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ECONOMIC AND SOCIAL DEVELOPMENT COUNCIL - CDES

AGENDA FOR THE NEW CYCLE OF BRAZILIAN DEVELOPMENT

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STRATEGIES FOR THE NEW DEVELOPMENT CYCLE

Brazil is starting, in this second decade of the new millennium, from an new starting point. For the Economic and Social Development Council, the country is coming closer to the vision it proposed in the National Development Agenda (NDA) created in 2005.

In that Agenda, the CDES stated that inequality is a structural obstacle to development as it limits growth and transforms it into an income concentration instrument. Equity – may it be social, regional or between genders, races and ethnicities – must be the basis guiding public policies so as to address such challenge. Education is a long-term transformation element and a way to make such transformation permanent. Favoring the income increase among the poorest, strengthening the market and improving the domestic market are a key to creating a dynamics of growth rate increase with macroeconomic consistence. The recovery of the public and private investment capacity is a fundamental drive for development.

Many of the guidelines proposed at that time were implemented and a set of choices, decisions and actions made by the government and social actors set forth an important transformation, to the point of redesigning the social and economic reality in the country.¹

However, the vision of the future traced at AND remains as a strategic horizon to the Council members: ***“A democratic and united country is one where inequity has been overcome and Brazilians are fully able to exercise their citizenship; where social peace and public security have been achieved, sustained and sustainable developed have found their way and where diversity, specially of the cultural kind, is valued. A respected nation that plays a sovereign role in the international scenario, committed to world peace and the union of peoples”.***

The values that provide a basis for this vision of the future remains: Democracy, Freedom, Equity, National Identity, Sustainability, Respect of social and cultural diversity and Sovereignty.

This new development platform makes room for the country to carry out the changes needed for a sustained process and is a referential for the New Development Cycle Agenda (NCA).² From this perspective, the Council Members identified two strategies as fundamental for Brazilian development. The first of them is the consolidation of a balanced employment and income expansion process by strengthening an internal market based and the expansion of innovative investment. The second one points to an insertion into the international economy.

Such strategies allow the expansion of the dynamics introduced in the National Development Agenda. However, in order to implement them the Country has to face many challenges. Among them, the CDES considered most important: 1) The new horizons for education; 2) Challenges to a democratic and development induction State; 3) The transition to the economy of knowledge; 4) Decent Work and productive inclusion; 5) Production standard for the new cycle of development; 6) The potential for agriculture; 7) The role of infrastructure: transportation, energy, communications, water and sewage; 8) Environmental sustainability and; 9) Consolidation and expansion of Social Policies.

¹ The economic and social indicators which are the base for this new level are present in the annex..

² The process of construing the Agenda for the New Cycle of Development is described in the annex.

A new scenario

The country finally releases itself from almost three decades of semi-stagnation resulting from an economic strategy based on the neo-liberal vision. Practices such as market deregulation, boundless commercial and financial opening and reduction of the role played by the State were implemented in different countries and used as a condition for deserving credit from different multilateral institutions such as the International Monetary Fund (IMF), the World Bank (BIRD) and the Inter-American Development Bank (IDB).

The outburst of the international economic crisis in 2008 was responsible for important changes of view. The path was open to develop a model that represents to the emerging economies the release from the hegemonic model. The simplification related to the dichotomy between State and Market gave place to a more commonsensical, pragmatic and balance driven behavior. In a way, innovation in politics became legitimate once again.

In the international realm, the crisis has not yet vanished. A world Gross Domestic Product (GDP) of US\$ 60 trillion and US\$ 860 billion in issued bonds still creates instability. The option for monetary and financial wealth puts at stake the behavior of markets, of job offer and of the demand for products and services. The deficits of the private speculative sector were transformed into public deficits. One can observe in numerous countries a slow down in economic activity with increase in income concentration, drop in salary value, job offer reduction and loss of rights previously conquered.

Taking into account this instable foreign scenario, there is strong convergence among CDES Council Members on the need to prevent speculative movements in the financial and commodity market, acting in the sense of establishing an adequate regulatory framework; to perfect the currency and interest policy so as to avoid an excessive appreciation of the Real and thus minimize losses to exporters; to promote innovation support mechanisms and instruments so as to create a friendly environment for the process of adding value to tradable products and encourage exporter Brazilian companies; to invest on infrastructure and logistics in order to reduce production costs and facilitate foreign trade; to follow and supervise the flow of foreign speculative funds and encourage the entry of investment on the productive sector.

In an international context recognized to be complex, Brazil needs to strengthen its current development standard, trying to provide wider dynamism to its economy in association to better distribution of income and wealth, poverty reduction, widening of both internal and external markets, and trying to improve competitiveness in the global realm, environmental sustainability and influence to contribute to the promotion of democracy, peace and international law compliance.

The current development cycle

The current Brazilian development cycle is being driven by the consolidation of democracy and the expansion of the realm for dialogue and participation; by distributive policies based on a social justice and economic rationality vision, by investment on people by means of universal and inclusive social policies, by investment on infrastructure, by a public funding system capable to leverage development policies, by macroeconomic stability and gradual incorporation of the dimensions of environmental, economic and social sustainability to the set of decision processes.

The strengthening of Brazilian democracy is the objective of the wide participation network that is being built, strengthened and articulated on the different levels of the federation. In the past five years were held 50 National Conferences with the attendance of nearly 3,5 million delegates on the municipal, state and national levels. In the national stages alone

nearly 5 thousand public deliberations were issued, a great deal of them being added to the design of sector public policies. Experiments like the CDES and other councils contribute to create among the diverse sectors a culture of negotiation, of coming to terms, of respect of the core interests of the different segments.

The strategy of growth via expansion of mass consumption was sustained on productivity gains related to the size of the domestic market, which translated into larger family income, and the possibility of the country to climb up ever more taller and sustainable development levels. Social policies that proved to be essential were: transference of income; increase in minimum wage; education; health; social assistance; alimentary and nutritional safety; stimulus to creation of new formal job stations; professional training and; housing. These dynamics were the fuel to this growth and the lever for private investment decisions in 2009. This scenario is expected to repeat itself in 2010 and 2011 by means of the recovery of investment that is being encouraged by this new level of domestic consume.

It is estimated that in the past the new middle class, the so called “class C”³, began to represent over half of the Brazilian population, nearly 53,2%, making the mass consumption market more dynamic.⁴ The reduction of inequality in Brazil was expressive like never before. The millennium goal is to reduce world inequality by half in 15 years: something Brazil did in only five years. In 2003 there were 50 million people living in extreme poverty in Brazil. Today there are around 20 million people who moved away from extreme poverty – a drop by 40%. We incorporated 32 million people to the middle class, which equals half of France in five years. If this pace is kept Brazil will reduce poverty in another 14 million people and incorporate another 36 million people to the A, B and C strata until 2016, when the Brazilian Gini⁵ ratio may reach 0,488, a level close to that of developed countries, compared to the current 0,515.⁶

One can also remark the role played by the growth of credit to the consumer, especially regarding financed purchase of durable goods and civil construction. The public bank credit policies⁷ were responsible for nearly half of all credit given in 2009. The private financial system is solid and operates under efficient regulation. Brazil is one the few countries in the world having conditions to grow through this strategy, due to the size of its potential consumer market. Besides, the Growth Acceleration Program (PAC I and PAC II), the Productive Development Policy (PDP), the expansion of the investment on Petrobras, the National Education Development Plan (PNDE) are, among others, providing dynamism to investment and keeping the scenario a positive one. Contributing to this there is a lowly indebted private sector and with enough resources to invest. Those are conditions that make it easier to rescue of long-term planning mechanisms, challenge the State management capacity and provide leverage to administrative modernization.

The environmental policy gained in the past years another structure and is incorporated to the new economic policy designed for the country, generating credibility and respect in the national and international realms, and this, at its turn, opens markets. The deforestation rate is currently 74,4% lower than that of 2004, the lowest level recorded since 1998, when

³ A group that receives total monthly family income between R\$ 1.115 (US\$ 619) and R\$ 4.807 (US\$ 2.670) – conversion according to the June 2010 exchange rate: R\$/US\$ = 1.8

⁴ According to data from the Fundação Getúlio Vargas, the C class encompasses 53,2% of the population. However, from the point of view income distribution classes AB with family incomes above R\$ 4.807, which represent 14,97% of the population, take hold of nearly 55% of the country income.

⁵ Ratio used to calculate the pattern of income concentration in countries. It ranges from 0, which is perfect equality, to 1, perfect inequality.

⁶ IPEA, *Poverty, Inequality and Public Policies*, 2010.

⁷ Caixa Econômica Federal (CEF), Banco do Brasil (BB), Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Banco do Nordeste do Brasil (BNB), Banco da Amazônia (BASA)

this rate started being measured.⁸ When treating natural resources in a sustainable manner, the country gathers assets for the generations to come..

The improvement of the fiscal situation in the past decade also contributed to reach this new level. One of the strong points of widening the development scope lies on the stabilization of a macroeconomic management model. Brazil is one of the few countries in the world that has been able to present successive primary surpluses on its public accounts and reduce the participation of the net domestic debt on its GDP in a recent period. The balance in public accounts, throughout time and in all countries, has proved to be a crucial point for economic balance; a necessary, even though insufficient, condition for long-term growth.

In the commercial sense, a world population that increases by 70 million people every year and thus expands consumption is expected to keep a strong demand for commodities. Brazil, with the largest availability of land to be toiled in the world and with 12% of the world drinkable water reservoir, has important assets. But one must keep an eye on the dependence of commodity prices to the flow of speculation funds. It is necessary to avoid the formation of bubbles resulting from speculation with assets.⁹ Brazil has an important role to play in the debate on market regulation.

Technological breakthroughs and, in particular, innovations in the information technology and communication areas open a new window of perspective. In the XXI Century, amidst the age of the new economy, the debate has gone beyond knowing who must own the modes of production and now encompasses essential themes like the access to knowledge and the definition of its legal framework. In the case of Brazil, the leap toward the economy of knowledge goes through making wideband internet universal as well as other forms of access and dissemination, which may open important productive inclusion and quality of life perspectives. It is urgent to fill in the blank between such technological challenges and the poor educational levels still found in the country for it to occupy the space it deserves in the international realm.

In geo-economic terms, the tendency is a displacement from the Atlantic basin to the Pacific basin given the progress of China and India, which represent together 40% of the world population, and that of very dynamic countries such as South Korea and Vietnam, always taking into account Japan and its strong economy. Such displacement will favor an integration of Latin American infrastructure and may provide balance to the current Brazilian territory usage and occupation, as it is a country still too dependent on the Atlantic Ocean both in terms of its economy and its population distribution.

In the political aspect, given an economy that went global, new spaces for international arrangements arise. The G-20¹⁰ is an example of a venue for negotiation between developed and developing countries. Brazil, in particular, plays a role of leadership in this sense. The economic and financial crisis made evident the inadequacy of the world governance structure. The shift in world power distribution that is taking place will depend very much in the strategic capacity of the governments involved in this transformation process.

⁸ National Space Research Institute (INPE)

⁹ Such as stocks, fixed income bonds, exchange, commodities, real estate etc.

¹⁰ Group formed by the G-8 – main western powers besides Russia – and a set of emerging countries where Brazil is included as well as the European Union.

Brazil challenged the crisis having a solid macroeconomic basis¹¹, a wide domestic market and capacity to regulate and handle adequate economic policy instruments within the quickness and pace that the moment demanded. The access to credit was expanded, jobs and population income were protected and numerous sectors were tax freed. A synergy was created among the social and economic domains such that allowed to reduce the contagion effects of the international crisis over the performance of the Brazilian economy and recover the path to growth.

Risks and opportunities of the international context

Regarding its insertion in the international scenario, the Country is also starting from a different platform. The crisis revealed the existence of a new world economy dynamics where the inclusion of emerging economies in the political-strategic context of prevailing economies such as the United States and the European Union plays an important role. The need for a more active State in the process of smoothening economic cycles and in the field of regulation of the international flow of goods and financial services became clear.

What arises is an arrangement where the new emerging countries, on their way to become global players and therefore protagonists in the World scenario, will be those who keep a strong potential internal market, a one with abundance of natural resources such as energy, gas and oil and the possibility of producing a large amount of food. The existence of a modern industrial park is an aspect of great relevance. Brazil has all such characteristics.

The impulse coming from the expansion of the international economy between years 2001 and mid 2008, mostly among emerging countries in Asia, guaranteed high commodity prices and an increase in Brazilian exports by an average of 22%, thus contributing to the increase in the GDP and the reduction of external vulnerability as it led to a higher accumulation of international reserves.

Having US\$ 35 billion in international reserves in 2002, Brazil was vulnerable to speculation attacks. Currently, with nearly US\$ 250 billion, being a creditor and not any more a debtor to the International Monetary Fund (IMF), with wider commercial and partner diversification and better balance between the internal and external market, the Country has become an international reference. The accumulation of foreign reserves alleviated the effects of the more pronounced economic cycles deriving from system financial crisis and made it possible for Brazil to insert itself in the World economy in a sovereign way.

Latin American integration is gaining growing relevance and progress is being made through actions articulated on the level of institutions, funding mechanisms, infrastructure, migration and the academia so as to find a common identity. Brazil has a weight of its own in the region for the economic, social, political and environmental innovations it has developed.

Brazil and its Latin-American, African and Asian partners enjoy, at this moment, a privileged position in the World economy. Countries integrating the BRICs (Brazil, Russia, India and China), in the past years, removed from poverty over half a billion people, incorporating this enormous contingent to the middle class and causing, consequently, an increase in the consumption capacity within the boundaries of such countries and in the

¹¹ Motion by the CDES on the Effects of the International Economic Crisis, approved on the 28th meeting of the plenary , 06/11/2008; Opinion of the CDES on the Growth Perspectives of the Brazilian Economy and the International Crisis approved on the 25th Meeting of the Plenary , 01/04/2008.

potential for consuming products from other countries in the World economy. In 2020, having 3,14 billion inhabitants, nearly 40% of world population¹², and growing by rates far above those of the wealthy countries, the BRICS will actually come very close to the G-7 economies. Such countries will increase the sophistication and complexity of their relation with traditional markets such as the United States and Europe and will represent an important leverage to consumption on a World scale.

As a whole, Brazil stands out in the international scenario as a sympathetic partner bearing not only economic strength and cultural wealth but also practical propositions to approach the main social, environmental and political challenges. The reliability and respect gathered can be proven by the choice of the Country to host the 2014 FIFA World Cup and the 2016 Olympic Games.

¹² Projections by the United Nations Organization - UN

CHALLENGES AND PROPOSITION AXES FOR THE NEW DEVELOPMENT CYCLE

The CDES points out as strategies for development of Brazil, at this moment, to consolidate the process of balanced expansion of employment and income, strengthening the internal market based on a sustainable mode of production, mass consumption and distribution and; to expand innovative investment and inserting itself in the international economy in an active manner. The Council also considers strategic to strengthen the relevant role of the Country in global governance, influencing the economic negotiations, the international financial reform, the monetary reform and the political negotiations relevant to world peace.

Such strategies are articulated to a set of challenges that Brazil must face. The progress of this new development cycle depends on education, on the transition to the economy of knowledge and sustainability, on the strength of the industry, of the commerce sector and of the wide potential of its agriculture, to be leveraged by an adequate infrastructure, productive inclusion and social policies. Such requires a State meant to respond to the demand society has for economic, social, political, environmental and cultural development.

The agenda raises these challenges, which are complementary and related to each other, and the main action proposition axes that must have a multiplying effect over the set of economic, social, environmental and political activities. The goal of this is to give leverage to the process of sustainable development as defended by the CDES and to which it aims to contribute based on the dialogue between collective work and different social players.

For the CDES, the fight against inequality is the core objective of the development strategy and the Council states once again the recommendation for equality to be the principle to rule over all public policies and actions by social players..

Diversity is the most valuable asset for the full development of Brazil. Considering its continental dimensions and plural population, there is no single solution to its reality. Brazil must have openness, flexibility and will to dialogue in order to find itself among its cultural, ethnical and regional diversity and the huge potential that derives from this wealth.

Education is, according to the Council Members, a priority and structural axis as it is the articulator of pro-equality public policies and the vector for releasing national potential for creation, innovation and production. It is also an element that makes viable the cultural architecture necessary for a new co-existence standard in society and for interaction with the environment.

1. The new education horizon

There is consensus regarding how strategically relevant education is and the importance of bringing together concepts of education and knowledge society. Taking into account recent progress made in the Brazilian field of education among its diverse levels and modes, there is yet a large effort to be made.

The almost universalized access to elementary education must be followed by the quality improvement of public school. It is necessary to widen the access to quality education for children aging from 0 to 6 (including nursery and kindergarten). Public secondary school shows coverage and quality deficits, whereas professional education has only recently being given incentives for its consolidation. It is also necessary to make progress in the balancing of opportunities of access to higher education, in particular to public university institutions, and in the integration between the different levels and modes of education. Social and regional inequality, found in all education indicators, represents a strong obstacle to a human and economic development of the Brazilian society.

Education is a huge universe. Adding up students, teachers and managers, there are 60 million people involved in it: almost a third of the population. To the CDES, the changes to education indicators depend on efforts shared by players on the three spheres of government and among the whole of society, valuing the different dimensions of life as spaces for creating and articulating knowledge and opening a new horizon for education. In that sense, the proposition axes are as follows:

1. To guarantee the right to access and to remain in a quality education system. To eliminate illiteracy, ensuring universal access to the public education system and improving the transition from the alphabetization courses to a continuous Youth and Adult Education (EJA). It is essential to promote the increase in the level of education of the Brazilian population¹³, reducing regional, racial, income and urban/rural inequality. Such goal implies having a firm and organized action by the State on all three levels of government, organizing and regulating national education in an articulate manner and leaving to the national government the central role of correcting inequality and supplementing structures as well as human and financial resources whenever it is necessary.
2. To expand investment on education, identifying new funding sources. It will be necessary to perfect the destination of resources from FUNDEB¹⁴ and ensure resources coming from Sub-salt oil exploitation in order to finance education. At the same time, ensure higher efficacy and efficiency when applying resources to the process of education, with focus on the student. Within the context redistributive tax reform, it is recommended to review parameters and criteria for education tax cuts.
3. To improve the quality of public school on the three basic levels of education. To concentrate government and civil society efforts so as to make feasible a radical restructuring of elementary education with the following measures: a) an attractive career with better wages and adequate work conditions for education professionals, both teachers and professors as well as managers and technical staff; b) decrease in number of students per class; c) implementation of the full time system, primordially for elementary school; d) institutionalization of continuous education e) adaptation of courses to different entity and student profiles (rural education, EJA); f) access to open education systems based on information technology and latest generation communications accessible to all players in the educational process, with priority focus on the student and disseminating school management software g) expansion of the investment on school infrastructure with wireless access to wideband internet, laboratories, libraries, art courses, sports courts; h) school, manager and worker autonomy and accountability regarding the educational process; i) consolidation of the assessment systems as a tool for public policies at all levels and modes of education.
4. To establish priority for the educational policy actions meant to value the rural population through the adoption adequate methodologies for reducing their grave rates of illiteracy and insufficient education, allowing for a wide and integral development both of the individuals as well as of the rural communities where they belong.
5. To implant a public employment and professional qualification system given the scenario of growing social demand from the productive sectors for qualified workers.

¹³ The CDES has been following and creating indicators and propositions by means of the Equity Observatory on the Schooling Imbalance in Brazil – www.cdes.gov.br

¹⁴ National Fund for Development of Elementary Education

To adopt procedures to define Professional Education, from basic background to continuous worker instruction, as a State policy coordinated with the development process of the Country.

6. To restructure higher education giving continuity to the reform of the Brazilian university initiated but not deepened by REUNI at the federal network and especially the project for university autonomy. To review both the pedagogical models as well as the curricular architecture in vigor in Brazil, with more investment on public education and regulation of private education. In the academia realm, the single discipline standard that governed XX Century science must make room for multiple, plural, inter and trans-discipline crossing so as to encourage creativity, innovation and cooperation with the productive sector. Higher education must also prepare its graduates for continuous education and interaction with knowledge systems and information networks.
7. To update the education dynamics on all levels and modes of education, opening itself to permanent and virtuous interaction among the different educational levels. Especially at universities, teaching-apprenticeship active methodologies combined with the active use of modern technologies may add possibilities to the scientific and technological integration with companies, institutions and society. The school environment must foster creativity, a student investigative attitude, so as to make the school become a valued and attractive one, making him absorb work methodologies and preparing him to navigate, question, organize, elaborate, quantify and cross sources of knowledge in a creative manner. It is necessary to promote and spread the accumulated knowledge, most of all the one generated at the Brazilian education and research, thus contributing to the transition to the knowledge society that is redesigning the education horizon.
8. To encourage apprenticeship distributed evermore in a society that starts to operate as a network, strengthening regions and cities with an innovative approach to education..

2. Challenges to the democratic and development induction State

In a democratic society the State must fulfill the attributes established by the Constitution, both in what refers to protecting citizens in a vulnerable situation, the rendering of essential services and the performance or funding of strategic investment, as well as in what refers to regulation and participation in the economic and financial activity.

As the defender of public interest, the State must play essential roles such as encouraging economic and social development; keep macroeconomic stability, which implies caring for fiscal, monetary and currency stability; regulate economic activities; provide public universal services such as education, health and security; and act to reduce inequality in the distribution of income, thus fighting poverty. In this sense, development is State intensive..

The structure, the resources and the organization of the State must be constituted from the demands agreed by society and expressed within its legal framework. The State is responsible for collecting taxes and contributions in an amount sufficient for it to fulfill its role definition, giving back to society the product of its collection in the form expenditure on quality public services, social and income transference programs and public investment.

The role that the State is summoned to take relates to objective conditions resulting from the evolution of the economic and social activities of each country. In Brazil, the partnership with the private sector is essential for the promotion of productive development, feasibility of large scale infrastructure and social infrastructure.

The model to be consolidated is based on this strategic partnership between the public sector, with its role definition of regulation, control, planning and articulation, and the private sector, mobilized so as to accept the leadership of large projects being the main vehicle for investment. The perfecting of the State in order for it to fulfill its role goes through the strengthening of the planning, dialogue and negotiation capacity it must have for the long-term objectives to be defined in a shared manner that may increase the trust of all in the future of the Country.

It is a consensus among the Council Members that progress was made in the management of the macroeconomics and that the maintenance of the balance of this policy will require a continuous effort to reduce the tax burden and to strive to align the interest and currency rates.

Strategic to the projects of long-term development is the balance between the executive, legislative and judiciary branches of power, which is essential to citizenship and democracy. The judiciary has been summoned to give the last word on the viability of the Brazilian political agenda. The examples are many and range from the matter of the inclusion policies such as social or racial quotas to the *Bolsa Família* program, from investment on infrastructure to the fiscal policy. This phenomenon which became known as “judiciary bias to politics” is extensive to other organs of the Federal Attorney’s Office, the account tribunals and the Federal Government General Control Office.

In order to deepen the role of a State effectively concentrated on the general interest of society, a more democratic one, keeping up with the economic, social and environmental challenges that the Country must face, a one present in the world and playing an active role in it, the Council members propose:

To deepen democracy

1. To carry out a Political Reform. The CDES issued an Opinion¹⁵ pointing out the need to improve the Brazilian political system by strengthening the parties, increasing the mandate degree of representation, strengthening the direct participation instruments and, above all, ensuring the efficacy of popular sovereignty in the democratic system. The CDES understands that a process of political reform will structurally contribute for developing the Country and perfecting our democracy..
2. To expand the State capacity to render with quality the services and policies society requests: education, health, public security and safety; to provide social protection, alimentary and nutritional safety; to promote work and access to culture and decent housing; to fight race, gender and ethnicity discrimination.
3. To strengthen the Brazilian federation in a sympathetic, egalitarian and integrationist arrangement capable of ensuring the autonomy of the federation states and the necessary articulation and coordination of public policies to provide them efficacy when responding to the demands from society and promote development. The perfect the financing mechanisms that may allow an adequate capacity to fulfill the attributes and competences of the federation entities (states and municipalities) in a manner compatible with the balance of the public accounts.
4. To make sure that the State – executive, legislative and judiciary branches – is permeable to an effective participation and social control. To strengthen and consolidate the instruments for dialogue and the mechanisms to widen the participation of society in the decision making process, in the planning and

¹⁵ Opinion of the CDES on the Political reform, approved during the 22nd Meeting of the Plenary, 17/07/2007.

assessment of government actions, in the definition and follow-up of the budget. In this sense, information and transparency are really core elements. For that end it is necessary to massively use technology along with managerial and institutional improvement of State structures.

5. To strengthen the political and institutional environment of the Country by offering adequate means and contexts for managing the many forms of conflict and of citizen rights guaranteed by the Federal Constitution, so as to promote a better balance between the branches of power, thus reducing the need to recur to the judiciary and to the power of police represented by control agencies and the Federal Attorney's Office.
6. To provide continuity to the process of Reform of the Judiciary in the sense of making more agile the processing and sentencing of lawsuits, modernizing the procedure codes, improving the judiciary management and providing more transparency to the decisions and sentences so as to increase juridical safety to citizens.
7. To strengthen the role of the National Justice Council as an instrument to harmonize proceedings, improve management and increase efficiency and efficacy among all levels of the Judicial Branch.
8. To strengthen the State capacity for long-term planning and interaction among the branches of the Republic, the different spheres of government and society itself regarding the priorities for development which are to be collectively established.

To value the diversity of the Brazilian territory

9. To respect the local and regional vocation and potential as elements for the set of public policies and improve dialogue and negotiation regarding a national project.
10. To build an *strictu sensu* development policies so as to fill in the yet existing gap between different regions in the Country, municipalities and venues in large cities and metropolitan regions.
11. To invest on local and regional governance by fostering and integrating information systems and access to wideband internet, thus allowing autonomy, cooperation and exchange of experiences, may them be government, business or social movement and citizen oriented so as to disseminate the acquired innovations and lessons learnt.
12. To strengthen participation and dialogue by supporting Councils as well as local and regional governance levels that may that foster their own development and other participation venues, developing social control, life quality and public policy assessment instruments.
13. To perfect public management.
14. To improve quality public management orienting it towards results, providing it with a strong technological and information bases, organizational structures and adequate instruments for the State to work. Mechanisms for following-up and assessing its efficiency and effectiveness under the participative control by society.
15. To ensure government capacity to work on transversal themes such as: youth; gender and race equity promotion and human rights; integrated management and coordination of policies; and structuring of education, health, social assistance, public security, science, technology and innovation.

16. To ensure government capacity to manage strategic investments and to balance execution and control, so as to ensure transparency of public expenditure and fulfill development needs.
17. To move forward in the constitution of a professionalized public bureaucracy on the federal, state and municipal levels and in an amount to fulfill the roles the Constitution establishes for it. An ethical public bureaucracy, permanently trained and capable to relate in an open and democratic fashion to the social players. To prioritize the strengthening of State careers, establishing limits to the commissioned ranks necessary for assembling elected administration teams.
18. To come out with new development indicators capable to monitor it more adequately and further to the GDP. In this sense, strong methodological progress has been made and the CDES is willing to contribute – along with IBGE, IPEA and other institutions – to develop a new system of public accounts that may guarantee an informed citizenship. To review management, supervision and control processes in order to increase economic dynamism, reducing costs of production and making easier the life of citizens.

Macroeconomics for the development and consolidation of the fiscal model

19. To move forward in the macroeconomic management, being capable to create conditions for raising the investment rate of the economy towards a goal of 25% of the GDP, allowing a growth rate of 6% a year¹⁶.
20. To create conditions for a progressive reduction of the Selic interest rate, reducing the Brazilian interest differential when compared to other countries. Brazil is one of the few countries in the world that has been capable to show successive primary surpluses on its public accounts and reduce the participation of the net domestic public debt in relation to the GDP. To structure long-term financing lines and expand the existing ones.
21. To use the official banks to expand market competition, allowing to accelerate the drop in the interest rates charged from the consumer and the bank spread in particular..
22. To bridge the banking divide, with capillarity, product and guarantee flexibility and compatible interest rates. To interiorize and adequate the national financial system and reduce its concentration. To encourage the constitution and strengthening of local cooperative credit systems and microfinance organizations and their connection government financing funds, so as to expand the channels for savings, credit and financial services oriented to the low income population and for the economy of solidarity.
23. To guarantee access to financing of production for exportation, widening the role played by the BNDES, encouraging the creation of new specialized foster agents and making the decisions on such operations become quicker. To strive to reach positive results on the current transaction balance, with exchange rate realignment measures and other means to obtain balance between imports, exports, goods, services and income. Create a favorable environment for the entry of foreign funds oriented to productive and not merely speculative activities.
24. To carry out the tax reform focusing on correcting inequality¹⁷ and on the stimulus to production and investment. Strive for better system progressiveness; cut taxes on

¹⁶ Strategic Statements on Development, pages 21 to 25. www.cdes.gov.br

the basis of the pyramid; favor direct taxes rather than indirect ones; care for environmental issues which have become an important vector for developing tax encouragement.

25. To improve governance of the National Monetary Council, for macroeconomic decisions to be made on wider bases, absorbing the sensitivity of the many social sectors willing to share responsibility in relation to Brazilian development.¹⁸

3. The transition to the economy of knowledge

The expansion and homogenization of the fostered and free access to any kind of knowledge is a fundamental axis for the change towards a more developed and competitive country in this world made global. Education and culture perform an important role in this transition process.

The society of knowledge presents challenges to public policies, especially in what refers to the access to the means of communication. The National Wideband Plan (PNBL) aims to provide wideband internet access to 40 million households until 2014, becoming a low cost alternative for network connection. The PNBL aims to encourage competition and lower prices to the final consumer through a series of regulatory measures, the result of it being the expansion of the existing offer.

The quick and efficient dissemination of knowledge is one of the main components to innovation. A significant part of the innovation process is the constituency of interlocutors at universities, technology production centers and companies, guaranteeing dialogue, choice of priorities and co-work.

The competitiveness progress of the Brazilian enterprise depends and will depend ever more in its capacity to innovate; in other words, to generate new products and procedures with larger technological density. Innovation is essential to increase productivity and guarantee better wages in a sustainable manner. Such has implications to numerous public policies in the educational area, in the efficiency of sector regulation frameworks, in the encouragement to be entrepreneurial, in the reduction of red tape and in the entrepreneurial R&D policy. Among the propositional axis to make the transition to the economy of knowledge, Council Members point out:

1. To significantly widen public and private investment on science, technology and innovation in Brazil, allowing us to evolve from the current 1,3% of the GDP to 2,0% in 2015 and 2,5% in 2022.
2. To improve the legal framework in general and the one referring to science, technology and innovation, aiming at providing more safety to investors; to facilitate dialogue with control entities; and include enterprise intangible assets in the appreciation of assets when negotiating with public and private foster entities.
3. To encourage the private sector to increase destination of resources of its own to innovation and other forms of intangible investment by means of tax waivers, economic subvention and technical assistance for technology transference. To create research and technology based centers, aiming at developing new products and processes that may contribute to increase the competitiveness of Brazil in the international scenario.

¹⁷ The CDES has been following and making propositions by means of the Equity Observatory about the indicators of the National Tributary Equity Indicators – www.cdes.gov.br

¹⁸ Motion by the CDES on the Composition of the National Monetary Council approved on the 12th Plenary Meeting, 19/05/2005.

4. To significantly expand private investment on research and innovation, promoting capillarity, above all in what refers to creation of new incentives and fiscal cuts, fall in interest rates and expansion of economic subvention and financing terms meant for enterprises which were not yet benefited by the current Science, Technology and Innovation Policy. To create mechanisms to facilitate and widen access for new born, micro, small and self-employed enterprises to public financing lines for science, technology and innovation, as well as provide expert technical assistance for research and development.
5. To promote the strengthening and modernization of public entities for fostering and supporting science, technology and innovation, as well as to mobilize the competences and resources throughout the Country, favoring a larger integration between universities, research institutes, foster agencies and the private the sector.
6. To improve and accelerate the implementation of the Brazilian strategy of insertion into the economy of knowledge, integrating the economic policy with the productive development and science, technology and innovation policies. Emphasize which are the sectors where sustainable development is under threat and those where Brazil has comparative advantage. One can remark biotechnology, nanotechnology, biodiversity and natural resources, agribusiness, renewable sources of energy first, second and third generation ethanol – oil and gas, information and communication technologies, especially Digital TV, services and logistics; alternatives for transportation modes with less environmental impact (electrical and hybrid vehicles); production technologies aiming at reducing raw material consumption; construction technologies aiming at reducing energy consumption; bio-treatment of sewage and water gallery techniques.
7. To accelerate investment on research and innovation, focusing on the increase of competitiveness among Brazilian enterprises by increasing the amount of exports with more added value and technological content.
8. To foster science, technology and innovation in primary sectors such as health, education and culture. The health industrial field is an area of large knowledge and innovation intensity that Brazil is competent enough to develop, especially in what refers to vaccines and new drugs for treating illnesses left aside by the pharmaceutical industry but which affect Brazil and other countries. Education has a core importance and must encompass different educational levels, incentives to apprenticeship, continuous education and the education process within enterprises. The usage of TICs in cultural activities is especially relevant to Brazil: a country rich in diversity and culturally dense. To provide new outreach and dynamism to the fostering of social technologies, encompassing products, techniques and/or re-applicable methodologies developed along with the community and which represent effective society transformation solutions. Features of a social technology are the intensive use workforce, simple implementation and maintenance and respect and valuing of local culture..
9. To implant the National Wideband Plan so as to increase connectivity and make massive the access to the internet, making it universal, giving priority to lower income families and making possible the insertion of all Brazilian municipalities and of the majority of the population into the society of knowledge at a cost accessible to all. The free access to knowledge and its circulation through the info-ways allows to bring dynamism to economic, social and cultural activities.
10. To mobilize Brazilian society aiming to create a culture of innovation and technical-scientific entrepreneurship as a key to becoming a country more developed, more just and with more solidarity, acting strongly over education institutions, enterprises,

unions and communication bodies, as well as on the local, sector and theme social networks that today articulate millions of people on the web.

4. Decent work and productive inclusion

The productive inclusion of the active population as a whole, by means of providing decent jobs¹⁹, represents a huge challenge, but at the same time is a strategic vector for sustainable development.

Income inequality is directly related to the unbalance in productive inclusion. The Country has an active population of 100 million people, among which only 41,4 million had formal jobs in April 2010. In spite of the more than 12 million jobs created in the past seven years²⁰ and the decrease in informality among employed workers, there is still room to expand employment, formalization, social protection guarantee, reduction in the rotation rates and promotion of adequate work conditions in the economy as a whole.

Brazil is on the top of the so called “youth wave”, which means that the Country will not have in any other moment such an expressive contingent of youngsters compared to other age brackets. It is 50 million Brazilian between ages 14 and 29. Nearly 66% , 35 million of such citizens, are inserted in the labor market. Such reality requires specific public policies aiming at youth education and professional instruction.

This productive inclusion involves a set of diversified initiatives considering local realities, with strong involvement from state and municipal spheres of power, such as instruction and capacity training, support to micro and small businesses, to entrepreneurship, to cooperativism, to sustainable extractivism and to the expansion and strengthening of Solidarity Economics.

The Council Members point out the following propositional axes regarding decent work and productive inclusion:

1. To guarantee a permanent policy of appreciating the minimum wage, as an instrument for developing social balance and improvement in income distribution. The objective is to qualify employment and work in general by means of a policy of strengthening the power of purchase of the minimum wage, of formalizing work through social security and professional instruction.
2. To move forward in the development of public employment, work and income system, articulated with policies for professional education, qualification and certification pursuant to the technological evolution and the new standards of production organization, taking into account the dimensions of gender, race and generation.
3. To encourage within the employment policies new forms related to culture, entertainment and sports. It is necessary to re-invent employment taking into account the concept of an economically and socially significative productive activity.
4. To strengthen employment programs and policies with focus on the youth, including youngsters playing a productive role in society, increasing the development potential and reducing the demand for compensation or emergency policies.

¹⁹ The definition this agenda has of decent work is based on the concept of the International Labor Organization, that points out as pillars: 1) Respect of the international labor rules, especially the essential labor principles and rights (freedom of union and effective recognition of the right for collective negotiation; elimination of all forms of forced labor; elimination of child labor; elimination of all forms of discrimination regarding employment and occupation; 2) Promotion of quality employment; 3) Extension of social protection; 4) Social dialogue.

²⁰ MTE-RAIS (2002-2008) e CAGED (2009-2010)

5. To foster new entrepreneurs, cooperatives and micro and small businesses as vectors for productive inclusion. To guarantee credit, perfecting the Simples²¹, among other measures. One must strive to articulate initiatives and policies oriented to micro and small businesses under a single body/entity.
6. To promote local development, development of the productive networks and of the local productive arrangements with focus on strengthening micro and small businesses and associative endeavors.
7. To create a mechanism to support and foster solidarity economics, considering it a development strategy and moving forward on the axes of financing and credit, commercialization, training and technical assistance, legal framework, international cooperation, access to technologies, support to networks and production chains, as well as public policies.
8. To perfect conditioned income transference programs, articulating them to policies for generating employment, work and income, as well as local economic development.
9. To implement the National Agenda for Decent Work (ANTD) agreed between the government and employer and worker organizations, by means of a National Program for Decent Work to be established, assessed and monitored on a regular basis.

²¹ Simples Nacional é um regime tributário diferenciado, simplificado e favorecido previsto na Lei Complementar nº123, de 14.12.2006 aplicável às Microempresas e às Empresas de Pequeno Porte

5. *Production standards for the new development cycle*

The discussion on production standards is strategic to Brazil, a country endowed with natural resources that intends to become more actively engaged in international exchanges. A consensus has been reached among the CDES members, that the country should make the best out of its advantages in terms of commodities and the pre-salt possibilities, but that it should also look for new options by adding value to primary goods and fostering industry, both the one that focuses on the domestic and the one that focuses on the foreign market. The opportunity to transform natural resource intensive sectors into areas of medium and high technological content such as the agribusiness and agroindustry, steel metallurgy, oil and gas industry and bioenergy, to name a few, is a complement, rather than a replacement, to the industry and services sectors.

Special attention has been given to the construction of long-term competitiveness in the Brazilian production sector since 2003. It is in this context that the Industry and Technology and Foreign Trade Policy (PITCE), the law of Innovation and the Law of Goods have been created. The national Council for Industrial Development (CNDI) - an instance for public-private interrelation - and the Brazilian Agency for Industrial Development (ABDI) were created with the purpose of strengthening the institutional framework that provides support to the industrial policy. Along with the Agency for the Promotion of Exportation and Investments (APEX), all within the sphere of the Ministry of Development, Industry and Trade (MDIC), they have been building capacity for the implementation of the industrial policy and innovation the country need in order to become more actively engaged in the international market in this new development cycle.

With the launching of the Action, Science and Technology Plan (PACTI) in 2007, and of the Policy for Productive Development (PDP), in 2008, this strategy was reiterated, with a focus on increasing the investment rate of the economy, increasing exportations, and strengthening micro, small and medium innovative companies.

It is notorious that the Country's industrial, foreign trade and innovation policies are intrinsically connected in the new development strategy outlined by the government and supported by the civil society.

The counselors suggest the following lines of action:

1. Consolidating the long-term Industrial Policy under the leadership of the private sector. The policy should be committed to structuring and expanding a competitive production system that knows how to leverage the opportunities created by the domestic market to invest and create jobs, and that reflects international productivity standards.
2. Integrating and strengthening the production chains, with emphasis on the competitive and strategic sectors for the new development cycle. One example is civil construction, which involves a broad range of materials supply industries, fosters the furniture manufacture industry and utilizes a number of services, being an important generator of new jobs, income, and regional development.
3. Creating and implementing a specific industrial policy that ensures the existence of broad national content in the pre-salt exploration and in the development of its production chain, given its importance and dimension. The CDES should continue to contribute to the achievement of this goal.
4. Supporting the institutionalism of instances created within the sphere of the PDP, strengthening and broadening the coordination capacity of policies and the integration of instruments, streamlining the use of public resources.

5. Fostering innovation, encouraging partnerships between universities and companies, programs for the creation of incubators, technology parks, startup technology-based companies and small innovative companies, necessary conditions for the increase of productivity of Brazilian companies and Brazil's more active engagement in the new scenario that is being outlined for the national and global economies.
6. Accepting the transformation industry as the catalyst of dynamic effects in the Brazilian economy and its key role in the increase of job positions, income, and innovation.
7. Strengthening the internationalization of Brazilian companies, with a special presence in Asia, Latin America, the Caribbean and Africa, growing markets where Brazil has a greater competitive advantage.
8. Strengthening the integration of the production among the countries of Latin America and the Caribbean, strengthening the economy and trade in the region, which is an important pillar of the Brazilian international policy.
9. Promoting a suitable environment for private investments, so as to strengthen competitiveness, efficiency and access to international markets, avoid environmental damage and fight job instabilities.
10. Creating a synergy between public investment, led by state-owned companies, and private investment, with the purpose of creating domestic groups endowed with financial power and the ability to compete in the global markets, and committed to the country's development goals.
11. Creating mechanisms to encourage the investment in production, and ensuring that a substantial part of the production is allocated to the domestic market for consumption by the population, thus generating jobs and income.
12. Facilitating public and private investments in instruments able to foster growth and development.
13. Strengthening and improving the institutionalism of the regulatory frameworks, institutions and policies, thus reducing uncertainties and preventing the control agencies – in performing their legitimate and important roles – from setting standards where regulatory shortcomings are present, and also preventing the administrators from abandoning their entrepreneur behavior.
14. Making the assessment of impacts, losses and consequences to society a mandatory procedure in the event of extreme measures, such as the interruption of investments and construction works. This shall serve as the foundation for the making of decisions and the definition of liabilities by the Judiciary Power, the Public Prosecutor Office , and the Courts of Audit ²².

6. The possibilities of agriculture

Brazil has over 150 million hectares of tillable land that can be integrated in the production process, more than twice of what is currently used for temporary and permanent agricultural areas together. This represents the Earth's largest soil reservoir. Water are among the most abundant, both in terms of surface water and the *Guarani* and *Alter do Chão* aquifers.

²² CDES opinion on Investments, approved in the 32nd Meeting of the Full Court, 12/09/2009.

Approximately 30 million individuals live in the countryside, and family agriculture alone employs over 10 million people.²³ Agriculture is a strategic pillar extremely important for the development of the country, given this wide availability of earth and water and the number of Brazilian citizens that benefit from it, in addition to the mild weather, the accumulation of technological capabilities, the growing diversification of the domestic and international markets.

The country is the third food producer of the world, and may become the first. Brazilian science is outlining a new sustainable agriculture that is less dependent on production input, with greater productivity based on biotechnology and nanotechnology. Currently 8 million hectares of sugar cane use no pesticide, and 22.5 million hectares of soy utilize bacteria instead of mineral nitrogen. Sustainability is becoming a key aspect for the commercialization of and adding value to goods, and the country has enough conditions of making even more progress and having the world's most sustainable agribusiness.

Family agriculture, which is responsible for approximately 70% of food production²⁴ and small scale polyculture need an integrated support system. Significant progress has been made, especially in terms of the National Program for the Strengthening of Family Agriculture (Pronaf), whose availability of funds per agricultural year has been growing since 2003 at a faster pace than the previous years. The program's resources went from R\$ 2.4 billion in agricultural year 2002/2003 to R\$ 13 billion in 2008/2009 in several credit lines for financing, investment and trade. This brought about indirect benefits such as technical assistance, the right to agricultural insurance programs and to the federal government's trade programs.²⁵ Pronaf has special lines for women, agroecology, semi arid areas, forests and trade, which demonstrates its ability to transform the Brazilian reality.

The countryside however, still houses major inequities. Around 37% of agriculture workers have never had access to school and 42% have not finished basic education.²⁶

Some major strategic targets for the country include increased efficiency and quality in the production processes, greater respect in labor relations, the effective incorporation of environmental aspects to the activities performed, technological enhancement and a greater technical level balance among all types of agriculture.

The counselors suggest the following lines of action:

1. Fostering the development and increasing the access to technology and innovation by the different types of agriculture – large, medium and small farmers, cattle raising, fishing and sustainable extractivism. Improving production processes, in order to add value to agricultural products.
2. Developing the production, social and environmental excellence of the agriculture chain, incorporating the “green decent labor” concept to it and thus contribute to the growth of the country's economy. Fighting against the illegal deforestation of the Amazon, the *Cerrado* and other sensitive biomes, the destruction of riparian forests, the utilization of slave workforce and the use of chemical products by farmers

²³ IPEA – PNAD 2008, *Primeiras Análises, Setor Rural* – March 29, 2010 – Bulletin n. 42

²⁴ IBGE, data provided by the 2006 Agricultural Census.

²⁵ BACEN (Only Bank Liabilities), BANCOOB, BANSICREDI, BASA, BB, BN and BNDES. Information updated until BACEN: Up to 06/2009; BANCOOB up to 04/2010; BANCO COOPERATIVO SICREDI: Up to 04/2010; BASA: Up to 10/2009; BB: Up to 04/2010; BN: Up to 03/2010 and BNDES: Up to 07/2006 – Last 3 months may be subject to changes.

²⁶ IBGE, 2006

without adequate protection, not only at the production site, but in the entire chain, from the sale of raw materials to access to credit and the commercial circuit.

3. Rationalizing the utilization of water resources, avoiding waste and contamination by agrotoxins. Encouraging the use of sustainable technologies in agricultural production in general.
4. Ensuring the population will have access to public assets (education, health, infrastructure), effectively considering it in the country's development project.
5. Attempting to achieve the integrated and systemic development of family agriculture, of sustainable extractivism and of large-scale production, leveraging the capabilities and best uses of the existing production systems and possible synergies.
6. Promoting an integrated services system to provide support to family agriculture – technical assistance, trade, access to market data and credit systems. Compensating family farmers for the utilization of sustainable technologies, as they perform a relevant role in the preservation of natural resources and provide a service that benefits the entire society.
7. Developing and strengthening mechanisms to support sustainable extractivism, which is a driving force of local development and environmental conservation.
8. Democratize the access to land in proportions and quality enough to initiate a virtuous process of production improvement, social inclusion and income generation.

7. The role of infrastructures: Transportation, energy, communication, water and sanitation

Considering the dimensions of the Brazilian territory, the role of infrastructures is essential in providing support to the new cycle of development and improving the competitiveness of the Brazilian economy in the international market. These initiatives are beyond the company's decision-making power, as they require major investments, need to be organized in coherent networks, generate diffuse effects, and financial return only occurs after long periods. Due to its structuring effect and the impact that it has on the entire set of activities, this area should be regarded as one of the major strategic pillars. This traditionally encompasses the following sectors: transportation logistics, urban mobility, energy, communication and water/sanitation, networks that must be widely disseminated and universal.

Even if one considers the recent progress of PAC I and PAC II, it is necessary to considerably increase investments in infrastructure and accelerate project execution. Brazil has enduring hindrances to the acceleration of economic growth due to the scarce offer and the inefficiency in sectors such as transportation logistics, communications and energy. The country has made progress, but it needs to improve its technical and technological efficiency, its regulatory frameworks and bureaucratic procedures, enhance the quality and increase the amount of basic and executive projects and create mechanisms for public and private financing in order to meet the growing demand for investment resources.

The need to build infrastructure for international events such as the 2014 World Cup and the 2016 Olympic games is the opportunity to improve planning capabilities, start large constructions and build a legacy for the cities and territories that will host these events.

The counselors suggest the following lines of action:

1. Increasing resources allocated to infrastructure and accelerating the implementation of public investment, streamlining public management, the institutional environment and bureaucratic procedures, and to execute, whenever possible, developments in partnership with the private sector, utilizing instruments such as concessions, grants, and public-private partnerships.
2. Consolidating the legislation of regulating agencies in the role of State agents, strengthening the concept of autonomy and independency, with clear roles and responsibilities and introducing instances for the resolution of conflict.²⁷
3. Improve the Law of Public Tenders. Revise Law 8666/93, separating major constructions and major investment purchases from routine purchases, which could have defined standards in terms of projects, agreement models and governance structure. It is necessary to guarantee that the execution and control of public investments occur in a legally safe and transparent environment, at the speed required by the country's development process.
4. Improve the environmental licensing quality. Environmental sustainability is a key aspect for defining and executing engineering works. Thus, an increased environmental licensing quality requires less bureaucracy and transparency in environmental licensing processes, as well as the incorporation of environmental specialists in infrastructure project execution agencies, the institutional strengthening of the Brazilian Institute for the Environment (IBAMA), and the regulation of article 23 of the Federal Constitution, with the purpose of eliminating the overlapping of competencies in the environmental sector.
5. Accelerating the construction, reform, expansion and streamlining of airports, as set forth by the PAC. Defining instruments for the integration of the civil aviation and the road, railroad and water transportation sectors, in conjunction with the regional development policy. Improving the management and air traffic control systems of Brazilian airports. Creating mechanisms for the continuous improvement of airport and air traffic control system management, in accordance with international best practices.
6. Increasing the capacity and efficacy of Brazilian ports. Providing the resources needed for increasing the capacity of ports, in order to fulfill the needs created by the demand for maritime and fluvial cargo transportation, as well as significantly improving the efficiency of Brazilian ports.
7. Revising the commodities transportation system. Renovating shipyards, enhance coasting trade, promoting inter-mode connectivity with large railroad networks to integrate the countryside.
8. Redefining and restructuring the passenger transportation matrix, especially in large and midsize cities. Adopting sustainable urban mobility programs to facilitate collective mass transportation – especially with vehicles using biofuel – the growth of bikeways and on-foot transportation in close conjunction with the urban development and land use projects. Prioritizing mid or long distance transportation, with high-speed electric trains and thus reducing the carbon footprint.
9. Integrating agencies and entities of the transportation logistics sector to improve the planning and execution of projects, aiming at intermodality. Promoting integration

²⁷ Term of reference of the CDES work group “Infrastrutcute Agenda for Development” approved on the 20th Plenary Meeting, 05/12/2006.

among bodies, agencies and entities of the transportation logistics sector, under the coordination of the National Council for Transportation Integration (CONIT).

10. Reducing energy and fuel related costs. Creating ways to reduce energy prices, practicing moderate fees, considering the duties applied to electric and fuel energy fees, including the tax burden.
11. Broadening and improving energy efficiency initiatives. Expanding the objectives and goals of energy efficiency in the country, improve the capacity to manage and integrate the agencies involved, increase human, technical and budgetary resources, as well as funding mechanisms for the private sector and sectoral funds.
12. Improve studies and projects for expanding the hydroelectric energy offer. The largest reserves of hydraulic energy in Brazil are located in the Amazon, which requires in-depth studies and strict engineering projects that take into consideration the environmental, anthropological and social risks. These studies need to be accelerated and their results broadly discussed by the Brazilian society, so that it can make a suitable choice, assessing the costs and benefits of increasing the hydroelectric energy offer in a sensitive region to meet the requirements of a growing demand, or investing in thermal energy powered by coal and oil derivatives, at high financial and environmental costs.
13. Expanding renewable energies in the energy matrix. Prioritizing public bids with the purpose of diversifying and broadening the offer of renewable energy sources, so as to progressively integrate wind, solar, biomass and waste energy into our energy matrix. Assessing the relevance of creating tax and financial incentives for clean and renewable energy sources.
14. Increasing the nuclear energy offer, as long as issues related to the safety of workers and the population locates around the plants and the storage and disposal of radioactive waste are previously solved.
15. Increase the production and exploration of oil and natural gas, especially in the pre-salt area, in compliance with the new regulatory frameworks, the incentive to the creation of a chain of internationally competitive domestic suppliers, and adopting technologies that ensure that the exploration, production and refining are as sustainable as possible, so that Brazil may lead the global production of sustainable hydrocarbons.
16. Promoting a substantial improvement in the water management processes of Brazil, with a strong interrelation and integration among the three government levels and broad participation of the civil society, especially in the basin committees.
17. Increase investments in basic sanitation. Strengthening interstate relations, creating dynamic financing mechanisms and improving the technical capabilities of sanitation companies and service providers, with the purpose of providing universal access to basic environmental sanitation, with high quality potable water provision, sewage, solid residue and urban pluvial water management systems.

Building infrastructure for the integration of South America. Expanding financing mechanisms and projects for the integration of South America, especially in the transportation, energy and communication sectors, with the purpose of improving the trade chains and life conditions of the population and contributing towards the development of the region.

8. *Environmental sustainability*

The environmental challenge has global dimensions and involves matters such as climate, depletion of natural resources, water contamination, deforestation, loss of biodiversity, waste of resources and excessive garbage being produced by people.

The necessary change to a more sustainable development standard requires the convergence of a set of social and institutional players, environmental education, strengthening of research and development, a change in the vision of the media and in the publicity messages, changes in the energy matrix, in urban organization, in sewage and solid residue treatment, in the rationalization of the usage of raw materials, in consumption standards and in the world of labor.

The Brazilian Amazon encompasses 60% of the national territory and is home to 25 million inhabitants, the majority of them living in urban areas. It can be seen as the largest geo-environmental compound in the world, given its variety of natural resources, like ore of different kind, its biodiversity, the forest coverage and infinity of fresh water both on the ground and the underground. Evermore, science reveals the importance of the region for global environment.

The CDES sustains that Brazil should keep on moving towards a green and low carbon emission economy, taking advantage of its privileged position in terms of clean energy production, its natural resource assets and biodiversity wealth, including the widest forest coverage in the world, to the point that its preservation is of interest to all peoples. The Council considers that Brazil has natural, competitive and political advantages to play a leadership role in the world effort to mitigate the emission of greenhouse gases and manage other themes related to environmental sustainability.

To the Council Members proposals in this sense are as follows:

1. To promote a sustainability culture in the realm of State, enterprises, social movements, media, education institutions and general public, striving to make general a systems and long term vision.
2. To implement and expand actions to obtain energy efficiency and rational use of water, to fight deforestation, to promote sustainable construction, to increase the share of railway, waterway, ductway and conveyor way in the Brazilian transportation matrix, the growing incorporation of renewable sources of energy to the Brazilian energy matrix and the reduction of the emission of greenhouse gases at the sectors of the Brazilian industry that most emit GHGs and consume energy. To prioritize investment on science, technology and innovation aiming at increasing efficiency and producing more efficient and sustainable goods and services.
3. To grant fiscal incentives to more efficient machines, equipment and transformers and promote the acceleration of value depreciation for old machinery and equipment with energy consumption.
4. To encourage environmental conditioning in terms of making the creation of green jobs and the usage of socially appropriate and environmentally sustainable technologies become part of the criteria for fiscal exemption or for subvention.
5. To guarantee that the actions for implementing the green economy may lead to the creation of more jobs, which will only be considered green if they correspond to a concept of decent work and to the model of sustainable development.
6. To insert the agricultural/environmental zoning into a national policy oriented to find an environmental, economic and social sustainability coherent with the process of organizing the Brazilian territory and that may encompass in an effective manner the protection of sensitive biomes.

7. To develop the potential for forest management through policies for funding research and innovation, logistics and the structuring of supply, production and distribution chains.
8. To encourage the adoption of sustainable technologies and productive methods within the agriculture and cattle raising standards and concerning other soil usage dimensions.
9. To promote the development of the Amazon within the understanding the complexity of regional reality, identifying inclusive options that may be profitable to the economy and sustainable to the environment. Such requires a clear territorial vision and a strong commitment to the future generations.
10. To regulate the economic activities in the Amazon so as to prioritize the deforested areas, to increase productivity and the maximum usage of the existing infrastructure. The distribution logistics must be the most competitive and less aggressive to the Amazon environment, like in the case of waterways. The growing demand for wood and vegetal coal must be supplied by reforestation of native species whenever this is possible and even by exotic species, thus preventing deforestation.
11. To make a joint effort to follow-up the effective fulfillment of the Brazilian voluntary goals to mitigate the emission of greenhouse gases, involving the government and the different sectors of society. For that end it is necessary to regulate the Climate Change Law, to which the CDES is willing to contribute.
12. The CDES suggests to incorporate the principles and concepts of sustainable cities to the cities that are going to host the 2014 FIFA World Cup and to the host of the 2016 Olympic Games, remarking the need for sustainable construction, collective transportation and wide usage of renewable sources of energy, aiming at reducing CO₂ emission, improving urban mobility and quality of life in cities, and utilizing this model as a future standard for all Brazilian cities with population above 300 thousand inhabitants.

9. Consolidation and expansion of social policies

Social policies aim to obtain guarantee of access to citizen's fundamental rights; creation of opportunities and results for individuals and/or social groups; and the guarantee of safety to the individual in situations of safety and vulnerability.

The transformation of social policies into State policies justifies itself given its aspects of social promotion and protection. But such policies also have an important economic dimension to them. Given the performance Brazil reached in the past years in terms of reducing poverty and inequality in the past five years, Brazil can overcome the problem of extreme poverty, as well as to reach a national rate of absolute poverty of only 4% until 2016.²⁸ The level of income in the poorest segments is rising, but income inequality improves more slowly for having a very low starting point, on the base of the social pyramid. Social, regional, gender and racial inequality persists. Thus, it is essential to expand and keep the set of public policies and private activities that favor social and regional equity.

Social policies must make the democratic and quality access to basic services become more dynamic. A general effort to universalize and improve public services must be made.

²⁸ IPEA – *Pobreza, Desigualdade e Políticas Públicas* – 12 de janeiro de 2010, Comunicado da Presidência n. 38 – p. 8 <http://www.ipea.gov.br/default.jsp>

As for Education and Social Protection, expansion of financing, efficient management, participative governance and affirmative policies may correct historical imbalance and the State has an essential role to play in this process. As for Health, the matter of the persisting social inequality is more serious and deserves special care not only from the States and governments on all levels but also from society.

Social inclusion involves providing access to income and public services and the right to taking hold of the development of policies. In this sense, non centric policies are an important form of organization. At the same time, the partnerships, inter-municipal consortiums, co-financing, shared information systems and other mechanisms allow to gradually democratize decision making processes without fragmenting policies.

The set of social policies tend to become the main axis of activities in modern society. In this sense, Council Members propose:

1. To consider income and wealth re-distribution, equity promotion and the guarantee of universal policies based on full rights that may affect the set of dimensions that define quality of life.
2. To ensure economic safety by means of conditioned transferences and/or basic universal income capable to provide to family nuclei and individuals a minimum amount of assets.
3. To consider the social dimension to be inseparable from the economic dimension for financing projects and endeavors, taking into account the needs of the territory where they are executed.
4. To perfect governance of the social protection system so as to articulate policies and programs between federate entities and civil society.
5. To improve the institutional aspects of social policies. To ensure that the social policies implemented in the past years become State policies, in the realm of the National Parliament.
6. To promote an integrated action among the three levels of government, in the urban/metropolitan areas with high social vulnerability, aiming to provide them with decent citizenship condition.
7. To consolidate the public social policy systems as in the Unified Health System (SUS), Unified Social Assistance System (SUAS), Unified Alimentary and Nutritional Safety System (SISAN), the housing system, among others.

8. To modernize the health management systems for both public and private services. This innovation process must promote contexts with more efficiency and efficacy, both in the realm of systems management as in that of the units, overcoming the enormous gap concerning health instruments and managerial practices.
9. To expand public expenditure on health in order to make feasible the expansion and regionalization of the service network aiming at making it universal, egalitarian and integral.
10. To guarantee to the youth the right for employment, income, education, health, culture, sports and leisure. To consolidate the youth public policies and promote the integration between policies specific and oriented to certain juvenile strata with universal policies.

ECONOMIC AND SOCIAL DEVELOPMENT COUNCIL – CDES
Agenda for the new Development Cycle

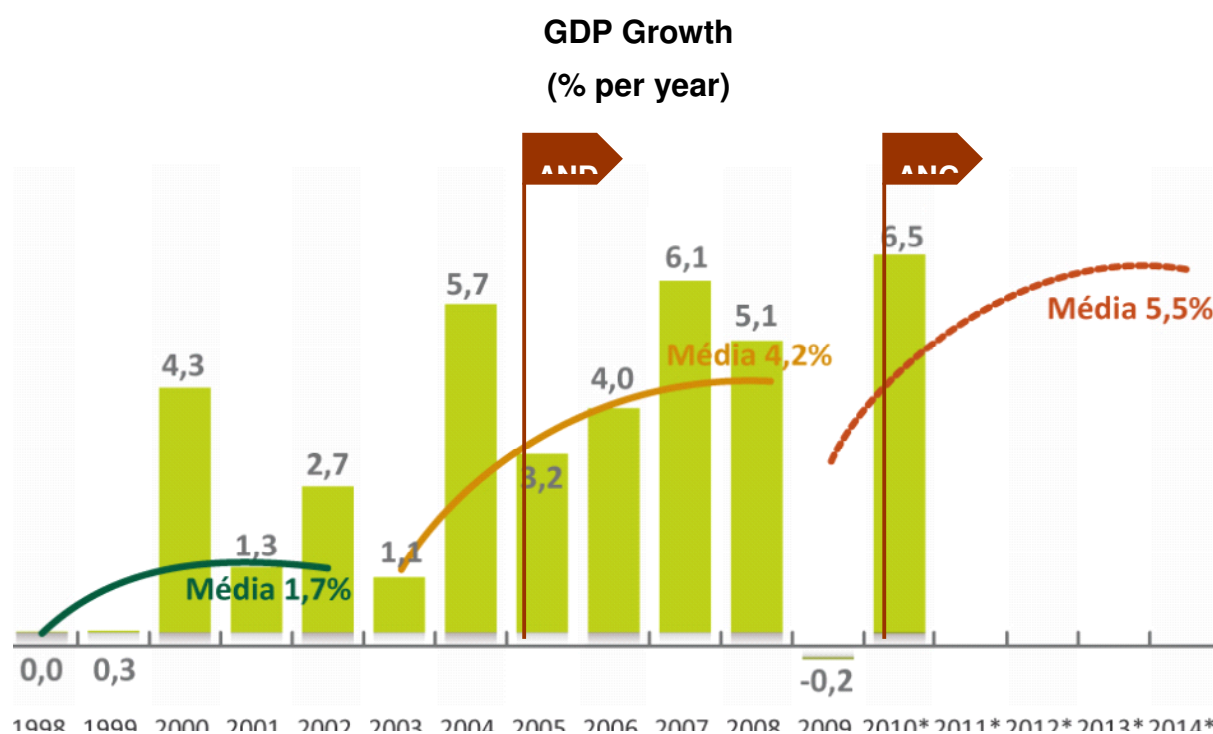
ANNEXES

Annex I: Economic and social indicators of the new standard

Annex II: Process of preparing the Agenda for the New Development Cycle

10. Annex I: Economic and social indicators of the new standard²⁹

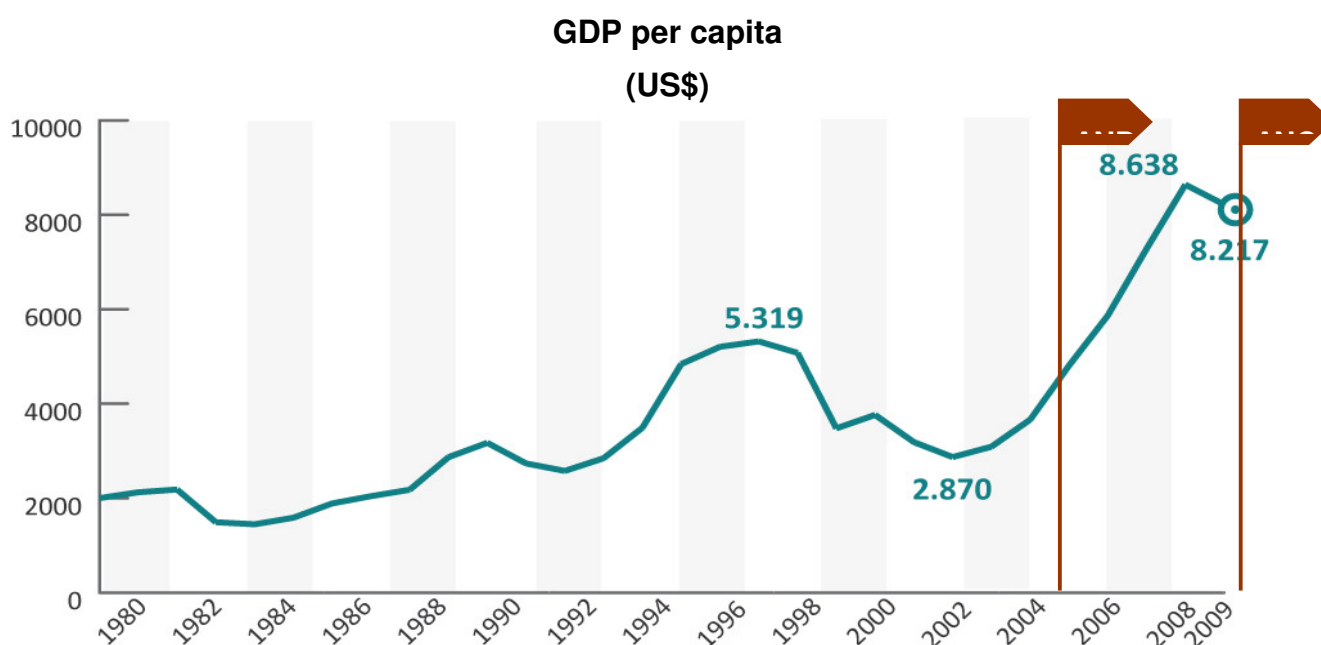
Graph 1



Source: IBGE

Prepared by: Ministry of Finance.

Graph 2



²⁹ ²⁹ Some graphs use the AND and ANC acronyms meaning: the National Development Agenda (AND), presented by CDES in mid-2005 and the Agenda for the New Development Cycle (ANC), referring to the current systematization effort.

Source: IPEA.

Prepared by: Ministry of Finance.

Graph 3

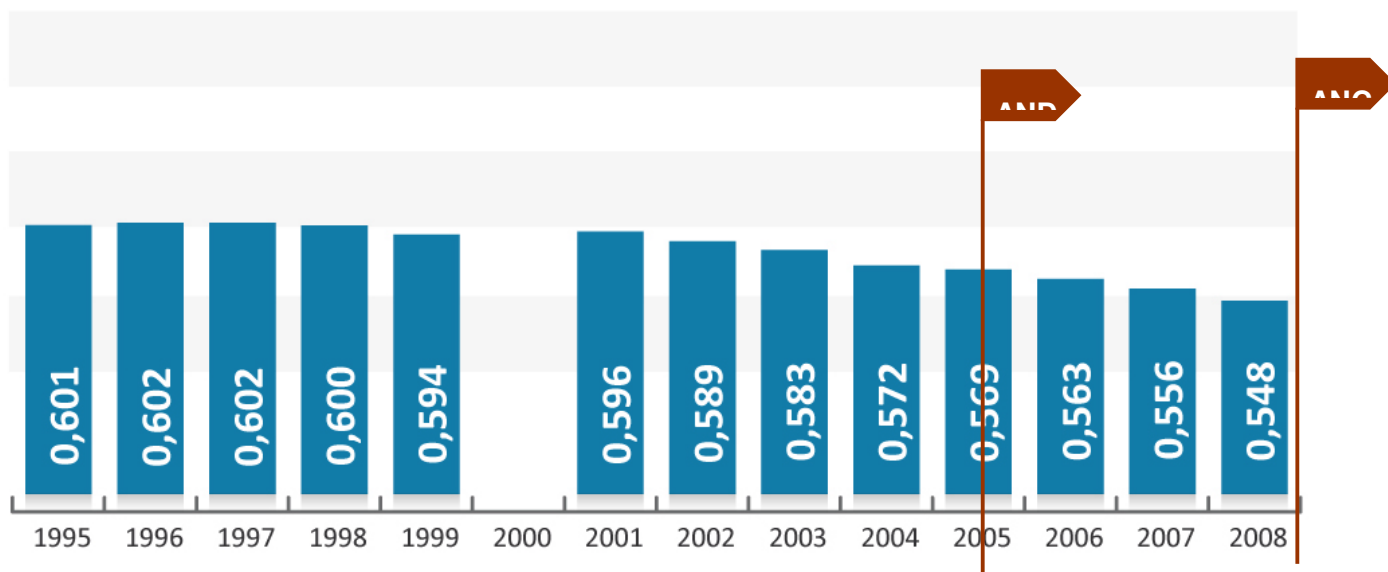
* Position in January 2010.

Source: IPEA and Ministry of Labor and Employment

Prepared by: Ministry of Finance.

Graph 4

Gini coefficient
Index between 0 (best outcome) and 1 (worst outcome)

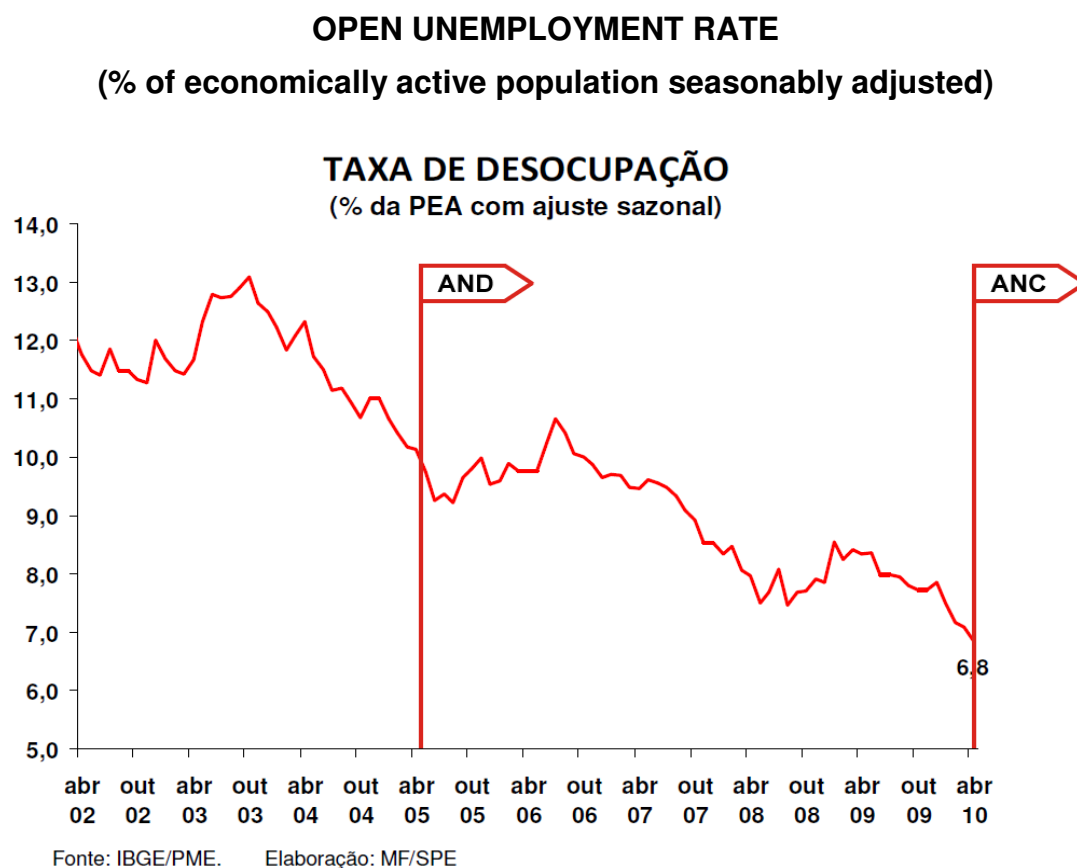


* No data was collected in the year 2000.

Source: IPEA.

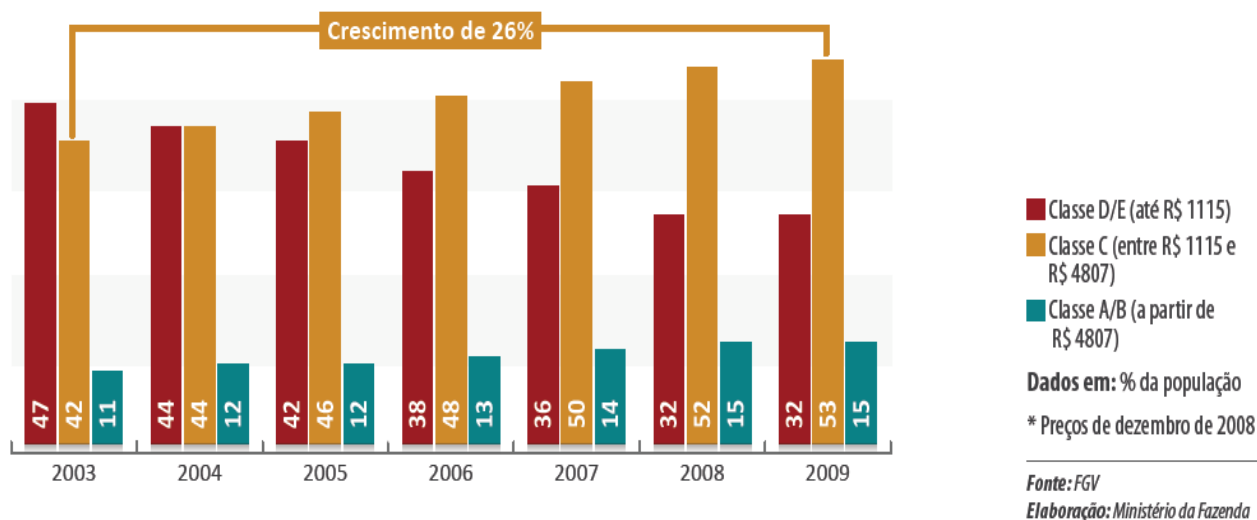
Prepared by: Ministry of Finance.

Graph 5

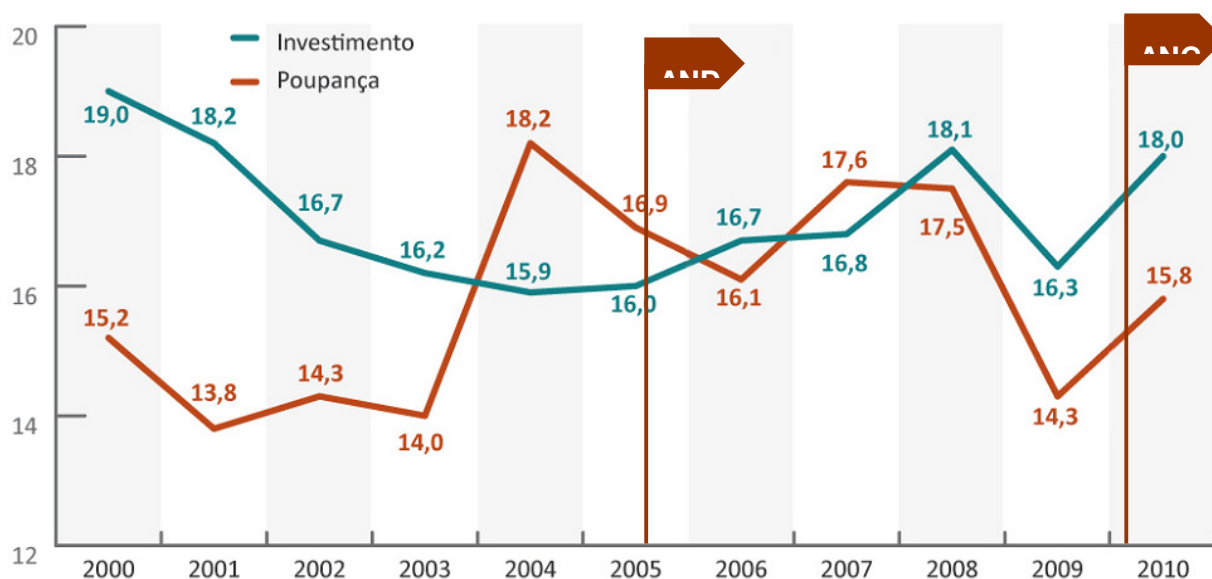


Notes: the unemployment rate is the percentage of unemployed persons (out of work and that have searched for work during 30 days within the month of the survey) in relationship to the number of economically active persons for that referred week.

Graph 7
New Class C
(% of the population)



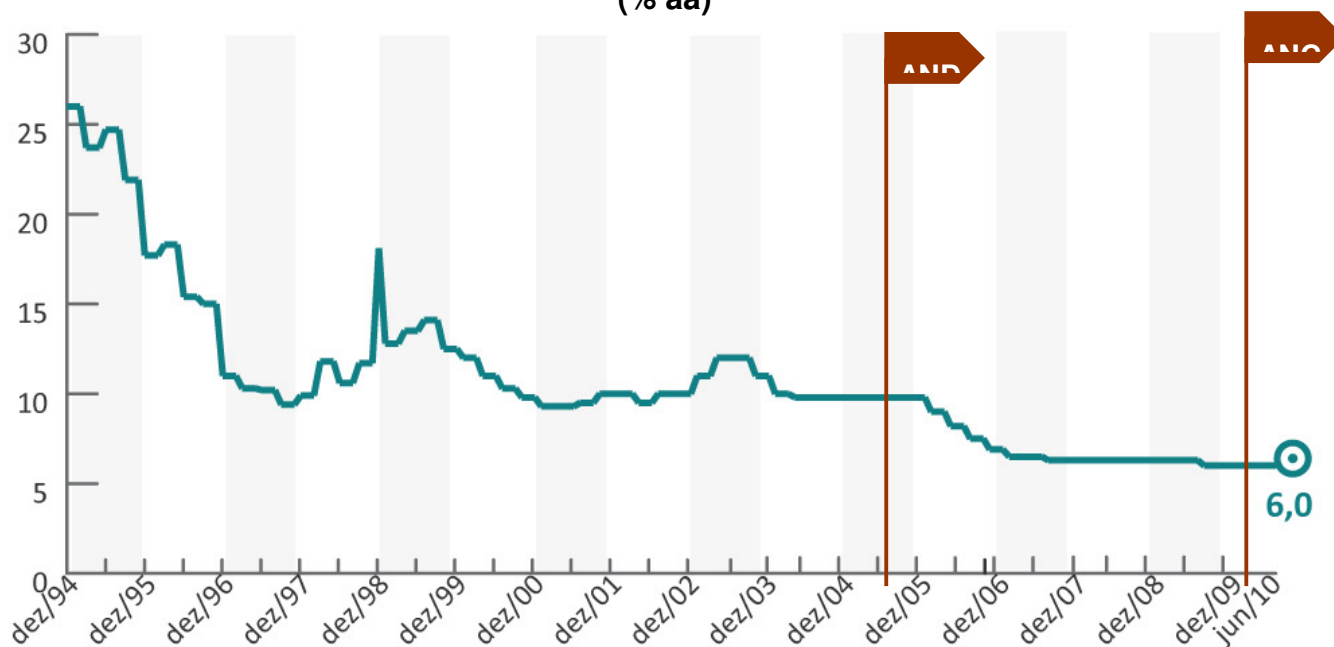
Graph 8
Investment and Domestic Savings
 (% GDP)



Source: IBGE.

Prepared by: Ministry of Finance.

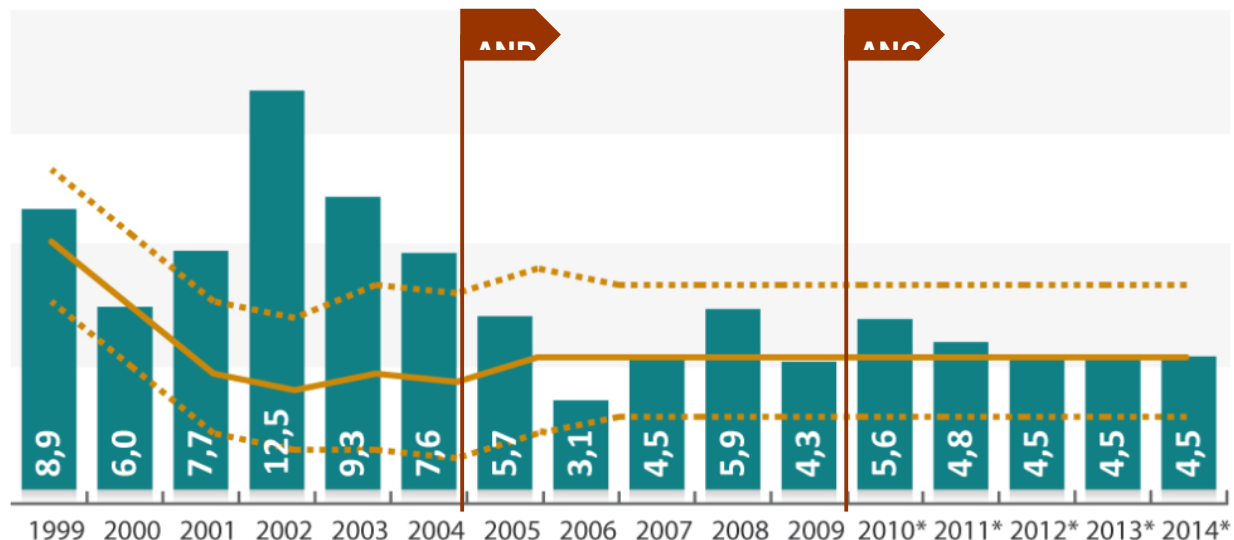
Graph 9
Long Term Interest Rate – TJLP
 (% aa)



Source: IPEA.

Prepared by: Ministry of Finance.

Graph 10
Inflation Target Regime in Brazil
(IPCA – % Variation accumulated in 12 months)



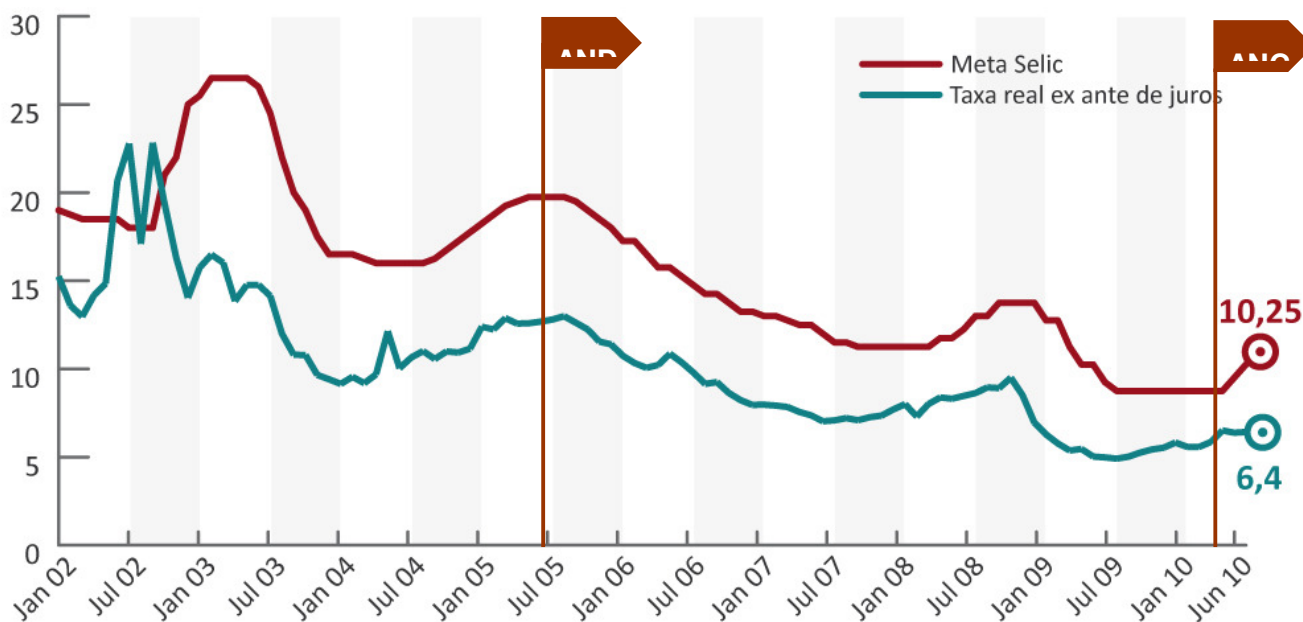
* FOCUS Expectation on June 4, 2010.

Source: IBGE and BCB.

Prepared by: Ministry of Finance.

IPCA = Extended National Consumer Price Index

Graph 11
SELIC Rate and Real Rate *ex ante* interest
(% per year)

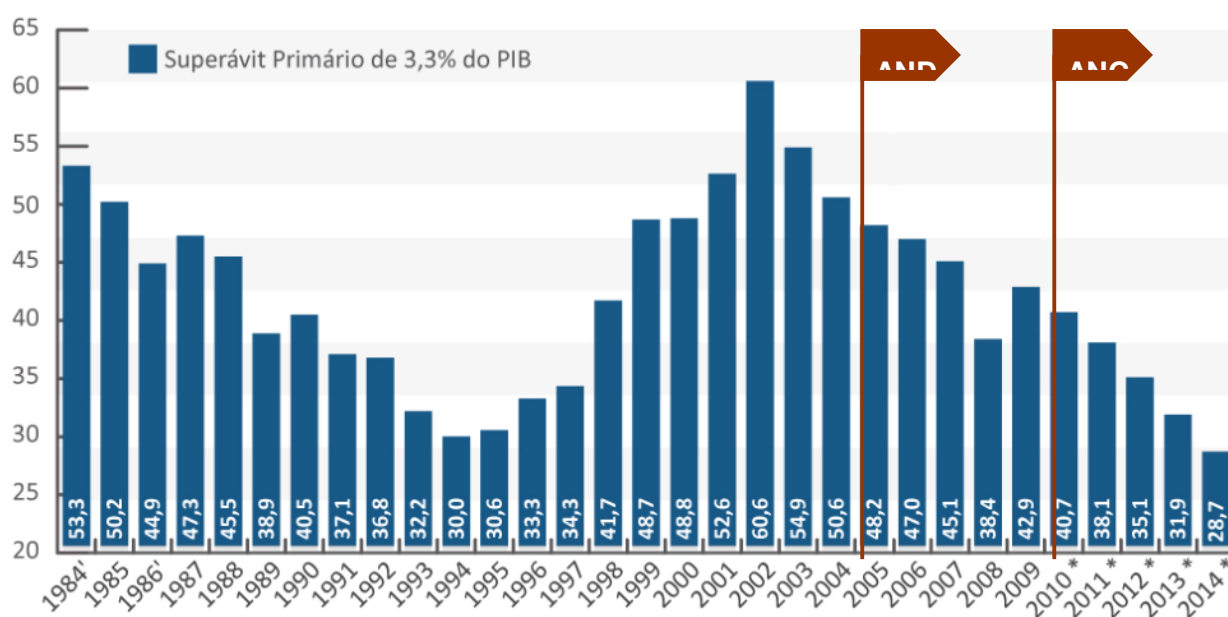


Source: BMF&Bovespa and BCB.

Prepared by: Ministry of Finance.

Graph 12

Net Debt of the Public Sector
(% of the GDP)



* Estimates of the Ministry of Finance (Feb/2010)

Source: BCB.

Prepared by: Ministry of Finance.

Table 1
Federal Government Primary Balance
(% GDP)

	2002	2003	2004	2005	2006	2007	2008	2009	2010 *
Receitas Primárias Líquidas	17,9	17,4	18,1	18,8	19,0	19,3	19,4	19,5	20,0
Despesas Primárias	15,7	15,1	15,6	16,4	17,0	17,1	16,6	18,2	18,6
- Pessoal e Encargos	4,8	4,5	4,3	4,3	4,5	4,4	4,4	4,8	4,8
- Transferências de Renda	6,4	7,1	7,4	7,8	8,4	8,5	8,2	9,0	9,1
- Investimentos	0,8	0,3	0,5	0,5	0,6	0,7	0,9	1,0	1,2
- Outras Despesas Correntes	3,6	3,3	3,5	3,8	3,4	3,5	3,1	3,4	3,5
RESULTADO PRIMÁRIO	2,1	2,3	2,5	2,5	2,1	2,2	2,9	1,2	1,4
Receita Líquida menos Transferências	11,4	10,4	10,8	11,1	10,6	10,8	11,2	10,5	10,9
Despesa Primária menos Transferências	9,3	8,1	8,2	8,6	8,5	8,6	8,4	9,2	9,5

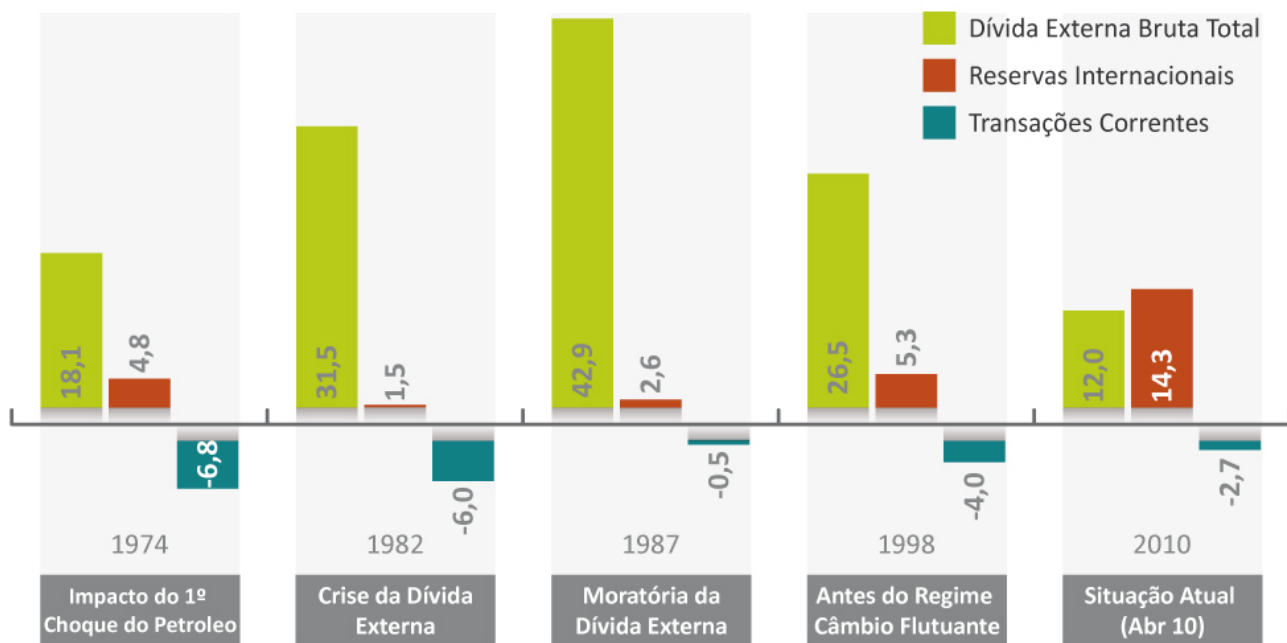
*/ Valores acumulados em 12 meses até Abril.

Fonte: BCB. Elaboração: MF/SPE.

*/ Accumulated in 12 months until April

Source: BCB. Prepared by: MF/SPE

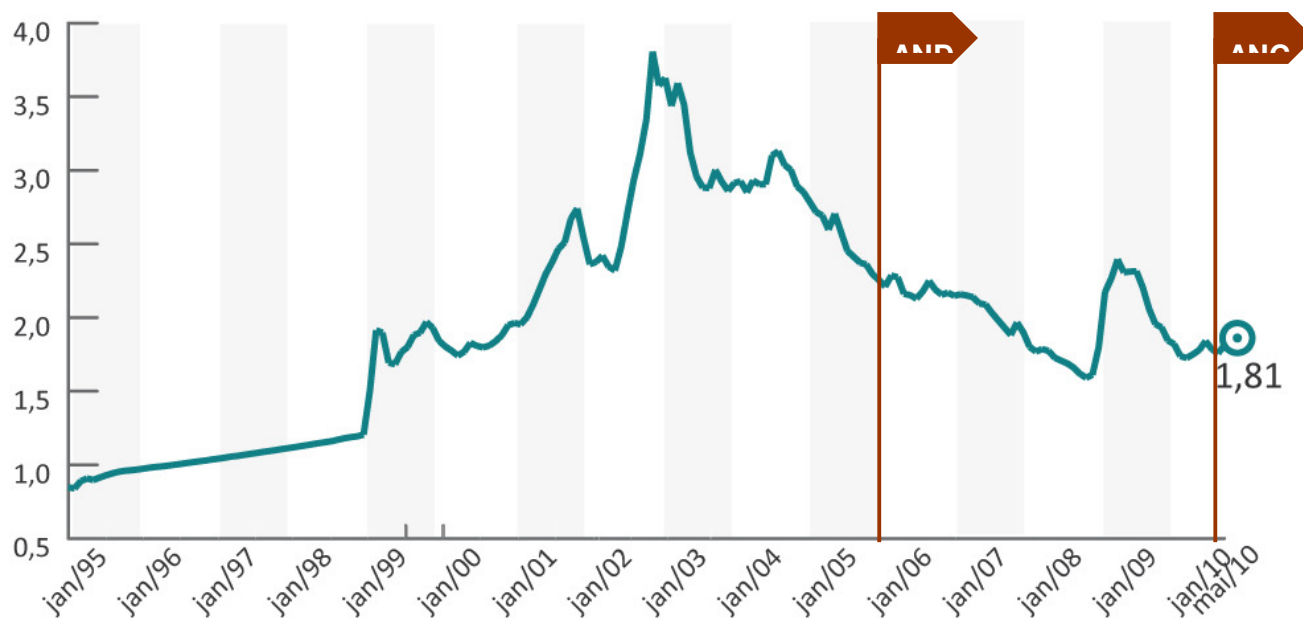
Graph 13
Foreign Indicators
 (% GDP)



Source: BCB.

Prepared by: Ministry of Finance.

Graph 14
Exchange Rate
 (R\$/US\$*)



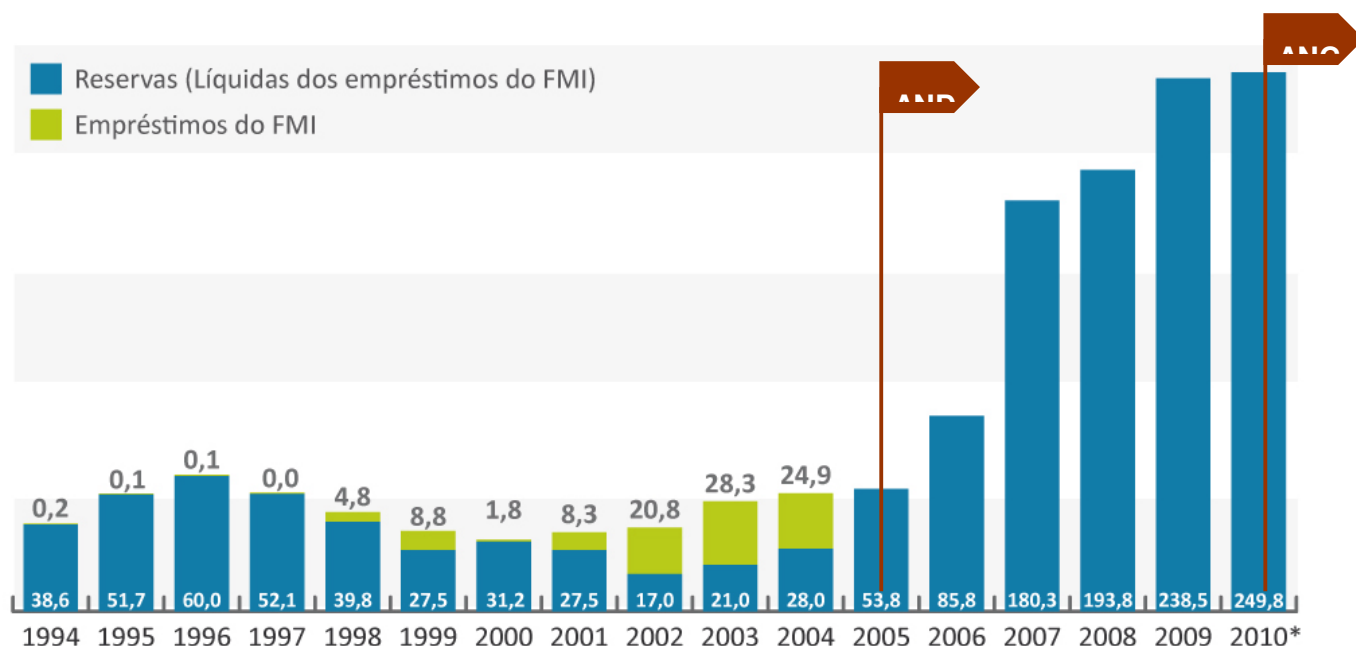
* Commercial – sales – average.

Source: BCB.

Prepared by: Ministry of Finance.

Graph 15

**International Reserves
(US\$ billions)**



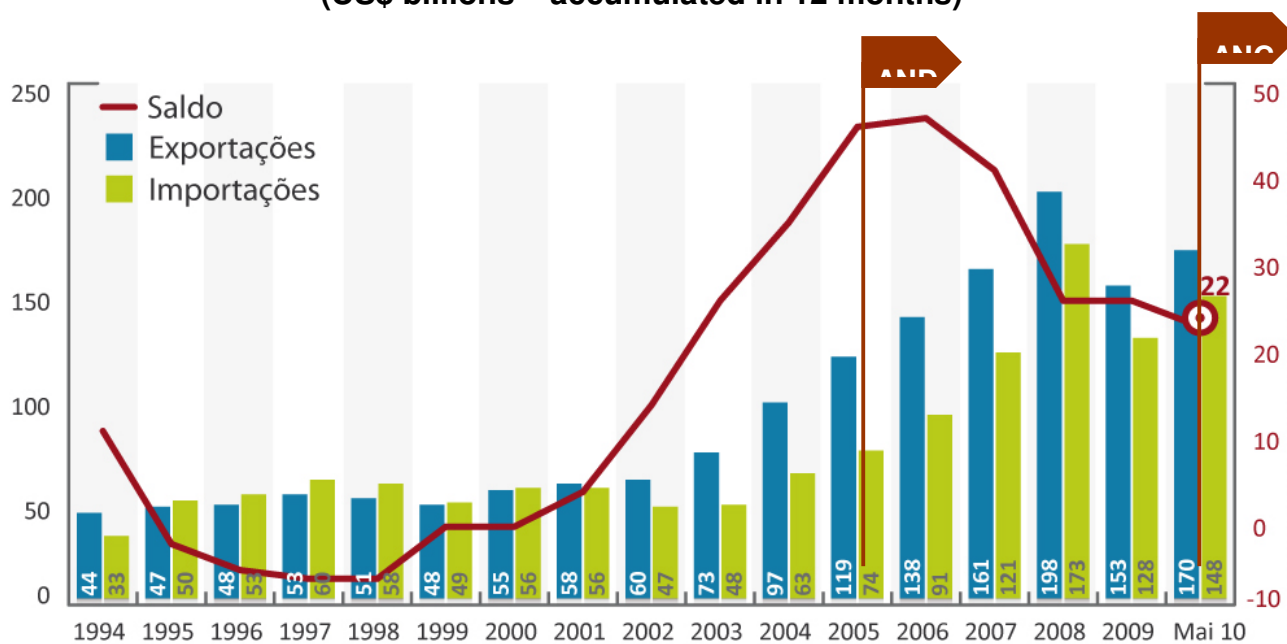
* Situation in May, 2010.

Source: BCB.

Prepared by: Ministry of Finance.

Graph 16

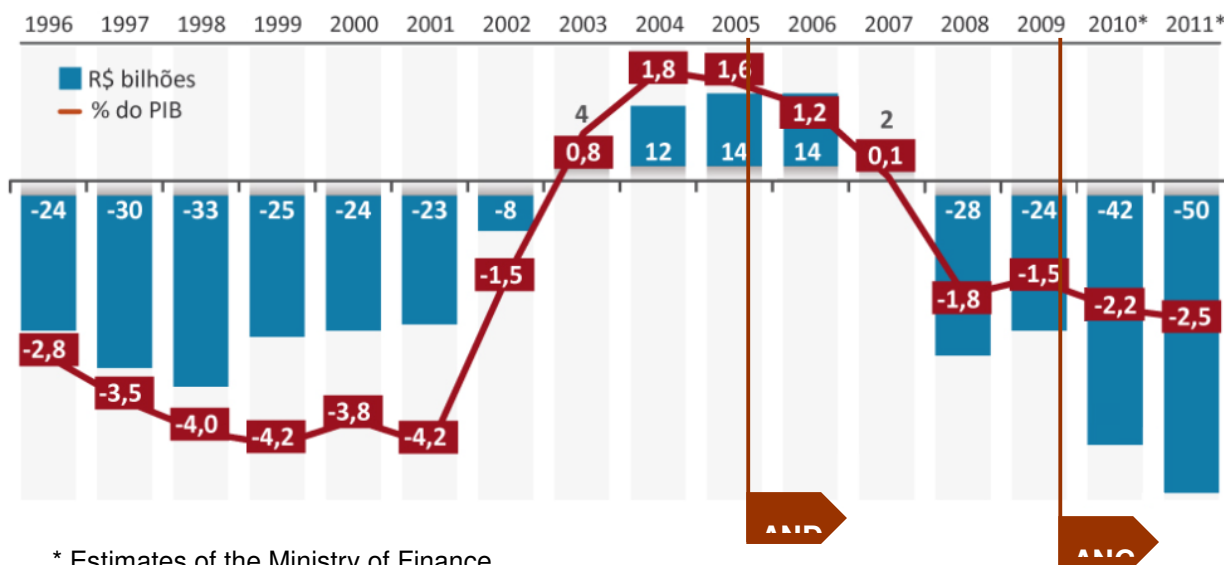
**Trade Balance
(US\$ billions – accumulated in 12 months)**



Source: BCB.

Prepared by: Ministry of Finance.

Graph 17
Current Transactions
(US\$ billions and % of the GDP)



Source: BCB.

Prepared by: Ministry of Finance.

11. Annex II: Process of preparing the Agenda for the New Development Cycle

As is its usual practice, the CDES seeks to raise contributions, analysis and all possible input from this vast universe of leaderships and sectors, to find the converging points and to build new synthesis and paths to be shared.

Based on the previous systematizations³⁰, on thoughts and suggestions accumulated by the Council regarding the topic of the Brazilian Development; the process of preparing an Agenda for the New Development Cycle began with a questionnaire/interview, to include the individual contributions of the Advisors³¹.

The discussions were directed by questions and topics on the situation of the Advisors' sectors or fields of activities; about Brazil's path in terms of economic and social changes; and about the opportunities and obstacles to establishing the necessary conditions to sustain and improve this social-economic scenario.

The Steering Committee of the CDES, technical managers of the Ministry of Finance, of the Ministry of Planning, of the Institute of Applied Economic Research (IPEA) and of the Brazilian Development Bank (BNDES), all contributed to the design of the questionnaire.

With the goal of sharing the perspectives brought together by the questionnaire and gathering content and thoughts, a work shop was held – with the participation of economists Ricardo Bielschowsky (CEPAL), João Carlos Ferraz (BNDES) and Marcio Pochmann (IPEA). The workshop went deeper into debates on three aspects emphasized by respondents, found within the answers of the questionnaire: the Development Model; the Role of the State, and Challenges of the New Development Cycle.

The Steering Committee of the CDES was appointed by the Advisors participating in the workshop, and was put in charge of reporting. The Steering Committee was assisted by the Secretariat of the Council (SEDES), and Professor Ladislau Dawbor's (PUC/SP) advisory. The first draft of the Agenda for the New Development Cycle, which is the outcome of this systematization effort, was sent for appreciation by the CDES plenary.

During the meeting, the structure of the document was looked at, as well as the elements of the strategy and propositional axes. From the debates, we identified very important topics for the Agenda, with regards to those for which the Council needs to seek more convergence.

With that aim, meetings were held with the chairman of the BNDES, Luciano Coutinho, to discuss the role of the State in the economy; with the Secretary for Economic Policies, Néelson Barbosa to discuss tax-related topics; and with the economist Luiz Gonzaga Belluzzo on the role of the State in face of the European crisis and its consequences.

The Agenda must be included in different dissemination initiatives directed to the Government and to the society, based CDES contributions. The advisors also take on the responsibility of following up on ramifications and providing feasibility for the development strategy as expressed so in the Agenda.

³⁰ Complete documents of the National Development Agenda, of the Strategic Principals for Development, and of the Seminars held, which make up the path of CDES discussions and debates on Development, are available at: www.cdes.gov.br.

³¹ Reference instruments used, documents, input and reports concerning the Workshop are available at: www.cdes.gov.br/exec/evento/exibe_oficina_03-2010.php

