


## The role of the Constitutional Fund for the Financing of the Northeast in reducing inter- and intra-regional inequalities: The case of Alagoas

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### ABSTRACT

The purpose of this dissertation is to analyze the role played by the Constitutional Fund for Financing the Northeast (FNE) on the economies of Alagoas in the period of 1989-2010. Part is the statement that this fund, established in 1988 Constitution, with the aim of contributing for the reduction of regional disparities in Brazil, is an important source of income transferred to the Northeast. The main objective is to analyze the transfers of FNE according to spatial allocation, sectorial distribution and by size of enterprise, in order to understand if they are reaching the goal set in its institution. The sources used in the study were data available from the Ministry of National Integration (MI), the Brazilian Institute of Geography and Statistics (IBGE) and the Bank of Northeast Brazil (BNB). Through the analysis it was found that the applications of FNE are increasing and there have been advances in the directions of resources, but there are imperfections in the allocation of these and is needed improvements in the spatial distribution, by size of the beneficiary and in the productive sectors that are more strategic for the development of the region.

**Keywords:** FNE, Regional Development, Northeast, Alagoas.

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## INTRODUCTION

Historically, the Federal Government has played a key role in the process of expanding economic growth and in the formulation of development policies. The model of economic development based on state intervention began in the 1930s, and expanded in the mid-1950s. From then on, important institutions were created with a view to promoting the development of peripheral regions and a process of productive integration between the Brazilian regions began.

The 1970s were also marked by the interventionist model of the National State. The presence of the state, whether in the formulation of economic policies, in the support of infrastructure or with the granting of credit, was decisive for the economic development of the country and to leverage the development of depressed regions, such as the northeastern economy.

Since the implementation of development policies, the Brazilian Northeast has started to show growth rates following the growth cycle of the national economy, and a "new industry" has been installed in the region. The development policies aimed at the region made it possible for it to increase its participation in the national GDP, and there were some changes in its production structure.

However, with the fiscal and financial difficulties of the National State and the crisis in the 1980s, there were important changes in the format of state action in Brazil. From an interventionist model, the trend was towards macroeconomic policies to adjust the economy. There has been a significant reduction in the adoption of essential instruments for the reduction of regional inequalities, and the development institutions that were created in previous decades have lost their capacity to act.

The 1988 Constitution demonstrated the concern with the reduction of regional inequalities in Brazil. In it, it was established that 3% of the proceeds from the collection of income and proceeds of any nature (IR) and industrialized products (IPI) should be allocated for investment in productive financing programs in the North, Northeast and Midwest regions. Law No. 7,827, of September 27, 1989, established and regulated the Constitutional Fund for the Financing of the Midwest (FCO), the Constitutional Fund for Northern Financing (FNO) and the Constitutional Fund for the Financing of the Northeast (FNE)

However, it was with the creation of the National Policy for Regional Development that regional planning began to be coordinated by the Federal Government. With the creation of the latter, the debate on the importance of having favorable environments to attract investments was stimulated, there was also the strengthening of regional development institutions and the idea that regional policies should be part of the national development program was resumed.

The FNE is currently an important instrument for the development of the economy of the Northeast. After more than 25 years, the greatest concern is with the spatial and sectoral dynamics of



the distribution of this resource. The present work focuses on analyzing whether the financing is achieving the objective of reducing inter and intra-regional inequalities since its implementation. To analyze the spatial distribution of FNE resources and what are the impacts on productive structures, to understand if the sectors that receive the resources are key sectors for the growth of the locality, with emphasis on the state of Alagoas.

Methodologically, temporal, spatial and thematic approaches will be adopted. The time frame will be from 1989 to 2010, the period after the implementation of the FNE; the spatial cut will cover the state of Alagoas. The volume of resources in these states and their spatial allocation are analyzed in order to perceive the concentration/deconcentration of funding in places with greater/lesser dynamism. Regarding the theme, emphasis is placed on the impacts on job creation in the selected states and on the development of key sectors to promote their development. For the performance of the work, an analysis of IBGE data will also be made, data kindly made available by the Ministry of National Integration (MI) for the analysis of financing resources in the Northeast region, allocation, distribution by productive activities and by beneficiaries.

The work is divided into six sections, including this introduction. The second gives a brief account of the Brazilian economy. In the third session, the sources of financing for Brazilian regional development are addressed, with emphasis on the FNE. The fourth session analyzes the behavior of the Sergipe economy in recent decades. The role played by the FNE in the dynamics of the economy of Alagoas and its limitations is the theme of the fifth session. The final considerations are made in the sixth session.

## **RECENT EVOLUTION OF THE BRAZILIAN ECONOMY**

The 1990s were marked by intense changes in the international economy that had repercussions on the Brazilian economy. For example, the adoption of neoliberalism, with the contemplation of deregulation, privatization and trade liberalization, as well as greater flexibility in labor relations. There were also the detrimental effects of the Third Industrial Revolution on underdeveloped countries. This brought about transformations in the pattern of production by automating machines and replacing old ones, as well as modifications in the work process and technological alliances for competition (Caiado, 2002; Cano, 2008).

The Collor and FHC governments adopted neoliberal measures with the purpose of structuring Brazilian industry through trade opening. The result of this was an increase in imports and a deficit in the Brazilian trade balance, in addition to the fact that private investment became the target of competition by subnational units to attract capital, as a way to stimulate growth.

According to Macedo and Matos (2008), in this period there was an inflection in the process of deconcentration. From then on, there was a more selective choice of the location of investments,



in the spatial and sectoral aspects. Thus, regions with less dynamism, low infrastructure, low supply of agglomeration economies, among other factors, would be excluded in the process of attracting investments from cutting-edge industries and modern services.

Public investments through state-owned enterprises played an important role in development policy until the 1990s. They ended up influencing and coordinating private investments that enabled new chances of investment. The foreign debt crisis has weakened the finances of the national state. As a result, public investment and economic growth have been slowed. In addition, private investments were also affected, especially industrial investments (Cardozo, 2010).

After the crisis, in the 1990s there was a decrease in investments in basic infrastructure, abandonment of developmentalist policies that aimed to minimize regional disparities with the extinction of agencies created for the development of the Northeast and Amazon regions, SUDENE and SUDAM, respectively. These only returned to work during Lula's government, but emptied financially and operationally.

The increased fiscal and financial weakness of the nation state was transmitted to the states. State and municipal investments have decreased, as have national regional development policies withered, and the infamous "fiscal war" emerged. In the 1990s, there was a lack of a regional policy articulated with various public instruments to reduce the gap that separates the most developed regions from the most backward ones (Cano, 2007).

According to Cardozo (2010), the intensification of the fiscal war in the 90s is an effect of the weakening of the action of the National State in three lines: the fiscal and financial crisis since the 80s, which negatively affected the spending capacity of the national government and favored the reduction of state intervention in the economy; A second factor was the reduction of regional development policies coordinated by the national government to reduce regional inequalities and the search for inter-regional integration; the third factor refers to the low autonomy of the State to conduct macroeconomic policy in accordance with the objectives defined internally.

According to Cano (1994), in the 1988 constitution there was an attempt to resurrect the presence of the State in the regional issue, which sustained the system of tax incentives for a few more years and forced the regionalization of part of the public budget and the state-owned companies. On the other hand, accompanied by the weakening of the State, there was also a crisis of the public agencies of regional development that were emptied and extinguished in 2001, the agencies created for the development of the Northeast and Amazon regions, SUDENE and SUDAM, respectively.

In the Magna Carta in 1988, three financing funds were established to compensate for the differences in economic and social development in Brazil. The constitutional funds are intended to contribute to the development of the Northeast, North and Midwest regions, based on the idea that



imbalances in the development of the most backward regions also harm the development of the country as a whole. Although Brazil does not have the regional issue on its agenda, during the last two decades it has continued to rely on regional development instruments, that is, resources to promote economic activities in less developed regions.

In the 1988 Constitution, it was established that 3% of the income tax and IPI should be allocated to the constitutional funds for financing the less developed regions, of which 1.8% are for the development of the Northeast region, half of these for the semi-arid region, administered by the Bank of the Northeast of Brazil and the others for the North (0.6%) and Midwest (0.6%) regions, administered by the Bank of the Amazon and Bank of Brazil. respectively, with the objective of reducing regional inequalities (Matos, 2006).

Although these funds were created without articulation and with a regional development system that limited the achievement of their objectives, the concern with regional inequalities has been shown since the 1988 Constitution. In other words, even with the absence of instrumentalization and coordination by the Federal Government, this search for reducing inequalities was expressed in the Constitution.

The Constitutional Financing Funds are one of the main instruments of regional development policy. According to Macedo and Matos (2008), the allocation of resources linked to regional policy would continuously guarantee the financing of the productive sectors, delimited by the legislation of the target regions. These occur only linked to the growth of the national economy, depending on their origin, regardless of political cycles. Financing funds grant loans to companies in their target regions with interest rates below those practiced in the market.

Araújo (2010) argues that credit in a targeted way can strengthen the economy through financing to strategic sectors, however, it should be oriented so as not to maintain the framework of benefiting sectors that are not strategic for the development of the region. As stated by Furtado (2009 apud Araújo, 2010), investments are not sufficient instruments to combat regional imbalances. But when there is targeted credit, it can have dynamic effects in underdeveloped places, such as the Northeast.

It can be seen that, in 2003, the Federal Government, through the Ministry of National Integration, began the formulation of a regional development policy to combat regional and sub-regional inequalities, recreating the extinct Superintendencies of Development of the Northeast (SUDENE) and the Amazon (SUDAM), to coordinate the efforts of the federal, state and municipal public sectors in the development of the Northeast and North regions. The reformulations proposed by the Lula government were unique in the period after the 1988 constitution. There was also a proposal for the National Policy for Regional Development (PNDR), which would map the national territory according to its typology. Through this, high-income micro-regions, dynamic micro-regions,



stagnant micro-regions and low-income micro-regions were named. Although the PNDR was only instituted in 2007, it became a guide for the application of constitutional financing funds from 2006 onwards.

The PNDR represents the first effort to establish a national policy for regional development in Brazil, as it contrasts isolated development programs with paradigm shifts in the regional issue in the national economy. This policy breaks with the traditional view of the Brazilian regional problem to the macro-regional dimension and adopts an articulated national approach (Ministry of Integration, 2012).

Araújo (2010) states that at the beginning of the applications of the funds, they were not directed by a planning body. The author argues that there is a clear need for an agency that guides the direction of the economy and does the planning. It also states that SUDENE's role was weakened with the military coup of 1964, distorting several prerogatives that were intrinsic to it in the institution's initial project. According to Furtado (2009), "SUDENE should be developed its original prerogatives, which advise both the president of the republic and the national congress and participate in the decision-making system".

According to Araújo (2010), some roles that were previously assigned to regional superintendencies (SUDAM and SUDENE) were transferred to the Ministry of National Integration, which plans the guidelines of the regional development policy based on the government's macroeconomic policy. The author states that the agency so far under study did not have the capacity to understand the peculiarities of the regions and articulate them to the national macro scope, and this weakened its role as a regional planner.

Studies carried out by Matos (2006) indicate that despite the importance of financing funds, they have limited capacity as an instrument of regional policy, because they are not accompanied by other initiatives that are configured as regional development policies. The resources of the funds have been directed to the most dynamic areas in the target regions of the funds. A national policy for regional development, according to Araújo (2006), should be designed at various scales and involve several agents and use different instruments. It should be emphasized that these instruments should not be only fiscal ones, but a set of strategies to expand investment and redistribution of income and assets.

## **MAIN LINES OF FINANCING FOR THE PROMOTION OF REGIONAL DEVELOPMENT IN BRAZIL**

The role played by the State was of fundamental importance for the development of the national economy. The Plan of Goals and the II PND are mentioned, which were planned and executed by the public sector, with the participation of private capital. Direct state intervention, in a



more incisive way, lasted until the 1980s, when there was a crisis in the external economy, which affected public finances, and the need for reforms in the national economy became evident.

These reforms, which began in the 1980s and were consolidated in the 1990s, brought about a series of changes in the economy. About state intervention, there has been a decrease in the direct intervention of the state for a function of regulating the economy, at this point policies are being developed placing the state as a facilitator of the private sector. During this period, the Multi-Annual Plans (PPA's) emerged, which are the main medium-term planning instruments in the country, in which the goals of public administration are established in a regionalized manner. The PPA was prepared by the Federal Government through the Ministry of Planning, Budget and Management, namely: the first multi-year plan, in the government of Fernando Collor (1991–1995), the second plan was Brazil in Action (1996–1999), later Avanza Brasil (2000–2003), the Brazil Plan – Participation and Inclusion (2004–2007), Development with Social Inclusion and Quality Education (2008–2011) and the More Brazil Plan (2012–2015) (LIMA, 2008).

Under the 2004–2007 PPA, the National Policy for Regional Development was created. The PNDR seeks to reverse inter and intra-regional inequalities, with the valorization of endogenous resources and cultural, social, economic and environmental specificities. The policy seeks equity, translated into the reduction of spatial inequalities and income levels, and seeks to combine it with competitiveness, in the national economy as a whole ([www.integracao.gov.br](http://www.integracao.gov.br)).

The main objective of the PNDR is to reduce inequalities in living standards between Brazilian regions. The specific objectives of the PNDR are: (i) to provide the regions with the necessary conditions, infrastructure, credit and technology; (ii) promote the productive social inclusion of the population, the training of human resources and the improvement of the quality of life; (iii) strengthen regional socio-productive organizations, expanding social participation; (iv) stimulate the exploration of the sub-regional potential that comes from the country's magnificent socioeconomic, environmental and cultural diversity ([www.integracao.gov.br](http://www.integracao.gov.br)).

In 2010, the Ministry of Integration launched a proposal for a new PNDR, with the dual objective of: I) sustaining a trajectory of reversal of inter- and intra-regional inequalities with the valorization of endogenous resources and cultural, social, economic and environmental specificities, and; II). Create conditions for fairer and more balanced access to public goods and services in the Brazilian territory, with the reduction of inequalities in opportunities linked to the place of birth and residence ([www.integracao.gov.br](http://www.integracao.gov.br)).

According to Decree No. 6,047/2007, the plans and actions of the PNDR with a view to reducing regional inequalities and expanding development opportunities will be implemented by: I – General Budget of the Union; II – Constitutional Financing Funds for the North (FNO), Northeast (FNE) and Midwest (FCO) regions; III – Northeast Development Funds (FDNE) and Amazon



Development Fund (FDA); IV – other Funds specially constituted by the Federal Government for the purpose of reducing regional inequalities; V – resources of the Official Financial Agents; VI – Tax Incentives and Benefits ([www.integracao.gov.br](http://www.integracao.gov.br)).

These funds are intended for projects financed with the purpose of generating employment and income for the beneficiaries. In view of the importance of credit for economic development, the objective of this chapter is to survey the main funds and credits intended for the promotion of regional development in Brazil. Initially, the regional development funds (FDA, FDNE and FDCO) are shown, the tax incentives that are offered to companies so that they can set up in a certain region and later the constitutional financing funds of the North, Northeast and Midwest that were created in the 1988 Constitution are analyzed, with the objective of minimizing the regional inequalities existing in Brazil. with emphasis on the FNE, the object of study of this work.

### CONSTITUTIONAL FINANCING FUNDS

In the Federal Constitution of 1988, federal resources were allocated through IPI and IR to be applied in regional development programs in the North, Northeast and Midwest regions. In order to ensure the promotion of the development of these regions, the Constitutional Financing Funds for the North, Northeast and Midwest were established. These funds aim to increase the productivity of enterprises, generate employment, increase tax collection and improve income distribution.

The funds were regulated by Law No. 7,827 of 1989, which regulated their mode of operation, established their purposes, beneficiaries, financial charges, resources, administration of resources and accountability. According to Quiante (2010), with the establishment of the funds in the legislation in 1989, one of the important aspects is that the application of the funds cannot be subject to the restrictions of monetary control. The resources are not part of the own resources of the managing banks, they must be kept on a separate balance sheet.

As for resources and applications, the following are sources of funds for the Constitutional Financing Funds of the North, Northeast and Midwest: i) 3% (three percent) of the proceeds from the collection of tax on income and profits of any nature and tax on industrialized products, delivered by the Federal Government, pursuant to article 159, item I, paragraph c of the Federal Constitution; ii) the returns and results of their investments; iii) the result of the remuneration of the resources momentarily not applied, calculated on the basis of an official index; iv) contributions, donations, financing and resources from other sources, granted by public or private law entities, national or foreign; v) budgetary appropriations or other resources provided for by law ([www.integracao.gov.br](http://www.integracao.gov.br)).

The interest rates applied vary according to the size of the borrowers. Projects such as, for example, those of mini and small rural producers and for micro and small companies have





preferential treatment. The productive sectors to which they are destined are the agricultural, mineral, industrial, agro-industrial, tourism, infrastructure, commercial and service sectors of the states of the Northeast, North and Midwest, which are classified according to size according to the sector. They are aimed at individuals, legal entities, individual firms and production associations and cooperatives, classified according to size according to the sector of activity ([www.integracao.gov.br](http://www.integracao.gov.br)).

The FNE operates in the states of the Northeast and North of the states of Minas Gerais and Espírito Santo, covered by SUDENE's area of operation. The FCO operates in the Midwest region of Brazil, covering the states of Goiás, Mato Grosso do Sul, Mato Grosso and the Federal District, and the FNO operates in the seven states of the North region. The funds are transferred by the National Treasury Secretariat to Banco do Nordeste in the case of FNE, to Banco da Amazônia (FNO), and in the case of FCO to Banco do Brasil, so that they can operate and manage in each region ([www.integracao.gov.br](http://www.integracao.gov.br)).

The administration of the funds follows the attributions provided for by law, exercised by the following bodies: i) Ministry of National Integration; ii) the deliberative council of the Superintendencies of Development of the Amazon, the Northeast and the Midwest and iii) a regional financial institution and Banco do Brasil

It is incumbent upon the deliberative council of the respective Superintendence of Development of the North, Northeast and Midwest: i) to establish, on an annual basis, the guidelines, priorities and financing programs of the funds, in line with the respective Regional Development Plan; (ii) approve annually the financing programmes of each fund for the following year; iii) evaluate the results obtained and determine the necessary adjustment measures to comply with the established guidelines and to adapt financing activities to regional priorities; iv) forward the funding program for the following year, together with the result of the appraisal and the opinion approved by the collegiate, for knowledge and follow-up by the National Congress. ([www.integracao.gov.br](http://www.integracao.gov.br))

The duties of the financial institutions administering the funds are: i) to apply the resources and implement the credit concession policy in accordance with the programs approved by the respective deliberative councils; ii) to define rules, procedures and operational conditions specific to the banking activity, respecting, among others, the guidelines contained in the financing programs approved by the deliberative councils of each fund; iii) analyze the proposals in their multiple aspects, including the economic and financial feasibility of the project, in order to, based on the result of this analysis, frame the proposals in the ranges of charges and grant credits; iv) formalize contracts for the transfer of funds; v) to report on the results achieved, performance and status of resources and applications to the Ministry of National Integration and the respective deliberative councils; vi) to carry out other activities inherent to the application of resources, to the recovery of credits, including under the terms defined in arts. 15-B, 15-C and 15-D, and the renegotiation of



debts, in accordance with the conditions established by the National Monetary Council ([www.integracao.gov.br](http://www.integracao.gov.br)).

There was also a proposal for the National Policy for Regional Development (PNDR), which would map the national territory according to its typology. After the implementation of the PNDR, there was a better allocation of resources from constitutional funds. The PNDR was established by Decree No. 6,047, of 02.22.2007, but became a guide for the application of resources from the financing funds as of 2006. Through this, high-income micro-regions, dynamic micro-regions, stagnant micro-regions and low-income micro-regions were named. The purpose of this classification is to allocate resources to lower-income regions.

To define this classification, a microregional scale was used according to the IBGE division, with two variables to assess the degree of economic development. The first analyzes the income range of each micro-region according to the average per capita household income of the 2000 census, encompassing all declared sources (wages, benefits, pensions, etc.) and the geometric rate of variation of GDP per inhabitant. Based on this, the micro-regions are divided into quartiles, classified as high income, low income, and the others as middle income ([www.integracao.com.br](http://www.integracao.com.br)).

In Group I, which comprises the high-income micro-regions, they are those with high household income per inhabitant, which is independent of the dynamism observed. Group II includes dynamic micro-regions with middle and low incomes, but the dynamics of the economy are significant. In Group III, there are stagnant micro-regions with average household income, but with low economic growth, and in Group IV, the low-income micro-regions, with low household income and low dynamism. The micro-regions that are considered a priority according to this classification are the last three ([www.integracao.com.br](http://www.integracao.com.br)).

The new PNDR, launched in 2010, adopts the criterion of purchasing power parity using the DIEESE Basic Basket Index in comparison with the income of the various regions. As a result, the middle income bracket is now divided into two: lower middle income and upper middle income. As for the second variable, the evaluation of the dynamism of the micro-regions is now made with a moving average from the years 90 to 92 and 2000 to 2002, dividing the micro-regions into quartiles similar to that carried out for the distribution of average income ([www.integracao.gov.br](http://www.integracao.gov.br)).

## **CONTEXTUALIZATION OF THE ECONOMY OF ALAGOAS**

According to Gomes (2011), the economy of Alagoas was already among the four largest in the Northeast in terms of participation in the regional GDP, in the mid-twentieth century, and has been losing this participation over the last decades. The author demonstrates that the dynamics of the accumulated GDP growth between the years 2002 and 2009 is lower than that observed in all the



states of the Northeast. In recent years, the economy of Alagoas has not been able to keep up with the growth of the northeastern economy.

Alagoas' economy is concentrated in the sugar and alcohol sector and has also been at a disadvantage in relation to smaller states, such as Rio Grande do Norte, Paraíba, Sergipe and Maranhão. Also according to Gomes (2011), the state is also not managing to recover in terms of GDP per capita, nor to keep up with the movements of the states of the Northeast that are below the GDP per capita of the region.

However, in the decade from 2000 to 2010, with the new direction of macroeconomic and regional policies, in addition to the increase in the participation of the international market, the economy of Alagoas underwent some changes in its economic configuration, compared to the 1990s. When making an analysis of the industry in participation in the VTI and number of establishments for the years 1995 and 2010, it is observed that the manufacturing industry has more than 90% of the industrial VTI. As can be seen in Table 1, the largest weight in the VTI in 1995 was intermediate consumer goods with 53% of the VTI in the manufacturing industry, in second place was non-durable consumer goods with 38% of the total and capital goods with only 0.4%. In 2010, there was a drop in the share of intermediate consumer goods, which accounted for 20.9%, this significant loss was due to the high loss of the chemical industry, with this, non-durable consumer goods led in participation in the VTI, with 71% of the total. The chemical industry in 1995 had a share of 49.8% of the VTI, in the year 2010 it represented only 13% of the VTI in the state.

Table 1 Alagoas: Structure (%) of the Value of Industrial Transformation, according to uses: 1995-2010

	1995		2010	
	Establishments	VTI	Establishments	VTI
Mining and quarrying and mineral products industries	0,84	7,26	5,26	1,48
<b>Manufacturing industry</b>	<b>99,16</b>	<b>92,74</b>	<b>94,74</b>	<b>98,52</b>
<b>Non-Durable Consumer Goods</b>	<b>59,66</b>	<b>38,98</b>	<b>43,23</b>	<b>70,18</b>
-Food	43,70	36,77	34,95	62,61
-Beverages	1,68	-	3,02	6,83
<b>Intermediate Goods</b>	<b>22,69</b>	<b>53,36</b>	<b>19,45</b>	<b>20,95</b>
- Non-metallic minerals	7,56	3,50	9,20	4,32
-Chemistry	13,45	49,86	3,81	13,29
-Plastic products	1,68	-	6,44	3,34
<b>Consumer Durables and Capital Goods</b>	<b>5,88</b>	<b>0,40</b>	<b>14,46</b>	<b>3,64</b>
-Mechanics	<b>5,88</b>	0,40	14,46	3,64

Source: IBGE



In the manufacturing industry, the gender with the highest weight in the VTI in 1995 was food products with 36.7%. In 2010, this genre had a significant share, with 62% of the total in the segment. In 2010, capital goods also showed an increase in participation compared to 1995.

In other words, there is a strong centralization of industrial production in non-durable consumer goods, especially in the food and beverage sectors. In addition to the fact that the chemical industry in the segment of intermediate consumer goods faced a sharp decline, but still centralizes production, the chlorochemical pole holds 13.29% of the production of the 20.95% of the VTI of the intermediate consumer goods sector.

As for the industrial establishments in Alagoas, the manufacturing industry concentrates the largest number of establishments in the industrial sector. The highlight in the emergence of new units in the period was the manufacturing industry, with emphasis on the number of establishments for the manufacture of food and beverages.

As for the sectors of the Alagoas economy, the agricultural sector has been losing share in the state GDP. Based on the data in Table 2, it can be seen that in 1995 it was responsible for 17% of the total GDP in the state, in subsequent years it decreased, and in 2010 it reached only 6.7%.

Table 2 Alagoas - Sectoral share of GDP (%) from 1995 to 2010

Activities	1995	2000	2005	2010
<b>Agricultural</b>	<b>17,8</b>	<b>15,2</b>	<b>8,6</b>	<b>6,7</b>
<b>Industry</b>	<b>21,4</b>	<b>21,9</b>	<b>27,1</b>	<b>21,2</b>
-Mining and quarrying industry	-	-	1,3	0,9
-Manufacturing industry	11,0	11,8	12,9	9,3
-Production and distribution of electricity and gas, water, sewage and urban sanitation	3,9	3,6	6,8	4,4
-Construction	6,5	6,5	6,2	6,6
<b>Services</b>	<b>60,8</b>	<b>62,9</b>	<b>64,3</b>	<b>72,1</b>
-Trade	8,9	8,4	10,5	15,9
-Financial intermediation, insurance and supplementary pension and related services	2,5	3,0	3,5	4,2
-Public administration, health and education, and social security	23,5	22,7	23,8	28,0
-Other services	26,0	28,9	26,6	24,0
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

Source: IBGE Regional Accounts

The secondary sector had an increase in its participation mainly in 1985, with state investments, representing 29.22%, showed a decrease in 1989 and in 2010 represented 21%. As a result of the lack of an industrial policy, there is a significant expansion of the service sector in the economy of Alagoas, which in 2010 accounted for 72% of the total GDP in the state.

In Alagoas, agriculture is developed in a region that extends from the coast to the Zona da Mata. Alagoas is the sixth largest national producer of sugarcane. Other important crops are tobacco,



rice, beans, cassava, tomatoes, pineapples, sweet potatoes, bananas, coconuts and oranges. The state also has cattle, horses, goats, and sheep herds.

As for the secondary sector, it operates in the food, sugar, alcohol, textile, chemical, chlorochemical, cement, mining, and oil and natural gas production sectors. The service sector has played a significant role in the generation of jobs in the state. Tourism is the main component of the service sector and the fastest growing activity in the state of Alagoas, as it has 40 municipalities with tourism potential, with beaches, rivers and historic cities.

However, the concentration of industries, shopping malls, and universities are mainly found in Maceió and Arapiraca. These municipalities, along with São Miguel dos Campos, Palmeira dos Índios and Penedo, are the ones with the best conditions of infrastructure, hospital services, commerce, and industries. Most of the municipalities with the lowest development rates are in the hinterland of the state, where there is a reduced supply of basic, educational and transportation services (Silva Junior 2011).

Regarding the Gross Value Added (GVA) in Alagoas, the distribution by sector is like that presented in the national economy. Table 3 shows the productive profile of the economy of Alagoas between the years 1995 and 2010 in terms of GVA, by economic activity. In 1995, the primary sector accounted for 17.8% of the state's GVA and showed a decrease over the years, reaching 6.7% of the GVA in 2010. The secondary sector, in 1995, accounted for 21.4%, and remained practically the same percentage over the years, only with an increase in 2005. In 1995, the leading tertiary sector in the share of wealth in Alagoas represented about 60.8% of the GVA, had an increase over the years and in 2010 represented 72% of the GVA.

Table 3 Alagoas – Share (%) in Gross Value Added at basic prices

Sectors	1995	2000	2005	2008	2010
Primary	17,80	15,20	8,60	7,90	6,70
Secondary	21,40	21,90	27,10	23,20	21,20
Tertiary	60,80	62,90	64,30	68,90	72,10
Total	100,00	100,00	100,00	100,00	100,00

Source: IBGE Regional Accounts 1995-2010.

When analyzing the jobs generated in the economy of Alagoas from 1995 to 2010, through RAIS data, it is observed that the primary sector has the lowest percentage of hiring in the state. In 1995 it corresponded to 2.1% of the total, had oscillations over the years studied, and reached 2010 with a 6% share of jobs generated in the state. The largest generator of formal employment in the state is the tertiary sector, which in 1995 accounted for more than 68% of formal jobs in Alagoas and reached 67% of the total in 2010. The second largest generator of jobs is the secondary sector, with the disaggregated analysis, with greater emphasis on the manufacturing industry, as can be seen in Table 4.



## THE CONSTITUTIONAL FUND FOR THE FINANCING OF THE NORTHEAST IN THE STATE OF ALAGOAS

The Constitutional Fund for the Financing of the Northeast is a mechanism for granting credit with a view to promoting the development of the Northeast, in an attempt to reduce the regional inequalities that exist in Brazil. This financing fund, as well as the other funds (FNO, FCO), tax incentives and Regional Development Funds (FDNE, FDCO and FDA), are instruments for financing regional development policy in Brazil. The FNE mobilizes a significant amount of resources for the receiving locations. With part of these resources being applied in the economy of Alagoas, the objective is to list the effects of the application of this fund in its productive structure.

Table 4 Alagoas - Formal employment by sector and economic activity 1995-2010

	1995	(%)	2000	(%)	2005	(%)	2010	(%)
<b>Mineral Extraction</b>	<b>782</b>	<b>0,2</b>	<b>560</b>	<b>0,2</b>	<b>483</b>	<b>0,2</b>	<b>347</b>	<b>0,1</b>
<b>Manufacturing Industry</b>	<b>105087</b>	<b>22,3</b>	<b>95978</b>	<b>26,1</b>	<b>61113</b>	<b>22,5</b>	<b>63585</b>	<b>23,5</b>
Non-Metallic Mineral Product	1967	0,4	2875	0,8	3608	1,3	4444	1,6
Metallurgical Industry	494	0,1	706	0,2	1150	0,4	1305	0,5
Mechanical Industry	40	0	88	0,0	1016	0,4	1437	0,5
Electrical & Communication	17	0	114	0,0	204	0,1	169	0,1
Transport Material	424	0,1	279	0,1	615	0,2	536	0,2
Wood & Furniture	744	0,2	977	0,3	894	0,3	1868	0,7
Paper & Graph	647	0,1	718	0,2	1143	0,4	1510	0,6
Rubber, Tobacco, Leathers	456	0,1	437	0,1	859	0,3	1238	0,5
Chemical industry	424	0,1	1486	0,4	2247	0,8	6075	2,2
Textile industry	6248	1,3	5404	1,5	6588	2,4	7092	2,6
Footwear Industry	743	0,2	765	0,2	2108	0,8	5919	2,2
Food & Beverage	6308	1,3	8474	2,3	10841	4,0	9884	3,6
<b>Industrial Utilities</b>	<b>4618</b>	<b>1,0</b>	<b>3713</b>	<b>1,0</b>	<b>2797</b>	<b>1,0</b>	<b>3448</b>	<b>1,3</b>
<b>Construction</b>	<b>27986</b>	<b>5,9</b>	<b>12689</b>	<b>3,5</b>	<b>10159</b>	<b>3,7</b>	<b>5739</b>	<b>2,1</b>
<b>Commerce and services</b>	<b>322690</b>	<b>68,5</b>	<b>243508</b>	<b>66,3</b>	<b>177660</b>	<b>65,3</b>	<b>181623</b>	<b>67,0</b>
<b>Agricultural</b>	<b>9829</b>	<b>2,1</b>	<b>10668</b>	<b>2,9</b>	<b>19971</b>	<b>7,3</b>	<b>16192</b>	<b>6,0</b>
<b>Total</b>	<b>470992</b>	<b>100</b>	<b>367116</b>	<b>100</b>	<b>272183</b>	<b>100</b>	<b>270934</b>	<b>100</b>

Cast Iron: MTE/RAIS

Of the 3,552,775 operations contracted by the FNE in the period from 1989 to 2010, the Alagoas economy accounted for 206,510 operations, which is equivalent to 5.8% of the total and 5% of the amount contracted in the Northeast in the same period. Taking into account the periods according to Table 5, the period in which the state of Alagoas had the highest percentage of participation in hiring in the Northeast region was from 1995 to 2000. Alagoas is one of the states that, on average, has the lowest participation in FNE hiring.

TABLE 5 FNE: Participation of the state of Alagoas in operations and contracting

Period	No. of Operations	Contracted Value
<b>1989/1994</b>	5,3	5,4
<b>1995/2000</b>	7,1	6,3
<b>2001/2005</b>	5,7	4,3
<b>2006/2010</b>	5,6	4,9
<b>Average</b>	5,9	5,2

Fonte: SIG/MI.

When analyzing the distribution of resources by size of the borrower in the state of Alagoas (Table 6), it is observed that in the period from 2000 to 2010, while 99% of the operations were destined to small enterprises, with regard to contracted amounts, an average of 38% were allocated. When analyzing year by year, it is observed that the state of Alagoas from 2000 to 2002 had a percentage of participation in the contracting of resources for small producers higher than the sum of contracts for medium and large producers. In 2005 its participation was slightly lower than that of the large producer and from 2006 onwards, the large producer began to gain more space, reaching 70% of the contracted value in 2009 and 2010.

The large borrowers, even responsible for an average of 0.3% of the operations, are the ones that concentrate the largest volume of the fund's resources. In Alagoas, in recent years, 70% of the resources have been allocated to this group. With this, the same logic is verified that happens in general in the FNE and other financing funds that lend a greater volume of resources to large and medium-sized producers who have easier access to credit, fostering the already existing distortions.

Table 6 Alagoas - Distribution of resources by size of the borrower according to contracted value and operations R\$ thousand from 2000-2010 (%)

	Small		Medium		Grande	
	VC	ON	VC	ON	VC	ON
2000	67,7	99,3	9,7	0,5	22,6	0,3
2001	62,9	97,3	8,6	2,2	28,5	0,4
2002	72,5	98,8	15,5	0,9	12	0,3
2003	32,5	95,6	43,8	2,8	23,7	1,5
2004	20,8	99,2	5,8	0,7	73,4	0,1
2005	44	99,7	7,6	0,2	48,4	0,1
2006	37,7	99,6	8,8	0,3	53,6	0,1
2007	30,5	99,4	4,9	0,4	64,6	0,2
2008	18,9	99,4	16,7	0,5	64,5	0,2
2009	2,2	99,4	27,2	0,4	70,6	0,2
2010	21,8	99,6	7,5	0,2	70,7	0,2
<b>Average</b>	37,4	98,8	14,2	0,8	48,4	0,3

Source: Ministry of National Integration  
OP- operations; VC- Contracted value



Between 2000 and 2010, there was a predominance of the number of operations in rural activities in the state of Alagoas, as observed in the FNE as a whole. In Alagoas, as can be seen in Table 7, from 2000 to 2010 about 97% of the operations are in the rural sector, while in terms of contracted value this percentage is 47% in the same period. This fact is due to the smaller average size of borrowers in this sector compared to other sectors. The industrial sector accounted for an average of 1.1% of the operations and 26% of the contracted value, the trade and services sector accounted for 1.9% of the operations against 10% of the contracting of resources in the state.

Table 7 Alagoas - Operations and contracted amounts by sector of activity R\$ thousand from 2000-2010 (%)

	Rural		Agroindustrial		Industrial		Tourism		Commerce and services		Infrastructure	
	VC*	ON*	VC*	ON*	VC*	ON*	VC*	ON*	VC*	ON*	VC*	ON*
2000	75,7	96,2	0,9	0,1	21,2	3,7	2,2	0,0	0,0	0,0	0,0	0,0
2001	67,1	98,1	3,5	0,2	29,3	1,5	0,0	0,0	0,1	0,2	0,0	0,0
2002	72,5	98,1	0,0	0,0	11,9	0,4	10,3	0,4	5,4	1,2	0,0	0,0
2003	29,7	87,5	12,1	0,7	30,3	4,8	16,9	0,4	10,9	6,6	0,0	0,0
2004	20,3	99,1	1,1	0,1	62,2	0,2	0,2	0,0	11,8	0,6	4,4	0,0
2005	80,9	98,9	5,8	0,0	1,3	0,1	0,2	0,0	11,8	1,0	0,0	0,0
2006	64,3	98,4	15,0	0,1	8,3	0,2	1,7	0,0	10,7	1,4	0,0	0,0
2007	36,3	97,3	2,0	0,0	49,1	0,2	1,6	0,1	11,0	2,5	0,0	0,0
2008	27,0	96,3	1,4	0,3	25,7	0,3	3,9	0,0	21,1	3,1	21,0	0,0
2009	21,8	97,3	33,7	0,1	3,3	0,2	2,7	0,0	27,9	2,4	10,5	0,0
2010	25,9	97,8	9,4	0,0	50,8	0,2	5,2	0,0	8,7	1,9	0,0	0,0
<b>Average</b>	<b>47,4</b>	<b>96,8</b>	<b>7,7</b>	<b>0,1</b>	<b>26,7</b>	<b>1,1</b>	<b>4,1</b>	<b>0,1</b>	<b>10,9</b>	<b>1,9</b>	<b>3,3</b>	<b>0,0</b>

Source: Ministry of National Integration

As for the jobs generated, it was seen above that the economy of Alagoas has the service sector as the largest generator of formal jobs in the state, in terms of FNE resources, it is in the position of the third largest recipient of financing. The primary sector is the one with the lowest participation in the total number of formal jobs, on the other hand, it is the largest beneficiary of the fund's resources. With regard to the industrial sector, it is the second largest generator of formal jobs, and in terms of FNE, it is also the second largest beneficiary.

From a spatial point of view, the city that receives the highest percentage of hires from the fund is the state capital. For an analysis of the format of resource distribution in spatial terms, it is divided into two periods, 2000-2005 and 2006-2010, in order to verify the changes that occurred between one period and the other, as shown in Table 8.

In the period from 2000 to 2006, 73% of the resources were allocated to 15 municipalities in the state of Alagoas, of which only the state capital was responsible for 36% of the total, leaving the other municipalities with 27% of the fund's resources. Of the total of 102 municipalities in the state, the following stand out in terms of participation in the GDP: Maceió, Arapiraca, Marechal Deodoro,





São Miguel dos Campos and Coruripe. The state capital has the largest participation in the GDP of Alagoas, with 49% of the total, has a more dynamic economy with reserves of rock salt exploration, concentrates the civil construction industries and also stands out the trade and services sector, with the weight of the public sector. According to Lopes and Feitosa (2014), in 2010 Maceió concentrated about 40% of the urban population of Alagoas. Adding Arapiraca and Rio Largo, this percentage of concentration is close to 50% of the total urban population of Alagoas.

The second municipality in wealth generation in the state is Arapiraca with 7.7% of the GDP, has a large trading post and is a traditional tobacco producer, which attracts entrepreneurs to the region who settle and boost the local economy. The municipality also has a strategic position that interconnects the other geoeconomic regions of the state. Marechal Deodoro, has a dynamic economy and had a relative share of 3.1% of GDP. And the municipalities of São Miguel de Campos and Coruripe with 2.5% and 2.2% of GDP, respectively. In other words, 64.7% of all wealth (Gross Domestic Product) generated in the State of Alagoas is present in five municipalities that covered 41.6% of the population in 2010.

Table 8 Alagoas - The 15 municipalities in the state with the highest contracted values R\$ thousand from 2000 to 2005 (nominal value)

	Municipality	Operations	Hiring	(%) contracted value
1°	Maceió	1165	139710	34,0
2°	União dos Palmares	1625	25742	6,3
3°	Major Isidoro	332	25604	6,2
4°	Coruripe	655	23668	5,8
5°	Arapiraca	2279	23549	5,7
6°	Boca da Mata	65	11152	2,7
7°	São Sebastião	3008	7815	1,9
8°	Traipu	1688	7045	1,7
9°	Palmeira dos Índios	1137	6862	1,7
10°	Murici	263	5983	1,5
11°	Igreja Nova	1786	5676	1,4
12°	Santana do Ipanema	1127	5362	1,3
13°	Marechal Deodoro	45	4855	1,2
14°	Girau do Ponciano	712	4795	1,2
15°	Delmiro Gouveia	1181	4247	1,0
<b>Total Top 15 Borrowers</b>		<b>17068</b>	<b>302066</b>	<b>73,6</b>
<b>Other Municipalities (187)</b>		<b>31471</b>	<b>108515</b>	<b>26,4</b>

Source: Ministry of National Integration

Through the data in Table 9, it can be observed that of the 15 largest recipients of FNE resources in the period, four of them are the ones that concentrate the greatest wealth in the state and



concentrated a total of 46% of the fund's resources. The contracts are primarily intended for large and medium-sized enterprises, such as the industrial and commerce and services sectors, reinforcing the spatial and size concentration of the borrower. In Alagoas, FNE resources tend to be concentrated in the municipalities with the most structured assets.

Through the data in Table 9 referring to the main municipalities that received FNE resources from 2006 to 2010, it is possible to verify that there were some changes in terms of some municipalities that had not been classified in the period from 2000 to 2005 being among the 15 largest recipients of FNE in the state. For example: Delmiro Gouveia (2.6%), Penedo (2.4%), Palmeira dos Índios (1.5%). However, the highest concentration, as in the previous period analyzed, occurs in the municipalities with the largest economic size, the five municipalities with the highest participation in the GDP in 2010, which concentrated 65.9% of the FNE's resources from 2006 to 2010. It is also important to note that the 15 largest borrowers of the fund's resources represent 83.7% of the total resources, leaving the other 87 municipalities with only 16.3% of the FNE's resources.

Table 9 Alagoas - The 15 municipalities in the state with the highest contracted values R\$ thousand from 2006-2010 (nominal value)

	Municipality	Operations	Hiring	(%) contracted value
1°	Maceió	782	644760	36,3
2°	União dos Palmares	2946	221634	12,5
3°	Major Isidoro	77	147098	8,3
4°	Coruripe	3954	139614	7,8
5°	Arapiraca	3100	68241	3,8
6°	Boca da Mata	1269	46654	2,6
7°	São Sebastião	1821	43254	2,4
8°	Traipu	915	34186	1,9
9°	Palmeira dos Índios	4498	27484	1,5
10°	Murici	93	26166	1,5
11°	Igreja Nova	7375	25389	1,4
12°	Santana do Ipanema	53	17036	1,0
13°	Marechal Deodoro	1414	16782	0,9
14°	Girau do Ponciano	1636	15327	0,9
15°	Delmiro Gouveia	3732	14894	0,8
<b>Total Top 15 Borrowers</b>		<b>33665,29</b>	<b>1488519</b>	<b>83,7</b>
<b>Other Municipalities (187)</b>		<b>83629</b>	<b>290046</b>	<b>16,3</b>

Source: Ministry of National Integration

As for the participation of micro-regions in the GDP of the state of Alagoas, among the thirteen micro-regions, Maceió holds more than 50% of the state GDP. Among the other micro-regions, Arapiraca (10.6%) and São Miguel dos Campos (8.6%) stand out, with emphasis on the



municipalities of São Miguel dos Campos and Coruripe. In terms of population, the micro-regions of Maceió, Arapiraca, Mata Alagoana and São Miguel dos Campos stand out.

The micro-regions with the highest GDP per capita in Alagoas were: Maceió, Palmeira dos Índios, São Miguel dos Campos and Arapiraca. When analyzing the distribution of FNE resources in the state of Alagoas in Table 10, it is observed that, as seen in the Sergipe economy, FNE resources were mostly allocated to the micro-regions with the highest GDP per capita. The four micro-regions with the highest GDP per capita concentrate 75.5% of the fund's allocations, in comparative terms, the concentration in this state was more accentuated than that seen in the Sergipe economy. On the other hand, the micro-regions with the lowest GDP per capita: North Coast of the Sertão Alagoano, Serrana do Sertão Alagoano and Traipu were the ones that obtained the lowest percentages of amounts contracted with the fund's resources over the period 2000-2010.

Another way of analyzing the distribution of FNE resources is through the PNDR classification, as explained above, which aims to reach the neediest micro-regions, with FNE funding. In Alagoas, according to the PNDR classification, the micro-regions that are part of the high-income sub-region are the micro-region of Maceió; low-income: Alagoana do Sertão do São Francisco, Palmeira dos Índios, Arapiraca, Mata Alagoana, São Miguel dos Campos, Penedo and Litoral Norte Alagoano; dynamics: Serrana do Sertão Alagoano, Santana do Ipanema, Batalha, Traipu and Serrana dos Quilombos; in Alagoas, there is no micro-region in the stagnant sub-region, according to the subdivision of the PNDR.

Based on Table 11, it can be seen that in the economy of Alagoas, most of the average part of the resources were allocated to the low-income sub-region. In the PNDR classification, these micro-regions have low household income and economic dynamism that combine situations of poverty and weakness in their economic bases. The low-income sub-region in the analyzed period was responsible for an average of 44% of FNE hires.

Table 10 Alagoas - GDP, population and GDP per capita of the micro-regions from 2000 to 2010

MICRO-REGIONS	GDP	Population	PIB per capita	GDP (%)	Population (%)	Contracted amount 2000-2010 (R\$ thousands)	Contracted value 2000-2010 (%)	Contracted value per capita 2000-2010 (R\$ thousand)
	2010	2010		2010				
Alagoana do Sertão do São Francisco	427267	79632	5366	1,7	2,6	61109	2,8	767
Arapiraca	2610221	410798	6354	10,6	13,2	247930	11,3	604
Batalha	400647	92320	4340	1,6	3,0	79447	3,6	861
Maceió	13112757	1140682	11496	53,4	36,6	947528	43,3	831
Mata Alagoana	1498370	301464	4970	6,1	9,7	41810	1,9	139
Litoral Norte Alagoano	189581	66858	2836	0,8	2,1	13216	0,6	198
Palmeira dos Índios	1573779	175127	8987	6,4	5,6	83614	3,8	477
Penedo	708486	124552	5688	2,9	4,0	87104	4,0	699
Santana do Ipanema	743674	171228	4343	3,0	5,5	66319	3,0	387
São Miguel dos Campos	2080227	284396	7315	8,5	9,1	371273	17,0	1305
Serra dos Quilombos	805108	146573	5493	3,3	4,7	130294	6,0	889
Serrana do Sertão Alagoano	299310	89487	3345	1,2	2,9	34618	1,6	387
Traipu	125379	37377	3354	0,5	1,2	24886	1,1	666
<b>Total</b>	<b>24574808</b>	<b>3120494</b>	<b>5683</b>	<b>100</b>	<b>100</b>	<b>2189147</b>	<b>100</b>	<b>632</b>

Source: IBGE and Ministry of National Integration

In other words, the micro-regions with the highest percentage of the fund's contracts were the low-income ones. After this, the high-income sub-region stands out with 34% and the dynamic 20%. The low-income sub-region, with a peak of hiring that reached 60% in 2003, had a sharp drop in 2004 (17%) and a lower participation in 2007 and 2010, lost ground to the high-income sub-region, which in 2007 reached 72% of the total FNE hiring in the state.

When analyzing the municipalities of Alagoas, according to the population, it can be seen that the municipalities with 20 to 50 thousand inhabitants received an amount of financing proportionally higher than their participation in the state GDP. In the case of Alagoas, some municipalities with below-average GDP per capita had a reasonably relevant percentage of FNE investments, however, due to the greater concentration of FNE resources in municipalities with more than 50 thousand inhabitants, most municipalities received FNE per capita below the state average. As shown in Table



Table 11 Alagoas - Operations and contracted amounts according to the definition of the PNDR R\$ thousand from 2000-2010 (nominal value)

Year	High Income				Low income				Dynamics				Total	
	ON	(%)	Value	(%)	ON	(%)	Value	(%)	ON	(%)	Value	(%)	ON	Value
2000	16	0,4	5.298	18,8	3.088	71,9	16.471	58,4	1.191	27,7	6.415	22,8	4.295	28.184
2001	6	0,6	3.673	27,2	545	57,9	6.640	49,1	391	41,5	3.214	23,8	942	13.527
2002	17	0,9	2.408	18,3	1.012	56	6.697	50,9	779	43,1	4.052	30,8	1.808	13.157
2003	30	3,5	8.536	30,3	579	68,4	16.869	59,9	237	28	2.744	9,7	846	28.149
2004	165	1,5	124.231	72,1	4.842	45,5	29.299	17,0	5.641	53	18.877	10,9	10.648	172.407
2005	1.323	4,4	2.226	1,4	16.951	56,5	79.673	51,4	11.726	39,1	73.256	47,2	30.000	155.155
2006	285	0,9	20.227	9	17.098	54,3	115.422	51,4	14.115	44,8	88.849	39,6	31.498	224.498
2007	166	0,9	135.067	54,6	11.168	57,8	84.252	34,0	7.980	41,3	28.157	11,4	19.314	247.476
2008	183	0,9	156.326	42,5	11.422	57,9	178.283	48,4	8.120	41,2	33.517	9,1	19.725	368.126
2009	218	1,0	211.497	44,7	12.836	56,7	225.777	47,7	9.566	42,3	35.819	7,6	22.620	473.093
2010	335	1,4	278.038	59,7	13.877	56,0	151.030	32,4	10.549	42,6	36.515	7,8	24.761	465.583

Source: Ministry of National Integration

Table 12 Alagoas - GDP, Population and contracted value of FNE by size class of municipalities

Urban Network	No. of Cities	START 2010 (Mil)	Population	GDP 2010(%)	Population 2010 (%)	PIB per capita	Value	Value (%)	Value per capita
Up to 5 thousand	6	179908	24573	0,7	0,8	7321	11998814	0,5	488
>5,<10,000	22	707925	152136	2,9	4,9	4653	62938833	2,9	414
>10,000 and <20,000	34	2820339	486315	11,5	15,6	5799	210346143	9,6	433
>20,000 and <50,000	31	3921965	891608	16,0	28,6	4399	512866065	23,4	575
>50,000 and <100,000	7	2949218	419108	12,0	13,4	7037	443364704	20,3	1058
>100,000 and <400,000	1	1881363	214006	7,7	6,9	8791	163162259	7,5	762
Above 400 thousand	1	12114090	932748	49,3	29,9	12988	784469875	35,8	841
	<b>102</b>	<b>24574808</b>	<b>3120494</b>	100,0	100,0	<b>7284</b>	<b>2189146694</b>	100,0	<b>653</b>

Source: IBGE, Ministry of National Integration.

After analyzing the allocation of FNE resources in the states of Sergipe and Alagoas, it was observed that in terms of allocation by economic activity, in both states the emphasis was on the rural sector. In terms of the size of the borrower, in general, most of the resource is destined for the large and medium-sized producer, however, in the state of Sergipe, a better distribution was observed for the small producer. In spatial terms, in both states the allocation takes place mainly in the places that have greater dynamism, in the economy of Sergipe and Alagoas, the municipalities with the highest participation in the state's GDP and the best GDP per capita were the largest beneficiaries of the fund's resources, however in the case of Sergipe, there was some equity in the distribution when using the scale by population size of the municipality. When using the PNDR classification, it can be



seen that the largest borrower in Sergipe were the high-income micro-regions and, in the case of Alagoas, the low-income ones.

With this, it was seen that the FNE has an important role in regional development policy. But in order to combat regional inequalities, a more balanced distribution is necessary. However, it is not possible to make conclusive statements on some of the points raised here, for this it would be necessary to carry out a more detailed analysis by funded project in the state of Alagoas for a more accurate result of this instrument.

## CONCLUSIONS

The national economy is marked by the strong concentration of production in the Southeast region of the country. To try to minimize the regional inequalities that existed in Brazil, from the 1960s onwards, the government began to adopt developmentalist policies that enabled a productive integration between Brazilian regions. The 1970s was a period marked by strong state intervention in the economy, which led to the growth of more backward regions in the national state.

The role of direct intervention in the economy played by the Federal Government lasted until the 1980s and was essential to articulate the regions, promote productive integration and enable the peripheral regions to increase their participation in the national GDP. However, in the 1980s, with the crisis of the foreign economy, the National State focused its measures on solving the problems in its finances, reducing the investment policies seen in the previous decade, with this, the process of national productive deconcentration decreased. And the institutions previously created to promote regional development have been weakened.

In the 1990s, there were intense changes in the national economy, such as the adoption of neoliberalism, trade opening, privatizations, abandonment of developmentalist policies and the intensification of the fiscal war, due to the lack of a national development policy. However, even with the absence of instrumentalization and coordination by the Federal Government with a national policy for regional development, the concern with the reduction of regional inequalities was expressed in the 1988 Constitution, with the creation of funds for the development of the North, Northeast and Midwest regions.

Regional policies have once again gained strength with the formulation of a National Policy for Regional Development, through the Ministry of Integration, with the aim of combating regional and sub-regional inequalities. The application of the Constitutional Funds is now guided by this policy. As seen, it is the responsibility of the Ministry of Integration to establish the general guidelines and guidelines for the application of the Funds, in order to make the financing programs compatible with the macroeconomic guidelines, the sectoral policies and the PNDR.



It was observed that the FNE has the highest percentage of hires in the rural sector in the analyzed period. In the case of the FNE, from 2003 onwards the non-rural sector has been gaining prominence in terms of its participation in the contracting of the fund's resources. Since the percentage of hiring for the rural sector is still significant, which in a way contributes to the maintenance of traditional productive structures in the region. The industrial sector has an average participation in the period 1989-2010 of 22% of the total contracted. In addition to the fact that the FNE has very little impact on the infrastructure sector, which is a sector of fundamental importance for development.

With regard to the distribution according to the size of the borrower, it is the medium and large producer who, on average, has the highest volume of contracting resources. In other words, there is a tendency to concentrate on groups that are more structured and have better conditions for growth. However, it is worth noting that the trend of greater concentration in these groups, in the case of the FNE, was from 2003 onwards. The reason why mini and small producers did not achieve a higher percentage of contracts in most of the years studied may be related to the fact that they have less conditions to offer guarantees and meet the requirements of the financial system.

Regarding the spatial distribution of the FNE, the most economically structured states were the largest holders of the fund's resources, Bahia, Ceará and Pernambuco. In the years 2000-2010 on average, these states accounted for 55% of the contracted volume of the fund's resources.

With regard to the state of Sergipe, when analyzing the distribution of resources by size of the borrower, in the state of Sergipe, it is observed that in the period 2000-2010, most of the contracted operations were destined to small enterprises, however, with regard to the percentage contracted, these responded with an average of 40.9% in the period. However, from 2008 onwards there was a trend towards greater concentration in medium and large producers, following the logic of the FNE as a whole.

As for the sectoral structure, the sector that stands out the most in terms of hiring in the period 2000-2010 is the rural sector, as observed in the FNE applications in its area of operation. The industrial sector is in third position, given the importance of this sector for development, this should be a sector with more significant resource allocation.

When the analysis is made by micro-region, the largest recipients of the fund's resources are the micro-regions with the highest participation in the GDP of the state of Sergipe. In most years, the micro-region of Aracaju was the largest recipient of funds from the fund. Although in some cases, some micro-regions receive resources above their participation in the GDP, they have not had significant changes in their productive bases capable of redefining their economic structures.

When grouped according to population size, although on average the larger municipalities received significantly higher funding than the smaller municipalities, it is observed that the system



has achieved a certain capillarity in investment. The funding reached a good part of the municipalities between 20 and 50 thousand inhabitants that had GDP per capita below the state average, and received resources above the state average.

When grouping according to the PNDR classification, what was observed was that the largest recipient of resources are the high-income micro-regions, not meeting the provisions of the policy. In which it determined that low-income micro-regions with low household income and low economic dynamism should be prioritized in the distribution of the fund's resources.

As a result, the funds are important sources of resources for the recipient economies. The FNE has made some contributions to the development of the Northeast region and the reduction of inter-regional inequalities. With regard to the reduction of intra-regional inequalities, despite failures in distribution, whether spatial or by size of the borrower, the FNE contributes to deconcentration to a certain extent. However, they have limited capacity to configure themselves as a regional policy, it is necessary to improve the mechanisms of transfer of resources for a better distribution of this and greater inclination of the Federal Government with a view to actions to promote articulated regional development and the modernization of the region's economy.

The national economy is marked by the strong concentration of production in the Southeast region of the country. To try to minimize the regional inequalities that existed in Brazil, from the 1960s onwards, the government began to adopt developmentalist policies that enabled a productive integration between Brazilian regions. The 1970s was a period marked by strong state intervention in the economy, which led to the growth of more backward regions in the national state.

The role of direct intervention in the economy played by the Federal Government lasted until the 1980s and was essential to articulate the regions, promote productive integration and enable the peripheral regions to increase their participation in the national GDP. However, in the 1980s, with the crisis of the foreign economy, the National State focused its measures on solving the problems in its finances, reducing the investment policies seen in the previous decade, with this, the process of national productive deconcentration decreased. And the institutions previously created to promote regional development have been weakened.

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In the second chapter, the discussion about the importance of credit for the economic development of any locality was raised, and some instruments of credit transfer oriented to minimize inter and intra-regional inequalities were seen. The discussion was based on the importance of the development bank for the dynamics of the Northeastern economy. It was shown that the regional development policy has significant resources to promote the development of peripheral regions. However, these alone are not enough to address intra- and inter-regional inequalities.

It was also seen the evolution of the transfers and applications of the resources of the funds (FNO, FCO, FNE). An analysis of the spatial distribution and size of the beneficiaries of these resources from 1989 to 2010 was made. The results presented were that these funds have a significant volume of resources that are transferred by the Secretary of the National Treasury and there was an expansion of contracting from 2004, when they began to exceed the transfers.

It was observed that both the FNO, FNE and FCO have the highest percentage of hires in the rural sector in the analyzed period. In the case of the FNE, from 2003 onwards the non-rural sector has been gaining prominence in terms of its participation in the contracting of the fund's resources. In the case of the FNO, this factor began to occur only from 2008 onwards and the FCO only in 2010 did the non-rural sector assume a higher percentage of hiring compared to the rural sector. Of the three funds, the one that had the greatest prominence in distribution to the non-rural sector was the FNE, however improvements are still needed. Since the percentage of hiring for the rural sector is still significant, which in a way contributes to the maintenance of traditional productive structures in the region. The industrial sector has an average participation in the period 1989-2010 of 22% of the total contracted. In addition to the fact that the FNE has very little impact on the infrastructure sector, which is a sector of fundamental importance for development.

With regard to the distribution according to the size of the borrower, in the three funds, it is the medium and large producer that, on average, has the highest volume of contracting resources. In other words, there is a tendency to concentrate on groups that are more structured and have better conditions for growth. However, it is worth noting that the trend of greater concentration in these groups, in the case of the FNE, was from 2003 onwards. The reason why mini and small producers did not achieve a higher percentage of contracts in most of the years studied may be related to the



fact that they have less conditions to offer guarantees and meet the requirements of the financial system.

Regarding the spatial distribution of these funds, in the Midwest region, the concentration in contracted value occurs in the states of Goiás, Mato Grosso and Mato Grosso do Sul. In the North region, the concentration of resources occurs in Pará, Tocantins and Rondônia, these three states were responsible for an average of 80% of hiring in the region from 1998 to 2010. In the FNE's coverage area, the most economically structured states were the largest holders of the fund's resources, Bahia, Ceará and Pernambuco. In the years 2000-2010 on average, these states accounted for 55% of the contracted volume of the fund's resources.

With regard to the states of Sergipe and Alagoas, the object of study of this dissertation. When analyzing the distribution of funds by size of the borrower in the state of Sergipe, it is observed that in the period 2000-2010, most of the contracted operations were destined to small enterprises, however, with regard to the percentage contracted, they responded with an average of 40.9% in the period. However, from 2008 onwards there was a trend towards greater concentration in medium and large producers, following the logic of the FNE as a whole.

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In Alagoas, it is concluded that there is a reproduction of what happens in Sergipe with regard to the resources destined to the productive sectors. It is also the rural sector that is the largest



beneficiary of the fund's resources. However, in this economy, the industrial sector stands out in second place in terms of contracting FNE resources. As for the size of the borrower, there is a tendency for a higher concentration in the large and medium producer, in which the concentration was more significant than that observed in the state of Sergipe. Thus, it can be seen that the logic of the FNE has been influenced by demand and, in general, it is the producers who have the greatest facility to obtain the credit that obtains the resource, fostering the already existing distortions.

In the spatial aspect in the state of Alagoas, as seen in Sergipe, most of the financing is destined to the most economically structured municipalities and micro-regions. However, in the case of Alagoas, there was a higher concentration compared to the state of Sergipe.

As a result, the funds are important sources of resources for the recipient economies. The FNE has made some contributions to the development of the Northeast region and the reduction of inter-regional inequalities. With regard to the reduction of intra-regional inequalities, despite failures in distribution, whether spatial or by size of the borrower, the FNE contributes to deconcentration to a certain extent. However, they have limited capacity to configure themselves as a regional policy, it is necessary to improve the mechanisms of transfer of resources for a better distribution of this and greater inclination of the Federal Government with a view to actions to promote articulated regional development and the modernization of the region's economy.



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