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WHY INVEST IN CEARÁ?

(NORTHEASTERN STATE OF BRAZIL)

By Francisco Afranio Lima Peixoto Junior

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1 - INTRODUCTION

According to a new scenario that is appearing in world economic policy, where the barriers are falling, the markets are opening and the demand for a new market has arisen. It shows us that the country, or particularly, the government that has an early vision of the future, certainly will bring a new welfare to their people faster than others.

Latin American is a region of more than 30 countries ranging in size from Brazil, the world's fifth largest nation, to Barbados, one of the smallest world's states. And one-third of the population is living in Brazil and nearly one-quarter in Mexico. Our Gross Regional Product is comparable to the combined national products of all of the developing countries of Asia and the Indian subcontinent, and twice the regional product of Africa. As we can see our region has one of the biggest market in world and the United State has not only a profound interest in the future of Latin America societies and in its relations with those societies but its interesting to promote those interests more effectively. It's important to United State to maintain a stable relation, friendly, with prosperous nation-states that permits the free movement of goods and services in and through the region.

The significant economic interactions between the two areas that relate the economic development of Latin America include trade, U.S. Private Investment in Latin America and U.S. Public aid. These different types of economic interactions are highly interrelated and at the same time tend to have a dominating influence on all U.S. Latin-American relationships, non-economic as well as economic.

As we saw it's very interesting to both sides. By one side it's important to USA to get this big market where there is two big interesting things to it: one is a big market of consumption and the other is a big market which are trying to attract the enterprises. Given them many opportunities to diminish the price of their goods, as a low cost of labor, a complete infrastructure to build the enterprise and others. And in the other side it's important to us to attract this enterprise to they built their branch because it will

provide many jobs to our people. Our Governments know that to attract this investment it's necessary to do some changing in the economy and in the state.

The propose of this paper isn't to do only a deep research about the change and the perspective about the Ceara's State but a join of data that will show us that we are in a right way to attract the investments and to get better the life of our people.

I will share this paper in eight parts. **The first** part is this Introduction.

The second part is an approach of the World Bank about the perspective of the new tendency of the world. We will see in this brief approach some words or expressions that are very used at the conception of Public Administration as: "Minimalist State, Effectiveness State, Sustainable Development and others". And this same words or expressions are used by the Ceara's Government since 1987 when began the new phase of Ceara's State.

The third is a brief approach about the History of the Brazil's Economy. This item it's important to we have a macro-vision of the Northeast's developing in the context of the Brazil.

The forth is the main aim of this paper. In this approach we describe the Thinking of Ceara's Government since the problems inherent in the state to necessary solutions to solve it.

The fifth part of this paper is about an article published at The Wall Street Journal in August 29, 1997. It show us how the deep changes happened in Ceara's State are echoing through the enterprise range.

The sixth part is a brief summary about a book published by Johns Hopkins University titled "Good Government in the Tropics". It's basically a summary of how began the changes in Ceara's State. It focus four programs attached by the Government; 1 - The first involved rural preventive health; 2 - The second involved business extension and public procurement from small firms; 3 - The third initiative involved employment. Creating public works construction and other emergency relief; and 4 - The fourth involved around agricultural extension and small farmers.

The seventh part are some tables that will show us some information about The Ceara's State and finally;

The eighth is the conclusion.

2 - THE STATE IN A CHANGING WORLD

What the state should do, how it should do it, and how it can do it better in a rapidly changing world.

These issues are high on the agenda in developing and industrial countries alike. For many, the lesson of recent years has been that the state could not deliver on its promise. Transactions-Economics have had to make a wrenching shift toward the market economy, and much of developing world has had to face up to the failure of state. Dominated development strategic. Even the mixed economies of the industrialized world, in response to the failure of government intervention, have opted for a decided shift in the mix in favor of market mechanism. Many have felt that the logical and point of all these reforms was a minimalist state. Such a state would do no harm, but neither could it do much good.

History has repeatedly shown that good government is not a luxury but a vital necessity. Without an effective state, sustainable development, both economic and social, is impossible.

History and recent experience have also taught us that development is not just about getting the right economic and technical inputs. It is also about the underlying, institutional environment and the rules

and customs that determine how those inputs are used.

The pathways to an effective are many and varied in attempt to offer. This approach makes no attempt to offer a single recipe for state reforms worldwide. It does, however, provide a framework for guiding these efforts, in the form of a two-part strategy:

1 – **Match the state's role to its capability**: Where state capability is weak, how the state intervenes-and-where-should be carefully assessed. Many states try to do much with few resources and little capability, and often do more harm than good. The main idea isn't just of choosing what to do and what not to do, but of how to do it as well.

2 – **To raise the state capability by reinvigorating public institutions**: This means designing effective rules and restraints, to check arbitrary state actions and combat entrenched corruption. It means subjecting state institutions to greater competition, to increase their efficiency. It means increasing the performance of state institutions, improving pay and incentives. And it means making the state more responsive to people's needs, bringing government closer to the people through broader participation and decentralization.

3 - BRAZIL'S ECONOMIC HISTORY

In the beginning the Brazil wasn't well known to Portugal because it hasn't an

economic return to the crown of Portugal. The first export product of Brazil was the "Pau-Brazil". It was a tree that was useful for dyes in Europe's textile industry.

In 1520 Brazil began to plant and export sugar. It was cultivated in northeast of Brazil. The land was good to planting it and the place was nearest to Europe exporting and African slave labor importing. All that time the only economic integration of Brazil was inside of northeast. When finish this period of Brazil's economic the agriculture organization remain primitive. The slave labor system remained the human resource underdeveloped and the distribution of commodity and income were extremely concentrated. Many of the profit was sent to Portugal and foreign middlemen and a little share of the profit that was of the farmer wasn't spend in better technology neither infrastructure.

In 1690 was found gold in Minas Gerais and the exportation cycle changed the economic activity of Brazil to center-south. Everybody migrated there. Many

northeastern, including farmers with their slaves, abandoned their land to get gold in Minas Gerais. In this time appeared many cities and by the first time developed an artisan sector, and appeared many groups of banks. The discovered of gold did a necessitated to create an infrastructure to support its extraction and Rio de Janeiro grew because its harbor.

In XVIII century, when the gold cycle finished, part of the population went to central tableland of Brazil where they found work on some cattle farms. And others one stayed in Minas Gerais doing subsistence agriculture activities.

In XIX century the coffee was the main Brazilian exportation. The majority coffee planting was in Rio de Janeiro. The labor was slave and technique was rudiment. At this time it was building a state highway to transport the coffee to Rio de Janeiro harbor.

When the land in Vale do Paraiba was exhausted , the production changed to south in Sao Paulo and after to west of this state. Than it was building more state highway and another harbor in Santos to export it. At this time the expansion to the west of Sao Paulo, brought to Brazil many free workers from Europe.

With the growth of coffee exportation in Sao Paulo, the economic center of the country shifted to Sao Paulo and remained there even today. The growth of the coffee brought to SP a job of free labor, foreign investment in infrastructure, income accumulation of the producer of coffee and consequently the industry growth. Since this time deepened the economic sharing between the center-south and the rest of Brazil and mainly the northeast.

In the course of the years the economic disadvantage of the northeast in relation to the rest of Brazil grew and added this the very bad climate for the agriculture because it's a bad place to invest. Then this produced a need for the strong presence of the state in all northeast economic because the private investment wasn't interested to invest here. With this strong presence of the state in economy, it brought us a political paternalist system where the state government only did investment in that district that supported it and particularly in Ceara state this named "Colonelism". Where a few politicians alternated them in power. It was visible that this politic didn't bring a real development to our state because the people continued illiterate, the state didn't grow as much as the rest of the country and the income concentration grew more and more.

As we saw everything was against us. And why to invest in Ceara state ?. We will see that in the last years the things are changing. The politics vision about what is really necessary to develop our state is other. The way that the new generation of government is thinking is clearly others and we will see what are happening in our state to compensate all others disadvantages.

4 - THE THINKING OF OUR GOVERNMENT

4.1. VISION OF THE FUTURE: SUSTAINABLE DEVELOPMENT

Despite the positive changes that have occurred in Ceara in recent years, the situation for the majority of the population remains very difficult. There is a need to accelerate the rate of the progress, while recognizing the need to develop a sustainable society. In the efforts to create the desired sustainable society, one that provides an adequate life for the whole population, several objectives will guide government actions. These objectives are to build: a) A **new relationship between man and nature**, oriented to the dual objective of a rational use of resources and, concomitantly, conservation and renovation; b) A **spatially balanced society**, reducing the current over-concentration of the state population within the capital, Fortaleza, strengthening the interior regions; c) A **more democratic society**, free from old political practices of clientelism, paternalism, corporatism and corruption; d) A **just society**, without poverty and misery, where basic needs, such as, education, health, sanitation and nutrition are met by all; e) A *sustainable economy*, producing goods while at the same time preserving the natural resource base and environment; f) An **advanced society in terms of culture, science and technology**, developing ideas and values that encourage and reinforce the processes of transformation; and g) A state and government that serves society, that, among others things, protects citizen rights, provides education, health and security and promotes economic growth. A state that can mobilize productive capacity without substituting it, leveraging initiatives of the private sector, communities and individual.

4.2. THE HISTORICAL INHERITANCE AND THE CHALLENGES AHEAD

Throughout history Ceara has been characterized as a problem area, of discontinuous growth and grave social problems. The origins of this state of things are multiple and interrelated, and require integrated and balanced solutions.

Of the many problems, a few can be high-lighted:

1. **Environmental degradation**, that started with the early colonial practices of indiscriminate deforestation, mismanagement of water resources and resulting decertification;

2. **Unequal use of space**, environmental problems, in large part, are owed to excessive concentration of the population and economy in a few urban areas principally found around the coast, sierras and humid valleys. The metropolitan area of Fortaleza best illustrates this point, concentrating 36,2% of the population and 77,8% of state GDP while covering only 2,4% of state territory.
3. **Under-trained population**. The cycle of poverty, initially generated by climate adversity and increasing drain of the state economy, provoked through time, the alienation and ignorance of large segments of the population that today, as then, challenge the development process;
4. **Vulnerable and dependent state economy**, aggravated by environment and social problems, the economy of Ceara has continuously suffered alternating periods of growth, recession and stagnation. In addition, the state has long been subject to discontinuous investments and by erratic flows of resources, excessively dependent upon the government.
5. **Cultural, scientific and technological backwardness**, the historical development of the people of the Ceara has not favored the growth of cultural values of innovation and entrepreneurial spirit as common traits in the population. In this environment, the use of science and technology to overcome challenges that confront the population, has been difficult.
6. **Political clientelism and state patronage**. The historical sustainability of the above challenges results from conditions that favored the alliance between local, regional and national powers. However, with the recent redemocratization of the country and the emergence in 1987 of the Political Project of Changes, altering power relations within the country, traditional colonelism system is finally being challenged.

In recent years, Ceara has come to be characterized by, among others, the following aspects:

- A. A growing tendency to replace the old rural economy with a new one, which embraces modern production practices;
- B. By industrial diversification and decentralization of industry outside of Fortaleza;
- C. By internal and external commercial dynamism;
- D. Improvements in education, health and basic sanitation; and
- E. By modern political practices and the affirmation of new values and beliefs.

4.3. GENERAL ASPECTS OF THE CEARENSE REALITY

4.3.1. PUBLIC ADMINISTRATION

The historical-political formation of Ceara is marked by the dominance of a political system clearly clientelistic. This system treated the public sector as the extension of the private affairs of upper management and maintained a relationship with the people based on the exchange of votes for assorted privileges, justified by the so-called "ideology of favors".

This anachronistic administrative system generated excesses, provoking among other things, nepotism and corruption in the contracting of goods, services and works. Decades of unregulated administration lead the State Government to the point of near virtual ungovernability and political rupture.

With the victory of the Project of Changes, 1987, the state political machine passed through drastic reforms, undergoing fiscal austerity, moralization of public service and administrative modernization. As a result, public administration in Ceara was able to reach reasonably higher levels of efficiency and a greater capacity to implement policies and programs.

Despite the successes thus far achieved, the State Government needs more and deeper reform, capable of transforming government action more effective with regards to attending, with quality and agility, the real demands for goods and services of the citizens-user. Therefore, reform of the State in Ceara remains an unfinished task, constituting one of the major challenges to be confronted at the end of the century.

4.3.2. POSITIVE FACTORS

Several significant positive factors are conducive to the future development of the State, these includes:

1. Investment in human resources, particularly important, given the fragile natural resource base and difficult climatic conditions found in the State;
2. The improved management of natural resources, by which potential irrigation of more than 300.000 hectares can be achieved, generating rural income and labor;
3. The balanced financial position of the state government, allowing the government to take an active role in mobilizing public and private resources and in development planning;
4. The growth of the private sector, which continues to mobilize internal and external resources to finance productive investments within the State.
5. Close proximity to major world markets and Atlantic navigation routes;
6. Adequate transport and communication infrastructure and other urban externalities concentrated in Fortaleza;
7. Five institutions of higher learning to guarantee a supply of qualified ; and
8. A state government respected nationally and internationally, able to attract external partnerships and financing.

4.3.3. NATIONAL AND INTERNATIONAL INVOLVEMENT

Ceara is a poor state, with limited political and economic autonomy, making the State dependent and vulnerable to what occurs in the rest of the country, and especially in the Federal Government.

Among the most vulnerable aspects of the State are its external dependency on food and energy. Due to the scarcity of water resource and archaic agricultural technology, the State is forced to import nearly 60% of the state's consumption of food. As a result, the State is required to deplete its own income and the State's rural sector unable to generate sufficient labor to stem the tide of urban migration.

Though Ceara is a self-sufficient producer of petroleum, it is a net importer of secondary sources of energy, such as, petroleum derivatives (gasoline and diesel fuel) and electricity, that represent, respectively, 24% and 33% of final energy consumption in the State. In the case of petroleum, the lack of a refinery means that the State loses the potential value added that currently remains in regions where refineries are located. With regard to electricity, the State has to import more than 90% of the total electric energy that it consumes.

4.3.4. MACROECONOMIC SCENARIO

The current economic base of Ceara is relatively small, as such, the private sector can not effectively contend with the issue of economic growth and development. Therefore, the State Government must

assume the role as a catalyst for development by providing the leadership, infrastructure and investment incentives during the growth process.

Important in the Government's role will be the continued generation of public savings. Such efforts will consolidate the virtuous circle of fiscal discipline and financial credibility responsible for the attraction of external capital, both from national and international sources.

Conservative estimates predict an annual growth rate of 5% between the years 1995-1998. To reach this growth rate will require financing of US\$ 1.89 billion, or 17.5% of GDP, a rate considerably above the 1988-1993 rate of 14.7% of GDP (see table below). Of the US\$ 1.89 billion, 25.96% will be covered by public savings, the remaining two-thirds from the private sector (local, national and international) and bilateral and multilateral institutions. The expected employment generation under these conditions is expected to be around 114.9 thousand new jobs per year, well above the current annual growth of the economically active population of 60 thousand.

STATE OF CEARA: CONSERVATIVE MACROECONOMIC SCENARIO

1995 - 1998

CATEGORY	1995	1996	1997	1998
1. Gross Domestic Product (US\$ k)	10.045.147	10.547.404	11.074.775	11.628.514
2. Global Savings (US\$ k)	1.757.900	1.845.795	1.938.085	2.034.989
2.1 Government Gross Savings (US\$ k)	440.042	453.429	511.033	562.981
3. GDP Per Capita (US\$)	1,475	1,523	1,572	1,630
4. Employed Population	2.943.469	3.056.204	3.173.256	3.294.792
5. New Jobs Generated	108.576	112.735	117.052	121.536
6. Investment/Jobs Generated (US\$)	16.190	16.372	16.560	16.740

Optimistic estimates predict an annual growth rate of 17% during the same period. This rate of growth presupposes investment of 22.5% of state GDP per year, which includes several large Federal Government projects, including an oil refinery, the Sao Francisco Diversion Canal, and the Mucuripe Port expansion. Under this scenario, the annual generation of employment is estimated at 139.7 thousand new jobs. (see table below)

STATE OF CEARA: OPTIMISTIC MACROECONOMIC SCENARIO

1995 - 1998

CATEGORY	1995	1996	1997	1998
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1. Gross Domestic Product	10.237.167	10.953.768	11.720.532	12.540.970
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(US\$ k)				
2. Global Savings (US\$ k)	2.303.336	2.464.597	2.637.119	2.821.718
2.1 Government Gross Savings (US\$ k)	597.946	639.809	684.596	732.518
3. GDP Per Capita (US\$)	1,503	1,580	1,665	1,760
4. Employed Population	2.965.298	3.101.701	3.244.380	3.393.621
5. New Jobs Generated	130.405	136.403	142.679	149.241
6. Investment/Jobs Generated (US\$)	17.660	18.070	18.480	18.910

4.3.5. STRATEGICS DIRECTIVES

In order to achieve the aforementioned objects, the Government will following strategic directives:

1. Utilize all instruments available to the Government to promote sustainable development;
2. Create conditions in the Government and society that promote the free exercise of creativity and initiative;
3. Govern cooperatively, through partnerships with other levels of government, civil society, private sector and communities;
4. Encourage volunteer service;
5. Transform the role of the state, developing new forms of action that mobilize society to leverage initiative and human, technical and financial resources, joining communities, municipalities, the private sector, and others;
6. Promote the decentralization of public sector;
7. Adopt a plan of long term participation with society;
8. Develop Ceara as an integral part of the Northeast and Brazil, calling political attention to the importance of the region as a whole and Ceara in particular and;
9. Promote Ceara abroad, to attract foreign resources and increase investment capacity.

4.3.6. PRIORITIES

The absolute priority is the human being. To improve the quality of life of the citizens of Ceara is of paramount importance. As such, the Government defines as priorities, education, health and sanitation, security, agriculture and employment.

More specifically, the priorities are follows:

1. Protect the environment of the State;
2. Spatial reordering,

- a. restructure urban space, by integrate sanitation and urban development in municipalities that will most absorb the impact of structural programs;
- b. revitalize and reorganize the rural economy.
 - 1. Training the population;
 - a. eradicate child and adolescent illiteracy and promote complete education;
 - b. adopt a complete health strategy;
 - c. implement policies to combat poverty;
 - d. improve public safety and the application of justice.
 - 1. Economic growth, employment generation and the reduction of inequality;
 - a. promote the interior development of the State;
 - b. promote employment;
 - c. induce industrialization and the growth of the services;
 - d. promote tourism.
 - 1. Support the development of science, technology and innovation;
 - 2. Improve public administration.

4.3.7. SOURCES OF FINANCING AND STRATEGIES FOR SECURING FUNDS.

The financing for a sustainable development strategy requires funding sources that are stables, durable and increasing along the planning horizon. Indeed, it has been the instability of public and private investments that has constituted one of the principal factor of unsustainability in the past economic growth strategies.

In the four year period, 1995-1998, for the economy to grow 5% per year (pessimistic scenario) a global (public and private) savings rate of 17.5% of State GDP will be required. This rate is marginally greater than the national global savings rate of 15% of GDP, averaged over the last 12 years. For the 7% annual growth rate (optimism scenario) the savings rate will need to be even greater, demanding additional saving from sources outside the State. Given, the State Government's annual contribution to the global savings will be unlikely greater than 4.7% of GDP, external financial sources, such as, federal government transfer (ex. refinery project and State river basins interconnection), bilateral and multilateral credits and private sector risk capital will play an important role in the State's growth goals.

4.3.7.1 PUBLIC AND PRIVATE RESOURCES

1. STATE PUBLIC SAVINGS

In the first Government of our governor, the State's public sector savings became an important inducing instrument for the economic growth of the State. In fact, due to the successful fiscal adjustment that occurred at that time, the State's public administration was able to generate current account savings at levels permitting the State to invest in itself, something that until then was virtually impossible due to the long standing financial crises of the State.

This systematic reorganization enable the streamlining recurrent expenditures and the expansion of capital expenses, that, through a multiplier effect of public expenses, contributed to the recent economic growth of the State. The combined effect of fiscal adjustment and State reform permitted a State savings level, during 1988-1993, of 4.69% of GDP, equivalent, on average, to approximately 130% of Federal Government in the State of Ceara during the same period.

With this, net revenue for investment (budget revenue minus credit operations minus current expenses) reached an unprecedented US\$ 373,3 million in 1993, illustrating the significant effort by the Government of Ceara in recuperating the investment capacity of the State Treasury. In this four years, the Government is redoubling its efforts to expand revenues to permit a gross savings rate in the current account superior to the recent 4.69% of GDP, in order to meet the increasing commitments of debt service, counterpart funding of projects and the maintenance of the administrative mechanism. To do so, the government will look to elevating tax revenues, adopting measures to counter tax-evasion and, simultaneously, controlling and tracking public expenses with a view towards greater productivity and savings.

STATE GOVERNMENT OF CEARA:

PROJECTED REVENUE, EXPENSES, CURRENT ACCOUNT SAVINGS AND NET REVENUE FOR INVESTMENT, 1985 – 1998

CATEGORY	1995	1996	1997	1998	1995-1998
	VALUE	VALUE	VALUE	VALUE	VALUE
1. TOTAL REVENUE (A + B + C)	1,931,080	1,973,205	2,012,708	2,049,831	7,966,829
A - State Government Revenue	1,089,660	1,143,106	1,199,205	1,258,084	4,690,055
A.1 - Tax Revenue	964,377	1,012,597	1,063,227	1,116,386	4,156,587
A.2 - Financial Revenue	34,542	35,233	35,937	36,655	142,367
A.3 - Other Revenue	90,741	95,276	100,041	105,043	391,101
B - Federal Transfer	677,215	719,623	744,017	773,540	2,914,400
B.1 - Participation Fund	522,348	548,464	575,888	604,684	2,251,384
B.2 - Other Transfer	109,641	111,832	114,071	116,352	451,896
B.3 - Agreements	45,226	59,327	54,058	52,504	211,120
C - Credit Operations	164,205	110,476	69,486	18,207	362,374
C.1 - Internal	3,310	-	-	-	3,310
C.2 - External	160,895	110,476	69,486	18,207	359,064
2. TOTAL EXPENSES	1,363,793	1,415,037	1,456,218	1,496,073	5,731,131
D - Current Expenses	1,281,607	1,349,973	1,378,131	1,416,139	5,425,860
D.1 - Payroll	773,554	796,761	820,663	845,283	3,236,261
D.2 - Physical Maintenance	178,556	183,913	189,430	195,113	747,012
D.3 - Transfer	329,497	369,299	368,038	375,743	1,442,587

D.3.1 - Transfers to Municipalities	241,094	253,149	265,806	279,096	1,039,145
D.3.2 - Public Debt Interest	88,403	116,150	102,232	96,647	403,442
E - Public Debt Repayments	82,186	65,064	78,087	79,934	305,271
3. CURRENT ACCOUNT SAVINGS	440,042	453,429	511,033	562,981	1,967,485
4. NET REVENUE FOR INVESTMENT	248,215	276,533	318,875	366,695	1,210,308
Current Account Savings Rate					-
(3/Net Current Revenue) %	31.80	31.86	33.69	35.12	33.18
Debt Service (D.3.2. + E/Net Revenue) %	12.44	12.50	11.96	11.15	12.00
SOURCE : SEFAZ					
ELABORATION : SEPLAN					

2. INTERGOVERNMENTAL TRANSFER

According to past trend, the financial role of the other spheres of government (Federal and Ceara's municipalities) in Ceara's economy will probably be less than 3% of the State's GDP. Given this modest role, intergovernmental cooperation should be increased, particularly with Federal Governmental.

3. PRIVATE SAVINGS

Recent studies show high instability in private savings within Ceara during the period 1988-1993. This instability has constituted a serious negative factor in investment continuity within the State. However, in the next several years, the State's continued financial stability should increase private sector investments. In addition, the new found economic stability at the National level should also help in attracting foreign capital to not only the country as a whole, but to Ceara as well.

4.3.7.2. EXTERNAL RESOURCES

External resources secured directly by the State Government between 1980-1993 did not rise above US\$ 535 million, demonstrating the relatively modest involvement of external financial sources in Ceara's economy. However, thanks to Ceara's strengthened financial credibility, there has been an increasing pattern in foreign financing. In the next years, it is hoped that bilateral and multilateral credit agencies will deepen their commitment in State.

4.3.7.3. OFFICIAL FINANCING AND FISCAL AND CREDIT INCENTIVES

Since the 1970, Federal credit institutions (Brazil's Bank, Brazil's Northeast Bank, Caixa Economica, Economic and Social Developing National Bank), have greatly diminished their role in the State, resulting in reduced financial resources for agricultural, industrial and other projects. However, it is hoped that this trend will be reversed during the predicted improvement and stabilization of the national economy.

As far as fiscal incentives are concerned, the resources released by FINOR (Northeast Investment Fund) for Ceara, during 1970-1990, accounted for only 24% of all funds released to the Northeast, reaching an accumulated balance of US\$ 2.5 billion, illustrating that FINOR funding has not attended the needs of the State of Ceara. Finor financing has helped to stimulate economic growth, but has not

generated as many jobs as expected due to the technological mix of projects. Despite this, fiscal incentive must be kept to support growth and to better take advantage of potential sectors, such as, agribusiness, tourism and manufacturing industry.

With regards to credit incentives. Constitutional Fund of Northeast Development (FNE) has played an important role in financing the local economy, having liberated US\$ 609 millions, between 1990-1993, to primarily small and medium size entrepreneurs. In the future, FNE participation in the State is expected to grow, contributing extensively to the development of the State interior.

4.3.7.4. STRATEGY FOR SECURING RESOURCES AND ATTRACTING INVESTMENTS

To increase the State's investment capacity, the general strategy consists of a police of external relations oriented towards the securing resources and attracting investments through agreements, credit operations and other means, in such a way as to maximize additional resources.

to cater to the needed savings required to finance the sustainable development effort, the Government will seek to secure resources for the State through the following strategies:

- a. Promote Ceara abroad, includes Government and private sector cooperation, and the opening of a "Ceara House" in USA and/or Europe, an office to represent and promote the interests of the State abroad;
- b. Strengthening capital markets, this program aims to simulate capital markets within the State, making them a valid source of business financing, replacing loan capital with equity capital
- c. Incentives for securing private resources, includes the creation of a investment fund that will constitute capital for financing projects considered vital to the State's development;
- d. Securing external resources, this strategy will seek to increase the role of foreign resources in development projects, together with the Federal Government, multilateral and bilateral financial institutions and private investors. To do so, a foreign relations system (SAEX) will be implemented, which will manage relations of the State with the Federal Government and foreign public and private entities;
- e. Partnerships with domestic and foreign non-governmental organizations (NGOs), the objective of this strategy is to maximize the involvement of NGOs in the State development projects. To do so, the Government will exercise the role of coordinating contacts and negotiations between companies and public entities with NGOs, in such a way as to enable the elaboration of development projects that take advantage of economic potential and/or contribute to reduce of social inequality in the State.

5 -THE WALL STREET JOURNAL

Friday, August 29,1997

FORTALEZA, Brazil – In the continental-sized nation, "Northeastern" isn't just a geographical reference. *Nordestino* is also a pejorative term with a racist edge, applied by Southerners, who are often wealthier and lighter-skinned, to anything second-rate.

Such is the general contempt for one of the Western Hemisphere's most desperate pockets of poverty, a territory wedged between the Amazon jungle and the Atlantic Ocean and about as large and populous as South Africa. Withering drought, crop plagues and the tragic legacy of slavery have cursed this land with socioeconomic indicators nearer those of Bangladesh than the south of Brazil. Food riots erupt frequently during dry spells. "Senior citizen" programs include people in their 40s. The

infant-mortality rate is so high that a mother, asked how many children she has, sometimes responds by asking: living?

And recently, this litany of woe was compounded by a body blow from the South: The federal government warned the Northeast that its massive regional development aid would be cut back severely. So, Tasso Jereissati, the 49-year-old governor of the tiny Northeastern state of Ceara, decided it was time for the Northeast to look out for itself.

5.1.Looking Southward

Holding out the lure of cheap labor an array other incentives, Mr. Jereissati and his local allies moved aggressively to replace federal aid with corporate investment, wherever they could find it. And he and other Northeastern governors who emulated him found it by poaching factories from South. Now, an ever-accelerating migration of plants to the Northeast is redrawing the map of continent's largest economy and transforming this erstwhile dustbowl into "one of the best investment stories in Latin America", says Roberto Peon, chief of Latin American operations for Bellsouth Corp., which is leading a group investing almost \$1 billion in telecommunication here.

While tens of thousands of Northeasterners now make everything from steel to J.C. Penney Co. loafers, the region's industrial revolution falls short in one crucial way: It doesn't seem to be closing the gap between the affluent South, centered around the industrial capital of Sao Paulo, and the Northeast, home to one-quarter of Brazil's 160 million people. In fact, some recent economic studies indicate that, in the first half of 1990s, the Northeast's share of the national output fell further behind the South's for the first time in 25 years.

What Carlos Roberto Azzoni, an economist at the University of Sao Paulo, calls "a disturbing new tendency toward polarization" partly reflects the South's ability to replace runaway plants with new investments. In addition, the Northeast's gains, now encompassing brand-new projects as well as transfers, are moving faster than statistics may be indicating.

5.2.Eroding the Benefits

But there is a more insidious problem: As Northeastern governors battle the South and each other for new projects, they are making such generous concessions to corporations that they may be eroding the benefits of the investments. This fiscal war is severely straining cash-strapped sates that were already unable to provide running water for about half the population or electricity for a quarter of it. Even Mr. Jereissati, an administrator so talented that he inspired a Johns Hopkins University study titled "Good Government in the Tropics", has seen contending with a tattered educational system, rebellious policemen and a poverty rate that hasn't dropped in a decade.

Mr. Jereissati insists that his wheeling and dealing, what he calls " the state acting as entrepreneur", will spark boom needed to fund expanded services.

It may. Or the Northeast may be engaged in what development experts call "the race to the bottom" – self-defeating competitions for companies that give little in return. To persuade Grupo Yamacom, a Taiwanese investment group, to build clothing and machinery plants in the town of Acarape, Ceara offered not only tax breaks and water line to the factories but also a legally dubious labor agreement that curbs workers wages and rights by grouping them into "cooperatives".

The agreement also allows Yamacom to avoid signing federally add more than a dollar in benefits for every dollar of wages. In addition, Yamacom deducts up to half of workers' \$ 6-a-day wage for food and transport and withholds pay from absentees, dividing it among other co-op members. The co-op system is spreading throughout the Northeast despite a federal prosecutor's suit contesting Yamacom's actions.

5.3. Heavy Layoffs

For three decades starting in the 1960s, the Northeast had sought salvation from a huge federal bureaucracy called the Super-intendency of Northeastern Development. Though often inefficient and corrupt, the agency did pump vast sums into development programs ranging from agrarian communes to dune-buggy factories.

When the federal government began cutting back, the job of leading the region's drive for private investment fell Mr. Jereissati.

Although Mr. Jereissati is a ferocious budget-cutter – he fired 40.000 state workers during his first term – his state doesn't scrimp in the campaign to promote the economy. One of Ceara's major lures is what amounts to deferral of corporate payments of the value-added tax.

Ceara is better able to afford such incentives than more poorly administered Northeastern states, but even here they cause strain. Though Mr. Jereissati has made notable advances in combating social ills such as infant mortality, the educational system has never recovered from his reductions in teacher overtime some years ago; the illiteracy rate hovers around 30%. And while policemen have been agitating for higher pay throughout Brazil, the unrest turned violent in Ceara. The military had to be called in to snuff a police strike in Fortaleza. Police morale was devastated: At a rally during the strike, the officers applauded an announcement that Ceara was being rocked by a crime wave.

Ceara says it must make business incentives a priority to overcome the deeply ingrained negative perceptions of the Northeast. A couple of years ago, when a Ceara promotional delegation visited the Sao Paulo offices of Westvaco Corp., a paper and packaging giant based in New York, its executives were taken by surprise. "The Northeast of Brazil has traditionally been viewed as a very poor, underdeveloped plantation", says R. Scott Wallinger, senior vice president for international operations. But after Ceara's incentives and development plan, the company decided to open a plant in the state. He praises the state's "quality of planning".

One of the main selling points is cheap labor: Northeasterners earn an average monthly wage of just over \$ 100, about one-third that in South. Cooperatives pay even less. For Brazil's shoe industry, battered by Chinese imports, the Northeastern option couldn't have come at a better time. "The Northeast might have saved us", says Wilson Geraldo Guarnieri, general manager of a plant owned by Grendene S.A., a huge shoe producer that has transferred several thousand jobs, and most of its production, to Northeast in Sobral – Ceara. Also flooding into the Northeast were textile, which turn out T-shirts retailing for 75 cents, something even the Chinese are hard-pressed to do.

6 - GOOD GOVERNMENT IN THE TROPICS

The Research

In December 1991 issue of the *Economist* of London, the editors devoted three pages of a special supplement on Brazil to the remarkable accomplishments of one of the state governments in that country's poor Northeast region, Ceara. With almost seven million inhabitants and an area of 147.000 square kilometers, Ceara is one of Brazil's smaller states in terms of population, although it is still larger than a few dozen small countries.

The *Economist* story told of how the state's payroll commitments were consuming 87 percent of the state's receipts (65% is the constitutional limit) when a newly elected reformist governor, Tasso Jereissati, took over in 1987 at the age of 36. This left so little for non-personnel operating costs, public investment, and servicing of the debt that public servants had not been paid for three month. The new governor succeeded in solving the crisis with various bold measures, including the collection of taxes already on the books, reducing payroll obligation to 40.000 "ghost" workers (out of a total of 146.000 workers), slowing down the indexing of salaries to the cost-of-living index (inflation was more

than 20% a month during that period), and insisting that new government employees be hired only through competitive exams. Together, these measures reduced the share of salaries in total receipts from 87 percent of expected receipts in 1987 to 45 percent in 1991, all during a time when federal transfer were decreasing. This was the dream of every Brazilian governor in 1980s, but only an idle one for most. Just as noteworthy, and also mentioned by the *Economist* article, the new government introduced some outstanding and innovative programs in preventive health, public procurement from informal sector producers, and large emergency employment-creating public works program.

As a sign of the dramatic import and political difficulty of all these reforms, Jereissati lost 90 percent of his support in the state legislature soon after he started his term. His popularity among voters nevertheless remained high enough for to elect his successor (Ciro Gomes), when his term expired, and then to win reelection himself four years later. Immediately following Jereissati's initial reforms, the leader of his party in the legislature-also *Ciro Gomes* at that time-frequently recounted publicly how he was booed for days every time he entered the chamber. Despite these setbacks, the advances were sustained throughout the subsequent four-year administration of *Ciro Gomes* (1991-94), also a reformer, and into the second administration of *Jereissati*, still unfolding (1995-). Clearly this set of reforms represents a striking feat, unheard of among the state administrations of Northeast Brazil. Also interesting, but hardly noted in the various accounts of *Ceara's* story, none of these reforms or programs could be attributed to the presence or pressures of an outside donor. Indeed, the one sector in which donors had an appreciable presence-that of agriculture-was strangely absent from the list of both these governors' achievements.

The two reformist governors were also able to take credit for the fact that the economy of the state grew better during the late 1980s and early 1990s than that of the rest of the Northeast and even the more developed parts of Brazil-during a period when growth rates for Brazil were generally low or even negative. While Northeast output declined by an annual average of 0.04 percent during the 1987-93 period, and Brazil grew at only 0.87 percent, *Ceara* grew at 3.4 percent. The *Economist* attributed the better growth record to the modernizing and probusiness policies of the state's new leadership, as did other laudatory articles that appeared elsewhere in the international and Brazilian press. It should be pointed out, however, that the state grew at significantly higher rates in the earlier period before the two governors took over. To grow faster than Brazil and the rest of Northeast during a time of stagnation, in any case, was quite an unusual accomplishment for a small state government in a poor and clientelistic region of a very large country.

To anyone who knows Brazil, the *Ceara* stories were surprising. *Ceara* and its eight neighbor states belong to the country's poorest region, Northeast Brazil, in which one-third of the population lives in absolute poverty. With a population of 45 million and an area of 1.6 million square kilometers, the Northeast holds almost one-third of Brazil's population. Its area is roughly equivalent to France, Germany and Spain combined, and its population somewhat larger than that of Spain. Like state governments in many chronically underdeveloped regions, the nine Northeast state are legendary for their clientelistic ways of governing and for the resulting poor quality of public administration. They are exactly the kinds of governments that have fueled the despair about government.

When this new governors assumed the power they attacked the problems in *Ceara's* State following below:

- 1 - The first program involved rural preventive health only a few years after the state Department of Health undertook a new preventive health program, vaccination coverage for measles and polio had tripled from a low of 25 percent to 90 percent of the child population, and infant deaths had fallen from the high rate of 102 per 1,000 to 65 per 1,000. Started in 1987 by the state Department of Health as part of an emergency program to create jobs during a drought, the program hired 7,300 workers (mostly women) as community health agents at the minimum wage, and 235 half-time nurses to supervise them. Before the program's inception, only 30 percent of the state's 178 municipalities had a nurse, let alone a doctor or health clinic. Four years later, the program operated in virtually all of the

state's municipios. For these accomplishments, Ceara became, in March 1993, the first Latin American government to win UNICEF's Maurice Pate prize for child support programs.

2 - The second program involved business extension and public procurement from small firms, and also originated in the employment-creating concerns of the 1987 drought. The state Department of Industry and Commerce and the Brazilian Small Enterprise Service, a semiprivate agency, redirected 30 percent of the state's purchases of goods and services to firms operating mainly in the informal sector. In doing so, the state saved approximately 30 percent over its previous purchases of these items from fewer, larger, and more sophisticated suppliers. Along with these new contracts to small firms, the two agencies provided small firms with highly focused technical and other problem-solving assistance. Some of these contracts had lasting effects on the producers, helping to launch them into private markets to which they could never have otherwise aspired. Some of the contracts also resulted in striking developmental effects in the regions where the producers were located, which endured even when the contracts were not renewed. Alongside this successful "demand-driven" assistance to small firms, the same two agencies continued to carry out their less impressive, and more typical, "supply-driven" programs.

3 - The third initiative involved employment-creating public works construction and other emergency relief. During the 1987 drought, which lasted almost a whole year, the state Department of Social Action gave work to one million unemployed rural farmers and other workers, mainly in public works construction. In the peak month, 240,000 were employed, roughly 50 percent of the economically active population in the state's rural area. Although the state government had succeeded in creating at least this number of temporary jobs in previous droughts (which occur roughly every seven years in the semiarid Northeast region), the 1987 program dramatically reduced the clientelism surrounding the awarding of jobs, the selection of works projects, and the allocation of relief. Insisting on more democratic decision making according to universal criteria, the Department of Social Action also succeeded in delivering jobs and relief supplies more rapidly than in previous droughts, and in creating more jobs per dollar spent than similar programs in other states and countries.

4 - The fourth case revolved around agricultural extension and small farmers. Conspicuously absent from the *Economist* article on Ceara was the agricultural sector, where 33 percent of the labor force works. The state's lack of achievements in the traditionally important sector are perhaps not that surprising, given that agriculture has been afflicted by low productivity and declining output shares for many years. (Agriculture's share of state output fell from 14.7% to 8.5% between 1985 and 1994.) Unlike the sectors in which the state could report significant accomplishments, ironically, Ceara's agricultural sector had received major infusions of funding and technical assistance over the preceding 15 years for agricultural and rural development programs jointly funded by international donors and the central government. These programs had targeted small farmers because they constituted a large percentage of the population and accounted for a major share of the state's production of staple foods and cash crops. A majority of them cultivated the land through insecure tenancy arrangements that stifled the adoption of productivity-increasing practices.

Given the significance of agriculture in the state and the sustained outside support from multilateral donors, it was found the absence of any striking achievements in this sector to be puzzling. The rural development programs had worked mainly through the state's Agricultural Extension Service, and had encouraged small farmers to form associations through which they could receive the state's agricultural assistance. This program did relatively well in terms of increased output or provision of services to their members.

SECRETARY OF PLANNING AND CO-ORDINATION OF CEARA'S STATE

SEPLAN

CEARA

ECONOMIC OUTLINE

ASPECTS OF CEARA'S STATE

1.1 Geografic Area

TABLE 1: BRAZIL, THE NORTHEAST AND CEARÁ AREA

DESCRIPTION	TOTAL (Km ²)	PERCENTAGE (%)	
		CE/NE	CE/BR
Brazil	8.547.403,5		
Northeast	1.561.177,8		
Ceará	146. 817,0	9,4	1,7

Source: IBGE/Anuário Estatístico do Brasil-1995.

Elaboration: IPLANCE/DEAC.

1.2 Climate Aspects

TABLE 2

STATE OF CEARA: CLIMATE ASPECTS

DISCRIPTION	UNIT	QUANTITY
Coast Area	Km	573
Annual Average Precipitation	mm	775
- Bush	mm	400
- Coast and Mountain Range	mm	1.200
Annual Average Temperature	oC	26
- Coast	oC	26

- Coast	oC	27
- Bush	oC	22
- Mountain Range	oC	22
Evaporation	mm	1.700
Sunstroke	Hour/year	2.800
Relative Dampness of Air		
- Coast	%	82
- Bush	%	70
Temperature of the Sea Water	oC	25 a 28
Saltness of the Sea Water	%	36 a 37

Source: IBGE e IPLANÇE

Elaboration: IPLANÇE/PROJETO ÁRIDAS

1.3 Population Data

TABLE 3
BRAZIL, NORTHEAST E CEARÁ: EVOLUTION OF THE POPULATION
1980, 1991 and 1995

DISCRIPTION	TOTAL			ANNUAL AVERAGE GROWTH (%)	
	1980	1991	1995 (1)	1980/1991	1991/1996(2)
• POPULATION (n°)					
Ceará	5.288.253	6.366.647	6.811.132	1,70	1,3
Urban	2.810.351	4.162.067	4.717.169		
Rural	2.477.902	2.204.640	2.093.963	1,82	-
Northeast	34.812.356	42.457.540	45.115.709		
Urban	17.566.842	25.776.279	28.420.595	1,93	-
Rural	17.245.514	16.721.261	16.695.114		
Brazil	119.002.706	146.825.475	152.374.603		
Urban	80.436.409	110.990.990	120.350.537		
Rural	38.566.257	35.834.485	32.024.066		

Rural					
<ul style="list-style-type: none"> • DENSITY OF POPULATION (Hab./Km²) 					
Ceará	36,02	43,36	46,39	-	-
Northeast	22,30	27,20	28,81	-	-
Brazil	13,92	17,19	18,23	-	-
<ul style="list-style-type: none"> • URBANIZATION RATE (%)^(*) 					
Ceará	53,14	65,37	69,26	-	-
Northeast	50,46	60,65	63,00	-	-
Brazil	67,59	75,59	78,98	-	-

Source: IBGE/PNAD e IPLANCE.

Elaboration: IPLANCE/DEAC.

4. Main Cities of Ceara State

TABLE 4

STATE OF CEARA : POPULATION OF THE MAIN CITIES

1980, 1991 and 1996

DESCRIPTION	1980	1991	1996	ANNUAL RATE OF GROWTH (%)	
				1980-91	1991-96
Fortaleza	1.307.611	1.768.637	1.967.365	2,78	2,15
Caucaia	94.108	165.099	208.902	5,24	4,82
Juazeiro do Norte	135.616	173.566	186.490	2,26	1,45
Maracanaú	-	157.151	160.088	-	0,37
Sobral	118.026	127.489	138.274	0,70	1,64
Crato	80.677	90.619	95.332	1,06	1,02
Maranguape	91.126	71.705	82.127	-2,15	2,75
Itapipoca	103.823	77.263	80.137	-2,65	0,73
Iguatu	82.949	75.649	78.230	-0,83	0,67

Canindé	581.80	61.827	65.287	0,55	1,10

Source: IBGE

Elaboration: IPLANCE/DEP/DEAC

2 MACROECONOMIC INDICATORS

2.1 Gross Domestic Product (GDP) Total and Per Capita

TABLE 5

BRAZIL, NORTHEAST AND CEARÁ: GDP TOTAL AND PER CAPITA – FACTOR COAST
1993-95

DISCRIMINAÇÃO	YEARS			PERC.(%)	
	1993	1994	1995	95/93	95/94
GDP TOTAL (US\$ milhões)					
Brazil	649.298	688.257	717.164	10,4	4,2
Northeast	89.290	97.951	102.261	14,5	4,4
Ceará	12.425	13.206	13.928	12,1	5,5
GDP PER CAPITA (US\$)					
Brazil	4.285	4.477	4.603	7,4	2,8
Northeast	2.036	2.204	2.273	11,7	3,1
Ceará	1.886	1.972	2.045	8,4	3,7

Source: Brasil: IBGE/DECNA (a preços de mercado).

Northeast: SUDENE/DPO/DCR.

Ceará: IPLANCE/DEP/DEAC.

Obs.: Average R\$/US\$ de 1995.

2. Foreign Trade

2.2.1 Total Trade

TABLE 6

BRAZIL, NORTHEAST AND CEARÁ: EXPORTS, IMPORTS AND TRADE BALANCE
1993, 1994 and 1995

	VALUE FOB (US\$ 1.000)	VAR. (%)
--	------------------------	----------

DISCRIPTION	1993		1994		1995	
	1993	1994	1995	95/93	95/94	
BRAZIL						
Export	38.782.679	43.545.162	46.506.282	19,9	6,8	
Import	25.651.608	33.168.000	49.663.460	93,6	49,7	
Trade Balance	13.131.071	10.377.162	(3.157.178)	-	-	
NORTHEAST						
Export	3.040.422	3.502.854	4.239.999	39,5	21,0	
Import	1.972.970	2.531.508	3.562.765	80,6	40,7	
Trade Balance	1.067.452	971.346	677.234	-36,6	-30,3	
CEARÁ						
Export	295.579	334.861	352.131	19,1	5,2	
Import	389.551	523.838	656.785	68,6	25,4	
Trade Balance	(93.972)	(288.977)	(304.654)	-	-	

Source: Ministério da Indústria, do Comércio e do Turismo/SECEX e SUDENE - Boletim Conjuntural,

August 1996.

Elaboration: IPLANCE/DEP/DEAC

TABLE 7
CEARA STATE: MAIN GOODS EXPORTED
1993 - 1995

DISCRIPTION	1993		1994		1995	
	FOB US\$ (1.000)	PERC. (%)	FOB US\$ (1.000)	PERC. (%)	FOB US\$ (1.000)	PERC. (%)
Cashew Nut	103.191	34,9	92.503	27,7	129.927	36,9
Lobster	43.107	14,6	45.773	13,7	50.506	14,4
Cloth	29.753	10,0	32.691	9,8	45.473	12,9
Carnauba Wax	23.915	8,1	19.562	5,9	38.561	10,9
Cotton Fibre	4.623	1,6	13.267	3,9	15.881	4,5
Leather and Hide	7.318	2,5	8.988	2,7	10.300	2,9
Polyester Fibre	13.067	4,4	11.156	3,3	8.173	2,3
Shrimp	3.455	1,2	6.114	1,8	4.687	1,3
Electric Measure	1.720	0,6	5.320	1,6	4.222	1,2

Iron Cylinder	985	0,3	3.127	0,9	3.851	1,1
Stove	2.332	0,8	4.802	1,4	3.786	1,1
LCC(*)	2.786	0,9	2.347	0,7	2.984	0,8
Things of Clothing	9.655	3,3	9.102	2,7	2.649	0,8
Others Products	49.672	16,8	80.109	23,9	31.131	8,9
TOTAL	295.579	100,0	334.861	100,0	352.131	100,0

Source: Ministério da Indústria, Comércio e Turismo/SECEX.

Elaboration: IPLANCE/DEP/DEAC

2. Trade with Chile

TABLE 8

CEARA STATE: EXPORTS, IMPORTS AND BALANCE TRADE

1993 - 95

(US\$ FOB)

PRODUCTS	1993	1994	1995
EXPORTS	8.605.556	11.076.024	9.115.342
Juice	27.861	19.015	58.647
Carnauba Wax	907.903	1.028.927	2.316.392
Almond of Cashew Nut	156.687	87.543	108.801
Testile Fibre	4.779.884	6.467.753	5.272.692
IMPORTS	185.800	259.521	1.652.493
Fish	...	...	3.507
Fruit and Vegetable Products	...	...	652.638
Cloth	171.000	170.946	...
Reactors	14.800	86.800	85.117
Machine and Equipment	...	...	5.503
Vehicle	...	...	24.805
Toys	...	...	3.358
BALANCE TRADE	8.419.756	10.816.503	7.462.849

Source: MICT/SECEX

Elaboration: IPLANCE/DEP/DEAC

2.3 Agriculture Production

TABLE 9
CEARA'S STATE: AREA AND PRODUCTION OF FRUIT
1994 - 96

PRODUCT	YEARS					
	1994		1995		1996	
	ÁREA	PRODUCTION	ÁREA	PRODUCTION	ÁREA	PRODUCTION
	(ha)		(ha)		(ha)	
Pineapple (1000 fruit)	9	59	9	67	6	50
Acerola (ton)	...	...	1.045	7.652	1.292	10.075
Banana (1000 bunch)	38.682	31.494	42.486	31.383	43.545	35.863
Cashew Nut (ton)	326.740	68.766	332.882	80.896	345.546	87.452
Coconut of Bahia (1000 fruit)	38.581	137.714	40.292	143.444	41.467	148.242
Orange (1000 fruit)	1.201	78.215	1.255	73.961	1.324	75.381
Sleeve (1000 fruit)	2.513	121.395	2.367	100.589	2.493	110.720
Passion Fruit (1000 fruit)	1.938	229.414	1.771	209.206	2.423	271.536
Melon (1000 fruit)	1.807	32.120	1.779	33.178	1.653	34.900

Source: IBGE/LSPA

Elaboration: IPLANCE/DEP/DEAC

OBS: (...) Data not available

3 THE BIGGEST ENTERPRISES OF CEARÁ

TABLE 10
CEARA'S STATE: INDUSTRY OF TRANSFORMATION AMONG THE TEN MAIN COUNTY OF THE CEARA
1995

ACTIVITY	COUNTY										Other	TOTAL
	Fortaleza	Juazeiro do Norte	Caucaia	Sobral	Maracanaú	Iguatu	Crato	Maranguape	Itapipoca	Canindé		
Mineral not Metallic	144	15	48	20	21	19	32	5	7	4	443	758
Metallurgy	302	37	21	31	19	11	12	3	4	2	139	581
Mechanic	55	-	1	2	8	2	1	1	-	-	23	93
Electric and Comunication Material	43	1	2	-	7	2	1	1	-	-	10	67
Transport Material	38	-	2	3	2	2	-	-	1	-	10	58
Wood	113	15	7	15	4	13	8	7	11	5	243	441
Furnishings	342	28	27	13	25	19	9	3	6	2	233	707
Paper and Cardboard	28	2	1	-	1	-	1	-	-	-	4	37
Rubber	34	10	2	4	1	2	3	-	-	-	12	68
Leather and Hide	45	22	1	2	9	1	2	-	-	1	16	99
Chemistry	143	6	10	3	16	5	2	2	1	1	46	235
Pharmaceutical Product	53	1	-	-	-	-	-	-	-	-	7	61
Perfume, Soap and Candle	83	10	3	4	6	-	6	2	-	-	56	170
Plastic Material	59	7	4	1	7	-	1	1	-	1	20	101

Textile	129	5	3	10	14	4	2	7	1	2	463	640
Clothing, Shoes and Article of Cloth	2.887	267	55	89	55	54	32	61	17	4	647	4.168
Food Products	723	52	54	40	34	57	42	22	13	2	802	1.841
Drinks	45	4	2	4	6	-	6	3	5	-	110	185
Smoke	-	-	-	-	-	-	1	-	-	-	3	4
Publishing and Graphics	296	8	6	9	7	6	3	4	2	1	61	403
Deversas	181	34	9	3	8	9	4	1	1	-	33	283
TOTAL	5.743	524	258	253	250	206	168	123	69	25	3.381	11.000

Source: SEFAZ - Cadastro de Contribuintes.

Elaboration: IPLANCE/DEP/DEAC

TABLE 11

CEARA'S STATE: PRIVATE GROUPS ECONOMICS OF THE CEARA AMONG THE 300 NATIONAL LARGEST

1995

DISCRIMINATION	SOURCE	ACTIVITY	VALUE IN R\$ 1.000		RANKING
			NET LIQUID BALANCE(*)	LIQUID INCOME(*)	
<ul style="list-style-type: none"> • Edson Queiroz Enterprises: <ul style="list-style-type: none"> • Queiróz Com Parts S.A, • Tecnomecânica Esmaltec Ltda, • Cacajus Agroindustrial S.A, • Indaiá Brasil Águas Minerais Ltda, • Paragás Distribuidora Ltda., • Minalba Alimentos Bebidas Ltda, • Serra Negra Agropecuária Ltda., • Entre Rios Agroindústria Ltda. 	Private	Holdings, metallurgy, food, drinks and smoke, retail trade , meat and cattle breeding, communication, wood/furnishings/paper.	320.811,00	43.916,00	63
<ul style="list-style-type: none"> • J. Macêdo Enterprises: <ul style="list-style-type: none"> • Macêdo S.A Com Adm Parts., • J. Macêdo Alimentos S.A., • Cervejaria Astra S.A., • J Macêdo Veículos Ltda., • Comec Constrs Eletromecânicas S.A., • Coml J Macêdo Ltda., • Copan Cia Prods Alimentícios NE, • Aguanambi Diesel S.A., • Banarrós Diesel Ltda, Hidracor S.A. 	private	holdings, drinks and smoke, mechanic, distributor of automobile and parts, foreing trade, chemistry and petrochemistry.	307.278,0	615.690,00	68
<ul style="list-style-type: none"> • EMPESCA Enterprises: <ul style="list-style-type: none"> • Empesca S.A; • Constr. Nav. Pesca Exp.; • Banco Pontual S.A; • Anglo Alimentos; • Nossaterra Veics. Peças Servs. Ltda; • Pontual Leasing S.A; • Arrend. Mercl.; • Usina Santa Olinda S.A; • Aç. ,Álcool; • BG Inds. Alims. S.A ; 	private	Meat and Cattle breeding, Finance, Distributer of automobile and parts and Cane/Sugar/álcohol	298.903,00	720.315,00	71

• Empesca Norte S.A					
<ul style="list-style-type: none"> • BEZERRA DE MENEZES Enterprises: <ul style="list-style-type: none"> • Têxtil Bezerra de Menezes S.A., • TBM S.A Ind. Têxtil. 	private	Non-metallic, transport and storage, mining.	133.695,0	67.664,00	138

Source: Balanço Anual/Gazeta Mercantil/97.

Elaboration: IPLANCE/DEP/DEAC.

(*) Price of december of 1995.

TABLE 11
CEARA'S STATE
PRIVATE GROUPS ECONOMICS OF THE CEARÁ AMONG THE 300 NATIONAL BIGGEST
1995

Cont...

DISCRIMINATION	SOURCES	ACTIVITY	VALUE IN R\$ 1.000		RANKING
			NET LIQUID BALANCE(*)	LIQUID INCOME(*)	
Master Enterprises <ul style="list-style-type: none"> • Master Incosa Eng S.A., • Master Ind Plástica Cearense S.A., • Master Ind Plástica Cearense S.A., • Master S.A. Embalagens Plásticas, • Master S.A Tecidos Plásticos, • Colonial Hotéis e Turismo S.A, • Master Adm Parts S.A. 	private	construction, plastic and rubber, general services, holdings.	109.234	104.807,00	161
Caixa Empresas: <ul style="list-style-type: none"> • Caucaia Indl S.A., Caixa, • Ciol Com Ind Óleos S.A., • Caucaia Agropecuária S.A., Capisa, • Fazendas Ernani Viana S.A. • Fevisa, Siqueira Gurgel S.A. Com Ind. 	privada	Holdings, eletroeletrônica, metalurgia, madeira/móveis/papel.	21.118,0	15.809,00	290

Source: Balanço Anual da Gazeta Mercantil/97.

Elaboration: IPLANCE/DEP/DEAC.

(*) Prices of December of 1995.

TABLE 12

CEARÁ' STATE: STATE ENTERPRISE OF CEARA AMONG THE 100 LARGEST OF THE COUNTRY

1995

DISCRIMINATION	ACTIVITY	VALUE IN R\$ 1.000		RANKING
		NET LIQUID BALANCE (*)	LIQUID INCOME (*)	
• COELCE	Electric Energy	282.867,0	326.206,0	41
• Teleceará	telecommunication	173.732	489.382	58
• Cagece	Distributor of drain and water	514.947	84.226	89

Source: Balanço Anual da Gazeta Mercantil/97.

Elaboration: IPLANCE/DEP/DEAC.

(*) In R\$ 1.000; price of December of 1995.

TABLE 13

CEARA'S STATE: CEARÁ'S ENTERPRISES AMONG THE 100 LARGEST OF THE NORTHEAST REGION

1995

DISCRIMINATION	SOURCES	ACTIVITY	VALUE IN R\$ 1.000		RANKING
			LIQUID INCOME	NET LIQUID BALANCE	
• COELCE	public	Electric energy	282.867	326.206	14
• NORTE GÁS BUTANO	private	Distributor of gás	207.312,13	-	20
• VICUNHA	Private	textile/confection	196.964,0	310.980	23
• J. MACÊDO ALIMENTOS	Private	foods	195.976,0	152.691	24
• TELECEARÁ	Public	Telecommunication	173.732	489.382	27
	Private	Detail trade	125.671	4.001,0	25

• LOJAS PARAÍSO	Private	Retail trade	155.071	4.991,0	55
• GRANDENE	Private	Footwear	134.255	61.085	37
• M. DIAS BRANCO	Private	Foods	130.502	205.162	40
• REFRESCOS CEARENSES	Private	Drinks	96.734	5.867	60
• CERVEJARIA ASTRA	Private	Drinks	96.173	75.831	61
• FINOBRASA	Private	Textile	88.021	73.729	69
• CAGECE	Public	Trade and Distributer of drain and water	84.226	514.947	72
• J. MELO	Private	-	74.364	4.388	81
• MASTER INCOSA	Private	-	61.760	96.302	96
• EMPESCA	Private	Fishing	59.249,9	240.720	99

Source: Balanço Anual da Gazeta Mercantil/97.

Elaboration: IPLANCE/DEP/DEAC.

(*) Prices of december of 1995.

CONCLUSION

As we saw, in recent years the State of Ceará has changed since the new view of Public Administration was introduced in our economy. And today the benefits are visible of these early changes.

As a consequence of this early vision of the new Public Administration policies that were implemented in Ceara's State, it brought to our state many industries interested in building their factories, giving us an increase in the number of jobs.

With the Fiscal Reform introduced by the new generation of governors, the Government could increase its domestic savings. And with this increase, it could do the necessary investment that our people claimed.

The foreign credibility acquired by our government brought us an increase in a sector very important to our economy that is the "Tourism". The quantity of tourists who visit the State of Ceará has growing up year by year because of the image of our state that is echoing among the rest of Brazil and also in Foreign Countries.

In the last years the Government had worked through the basic necessity of its people with projects that really increase the welfare of it. As sanitation, incentive to private sector to generate jobs, health mainly in rural area and to diminish the infant death rate, to invest an infrastructure to attract the tourist, and other.

It's logical that all of us know that absence many things to we to by our state. But if we do a deep analysis of the new vision of Public Administration and to join it the aggressive economic developing. We can see that we are in the right way.

Francisco Afranio Lima Peixoto Junior

Civil Servant of

The Secretary of Finance for Ceará State