturally falls into Sebrae’s mission and goals and it takes them to a further level, towards a more integrated approach that looks at a region as a whole. Through this project, Sebrae will improve its techniques and methods for working with micro, small and medium enterprises (MSMEs) and strengthen its capacities to work under this new framework. In addition, by working with the State Secretary of Rio de Janeiro, the Project will not limit its action to MSMEs, but will also include as stakeholders medium and large firms (important players in any LED strategy), thus expanding the normal target audience that Sebrae has. By adopting a LED approach, the Project will also help Sebrae breaking the barriers between sectoral policies and develop a methodology for working with a multi-sectoral approach. Finally, working in collaboration with the State Secretary of Development will create a space for a direct dialogue between Sebrae and the state government. The decision of granting the execution of the Project to Sebrae, and not to the Secretary of Development, lies on operational reasons, having Sebrae much more efficient and streamlined procedures than the state government when it comes to procurement and contracting. | | |
| *Initial view on the capacity of the executing agency* Sebrae is the Brazilian agency that works directly with MSMEs in order to strengthen their capacities and improve their access to market. The agency has already executed a number of MIF projects in Rio de Janeiro that showed good results and high quality in their execution. Currently, Sebrae is implementing a MIF project to support creative industries in the state. For this reason, the agency has proved capacity and a comparative advantage in contracting and complying with MIF procedures in relation to the state government. | | |
| *Initial view of the inherent demand for the project*   The government of the state of Rio de Janeiro has expressed the need to coordinate all the different initiatives developed in the state that are directed to the promotion of SMEs and are supported by different state secretaries, local governments, and other agencies. At the same time, the lack of horizontal coordination among the different municipal governments and the absence of a common framework for action are posing a challenge for the state as a whole to achieve higher impact in terms of economic development. In addition, there is a broader demand from the federal government as well. Today, the regionalization of public policies is at the heart of the debate in Brazil. The country has a policy for the promotion of APL that works at the micro level, and a competitive policy at the federal level. In this context, policymakers, practitioners, and other stakeholders are perceiving that there is a missing link between the two levels (micro and federal) and that there is a need for the regionalization of the federal policy for competitiveness at the state level. In this light, the Federal Ministry of Development, Industry and Commerce has approached MIF to ask for support on this effort. The project will contribute addressing this demand by developing a mechanism in the state of Rio de Janeiro to articulate the two levels and, in fact, by building a regional policy for competitiveness. This mechanism will be useful also for other countries that share similar characteristics as Brazil and that also need to regionalize their policies for the private sector (such as Argentina, Chile, Peru, and Colombia). | | |
| *Initial view of the perceived risks of the Executing Agency* The agency has proven experience in implementing projects with MSMEs in the state and currently is already executing a MIF project (BR-M1073) showing good performance. | | |
| *Initial view of the perceived risks of the Project* One risk that the project may incur into is a weak coordination between SEBRAE and the State Secretary of Development, around which the entire project is built. In order to mitigate this risk, the project will create a steering committee directed by the State Secretary. Another risk is posed by the next municipal elections that will take place in 2012. The nature of the project itself actually addresses this risk by creating a mechanism in the state whose final goal is to create sustainable policies in the state, that is, independent from the political turnover in the government. | | |

### project rationale

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| Related Agenda Result Indicators | | |
| Project Alignment and Problem Statement | *Agenda Outcomes:* Expand the adoption of local economic development policies and strategies based on public and private sector interaction and on economic, social, and environmental sustainability. (Project goal) Relevant indicators for this project: - 4 countries develop policy framework to implement LED approach - 20 territories (covered by FOMIN) where public private coordination mechanisms continue functioning  - 150 public and private institutions that participate in policy discussions - 70% stakeholders who perceive LED approach has improved territorial assets | *Project Outcomes:* Strengthening the technical capacity in the state of Rio de Janeiro in order to implement policies to support SMEs that will include in their design the economic potential of the local systems of production, through the creation of a policy dialogue. |
| *Agenda Outputs:*  1.- Foster capacity building through implementation of LED projects and training   - 50% of progress achieved on compliance of territorial strategic plans   - 25 projects in which public-private partnerships to manage territorial assets were generated  - 3-4 strategic alliances to develop LED training programs in five countries | *Project Outputs:* 1. A methodology for the involvement of the highest level of the state government in the design, implementation, monitoring, and evaluation of LED strategies has been developed and tested; 2. Two pilot projects in two regions of the state for the support of SMEs through the promotion of local economic development have been carried out; 3. The state government of Rio de Janeiro has adopted its own state-wide LED policy; 4. Other governments from different Brazilian states have shown interest in replicating the experience. in particular, this project will contribute to these Agenda output indicators: (i) 50% of progress achieved on compliance of territorial strategic plans; (ii)2 projects in which public-private partnerships to manage territorial assets were generated |
| *Problem statement:* The government of the state of Rio de Janeiro has been challenged by the difficulty of coordinating all the different initiatives developed in the state and supported by different state secretaries, local governments, and other agencies. Moreover, the lack of horizontal coordination among the different municipal governments about their respective interventions is posing another challenge to achieve higher impact in terms of economic development at the regional level. Given that in the state there are regions with different characteristics and peculiarities, the development of a policy dialogue around the implementation of LED strategies in two regions will make it possible to generate knowledge and evidence through the exchange of experiences and practices, and ultimately it will strengthen local capacities for LED.  A policy dialogue is a space where public officials in charge of public policies interact with peers from other levels of the government and different stakeholders from the private sector and civil society (firms, chambers, public agencies, associations, NGOs, universities, research institutions, etc.) in order to exchange practices related to their jobs and to gain ideas for new initiatives, solutions to concrete problems in the implementation of programs, and eventually to come up with ideas for collaborative initiatives. The distinct element of a policy dialogue is that it allows for a direct transfer of information that is valuable and difficult to codify about public policy making and implementing. The conceptual framework for a policy dialogue is summarized in the following graph, with the representation in the middle of all relevant actors who participate to the dialogue and around them of the activities in which they will engage. The creation of a policy dialogue in Rio de Janeiro will contribute to the design and implementation of a state-wide policy agenda for LED. Moreover, other MIF projects from the Agenda and that are currently in execution in Brazil (ATN/ME-10104-BR; ATN/ME-11213-BR; ATN/ME-11034-BR; ATN/ME-11076-BR) will be invited to be part of the policy dialogue in Rio de Janeiro in order to broaden the area of influence of the initiative and start disseminating the replication of the methodology in other Brazilian states.  **Conceptual Framework for a Policy Dialogue**  *Description of how the Project contributes to the Agenda objectives:* The Project directly contributes to the Agenda objectives to the extent that it seeks to strengthen the local capacities in the state of Rio de Janeiro to formulate public policies supporting SMEs that will consider their territorial context and the local systems of productions to which they belong. The project will do so by creating a policy dialogue around two concrete experiences in two regions of the state. In these regions, LED strategies will be developed, and around the design and implementation of these strategies a permanent dialogue among public and private actors will be fostered with the final goal to improve the model and disseminate it to other regions of the state, and possibly, of Brazil. The experience of other MIF projects that promote LED has shown high dependency of the local actors from a region on the highest level of their government. These projects have highlighted the necessity for establishing relationships between local strategies and state or national policies. The project will directly address this issue by testing a new framework in order to achieve vertical integration within the public sector itself as well as horizontal collaboration between the state government and private and public local actors. The project also contributes to the Agenda objectives because the involvement from the beginning of high levels of government in LED processes will allow for a rapid adoption and replication of these processes to other territories in the state.  *Beneficiaries reached:* The state government (through its secretaries); garment and tourism firms in Baixadas Litoraneas; marble and granite firms in Noroeste Fluminense; municipal governments of the two regions; universities and technological centers. More details on the beneficiaries will be gathered during the mission of analysis.  *Audiences interested in the results of the project:* The results of the Project will be of particular interest of the following audiences: the local governments of the two regions in which the experience will be piloted; the local governments of other regions in the state; the federal government; governments of other Brazilian states; the Brazilian Development Bank (BNDES); and universities.  *Expected knowledge return:* The project will conceptualize and systematize an innovative methodology for state level policy makers to develop competitiveness policies through the promotion of SMEs based on the interaction of public and private stakeholders. Such a methodology will not only codify the key factors to successfully conduct policy dialogues involving stakeholders both in the public sector and private sector, but it will also capture the linkages between local economic development initiatives with successful outcomes. This methodology as well as the evidences and lessons learned generated during the testing/implementation process will be packaged in a number of knowledge products, and will be transferred not only to policy makers in other states in Brazil but also in other countries in Latin America, so they can implement similar policies in their respective regions. | |
| Prioritization rationale | *Description of why this is the best possible project to achieve the objectives of the Agenda* This Project is different from previous LED projects done by MIF in Brazil. The previous projects shared the goal to develop specific regions of the country around key productive sectors and territorial assets, through mechanisms of public and private collaboration. These projects tend to have a very narrow scope, involving only local actors (from the municipal level), and ultimately they had the objective to improve the competitiveness of local SMEs by improving the context in which they operate. Instead, this project is different because usually LED strategies are designed by local actors (which, from the public sector, usually means only the municipality) and do not include the participation of other levels of government (and when they do so, it is only about very specific issues, and usually when these have become bottlenecks for the region). By involving the state government (and its competent secretaries) from the beginning, the Project seeks to directly influence state public policies and to introduce a state-wide LED policy, which Rio de Janeiro is currently lacking and which could be disseminate to other Brazilian states. In this way, the Project contributes directly to the Agenda objective to expand the adoption of LED policies and strategies. Once the State Secretary of Rio de Janeiro has introduced its own LED policy for the entire state, then the adoption of LED strategies will be more easily diffused to the entire state territory.   In addition, the regionalization of public polices for competitiveness is an emerging topic in Brazil and the Federal government is also interested in finding a way to achieve it. The state of Rio de Janeiro is the best candidate to test how to regionalize a competitiveness policy for the following reasons: it has a large experience in supporting APLs, has high political, economic, and cultural visibility in the country, includes in its territory a wide range of socio-economic conditions that mirror those of the entire country, and has an adequate size to run a pilot. As mentioned earlier, the Federal Ministry of Development, Industry and Commerce has strong interest in the subject and the project is going to develop a methodology that the Ministry may be interested in adopting and disseminating throughout the country. Finally, in light of the upcoming sport events (World Cup and Olympics), the federal government has set as a priority to improve social and economic conditions in the state, and this MIF project could gain visibility and interest for its replication.   In terms of alignment with the Bank Group Country Strategy for Brazil, this project contributes to the implementation of the strategy as it responds to three general objectives: it promotes “productivity” and “life conditions and efficiency in cities” through Local Economic Development and the “modernization of the state”, encompassing the promotion of new and integrated policies to support the private sector sustainable development by a sub-national government (in this case, the state government of Rio de Janeiro). | |

**Learning in the Context of the Agenda**

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| **Area for Testing** | **How the Project will respond to the hypothesis** | **How the Project will Enable Learning** |
| *Description of agenda hypothesis or output assumption being tested (from agenda strategy)*  1.- It is possible to promote adoption of economic development policies/programs that explicitly take into account private sector potential and local production realities to public stakeholders (e.g. governments) through advocacy activities.  2.-The scaling up and replication of the models and strategies (with the IDB Group and other institutions) require a strong focus on partnership development and creation of solid knowledge products and best practices. | *Description of how the project will respond to the hypotheses or output assumptions*  1. Starting from the beginning, the project will be executed through participation and dialogue with all the identified audiences, starting with the state government, including high-level officials, assessors, technicians, and public managers of programs and policy tools. By working in two regions in the state, the project will seek to develop a LED strategy that will count since the beginning with the participation of local actors and state government.   2. Once the methodology is tested in the two pilot regions, the project will promote the dissemination and replication of it to other regions of the state and other Brazilian states. | *Description of how the project will enable learning*  First, in the two regions of the pilots, the Project will use the monitoring system SIMPLEd in order to measure indicators and collect data on territorial and firm competitiveness. This will contribute to the knowledge that FOMIN has been generating through other projects in the Agenda and that directly speak to the effectiveness of using LED strategies in a region. Second, this project will be an important piece of knowledge for the “thematic study” included in the Agenda, in that it will provide insights on how to manage the interaction between public stakeholders (at all levels) and private actors, and how to design and implement LED policies at all levels (from the roots to policy dialogue). Third, the methodology for a policy dialogue that the project will design and test is a knowledge product itself, which could be replicated in other contexts (inside and outside of Brazil). Finally, participation in the LED Agenda and in the activities of the knowledge community will reinforce project implementation. |

### project design

**Project Components**

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| Project Description | *Description of how the variety of project components and activities fit together to deliver project outputs and outcomes:* Component 1. (i) Strengthening the design and structure of a methodology for the involvement of the highest level of the state government in the design, implementation, monitoring, and evaluation of LED strategies; and (ii) strengthening of local capacities for the implementation of the methodology, including assisting the State Secretary of Development of Rio de Janeiro in its reorganization and improving its capacity to carry out LED methodologies and processes; Component 2. Implementation (feasibility test) of the methodology designed in Component 1 through the execution of two pilot projects in two regions of the state for the support of SMEs based on the promotion of local economic development; this component will be mostly financed with Sebrae’s resources and will involve all the steps of a typical LED project, including institutional capacity building, creation of a local governance, identification of a LED strategy, implementation of projects based on public-private and/or private-private collaboration that are the results of the LED strategy; Component 3. Consolidation, dissemination, and replication of the methodology developed in Component 1 to other regions in the state and possibly to other Brazilian states, based on the interest of their respective governments.  *Description of how the learning of the project will be captured, measured and used to reach the desired audiences:* The knowledge products of the project will be: (i) policy dialogue methodology for LED initiatives in different formats, (ii) case studies with results of the pilot initiatives, (iii) testimonials/interviews with experts and policy makers involved in the project, (iv) technical exchanges (taking advantage of the existing SEBRAE Knowledge Transfer Project (ATN/ME-12392-RG) and the regional training program ConectaDEL. In addition, a project communication strategy will be designed. During the mission of analysis, the team will analyze whether the executing agency has already an in house communication team, and it will explore whether the project can leverage existing communication channels of Sebrae Federal, Secretary of Development of the State of Rio de Janeiro, and Federal Ministry of Development, Industry and Commerce. | | | | | |
| Fit with Agenda LCC Strategy (Highlight the elements of the Agenda evaluation and LCC strategy that apply to this project) | *Audience* | *Desired Action by Audience* | *Required Message* | *Evidence* | *Evaluation* | *Channels* |
| *Ministry of Development, Industry and Commerce of the Federal Government* | *Adoption of the methodology for its application to the entire country.* | *The methodology developed in the project is valid in order to regionalize the federal policy for competitiveness.* | * *Presentations* * *Press release* |  | * *Direct presentation* * *Workshops* * *Web page* * *Annual conference by BNDES* |
| *State Governments of other Brazilian States* | *Adopt a similar methodology as the one developed in the Project; and adopt their own LED policies* |  | * *Presentations* * *Press release* |  | * *Direct presentation* * *Workshops* * *Web page* * *Annual conference by BNDES* |
| *SEBRAE (Federal)* | *Replicate the experience and develop a new line of Sebrae’s projects* | *LED interventions have high impact and should be replicated elsewhere; LED interventions are a good tool for improving SME’s competitiveness* | * *Presentations* * *Press release* |  | * *Direct presentation* * *Workshops* * *Web page* * *Annual conference by BNDES* |
| *Current LED initiatives in the Region (MIF and non MIF)* | *Explore an active involvement of the state governments in the design and implementation of such strategies* |  | * *Presentations* * *Press release* |  | * *Direct presentation* * *Workshops* * *Web page* * *FOMIN regional meetings of Agenda LED* |
| *Policy makers at the state government level (high level officials, technical advisors, etc) in Brazil and other countries in the Region with similar characteristics (such as Argentina, Chile, Colombia, Peru) among others, so they can adopt the methodology in their respective regions.* | *Adopt a similar methodology as the one developed in the Project in their respective countries* | *The methodology developed in the project is valid in order to regionalize the federal policy for competitiveness* | * *Presentations* * *Press release* |  | * *Direct presentation* * *Workshops* * *Web page* * *Annual conference by BNDES* * *FOMIN regional meetings of Agenda LED* |
| Project LCC Strategy (Describe LCC and evaluation strategy within this project) | *Audience* | *Desired Action by Audience* | *Required Message* | *Evidence* | *Evaluation* | *Channels* |
| *State Government of Rio de Janeiro* | *Scale up the project* | *The methodology developed with the project is a valid one to promote competitiveness of the state and to have a dialogue with the private sector; the methodology should be replicated in other territories across the state* | * *Presentations* * *Press release* |  | * *Direct presentation* * *Workshops* * *Web page* * *Annual conference by BNDES* |
| *Municipal Governments* | *Learn about the LED effectiveness and replicate the experience* | *LED interventions have high impact and municipal governments of other regions should invest in them and replicate the methodology in their territory.* | * *Presentations* * *Press release* |  | * *Direct presentation* * *Workshops* * *Web page* |
| *SEBRAE-RJ (Rio de Janeiro)* | *Replicate the experience in the rest of the state* | *LED interventions have high impact and should be replicated elsewhere; LED interventions are a good tool for improving SME’s competitiveness* | * *Presentations* * *Press release* |  | * *Direct presentation* * *Workshops* * *Web page* * *Annual conference by BNDES* * *FOMIN regional meetings of Agenda LED* |

### Eligibility criteria met

**To be filled by Access Area Head or Deputy Manager**

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| Project aligns with agenda | *C.C.* | *-* |
| Project merits prioritization as a key action to help achieve agenda objectives | *C.C.* | *-* |
| Project aligns with EA mission/experience | *C.C.* | *-* |
| Project design in line with project objective | *C.C.* | *-* |

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