



CRITICAL ANALYSIS OF THE DEVELOPMENT POLE STRATEGY EXTENSION TO SÃO PAULO'S CITY NORTH ZONE

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ABSTRACT

Based on the case of São Paulo's North Zone (bill currently underway at the Municipal Chamber of São Paulo), this article aims to develop a critical appraisal of the Development Poles strategy, which was adopted by the Strategic Master Plan of São Paulo (Brazil). The bill extends tax and urban incentives to the three main North Zone subsectors.

KEYWORDS: *urban development; "Development Pole" strategy; Strategic Master Plan (PDE); São Paulo (Brazil)*

Análise crítica da extensão da estratégia de Polos de Desenvolvimento para a Zona Norte da cidade de São Paulo

RESUMO

Este artigo desenvolve uma apreciação crítica das estratégias de "Polos de Desenvolvimento" adotadas pelo Plano Diretor Estratégico de São Paulo a partir da consideração do caso da Zona Norte da cidade. O projeto de lei 01-00669/2018 estende os incentivos fiscais e urbanísticos para os subsetores.

PALAVRAS-CHAVE: *desenvolvimento urbano; Polos de Desenvolvimento; Plano Diretor Estratégico (PDE); São Paulo (Brasil)*

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INTRODUCTION¹

Based on the case of the North Zone of São Paulo, this article aims to develop a critical appraisal of the Development Poles [Polos de Desenvolvimento] strategy, which was adopted by the Strategic Master Plan [Plano Diretor Estratégico, PDE/SP] of the city of São Paulo. As part of the PDE/SP, which was enacted in 2014, the Development Pole strategy was originally conceived as a set of tax and urban incentives for the economic development of the city's East Zone, and may be extended to other areas according to specific municipal bills.

Bill No. 01-00669/2018, proposed by Eliseu Gabriel (Brazilian Socialist Party, PSB), Fabio Riva (Brazilian Social Democracy Party, PSDB), José Police Neto (Social Democratic Party, PSD), Paulo Frange (Brazilian Labor Party, PTB), Dalton Silvano (The Democrats, DEM), Gilberto Nascimento (Christian Social Party, PSC) and André Santos (The Republicans), and which is currently being processed by the São Paulo Municipal Chamber,² extends the Development Poles strategy, as well as its tax and urban incentives, to the economic development of specific territories in the North Zone of São Paulo. The bill, which is supported by the PDE/SP, conceives “economic development” as generation of employment and income, attraction of investments, and promotion of specific sectors related to the possibilities (“vocations”) of these territories, including industrial, logistics, and specialized services. The territories defined are the following subsectors: (i) Northwest: Raimundo Pereira Magalhães and Anhanguera subsectors; and (ii) Fernão Dias: Fernão Dias subsector (Figure 1).

The extension of the Development Poles strategy to the North Zone, which is embodied in the aforementioned bill, is subsidized by a technical study titled “Estudo de vocação econômica para a Zona Norte de São Paulo: síntese dos produtos e recomendações” [Economic vocation study for the North Zone of São Paulo: a summary of its products and recommendations] (Wissenbach et al., 2019), which was carried out by us³ at the Brazilian Center for Analysis and Planning [Centro Brasileiro de Análise e Planejamento, Cebrap] during the second half of 2019. In this study, we have prepared a diagnosis for the economic and productive development of these three subsectors, which is contextualized in the more general set of trends and development perspectives of the city of São Paulo and its Metropolitan Area [Região Metropolitana de São Paulo].

The article is divided into three sections, in addition to this introduction. The next section presents and contextualizes the Strategic Master Plan (PDE/SP) within the urban planning system of São Paulo city, with an emphasis on the Development Poles strategy and what it represents in terms of recovering the city’s planning capacity. It highlights that the strategy was originally designed and implemented in the East Zone and introduces bill No. 01-00669/2018, which extends the poles strategy to the North Zone of the city.

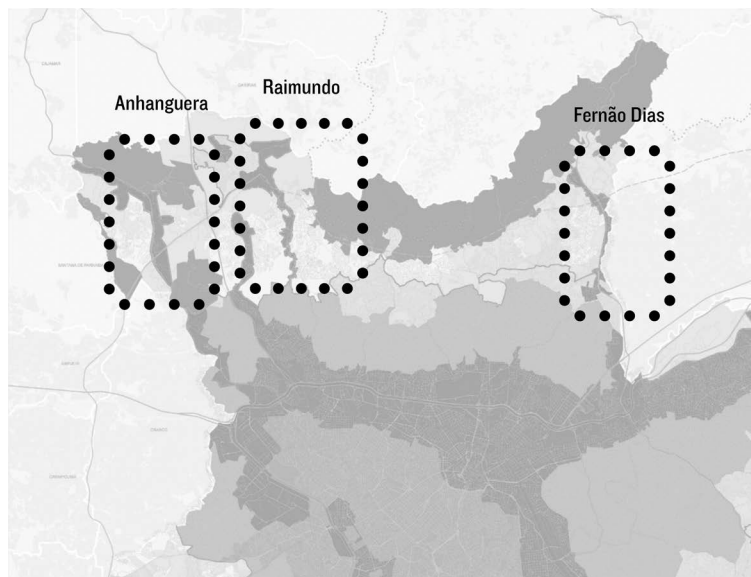
The third section presents and discusses the main results of the technical study that subsidizes the bill, highlighting its diagnosis of the more general trends that condition the development possibilities of the Anhanguera, Fernão Dias and Raimundo Pereira de Magalhães subsectors, as well as the identification of development opportunities within this more general context and the recommendations made.

remaining problems or inaccuracies are our responsibility (and not the reviewers’).

[2] Bill No. 01-00669/2018 has been already processed in the committees and was approved in the first voting session, but there is no defined date for the second voting session as of July 2021.

[3] The core team of the project, which was based at Cebrap, includes coordination by Tomás Wissenbach, consultancy by Alexandre Abdal, and research by Jonas Bicev and Marcela Amorozo.

FIGURE I
Subsectors of the North Zone with Incentives Set Forth in Bill No. 01-00669/2018



Source: Bill No. 01-00669/2018.

The articulation between context and opportunities implies specifically three analytical dimensions: (i) deindustrialization at the national level, manufacturing industry recession in the São Paulo metropolis with loss of manufacture capacity in the capital vis-à-vis the emergence of a robust sector of specialized services; (ii) consolidation of logistics infrastructure in the Metropolitan Area of São Paulo through the completion of the ring road (Rodoanel) with the possibility of implementing a logistics pole in the North Zone; and (iii) opportunity to retain manufacture investments that are about to be removed from São Paulo (city or metropolitan area) given the availability of land in the subsectors.

Finally, the fourth and last section presents a critical discussion on Development Poles strategies embodied in bill No. 01-00669/2018. Specifically, it draws attention to: (i) inadequacies in the instruments (tax and urban concessions) provided for the bill, the achievement of its development goals, and taking advantage of the opportunities identified in the technical study; (ii) the risk of an intra-metropolitan fiscal war emerging in the context of the bill implementation without proper metropolitan coordination; (iii) the absence of mechanisms for selectivity, compensation and/or monitoring of benefits, in both granting and monitoring the execution of these benefits; and (iv) the low participation of local communities and populations.

As a final goal, we aim to contribute to the debate on territorial and urban development policies and to the relations between territory and economy. More specifically, we discuss how the local public power can effectively promote the economic and productive development of specific portions of its territory based on the instruments available and the specific context in which it operates. When discussing these possibilities and the limits of public action in a territorial development strategy such as that of Development Poles, we contribute not only to the identification of its contradictions, impasses, challenges and potentially negative outcomes but also to the creation of more efficient and effective public policies for territorial and urban development.

This sort of discussion — which takes place at the intersection of planning, intra-urban territory, and economics — is rare in the academic literature. On the one hand, by taking part in it, we associate ourselves to a robust set of research works and reflections that have been carried out at Cebrap, whose mainly recent works are *São Paulo Metrópole* (Meyer et al., 2004), *Caminhos para o Centro* (Comin et al., 2004) and *Metamorfoses paulistanas* (Comin et al., 2012). On the other hand, we acknowledge that a significant part of the works in this field highlights regional and urban economy or territorial planning, and few of them pay attention to the relationships between them and, more specifically, to the possibilities and limits of promoting territorial and urban development through the use of tax and urban planning instruments on a local scale. Two noteworthy exception are the works of Natasha Mincoff Menegon (2008), which discusses the possibilities of public intervention in areas of urban transformation, characterized by industrial tradition, and Giselle Kristina Mendonça Abreu (2017), that focus on the connections among urban and city planning and instruments of manufacturing promotion.

In terms of methodology, this article is structured as a single case study (Yin, 1994; Almeida, 2016) on the extension of the Development Poles strategy to the North Zone of São Paulo. Therefore, it aims to produce in-depth knowledge through several research techniques and sources of information about this topic. We have relied mainly on a document analysis of the bill and its technical study, as well as on the treatment of secondary and public quantitative data on the North Zone of São Paulo and several informal talks (interviews) with the signatories of the bill during the preparation of the technical study (from October to December 2019).

THE STRATEGIC MASTER PLAN, THE BILL, AND THE “DEVELOPMENT POLE STRATEGY”

In August 2014, the then mayor of the city of São Paulo, Fernando Haddad, from the Workers Party (PT), sanctioned law No.

13.050/2014, which set forth guidelines for the local urban development policy and the Strategic Master Plan of the city of São Paulo (PDE/SP). It was the second plan approved after law No. 10.257/2001 was passed — the “City Statute” [Estatuto da Cidade]. Applying different guidelines and established in the aforementioned Statute, the Strategic Master Plan sought to address several structural issues of the city in the long term.

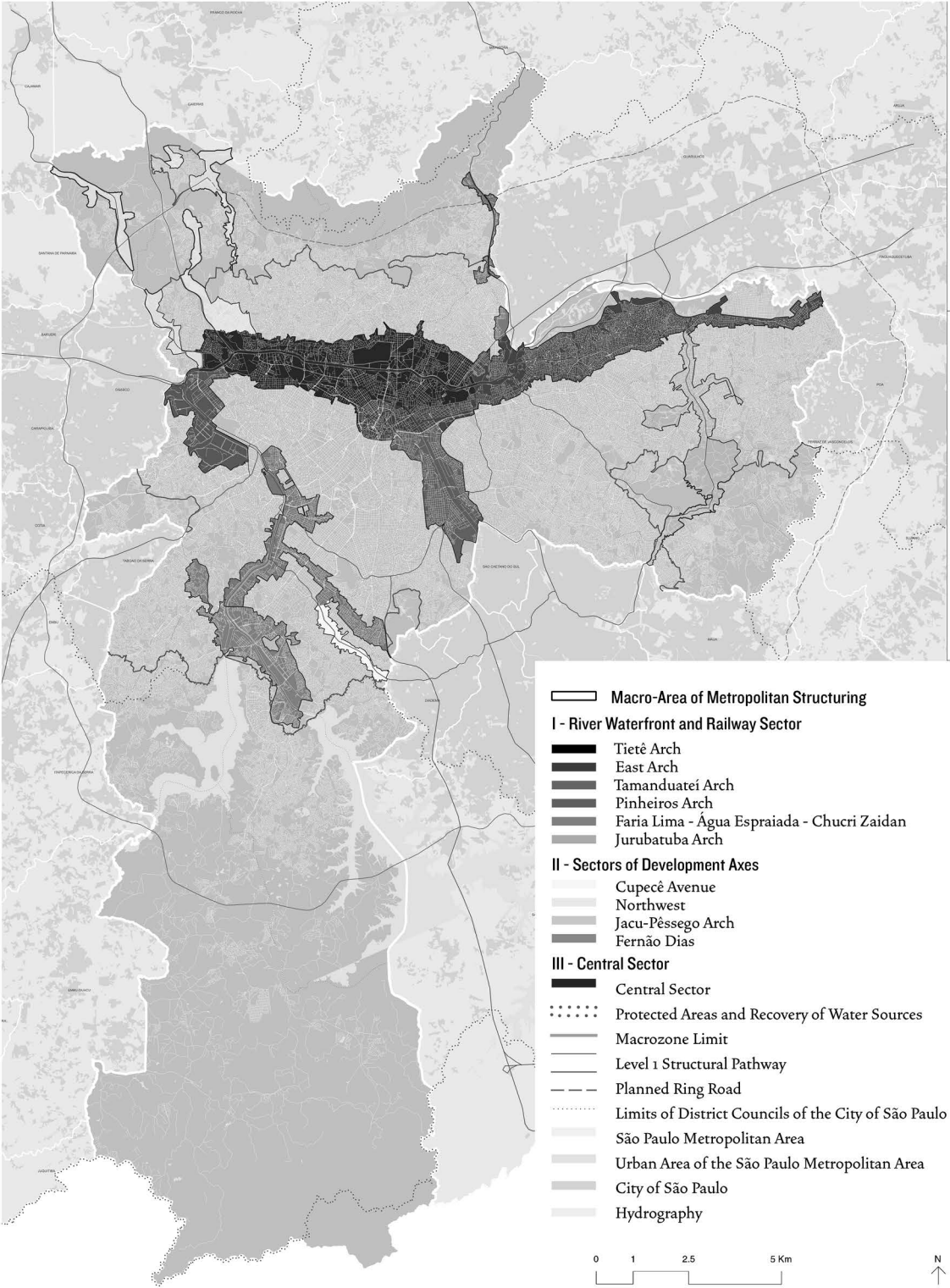
The PDE/SP argues that the combination of private production regulation of the urban space (basically, rules for real estate development), the definition of priorities for public policy agendas, and the creation of instances and mechanisms for a democratic management of the city could promote coordinated transformations that none of them could achieve in isolation. Therefore, the PDE/SP aims to coordinate what it defines as the Municipal Planning System [Sistema Municipal de Planejamento], which includes other more specific instruments of urban policy — such as the Land Installment, Use, and Occupancy Law (known as the “Zoning Law”) —, but also, and above all, the articulation of budget planning instruments, such as the Pluriannual Plan [Plano Plurianual] and the Municipal Budget. For this reason, the seventeen objectives set out in its Article 7 are ambitious and address the most different dimensions of life in the city, from containing the expansion of the urban fabric to the requalification of central areas, from rationalizing the use of cars to mitigating the anthropogenic factors that contribute to climate change, from protecting historical heritage to reducing socio-territorial inequalities.

One of the highlights among these goals is a reduced need for commuting, in order to balance employment and housing locations. The already known problem of concentrated employment — especially for formal and higher-paying jobs — in the city of São Paulo is expressed in the analysis of the numbers. Five district councils (Pinheiros, Vila Mariana, Sé, Butantã and Lapa) concentrate almost 25% of formal jobs in the city and only 14% of the inhabitants.⁴ This distribution indicates a well-known problem concerning the expansion of cities, i.e., the functional dissociation between residence and employment, and is considered to be a structural factor associated with high demand for long-distance commuting. This implies high social costs — with residents of the most remote areas of the city spending, as it happens, three or more hours a day to commute to and from work (Rede Nossa São Paulo et al., 2017) —, besides the environmental ones, with the transportation sector accounting for more than 80% of CO₂ emissions in the city (Instituto Ekos Brasil et al., 2013).

As a response to this process, the PDE/SP proposes instruments and policies that are diverse both in terms of goals and magnitude. The most important of them as to the instruments presented is the

[4] Sources: Annual Report on Social Information (Ministry of Economy), Demographic Census of the Brazilian Institute of Geography and Statistics (IBGE) and the City Department of Urban Development/Geoinfo.

FIGURE 2
Macro-Area of Metropolitan Structuring



Source: Local Government of the City of São Paulo. Strategic Master Plan, 2014.

creation of the Macro-Area of Metropolitan Structuring [Macroárea de Estruturação Metropolitana, MEM]: a large area of the city that includes the linear parks along the Pinheiros, Tietê and Tamanduateí rivers, Gov. Carvalho Pinto, São Miguel, and Marechal Tito avenues, and the areas bordering Jacu Pêssego, Fernão Dias highway, and avenues Anhanguera highway. With regard to the MEM, the PDE/SP prioritizes the application of urban instruments based on partnerships with the private sector, exclusively through the Urban Operations Consortium [Operações Urbanas Consorciadas] and, moreover, reduces the use of land while the specific plans are not approved.

Still with regard to the MEM, the PDE/SP complementarily devises two more instruments: economic advantages and incentives concerning urban planning. With reference to the former, the PDE/SP is supported by the Law of Incentives for the East Zone, which was revised in 2013⁵ and provides for a discount on service taxes (ISS, legally limited to 2%) and exemption from property tax (IPTU) and property transfer tax (ITBI) for new investments. Additionally, it extends these same incentives to other perimeters upon creation of respective specific laws. As for the incentives concerning urban planning, the PDE/SP grants exemption from property development tax (OODC) for non-residential use, i.e., investors operating within the perimeter are exempt from paying the corresponding tax for acquiring additional constructive potential in order to develop their real estate beyond basic potential and up to maximum potential.

Taking into consideration the application of this set of urban planning instruments, it is possible to affirm that the PDE/SP applied the same rationale to the economic development of peripheral areas as that applied to the denser economic parts of the city's territory, but in the opposite direction (Mello Franco; Wissenbach, 2016). While in the so-called expanded city center⁶ the proposal was to restrict areas subject to building densification to urban transformation axes (areas close to public transportation infrastructure of high and medium capacity) and, thus, increase the population density in these areas, in more remote ones the proposal was to encourage non-residential buildings through economic incentives. This would indicate a rationale based on the regulation of the private production of urban space and not on a comprehensive set of state interventions and investments (Wissenbach, 2017).

However, two elements combined allowed for the PDE/SP, in its regulation, to offer a more comprehensive development strategy. First of all, the provision of incentives does not occur simultaneously in all the territories covered. These incentives were regulated by Law No. 16,050 for the perimeter of the East Zone, but were not applied immediately in the South and North Zones. For these areas, hence the

[5] Bill No. 01-00669/2018 has been already processed in the committees and was approved in the first voting session, but there is no defined date for the second voting session as of July 2021.

[6] The expanded center is commonly used in urban planning documents and corresponds to a small ring road for the application of the municipal circulation restriction (*rodizio*), including Marginal Pinheiros, Marginal Tietê, and the Cupecê and Salim Farah Maluf avenues.

second element, the incentives should be preceded by a regulation with specific laws and be accompanied by the creation of a Strategic Pole for Economic Development.

Strategic Poles for Economic Development, created by Article 365 of the PDE/SP regulation, lay down requirements based on prior evaluation, which includes stipulating minimum content in terms of publicizing and holding public hearings, in addition to drafting a specific law. Thus, by not regulating incentives for specific portions of the territory, the PDE/SP creates an opportunity to attach the granting of tax and urban benefits to a broader strategy for local economic development, ensuring better conditions for its effectiveness. Therefore, it realigns the planning function along the mere induction through economic incentives and links it to the macro-zoning defined by the macro-areas, and especially to the MEM and public and private investments, establishing a connection between urban policy, economy, and territory (Mello Franco; Wissenbach, 2016).

The draft bill No. 01-00669/2018 is a specific regulation that extends the Development Poles strategy to the North Zone, defining the Anhanguera, Fernão Dias, and Raimundo Pereira de Magalhães subsectors (Figure 1 above) as beneficiaries of tax and urban planning incentives. It (i) introduces itself as a program to stimulate the manufacturing, logistics, and services industries aiming to attract and maintain labor-intensive activities; (ii) grants tax benefits (60% discount on ISS and exemption from IPTU and ITBI) and urban planning incentives (exemption from OODC, an increase of up to 60% in the occupancy rate, and prioritization in the analysis of licensing and regularization requests, among others); and (iii) selects a vast and wide range of activities to be eligible for tax and urban planning incentives — nearly all manufacture, commercial, and service activities with low or moderate urban impact. However, this bill does not mention any counterparts and/or mechanisms for monitoring and evaluating the implementation and impact of the Development Poles strategy.

DEVELOPMENT POLES IN THE NORTH ZONE

Bill No. 01-00669/2018 is subsidized by the “Estudo de vocação econômica para a Zona Norte de São Paulo: síntese dos produtos e recomendações” (Wissenbach et al., 2019). In it, the North Zone in general and the Anhanguera, Fernão Dias, and Raimundo Pereira de Magalhães subsectors in particular are characterized and situated in the local, regional, and national contexts; its potentialities and challenges in terms of economic development are identified; and recommendations are provided in order to expand public actions to achieve the objectives set forth in the bill.

The three subsectors of interest are located in the most remote areas of the North Zone, expressing, in their own way, the more general pattern of territorial development in the city of São Paulo. This pattern is characterized by extensive, dispersive, and peripheral expansion of the urban area, which leads to functional and socioeconomic segregation and urban and environmental precariousness (Meyer et al., 2004; Caldeira, 2006). This pattern of socio-territorial development, which ultimately implies “urbanization without a city” (Rolnik; Klink, 2011), has led to precarious housing and the deficiency of basic infrastructure, as well as pressure on environmental areas and services, insufficient access to public services, low availability of formal jobs, and long and time-consuming commuting in motorized modes, either public or not.

TABLE I
The Anhanguera, Fernão Dias, and Raimundo Pereira de Magalhães Subsectors
(Comparative Table)

| Anhanguera | Fernão Dias | Raimundo Pereira de Magalhães |
|--|---|---|
| - Total area: 33.5 km ² | - Total area: 73 km ² | - Total area: 69.1 km ² |
| - Resident population: 79,000 inhabitants. (Seade, 2017) | - Resident population: 436,000 inhabitants. (Seade, 2017) | - Resident population: 462,000 inhabitants. (Seade, 2017) |
| - Formal jobs: 2,476; 0.5% of total jobs in the North Zone (RAIS, 2017) | - Formal jobs: 45,358; 9% of total jobs in the North Zone (RAIS, 2017) | - Formal jobs: 69,225; 14% of total jobs in the North Zone (RAIS, 2017) |
| - Occupancy rate: 34% (OD Metro 2017) | - Occupancy rate: 37% (OD Metro 2017) | - Occupancy rate: 35% (OD Metro 2017) |
| - % of households in slums: 7.8% (Habita- Sampa; Seade; Housing Projects) | - % of households in slums: 10.1% (Habita- Sampa; Seade; Housing Projects) | - % of households in slums: 14.1% (Habita- Sampa; Seade; Housing Projects) |

Source: Wissenbach et al., 2019.

That is the socioeconomic context in which the bill intends to intervene based on the Development Poles strategy, i.e., by boosting public and private investments and promoting economic activities for which the subsectors would “have vocation” (would be prepared). However, it is crucial to recognize not only that the possibilities of local development (of the subsectors) are conditioned by the regional, national, and macroeconomic contexts and trends in which they are inserted, but also that, at the same time, they limit some opportunities and create others.

The macroeconomic context is gloomy. In the long term, Brazil will continue to experience processes of deindustrialization (Drach, 2016) and reprimarization of exports (Paulani, 2012), which are important characteristics of the Brazilian productive restructuring

process (Sallum Jr., 1999; Laplane; Sarti, 2006; Amitrano, 2006; Abdal, 2009). The permanence of both processes indicates the chronic difficulty of the Brazilian manufacturing industry and the impossibility of a new investment cycle based on the manufacture if the combination of subordinated external insertion, restrictive macroeconomic policy, and ineffectiveness or absence of industrial policies is maintained (Bresser-Pereira, 2018).

In the short term, Brazil has been facing a very slow recovery from the 2014-2016 crisis, with strong effects on the labor market and directly impacted by the economic and employment crisis resulting from the ongoing Covid-19 pandemic. On the one hand, the GDP growth rates between 2017 and 2019 ranged from 1% to 1.2%, which are still insufficient to recover the pre-crisis level of activity. With the advent of the pandemic, the Brazilian GDP dropped by 4.1% in 2020, and the projections for May 2021 indicate a growth of approximately 4%,⁷ which is still insufficient to recover from the drop of the previous year. The unemployment rate reached almost 14% at the height of the crisis and remained at very high levels until the beginning of 2020, still above 11%. Now, in mid-2021, the unemployment rate is back to 14%.⁸ Combining long and short-term macroeconomic trends with the depressive effects of the pandemic crisis, the prospects for a robust economic recovery are minimal, with job creation and a new cycle of manufacturing investments being part of its components.

These background macroeconomic trends do not occur homogeneously across the territory nor with the same intensity. Productive restructuring, for example, was more intense and acute in areas of greater manufacturing intensity and diversity, with the Metropolitan Area leading the way. It was also simultaneous with the expansion of manufacturing in the city, as well as in the metropolitan region, to adjacent territories within what became known as the São Paulo Macrometropolis (Azzoni, 1986; Diniz, 1993; Pacheco, 1998; Diniz; Diniz, 2004; Abdal, 2009; Abdal et al., 2019). One of its most relevant counterparts, which, at the same time, results from its interaction with the process of technological change, was the emergence of a modern sector of specialized services. This segment, whose most dynamic pole is the city of São Paulo, combines more sophisticated activities (research and development, telecommunications, consulting in general, etc.) with more basic ones (food services, surveillance, cleaning, telemarketing, labor hiring, etc.), partially offsetting the manufacturing difficulties of the city of São Paulo and Metropolitan Area (Torres-Freire, 2006; Abdal et al., 2014; Comin et al., 2012).

These trends altogether — i.e., productive restructuring (including deindustrialization and reprimarization of exports), territorial

[7] Sources: National Accounts of the Brazilian Institute of Geography and Statistics (IBGE) and Focus-Market Readout by Brazilian Central Bank, published on May 31, 2021, for GDP projection.

[8] Source: Continuous National Household Sample Survey (Pnad) by IBGE.

expansion of manufacturing, setting up the São Paulo Macrometropolis and the emergence of a robust specialized services sector — find expression in the Anhanguera, Fernão Dias, and Raimundo Pereira de Magalhães subsectors and condition their future possibilities for productive development.

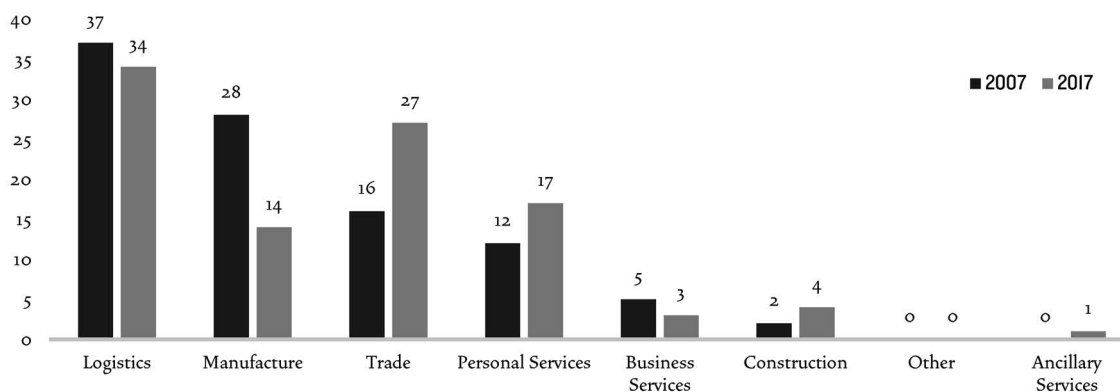
As can be seen in Figure 3, there is, in general terms, a retraction in manufacturing followed by the growth and/or maintenance of the participation of unsophisticated specialized services, logistics activities and trade, which are more intensive in non-manual, common, and medium-skilled occupations. In the Anhanguera, Fernão Dias, and Raimundo Pereira de Magalhães subsectors, the share of manufacturing employment dropped substantially between 2007 and 2017, from 28%, 19% and 21%, respectively, to 14%, 13% and 12%. In the same period, there was also an increase in the share of employment in more usual service segments, trade activities and logistics, with an emphasis on:

- In the Anhanguera subsector: (i) trade (16% to 27%), driven by retail trade, building materials, and supermarkets and grocery stores; and (ii) personal services (12% to 17%).
- Fernão Dias: (i) ancillary and business services (1% and 4% to 7% and 9%), driven by office services and administrative support (telemarketing) and surveillance and security activities; (ii) trade (25% to 28%), driven by retail trade, supermarkets and building materials; and (iii) personal services (18% to 22%).
- Raimundo Pereira de Magalhães: (i) ancillary and business services (2% and 6% to 8% and 17%), driven by office services and administrative support (telemarketing), food services (catering and buffets) and management and hiring of labor; and (ii) personal services (14% to 19%).

Therefore, we emphasize that, even if the national and regional contexts are challenging and reasonably gloomy regarding the possibilities of territorial development of the three subsectors based on manufacturing investments, it brings expansion opportunities for unsophisticated specialized services. With regard to logistics activities specifically, despite the fact that in the period there was no verifiable growth in employment participation, it is worth noting the important opportunity related to the expected delivery of the northern section of the Rodoanel ring road (and other attractions such as the Fernão Dias Cargo Terminal, the largest terminal of its kind in Brazil). Despite the persistent challenges for completing the ring road, it enables the strategic repositioning of the Anhanguera, Fernão Dias, and Raimundo Pereira de Magalhães subsectors, thus consolidating their privileged position for macro and metropolitan efficiency.

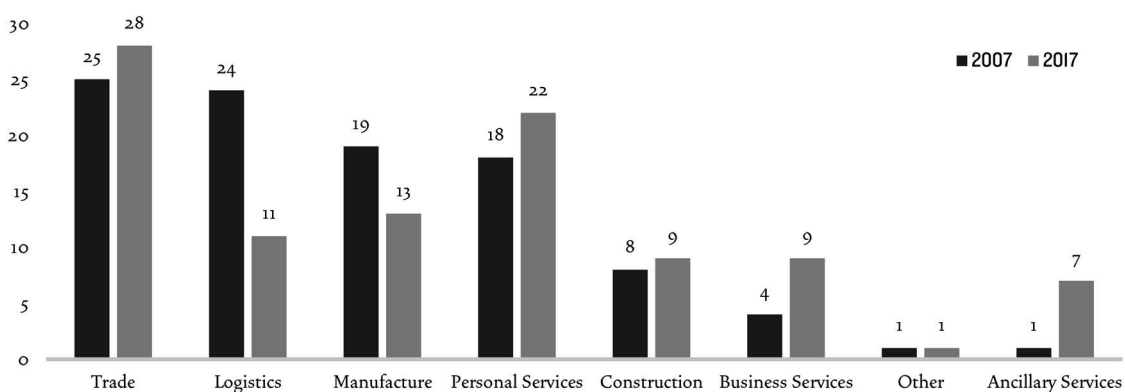
FIGURE 3
Productive Structure by Subsector and Selected Dynamic Activities

ANHANGUERA



| | Economic Activity Classification | Count | % | Brazilian Classification of Occupations (CBO) | Count | % |
|--|--|---------|------|---|---------|-----|
| Retail Trade | Hardware and building materials | 131 | 5.3 | Store and market clerks | 136 | 5.5 |
| | Mini markets and grocery stores | 124 | 5.0 | Cashiers and ticket clerks, except for banks | 72 | 2.9 |
| | Supermarkets and hypermarkets | 71 | 2.9 | Clerks and admin. assistants | 39 | 1.6 |
| Land Transportation | Road freight transport | 541 | 21.8 | Cargo truck drivers | 202 | 8.1 |
| | | | | Loading and unloading of cargo | 103 | 4.1 |
| | School transportation | 19 | 0.8 | Clerks and admin. assistant | 55 | 2.2 |
| Wholesale Trade | General merchandise wholesaler | 78 | 3.1 | Store and market clerks | 49 | 2.0 |
| | Waste and scrap | 40 | 1.6 | Service supervisors | 32 | 1.3 |
| | Produce stores | 21 | 0.8 | Clerks and admin. assistants | 16 | 0.6 |
| Education | Early childhood education and day care | 90 | 3.6 | Early childhood teachers | 66 | 2.7 |
| | Elementary school | 44 | 1.8 | Clerks and admin. assistants | 15 | 0.6 |
| | | | | Building maintenance services | 13 | 0.5 |
| Storage and Auxiliary Transport Activities | Storage | 90 | 3.6 | Planning technician and prod. control | 13 | 0.5 |
| | | | | Salespeople | 10 | 0.4 |
| Anhanguera (all employees) | | 2,486 | 100 | Anhanguera (all employees) | 2,486 | 100 |
| The North Zone | | 495,055 | - | | 495,055 | - |

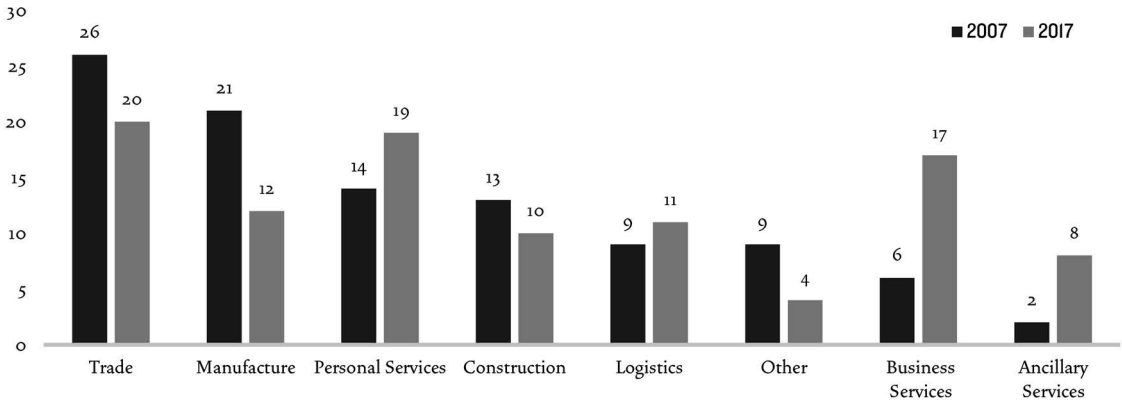
Source: Wissenbach et al. 2019.

FERNÃO DIAS


| | Economic Activity Classification | Count | % | Brazilian Classification of Occupations (CBO) | Count | % |
|--|--|---------|-----|---|---------|-----|
| Retail Trade | Supermarkets and hypermarkets | 3,457 | 7.6 | Store and market clerks | 3,256 | 7.2 |
| | Hardware and building materials | 1,136 | 2.5 | Cashiers and ticket clerks, except for banks | 1,421 | 3.1 |
| | General merchandise trade | 933 | 2.1 | Clerks and admin. assistants | 599 | 1.3 |
| Office Services and Admin. Support (including telemarketing) | Call center activities | 2,510 | 5.5 | Telemarketing operators | 2,141 | 4.7 |
| | Measuring consumption of electricity, gas, water | 312 | 0.7 | Clerks and admin. assistants | 273 | 0.6 |
| | Photocopies, document preparation | 166 | 0.4 | Service supervisors | 114 | 0.3 |
| Human Health Care | Hospital care activities | 2,780 | 6.1 | Nursing technicians and assistants | 1171 | 2.6 |
| | Outpatient care, physicians, and dentists | 145 | 0.3 | Clinical physicians | 320 | 0.7 |
| | Diagnostic supplementation, laboratories | 140 | 0.3 | Nurses | 261 | 0.6 |
| Surveillance, Security, and Investigation Activities | Surveillance and security activities | 2,943 | 6.5 | Watchmen and security guards | 2,611 | 5.8 |
| | Monitoring and security system | 18 | 0.0 | Gatekeepers and watchmen | 225 | 0.5 |
| Land Transportation | Road freight transport | 2,436 | 5.4 | Cargo truck drivers | 706 | 1.6 |
| | Passenger road transport, charter services | 42 | 0.1 | Loading and unloading of cargo | 657 | 1.4 |
| | School transportation | 38 | 0.1 | Clerks and admin. assistants | 272 | 0.6 |
| Fernão Dias (all employees) | | 45,358 | 100 | Fernão Dias (all employees) | 45,358 | 100 |
| The North Zone | | 495,055 | - | The North Zone | 495,055 | - |

Source: Wissenbach et al., 2019.

RAIMUNDO PEREIRA DE MAGALHÃES



| | Economic Activity Classification | Count | % | Brazilian Classification of Occupations (CBO) | Count | % |
|--|---|---------|------|---|---------|-----|
| Retail Trade | Supermarkets and hypermarkets | 2,547 | 3.7 | Store and market clerks | 4,708 | 6.8 |
| | Apparel and accessories | 1,564 | 2.3 | Cashiers and ticket clerks, except for banks | 1,438 | 2.1 |
| | Hardware and building materials | 994 | 1.4 | Clerks and admin. assistants | 886 | 1.3 |
| Office Services and Admin. Support (including telemarketing) | Call center activities | 7,044 | 10.2 | Telemarketing operators | 4,138 | 6.0 |
| | Office services and admin. support | 1142 | 1.6 | Debt collectors | 1,429 | 2.1 |
| | Other services for companies | 455 | 0.7 | Clerks and admin. assistants | 628 | 0.9 |
| Food Services | Catering, buffet, prepared foods | 3,333 | 4.8 | Waiters, bartenders, maids | 1,700 | 2.5 |
| | Restaurants | 2894 | 4.2 | Food service assistants | 1,687 | 2.4 |
| | | | 0.0 | Cooks | 946 | 1.4 |
| Selection, Management, and Hiring of Labor | Temporary labor hire | 4,566 | 6.6 | Store and market clerks | 939 | 1.4 |
| | Labor selection | 20 | 0.0 | Clerks and admin. assistants | 335 | 0.5 |
| | | | 0.0 | Waiters, bartenders, maids | 312 | 0.5 |
| Land Transportation | Road transport of passengers (local/ met. area) | 2,160 | 3.1 | City bus drivers | 1,646 | 2.4 |
| | Road freight transport | 1,212 | 1.8 | Cargo truck drivers | 437 | 0.6 |
| | School transportation | 133 | 0.2 | Inspectors and collectors | 216 | 0.3 |
| Raimundo Pereira de Magalhães (all employees) | | 69,225 | 100 | Raimundo (all employees) | 69,225 | 100 |
| The North Zone | | 495,055 | - | The North Zone | 495,055 | - |

Source: Wissenbach et al., 2019.

The strategic position of the hubs is both due to the confluence of transport systems and is revealed both from a regional point of view, linking the city of São Paulo with the metropolitan region of Campinas and Ribeirão Preto, and from a national point of view, as it is in the access of São Paulo in the transport flows with the capital Brasília and with the Metropolitan Region of Minas Gerais. In this way, the development of the poles has the potential to reduce logistical bottlenecks (Alvim, 2010) and enable the consolidation of a “new front of urban expansion” (Santoro; Rolnik, 2017) resulting from the attraction and retention of logistics investments.

According to Josef Barat (2009), the logistics sector is directly related to the competitiveness of the productive sector as a whole, as its efficiency reduces production costs, positively impacting the productivity of the entire economy. In addition, given the advance of communication and transportation technologies, it gives the possibility for territories to compete globally for investments in logistics (Barat, 2009; Palley, 2018). Therefore, along with the emergence of a robust sector of specialized services, the logistical consolidation of the North Zone of São Paulo is seen as another opportunity derived from those processes of productive restructuring and formation of the Macrometropolis.

Finally, the technical study also highlights that the prospect of attracting private investments to the Anhanguera, Fernão Dias, and Raimundo Pereira Magalhães subsectors does not rely only on investments in logistics. Despite the more general dynamics of the city of São Paulo of decrease and discouragement of manufacturing investments, the three subsectors may act as beneficiaries of manufacturing investments from those who seek to escape the higher costs of the city of São Paulo, but aim to stay close to it and to its macro and metropolitan rings. This is because those subsectors have the qualities that make them attractive to the manufacturing industry: (i) availability of relatively cheap land, exclusively for industrial use and still underused; (ii) labor availability; and (iii) strategic logistic position.

Table 2 summarizes the challenges posed to and opportunities offered by the implementation of the Development Poles strategy for the North Zone of the city of São Paulo.

FINAL REMARKS

The use of planning instruments and urban planning policy to change the economic geography of the city of São Paulo is a task that can bring significant benefits, reducing time and financial costs for most São Paulo inhabitants, as it presents the still not overcome challenge of using limited tools when it comes to such a structural change.

TABLE 2
Summary Table of Challenges and Opportunities for the
Development Pole Strategy for the North Zone of São Paulo

| Challenges | Opportunities |
|--|---|
| - “Urbanization without a city”, with social and environmental liabilities. | - Implementation of public infrastructure investments in the North Zone (set forth in the Strategic Master Plan or in other urban planning instruments). |
| - Deindustrialization and reprimerization of exports on national scale. | |
| - Economic crisis followed by slow recovery of growth and of the job market. | |
| - More intense productive restructuring in the Metropolitan Area and the city of São Paulo, with decrease of industrial investments. | - Emergence of a specialized services sector, which is offset by the city of São Paulo; - Attraction of logistics investments. |
| - Formation of the São Paulo Macrometropolis with expansion of the processing industry. | - Completion of the ring road (Rodoanel) and strategic macro and metropolitan repositioning; - Attraction of industrial investments that remain in the macro and metropolitan rings. |

Source: Prepared by the authors.

In this context, the bill as currently drafted does not fail to recognize merits in the process, but seeks to point out insufficiencies in order to achieve challenging goals.

The positive aspects include the expansion of urban planning capacity represented in general by the PDE/SP and in particular by the Development Poles strategy, especially with regard to the economic development of the most remote area of the city. By proposing the regulation of incentives based on a development program, the bill materializes the search for combining induction tools with a more holistic diagnosis of socioeconomic data and the study of the region’s vocations. This combination of planning instruments can couple public policy and the regulation of the private production of urban space, thus allowing the association of existing and planned infrastructure with tax and urban instruments.

Even so, and despite the adequacy of the objectives of both the PDE/SP to bring jobs and housing closer together and the bill to maintain and attract investments, economic activities, and jobs, we understand that there are at least four critical points that must be observed with caution. The non-observance of these points, in case the Municipal Chamber passes the bill and approves the implemen-

tation of the Development Poles strategy in the North Zone, may lead to effectiveness issues in the strategy and/or negative outcomes.

The first point concerns the (in)adequacy of the instruments (tax and urban planning incentives) for seizing the opportunities identified in the vocations study regarding the attraction and maintenance of investments, economic activities, and labor. This is because, even assuming a minimally strong relationship between the tax incentive and the attraction of investments and activities, municipal governments, in Brazil, do little to act on intercity manufacturing and logistical activities. Since ICMS — the main tax levied on manufacturing activities and inter-municipal logistics — is a state tax, the local government, by itself, has not much power to act (besides conceding land and property tax [IPTU] exemption). This limitation on the possibilities of action does not apply to service activities (and intra-municipal logistics), for which the discounts on ISS, the tax on services, balance the fiscal costs for being located in the city of São Paulo with those of most other municipalities in the Metropolitan Area of São Paulo. In addition, the bill and its instruments are not well combined with the investment program in public services and infrastructure, even with its own potential to leverage private investments.

The second point concerns the risks of starting or escalating an intra-metropolitan fiscal war, that is, of harmful competition between the entities of the Metropolitan Area of São Paulo in the sense of a dispute (race to the bottom) for investments and activities that are already located in the city of São Paulo or that have already decided to settle there. This risk is basically due to two reasons. On the one hand, the Development Poles strategy uses mostly tax and urban planning instruments aimed at reducing production costs through discounts (ISS) or exemptions (IPTU, ITBI, and OODC). On the other hand, precisely because such incentives are offered in an uncoordinated metropolitan way, especially in the case of exemptions, it signals that the development of the largest city in the Metropolitan Area of São Paulo can be achieved at the expense of the other municipalities surrounding the metropolis. The result ends up being the weakening of intra-metropolitan ties of solidarity and the chronic incapacity for metropolitan cooperation and planning.

The third point concerns the absence of mechanisms of selectivity, targeting, and counterparts for the granting of tax and urban benefits on the one hand; and monitoring the implementation and evaluation of the impact of granting these same benefits on the other. The bill is overly flexible in the selection of eligible activities and, therefore, it is unable to select and prioritize. It ends up extending tax and urban planning incentives to practically all activities, even to those responsible for meeting local demand (and which therefore would not need such

incentives in order not to disperse) and activities that generate few jobs and/or do not drive others. At the same time, the bill does not provide for neither any type of counterpart to activities that have received one or some of the incentives nor any type of structure for monitoring and evaluating the benefits granted, which leads to a broad, general, and unrestricted waiver without any type of reciprocity from the beneficiaries and of monitoring that allows, for example, the evaluation of efficiency or effectiveness.

Finally, the Development Poles strategy in the North Zone was created and included in the bill, but it has not been able to mobilize effective citizen participation so far. Although public hearings have been held, as provided for in the law, some entrepreneurs in the region, communities, and local populations, as well as local organized civil society, have not yet been active in the process.

What can be done to solve and/or minimize these issues identified in the actions of municipalities (Executive and Legislative branches)? Although we do not intend to exhaust the discussion, much less to impose “the right” answers, we make some suggestions according to the rationale of the aforementioned points.

As for the first point observed, it is worth recognizing the difficulty of municipalities to carry out effective action by themselves, even in the case of large cities such as São Paulo. For this reason, and given the limitations of their action, local policymakers must not promise to the population results that their policies cannot deliver. In other words, direct, objective, and honest communication with the population is crucial to avoid creating false expectations. That aside, once the implementation of the Development Poles strategy in the North Zone has started, the São Paulo Executive branch can undertake a face-to-face strategy with entrepreneurs and investors in order to place the three subsectors on the “radar” of investments and possible locations. Additionally, combining the Development Poles strategy with the program of investments in public services and infrastructure can, in the medium and long term, become an important lever for private investments in the region.

Regarding the second point, the municipality of São Paulo can use all its political, institutional, and economic power to promote and encourage metropolitan coordination. This implies both demanding leadership from the State Government and encouraging the participation of other municipalities. Initiatives of this type could start, for example, with the creation of metropolitan development forums and actions to standardize the set of tax and urban planning incentives in the entire metropolis, with a metropolitan pact concerning the areas of intervention (and, eventually, larger concessions) and compensation mechanisms for “unprivileged” areas. Although the

mere willingness of an entity cannot trigger such a process, even if this entity has the political, institutional, and economic power that the city of São Paulo has, the largest city in the Metropolitan Area can still avoid the most harmful forms of competition which are typical of a fiscal war.

As to the third point, we believe that the municipality must develop mechanisms of selection and prioritization of activities to be benefited, accompanied by mechanisms of counterparts, as well as monitoring and evaluation of the benefits granted. Focusing allows to benefit exclusively those activities defined as “strategic”, for example, following the criterion of economic viability in the three subsectors as discussed in the previous section, which would imply manufacturing activities that seek location in the Metropolitan Area of São Paulo, inter-municipal logistics activities and unsophisticated specialized services. By restricting the waiver to them, the policy becomes more financially sustainable, and the desired objective becomes clear. The combination of granting benefits to counterparts, for example, in terms of employment as well as production volume or diversification, allows the withdrawal of benefits from activities that do not reach the agreed levels. At last, robust monitoring and evaluation systems connected to the monitoring and evaluation platform of the PDE/SP, in addition to allowing counterparts to use the resource, enables assessing the efficiency and effectiveness of the Development Poles strategy in the short, medium, and long term, and allows for route recalculations and reformulations.

Finally, incorporating local communities, populations, organized civil society and businessmen in the formulation, implementation, and monitoring of the Development Poles strategy, in addition to increasing its transparency and legitimacy, contributes to the efficiency and effectiveness of the strategy. In terms of formulation, an expanded arena of local actors enables the consideration of all perspectives and the incorporation of aspects related, for example, to the well-being of local populations. In terms of implementation and monitoring, an extensive engagement of local actors is associated with achieving greater efficiency and effectiveness and with the possibility of bottom-up ownership of the policy.

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