Is there a Brazilian Model of Development?
Are there lessons for Africa?

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Marked improvement in economic and social indicators for Brazil

Economic growth
Public finances
Poverty
Inequality

Are they the outcomes from a ‘new development model’ in Brazil?

Opinion is divided on whether these outcomes can be sustained?

(China’s growth and commodity prices)

…and on which, if any, are the main components of this model?

Growth, education, BNDES, Bolsa Família…

Why it matters […to African countries]?

Brazil’s emergence as a world power (6th largest economy, G20)
Brazil growing engagement in Africa (Lula, Embrapa, social protection)
Brazil GDP annual growth

IPEA data

GDP (% growth p.a)
Brazil Inward FDI flows (US$bn)

IPEA data

Inward FDI (US$bn)
Brazil poverty indicators 1992-2009

- Extreme poverty % pop.
- Poverty % pop.
The emergence of a ‘new development model’: when, what and how?
WHEN?

1930s-1980s – Import Substitution, heterodox macroeconomic policy

1985-1993 – Crisis, democratisation and adjustment


- Pegged exchange rate
- Limited fiscal adjustment
- De-indexation
- Trade and market liberalisation

WHAT?

1996-present …The new model??

- Commodity price boost
- Continued market reform
- Fiscal policy consolidation and targeting
- Selective, capacity building industrial policy
- Activist social policies including but not limited to CCT programmes (e.g. Bolsa Familia)
HOW?

How was the model developed and sustained?


- Continuity of state planning capacity and pragmatic interventionism
- Political consensus across parties focused on incremental and inclusive reform
- Favourable external market conditions especially for key commodity export products
- Improvements in supply side capacity driven by combination of liberal reform-driven incentives and persistence of state strategic planning and investment (e.g. BNDES; national technology policies)
- Comparatively successful leveraging of inward FDI to realise improvements in competitiveness
- Robustness of tax revenue raising capability and ‘social taxes’
- Limited innovation in efforts to boost quality and availability of human capital
Brazil tax/gdp and gini

Source: SEDLAC, OECD
Deciles of total household income

Data source:
Castro et al. (2008)
Table 2 Income growth among bottom quintile is explained by a mix of growth, demographics, and redistribution:

<table>
<thead>
<tr>
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<th>2003</th>
<th>2009</th>
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<tbody>
<tr>
<td>Increase in work-related income per adult</td>
<td>R$87</td>
<td>R$123</td>
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<tr>
<td>Increase in the number of adults per household</td>
<td>55%</td>
<td>58%</td>
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<tr>
<td>Increase in non-work related income per adult</td>
<td>R$25</td>
<td>R$49</td>
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Data Source: (Barros, Mendonça and Tsukada 2011)
Lessons for Africa?

- The forging of a **cross-cutting national consensus** is an essential lesson from Brazil. This is necessary to push through and sustain difficult and potentially socially disruptive reform programmes such as the Real Plan.
- The presence and legitimacy of **administrative and taxation capacity** [natural resources revenues?]
- **Large-scale ‘productivist’ social policies** with a strong focus on human capital accumulation
- Attention to **supply side inelasticities** stemming from under-investment in education and infrastructure