POLICIES AND PROGRAMMES OF SOCIAL REFORM IN BRAZIL DURING THE REGIME OF PRESIDENT F.H.CARDOSO (1995-2003)

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MASTER OF PHILOSPHY

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CERTIFICATE

This is to certify that the dissertation entitled "**Policies and Programmes of Social Reform in Brazil during the Regime of President F.H.Cardoso (1995-2003)**", submitted by me in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY**, is my own work and has not been previously submitted for any other degree of this or any other university.

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We recommend that this dissertation be placed before the examiners for evaluation.

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Preface and Acknowledgements

With the advent of Globalisation Social Security reform has been an important public policy issue. During the eight years of his administration (1994-2003), President Fernando Henrique Cardoso performed a massive experiment on the Brazilian economy by becoming the champion of neoliberalism. Neoliberalism entails shrinking the government sector through budget reductions and privatization of government-owned enterprises, opening the economy to foreign imports through free trade measures, increasing foreign indebtedness, and in general pursuing macroeconomic stability while sacrificing economic growth. At the same time Cardoso adopted compensatory social policies, which made notable achievements in the areas of public health and primary education.

This monograph seeks to examine the consequences of the neoliberal policies adopted by Cardoso and the need for the Social welfare reforms. This study also attempts an analysis of how far Cardoso has been successful in his social welfare reforms.

This monograph consists of five chapters. The introductory chapter attempts to give a brief overview of the increasing importance of social security in Brazil. To introduce the theme the chapter starts with a brief background on the concept of social security. The chapter is divided into three sections: the first section defines social security explaining its origins, functions and objectives; the second section describes the evolution of social security in Brazil; and the third section discusses general initiatives taken by President Cardoso on social security. The main objective in this chapter is to highlight the main areas of social security concern in Brazil and why it has gained significance of late.

The second chapter on poverty and income inequality explains the recent evolution of anti-poverty policies by President Cardoso and its implementation in Brazil. The first section of the chapter attempts to define and understand poverty in Brazil especially in respect of its vast regional disparities in income. The second section discusses the

evolution of Brazilian poverty and its main macroeconomic determinants during the last 15 years. The third section will examine the economic policy measures implemented during the regime of Fernando Henrique Cardoso and its impact on poverty in Brazil. The fourth section will give an overview of the various poverty alleviation programmes carried out by the Cardoso government such as the conditional cash transfer (CCTs) as well as the proposal of the Bolsa- Escola Programme.

This third chapter, which is on education, has been divided into three sections. The first section traces the evolution of education in Brazil since 15th Century till the establishment of 1988 constitution. The second section explains the general characteristics of the educational system in Brazil according to 1988 Constitution and the long-standing lags in the educational system. Third section describes the educational policies applied in Brazil in the eight year period from 1995-2002 which were aimed primarily at expanding the system while improving its quality. This chapter ends with an analysis of the challenges and prospects of education in Brazil.

This fourth chapter, which is on health care reform, has been divided into three sections. The first section gives an initial overview of the history of health reforms in Brazil. The second section proposes to review the structure of the health care system in Brazil. The third section discusses and explains the reforms carried out by the Cardoso government in the structure of Brazilian health system and the lags in the system. Then an attempt is made to examine and evaluate the impact of these reforms on Brazil.

The fifth and the last chapter is the concluding one. It sums up the previous chapters and gives an overview of the difficulties in Cardoso's social security policies on poverty, education and health. Simultaneously it also examines how far Cardoso has been successful in terms of his social welfare programmes in these areas.

This research monograph has been prepared under the guidance and supervision of Dr. Abdul Nafey. I take this opportunity to thank him for his effort and without him this dissertation would not have been possible. I would also like to thank Dr.Priti Singh for

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Shweta Ved 24/07/06

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CHAPTER I

Introduction

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Introduction

From time immemorial societies have attempted in various ways to shelter people against social and economic adversities. These efforts have mostly tried to meet urgent needs for subsistence and to provide against contingencies. The definition of "needs" and "contingencies", and the exact nature of arrangements to address them have differed from one society to another and have evolved over time. These arrangements reflect not only the values, beliefs and customs of a people but also their economic systems, social structures and political institutions. The arrangements a society makes to meet the essential subsistence needs and contingencies of its members constitute its social security system.[1]

Historically people have looked to their families, clans, tribes, communities, religious groups and authorities – lords, chiefs and kings – to meet their needs for social security. But the processes of industrialisation and urbanization that have swept the world over the past two hundred years have profoundly affected social security arrangements everywhere. The origins of the modern system of social security go back to the late nineteenth century in Europe but it was only in the three decades following the Second World War that it developed its characteristic features. This system, which is prevalent in the industrial market economies, is referred to here as the classical model of social security.[2]

The introductory chapter attempts to explain and give a brief overview of the increasing importance of social security in Brazil. To introduce the theme the chapter starts with a brief background on the concept of social security. The chapter is divided into three

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1 Guido Tabellini , "A Positive Theory of Social Security", *Scandinavian Journal of Economics* Vol. 102, Issue 3, September 2000, p. 524

[2] A. Hicks and M. Joya , "The Programmatic Emergence of the Social Security State", *American Sociological Review*, Vol. 60, No. 3, June 1995, p. 329

sections: the first section examines the concept of social security explaining its origins functions and objectives; the second section describes the evolution of social security in Brazil; and the third section discusses general initiatives taken by President Cardoso on social security. The main objective in this chapter is to highlight the main areas of social security concern in Brazil and why it has gained significance of late.

Defining Social Security

Origins of Social Security

Before state-sponsored social insurance schemes were established in the late nineteenth century, social welfare was provided mainly by the family, the church authorities and local communities. Social security both as a concept and policy measure can be traced back to pre- and post industrial revolution when countries in Europe importantly Britain evolved and adopted what are known as "Poor Laws" to meet the contingencies of the deprived sections of the population. Since the industrial revolution many countries adopted social security measures given the vicissitudes of industrial capitalism. The British Poor Law system exemplified this approach to social security. Dating back to the fourteenth century, the Poor Law went through a series of changes over a period of five hundred years, culminating in the 1834 Reform of the Poor Laws. Under the 1834 Act relief for the poor was financed from a compulsory tax on property-owners.[3] However, these benefits, in terms of food and shelter were extremely meager and the beneficiaries were stigmatized and subjected to harsh treatment.

The emerging industrialisation in the late eighteenth and nineteenth centuries exposed a much larger number of workers to new risks and insecurities. The workers faced with the risks and insecurities of wage employment in the new industrial system, turned to mutual aid societies for assistance in times of sickness, injury and unemployment. These

[3] W. Quigley, "Five Hundred Years of English Poor Laws: Regulating the Working and Non-working Poor", http://www.uakron.edu ,Dated 30 June 2006

societies provided a range of benefits to their members in return for regular contributions. The social insurance schemes that form the basis of much of the modern social security system owe their origin to mutual aid societies of this type.[4]

A number of forces worked together by forming trade unions and mutual aid societies to compel the state to assume direct responsibility for some elements of social security. Their activities contributed to the gradual consolidation of democracy, improvements in working conditions for children, women and male workers and the beginnings of a system of social security. [5]

Till the starting of twentieth century initial emphasis in most countries was on occupational accidents, sickness and pensions. The two world wars, especially the Second World War, greatly boosted the scope and coverage of social security benefits. High levels of unemployment, particularly during the inter-war period, stimulated the growth of unemployment insurance schemes. In 1942, the International Labor Organization (ILO) published a report on the path to social security describing the history of social security systems of different countries and the specific services or benefits provided under such systems. In the process, the expression "social security" was generally accepted. Besides it is said that the expression was widely spread to the world by the incorporation of the proposals on "social security" in the Atlantic Charter. The Charter was announced after the maritime meeting held in August 1941 between Sir Winston Churchill, Prime Minister of the United Kingdom and F. D. Roosevelt, President of the United States.[6]

The Social Security Act of the Roosevelt Administration in the United States and the Beveridge Report in the United Kingdom were milestones in the development of social security systems in industrial countries in the post-war period. At the international level,

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[4] A. Briggs, "The Welfare State in Historical Perspective", in R. Goodin, and D. Mitchell (eds.), *The Foundations of the Welfare State*, Vol. III (Cheltenham: Edward Elgar Publishing, 2000), p.51.
[5] Ibid
6 Declaration of Philadelphia (1944): Annex to the Constitution of the ILO.URL at http://www.ilo.org/public/english/about/iloconst.htm. Dated 30 May 2006.

the Universal Declaration of Human Rights adopted by the General Assembly of the United Nations in 1948 enshrined social security as one of the fundamental human rights. This was further elaborated in the UN Covenants on Civil and Political and Economic, Social and Cultural Rights.[7]

Understanding Social Security

After the Second World War, social security systems expanded to include the great majority of workers and retired people in industrial countries. The systems became more comprehensive and generous, protecting the population against poverty, unemployment, sickness and injuries, and providing health care, maternity benefits, family allowances, housing subsidies and old age pensions. Nevertheless, the coverage and the range and level of benefits showed considerable country variation.

On the basis of the various definitions, social security can be understood as being a set of institutions, measures, rights, obligations and transfers whose primary goal is:
(a) to guarantee access to health and social services; and
(b) to provide income security to help to cope with important risks of life (inter alia, loss of income due to invalidity, old age or unemployment) and prevent or alleviate poverty. Social security is a human right (article 22 of the Universal Declaration of Human Rights). It is also part of the ILO's mandate 3 and is enshrined in a series of ILO Conventions, most prominently the Social Security (Minimum Standards) Convention, 1952 (No. 102), which became the blueprint for the European Code of Social Security. The need to extend social security was confirmed by the International Labour Conference, which also mandated the ILO to launch a major campaign to promote the extension of social security. [8]

However, the International Labour Organisation defines social security in the traditional way as constituting contingency related measures provided to all members of the

[7] Ibid, n.6.
[8] Ibid.

community to improve and expand the protection. The contingencies include: basic income security in case of need, health care, sickness, old age and invalidity, unemployment, employment injury, maternity, family responsibilities and death.[9]

Whereas contingency related measures are mainly applicable to workers in the organised sector, given the widespread poverty in the country, the concept of social security in the wider context implies ensuring minimum social care to the entire population, particularly the vulnerable and deprived groups, including women and children. Also, even amongst workers, a large proportion of whom are in the unorganized sector, it is the wider concept that seems to be relevant and needs adoption. Thus there is a clear need for articulation in favour of the wider concept.

There are significant differences among the industrial countries with respect to the objectives, scope, coverage, benefits and role of the state in providing social security. The systems which developed in the industrial countries were designed to promote three objectives: reducing destitution; providing for social contingencies; and promoting greater income and consumption equality. However, the relative priority accorded to these objectives varies a great deal between countries.

Definitions of social security like those developed by the European System of Integrated Social Protection Statistics (ESSPROS). According to the ESSPROS definition, social protection:
"...Encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks and needs, provided that there is neither a simultaneous reciprocal nor an individual agreement involved".[10]

ESSPROSS definition is advantageous because it includes the notion of "needs", not necessarily the needs of only the "critical poor", as it is the case in the recently proposed World Bank definition.[11]

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[9] ILO, Financial, Actuarial and Statistical Branch, *The Cost of Social Security: Nineteenth Inquiry*, (Geneva: ILO, 1997).
[10] ESSPROS Manual, EUROSTAT, 1996, p. 12

Scholars trying to understand social security in recent years, especially in the context of developing countries stress that social security should be provided to all.[12] This should be done on the ground of what they call to "right to development" as fundamental to all human beings. Of course policy measures are riddled with problems because of the funding question, dispensation channels and implementation. In a sense, these scholars are underlining the need for the return of the "welfare state". But recent trends in respect of globalization, liberalisation, and privatisation are already impacting negatively on the paramount role of the state. Consequently, the "welfare" objective of the state is not getting the importance that it should.

Objectives of Social Security

Presently, however, the social security objective has exceeded the range of relief for the needy and prevention of poverty, and is changing to wider security of national life.

One of the social security objectives is to support people suffering from unforeseen events or physical disabilities to lead respectable lives in independent manners according to their own lifestyles in family and region, regardless of disability or age.[13] By implementing measures to support people in difficulties to lead independent lives, the social security systems enable such people to live and take actions on their own responsibility and judgment, and provide them with possibilities to step into the new stages of their lives.

In accordance with the elevation of the living standard, the benefit levels ensured by the social security systems have also exceeded the levels for ensuring the minimum level of living, which was the level to be attained in the relief for the needy and prevention of poverty. For example, the social welfare services including the welfare services for the elderly and the public pensions provided in proportion to the pre-retirement income are

[11] World Bank, Social Protection, Preliminary Draft for Comments, February 2000, p. 3
[12] Amartya Sen and Jean Dreze, *Hunger and Public Action* (Oxford: Clarendon Press, 1989), p.44.
[13] E. Isaac and T.Francis, "Social Security, the Family, and Economic Growth", *Economic Inquiry*, Vol.36, No.3, July 1998, p.390

not just for preventing poverty. They are provided to improve the living quality; to support independence; and to compensate for the lack of earning ability after retirement. The "life with a minimum standard of health and culture" ensured under the public assistance system does not simply mean a living for existence.[14] It means to lead a respectable life as a human being. The minimum level of living ensured under the system is not therefore fixed and will be changed and improved in relation to social and economic situations, to the living standard of the citizens and to the social background. Social security, however, does not ensure people the minimum level of living without condition. In the society of free economy, it is basically each one's responsibility of self-help effort to maintain and manage his/her life.

Functions of Social Security

Next, social security has the following four functions, and there are a lot of overlaps among the functions. They are a) function as a social safety device (social safety net); b) redistribution of income; and c) social stability and economic stability and growth.

Social safety device (social safety net)

Social security functions as a social security device (social safety net) for ensuring stable and anxiety-free lives in preparation against difficulties that might endanger the stability of living such as illness, injury, need for care, unemployment, retirement without means to earn money, and unforeseen accidents. For example, in case of illness or injury, one can easily receive medical services with the medical expenses paid by medical insurance. Even if one retire from your work and have lost the means to earn money yourself, one can receive old-age pensions to lead a stable life.[15]

14 Isaac and Francis, n.13, p.391
[15] Ibid

Redistribution of income

Redistribution of income is an effective measure to reduce income differences and to stabilize the lives of the low-income class in the situations in which the market economy alone cannot ensure social fairness. For the redistribution, the income is transferred among individuals and households through the tax system and social security systems. Specifically, for the redistribution of income between different income classes, funds are raised from the high-income class to be transferred to the low-income class, or within the same income class, money is transferred from people who can earn income to those who no longer have means to earn income. The redistribution of income includes the provision of medical or child-care services in kind, in addition to the transfer of money.[16]

Social stability, economic stability and growth

Social security has the function to stabilize society and the government by giving a feeling of security to people, giving support when they actually become difficult to live, or redistributing income to reduce earning differentials. Besides social security mitigates economic fluctuations for economic stability, and supports the growth of economy. For example, continuous provision of fixed amounts of money even in the periods of economic depression as under the public pension system not only stabilizes the lives of old people but also mitigates economic fluctuations (as built-in stabiliser) by encouraging consumption based on pensions as financial resources.[17] Furthermore, the reserve for pensions held under the public pension system has been utilized as the financial resources for fiscal investments and loans to fund the improvement of social capitals and the economic development.

[16] D. Black, "The Social Security System, the Provision of Human Capital, and the Structure of Compensation", *Journal of Labor Economics*, Vol.5,No.2, 1987, p.242

[17] Isaac and Francis, n.12, p.391

Evolution of Social Security in Brazil

The social security systems in developing countries were more diverse than in the industrial countries, reflecting greater differences in historical background and economic, social and political structures. The modern system of social security was introduced by colonial authorities in most of Asia, Africa and the Caribbean. Welfare provisions were extended in the first instance to civil servants and employees of large enterprises. The benefits included health care, maternity leave, disability allowances and pensions. Latin American countries that had been independent for a longer period began to adopt elements of the European social security system during the inter-war period. This was especially the case with Argentina, Brazil, Chile, Cuba and Uruguay.[18] They adopted the social insurance method with coverage for health care, occupational injury and pensions. Most of the systems developed in these countries shared certain characteristics – the contingencies covered were usually limited to injury, sickness, maternity and pensions; there were differential systems for different occupations and categories of workers, a multiplicity of institutions and most important, limited coverage of the population. Unemployment benefits, family allowances and social assistance existed in relatively few countries or had extremely limited coverage.

In general, there was a certain correlation between the development of the national social security system and the degree of economic progress. Countries with a higher per capita income and a larger proportion of the working population in formal sector employment tended to have more extensive social security expenditure. Since the state subsidized many social insurance schemes, the social security systems tended to drain resources from programmes targeted at poorer groups. The state had sought in various ways to provide some basic services to people outside the formal social security system. Thus the greatest challenge facing the developing countries was to extend the coverage of social

[18] E. Ahmad, *Social security in developing countries* (Oxford: Clarendon, 1991),p.140

security to the excluded majority to enable them to cope with indigence and social contingencies. [19]

The welfare state in Brazil evolved in a different way, for the genesis of industrialisation in the country occurred in a late and dependent fashion in relation to the international economy. The Brazilian process of modernisation was distinguished by segmentation, limited reach and heterogeneity, given that the universal and redistributive profile of social policies was distorted by concentrating economical standards, centralizing, authoritarian or populist governments and decreased power of political influence over popular classes. The Brazilian Welfare State had emerged from autarchic decisions, from the top to the bottom, to regulate matters related to the organization of the labor regarding working conditions and labor force trade, pointing toward the creation of the necessary conditions for industrial development, easing the migration of workers from traditional to modern sectors, and the constitution of an urban industrial labor force in the country. Therefore, the social protection system did not target the poorest and needy parcels of population in Brazil. This structured relationship between the State and the population, converged the phenomena of patrimonialism and corporativism.

That Brazilian social policy based on corporativist / clientelist mode, was created to serve the formal segments of the economy, based on a restricted coverage, taking into consideration a "working class aristocracy", and leaving aside poorer people, who survived under an economy of subsistence, due to their unstable and precarious links with the labor market. Bearing no power to pressure on and without an effective capacity of vindication the poorer social segments of the population took no part of the Brazilian Welfare, being at the mercy of demagogic policies or humanitarian acts. [20]

The main features of the Brazilian social protection system, created during the first Vargas government (1930-1945), did not present significant changes during the democratic regime between 1945 and 1964. The Getúlio Vargas's Administration

[19] J. Jutting, "Social Security Systems in Low-Income Countries: Concepts, Constraints and the Need for Cooperation", *International Social Security Review*, Vol. 53, 2000, P.34

[20] F. Eduardo and O. Barreto , " Brazil: The Brazilian Social Security System", *International Social Security Review* ,Vol. 54, Issue 1, January 2001 , P. 101

Government, from 1930 to 1945, introduced sensitive modifications in labor legislation. The initiatives of this period were the creation of the minimum-wage, the regulation of work for women and minors, the eight hours workday limit, the right to vacations, norms about labor accidents and the establishment of the Labor Judiciary. In the same period, many health services were provided for the interior population with the creation of federal field offices.[21]

In 1942, the former First Lady Darcy Vargas founded the Brazilian Assistance Legion – LBA- with the objective of assisting poor families. During the following decades, LBA extended its actions to the majority of the Brazilian municipalities, consolidating paternalist practices, frauds and the political use of resources.[22]

The creation of the Ministry of the Health, in 1953, changed the priorities of the national health policy and turned its focus to healing medical attendance rather than simply focusing on diseases. Likewise centralization also took place, reserving for the state the responsibilities for the execution of the health policy.

Gradually, the social insurance system gave up the principle of individual membership in favor of a new concept, which was known as "regulated citizenship."[23] During 1950s an important group of public officers began to reform system in actuarial bases, defending the idea of unification of the institutes, in spite of the resistance of labors unions, who were fearful about the loss of political influence and reduction of quality of the health services provided by their respective institutes.

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[21] Karl Lowenstein , *Brazil under Vargas* (New York: Macmillan, 1942),p.126

[22] Ibid

[23] The concept of "regulated citizenship" has been used to designate the specific format in which the incorporation of the urban workers' demands took place during the Vargas era. The recognition of rights expressed in this conception of citizenship was based not on an egalitarian, universalistic political principle, rather it expressed a system of occupational stratification defined by legal norms. J. M. Domingues, "Dialectics and Modernity, Autonomy and Solidarity", Sociological Research Online, Vol. 2, No. 4, URL at http://www.socresonline.org.uk/socresonline/2/4/1.html dated 21 June 2006

At last, in 1960, after thirteen years of discussions, a new Social Insurance Organic Law –LOPS- was approved, determining the uniformity of contributions and plans of benefits of several institutes. Three years later, the political pressure caused by peasant movements got the rural workers access to the mechanisms of social protection which had been provided for urban society, through the institution of Fund of Attendance to the Rural Worker –FUNRURAL.

Military Rule and the Social Policies

Between 1964 and 1985 Brazil was ruled by military governments known for their political repression, rigid centralization and strong emphasis on economic growth as opposed to social development. The military backed by Washington overthrew the elected government in 1964 and ruled with an iron fist until 1985. Under its model of "relative democracy," Congress remained open, but with greatly reduced powers. Regular elections were held for Congress, state assemblies, and local offices. However, presidential, gubernatorial, and some mayoral elections became indirect. The military regime employed massive repression from 1969 through 1974.Between the mid 1960s and late 1970s; Brazil experienced the combination of a dictatorial regime and an average annual GDP growth of 10per cent, making social security policies a secondary priority. [24]

Thus, in 1966, the definitive administrative unification of the existing institutes occurred with the creation of the National Institute of Social Insurance -INPS, which assumed the responsibility for the installment of the services of medical attendance, payment of benefits and the collection of contributions related to all the workers linked to the old institutes. [25]

During the second half of the 1970s, the Military Government restructured the social sector by instituting the National Social Attendance and Insurance System -SINPAS, coordinated by the Ministry of Social Attendance and Insurance -MPAS. The

[24] Thomas E. Skidmore, *The Politics of Military Rule in Brazil, 1964-85* (New York: Oxford University Press, 1988), p.176
[25] Ibid

responsibilities were redistributed again, with the establishment of new entities and the same supervision for all the organisms of the areas of medical attendance and social assistance and insurance.[26]

After the "economic miracle" period (1967-74), Brazil entered a "stagflation" phase concurrent with political liberalisation. After the economic crisis that hit Latin America in the 1980s, Brazil's social security fell into deep financial trouble. In fact, no major institutional reform was carried out in that decade. Throughout the 1980s, the redemocratisation process elapsed at the same time of the worsening of the fiscal crisis and of the life conditions of a significant portion of the Brazilian population. The increase of unemployment and concentration of income and the uncontrolled growth of the big urban centers contributed to characterize a process of "metropolisation" of the national poverty. Besides that, almost half of national workforce was concentrated in the informal labor market and therefore excluded from the official mechanisms of social protection. [27]

The State was not just shown inept to solve the social crisis, but it also contributed to and exacerbated the crisis by excluding social groups from receiving benefits and allowing the deterioration of the quality of social services. As well, all the tiers of Government contributed to economic instability through the increase in the fiscal deficit.

However, the lesson from the 1980s was clear: the high economic growth of the 1970s did not promote a sustainable reduction in poverty, since the low economic growth of the 1980s pushed poverty back to levels of the mid 1970s. Towards the end of military rule, the Brazilian government resembled a "divided Leviathan".[28] While intervening in vast areas of economy and society and thus having tremendous amount of structure, the state had diminishing force as an actor. It became ever less capable of attaining its goals. The

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[26] Maria Helena Moreira Alves, *State and Opposition in Military Brazil* (Austin: University of Texas Press,1985), p.78

[27] Alfred Stepan , *Democratizing Brazil: Problems of Transition and Consolidation* (Oxford: Oxford University Press ,1989) ,p.39

[28] Sergio Abranches, "*The Divided Leviathan: State and Economic Policy Formulation in Authoritarian Brazil*", Ph.D.diss , Cornell University, 1978, p.20

very growth of state apparatus which had further accelerated under military rule made internal coordination and central control more and more difficult.

Thus, the widespread belief that economic growth would eradicate poverty was weakened, highlighting the need to design effective anti-poverty policies. Under a variety of economic and institutional scenarios, inequality remained constantly high over the last thirty years. As a result, inequality levels in Brazil were higher than in other countries with similar development levels, despite the fact that public social spending has been proportionally higher than in other middle-income nations. Thus, the Brazilian social policy was soon perceived as historically inefficient and ineffective in attacking poverty. It was in this context that the idea of social safety nets first appeared as a proposal of structuring the country's social assistance system.[29] During the 1980s, the ideas concerning social policy in Brazil underwent major changes, although social policy itself remained mostly unchanged. The end of the twenty-year military regime and the subsequent democratization process ruled the political agenda at that time. The re-democratization of 1985 meant that the government had to address the serious social problems (poverty and unemployment) aggravated by the twenty-one years of military regimes, and to promise better social services. [30]

Democracy and Economic Restructuring

How does a country's transition to democracy affect the state? The question is of great importance given the crucial role that state played in the economic, social and political development of many countries. Democracy enhances the transparency of decision making and thereby allows the public to hold the state more responsible. Intensified control by civil society induces state officials to assume a more unified posture and refrain from constant squabbling and bureaucratic infighting. Increased accountability also eliminates the shady influences the private interest groups commonly exert on the state under authoritarian rule. Because democratization opens up channels interest representation for mass actors, who were tightly controlled by the military regime, it also

[29] Abranches,n.28,p.21
[30] Stepan, n.27,p.53

makes political participation more widespread and less skewed in social terms. The affirmation of political equality permits the "popular sectors" to demonopolise privileged groups' privileged access to the state. As a result, the state acquires greater autonomy from dominant groups and classes. [31] This allows the federal government to delegate many tasks, such as administration of primary education and basic health care and to concentrate on fundamental policy decisions.

Because of persistent clientelism, weak political parties and fragmented interest groups there was a trend toward an erosion of state autonomy and capacity .This deterioration of state exacerbated Brazil's economic and social problems, discredited established socio-political problems as well as fuelled popular discontent and allowed reformers to win political office. The crisis aggravated by the state's initial decline thus triggered a response that has produced an uneven and halting yet unnoticeable resurrection of state capacity. By facilitating the expression of discontent and by allowing reformers to win strong electoral mandates democracy itself has been crucial for this turnaround.

Jose Sarney and Redemocratisation

During the first phase of the incipient democracy under the government of Jose Sarney also known as the Nova Republica, or New Republic, Brazilian state suffered clientelist politicians, rent seeking interest groups, and power hungry state governors exacerbating tensions inside the public bureaucracy and weakening the state's capacity for attaining its own goals.[32] The Sarney government failed to remove the economic instability but what it did amounted to the preservation of democracy in legal terms, or in other words, the establishment of a democratic constitution.

A National Constituent Assembly, composed of all the members of the Chamber and Senate, was called in February 1987. After twenty months of deliberations ending in

[31]Kurt Weyland , "Brazilian State in New Democracy", *Journal of Interamerican Studies and World Affairs*,Vol. 39,No.4,Winter 1997-1998, p.63
[32] Stepan,n.30, p.55

September 1988, the assembly adopted and promulgated a new constitution in October of the same year. The 1988 Constitution established shared competences among the union, states and municipalities regarding the provision of health care, social assistance, education, culture, housing and sanitation provision; environment, cultural and historical heritage protection; poverty alleviation and disabled and vulnerable groups protection. Complementary laws should define forms for cooperation among the three levels.[33] On the other hand, concurrent legislative competences were granted to federal and state levels regarding a broad range of issues, among them: natural resources and environment protection; cultural, artistic and historical heritage conservation; education, culture and sports; small-cases courts; health and social security; free juridical assistance; children, youths and disables protection; organization of civil police force.

Besides these general provisions, and an extensive list of social rights, the new Brazilian Constitution had a whole chapter on the social order, with guidelines for social security, education, culture, ports and science and technology. Guidelines regarding health care were particularly detailed to include the blueprint of a unified and decentralized system, called the Unified Health System (SUS) that embodied a clear conception of cooperation among different governmental levels.

Brazil's incipient democracy saw drastic democratisation. Above all the new constitution mandated a reduction of the federal government's share in the total tax revenue from 43 per cent in 1987 to 35.2 per cent in 1993 while raising the share of state and municipal government from 38.7 per cent to 41.2 per cent and from 18.3 per cent to 23.6 per cent respectively. But because this dramatic resource shift was not accompanied by a similar devolution of administrative responsibilities it exacerbated the federal government's fiscal crisis.[34]

The further deterioration of the state capacity under the incipient democracy exacerbated

[33] Stepan,n.32, p.57
[34] Ibid

Brazil's economic problems, which had their roots in the debt crisis and the exhaustion of the import-substitution industrialisation. These fiscal woes in turn fueled inflation and undermined several attempts at economic stabilisation. As a result Brazil slid into a deep economic crisis in the late 1980's marked by skyrocketing inflation of 981 per cent in 1988 and 1973 per cent in 1989.[35]

Facing deep crisis especially incipient hyperinflation voters opted for political outsiders in the presidential contest of 1989.The eventual winner Fernando Collor De Mello promised to end the crisis through determined measures.[36]

Collor Government and the Neoliberal Reforms

President Collor's turn to "Neoliberalism" (1992-92) was designed to resurrect the state's clout, as it attempted at administrative centralization and tax reforms. Apart from a stabilisation plan, Collor initiated a wide range of structural reforms designed to give market forces freer reign. Yet while seeking to cut back state interventionism through deregulation, the privatization of public enterprises, and the dismissal of public officials, the new government in many ways sought to strengthen—not weaken—the state, precisely through a strategic retreat from excessive interventionism.

Many of Collor's reforms constituted efforts at state-building. He planned to recover the role of the state as the guiding force in Brazilian development. At the same time, he sought to cut outside links that tied down the state.[37] Since it seemed infeasible to eliminate the entrenched influence of social groups and clientelist politicians in many agencies, he wanted to privatize these agencies and thus cut the privileged access of private actors to public decision-making through amputation.

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[35] T. Guisppe and R .Marcio, "Brazilian Inflation from 1960 to 1993", *Journal of Latin American Studies* ,Vol. 28 , No.3,October 1996 ,p.636
[36] Weyland , n.31, p.65
[37]Ibid

The Collor government sold 15 firms, in exchange for US$ 5.874 billion. The plan to shrink the public payroll through widespread dismissals was successfully challenged in the courts and transformed into a paid-leave policy. In order to reduce expenditures, the government therefore compressed public sector salaries, which fell by approximately 40 per cent from 1990 to 1992. Thus Collor's efforts to strengthen the state did not fail to achieve their goals. His tax reform also had only fleeting success. Many of the measures enacted in March 1990 were of temporary application. After reaching 8.2 per cent of GDP in 1990, federal tax revenues fell back to 6.4 per cent in 1991. [38]

Collor's brash effort at rebuilding the state encountered tenacious resistance from clientelist politicians, narrow interest groups and sub national governments. This widespread opposition blocked Collor's attempt to enact state reform. What made the political failure fatal was the president and his entourage misused their considerable autonomy to organize the most extravagant and most amateurish corruption scheme in the Brazilian history. The revelation of these misdeeds led to the President's impeachment.

Need for Social Welfare Reforms

In its three-year existence, the Collor administration implemented a tight macroeconomic policy, combined with liberalizing measures such as commercial and financial deregulation, which resulted in decreases in both the GDP and GDP per capita of 3.9 per cent and 8.3 per cent, respectively. Also, reducing public deficit as part of the strategy for controlling inflation affected the central government's social expenditures, which sharply fell between 1989 and 1993, reaching their lowest levels that year. Meanwhile, poverty and extreme poverty levels followed their historical counter-cyclical pattern, and in 1993 the percentage of poor and extremely poor reached 43 per cent and 20 per cent, respectively.[39] The reduction of social expenditures was perhaps the most striking evidence of the Collor administration's lack of commitment to social policy. Moreover, not only was the provision of public goods and services to the overall population

[38] Schneider Benross, "Brazil Under Collor", *World Policy Journal,* Vol.8, No.2, Spring 1991, p.321
[39] Kurt Weyland , "The Rise and Fall of President Collor and its Impact on Brazilian Democracy", *Journal of Interamerican Studies and World Affairs, Vol.* 35,No.1,Winter 1997-98 , p.3

substantially reduced, but the anti-poverty programmes also suffered severe cuts: almost all the food and nutrition programmes were ended in 1990. The low efficiency and effectiveness of those programmes were the main reasons for their extinction, but the fact that no other compensatory programme was put into practice - despite the increasing poverty levels - reveals how disastrous those years were in terms of social policy.

Without any doubt the pattern of economic growth based on protected industrialisation was responsible for the upturn of an urban industrial economy that was diversified and complex. This growth pattern was not able to eliminate poverty and inequality although it contributed towards their reduction. Although this poverty and inequality have had their roots in the country's past but their more immediate causes could be found in the process of development based on replacement of the exports carried out by the state in the development pattern .

The progressive weakening of this pattern of economic growth was accentuated through out 1990s, a period that was marked by the debt crisis, the increasing loss of economic dynamism the mounting public debt and the consequent crisis in the state and public administration compounded by recurrent inflation and vicissitudes and uncertainties in relation to unsuccessful attempts to establish economic stability. Brazil moved into the 1990s at the same time as undergoing an economic restructuring process leading to technical and management modernisation as well as to business opportunities causing sharper competition within the domestic market.[40] These factors have had a profound affect over the next few years and continued to affect other social and occupational groups mainly those directly linked to the peripheral pattern of industrial organization. The structural modification to the economy had a negative impact on the job-product elasticity and for not inconsiderable sections of the Brazilian people, the problem of employment and the job market became more acute than it was in the past.

40 Marcio Morais Valenca , "The Lost Decade and the Brazilian Government's Response in the 1990s",*The Journal of Developing Areas* ,Vol.33, 1998 , p. 5

Cardoso's Reform Agenda

In the presidential election in October 1994, Cardoso won a majority in the first ballot and was elected as the fourth civilian president of the country. Cardoso's victory was largely a result of the success of the Real Plan, an economic stabilisation plan he formulated as Minister of Finance under the Itamar Franco government (1992– 94). In July 1994, he introduced the *Real* as the new national currency in order to put a brake on the chronic four-digit hyper-inflation.[41] This policy was just beginning to make its positive effects felt when the election was held. The parties that backed Cardoso were his own party (PSDB), PFL, and Brazilian Labor Party (PTB). Cardoso succeeded getting the support of more parties, such as PMDB and Brazilian Progressive Party (PPB) to join the ruling coalition. However, it was not easy for Cardoso to move politics in the way he wished, since the coalition was politically heterogeneous, comprising right, center left, and center-right parties. Besides, as the party system did not provide for party decisions to be binding on party members, Cardoso could not expect members of coalition parties to always vote for his plans. In its manifesto, Cardoso's PSDB presented as its main policy goals the protection of democracy, reforms toward representative democracy, decentralization in terms of administration and budget, and enforcement of policies to improve basic public services and income redistribution.[42]

During the eight years of his administration (1994-2002), President Fernando Henrique Cardoso performed a massive experiment on the Brazilian economy by becoming the champion of neoliberalism[43] and making his government a paradigm of the political economic regime that was adapted to varying degrees in the countries of Latin America during the 1990s. At the same time Cardoso adopted compensatory social policies which

41 Peter Flynn, "Brazil: The Politics of the Plano Real", *Third World Quarterly*, Vol.17, 1996, p.401
42 David Fleischer, "Brazil's 1994 General Elections: An Alliance of Social Democrats and Social Liberals Takes Power", Washington, D.C: Universidad George Washington, Institute de Estudos Brasileiros, janeiro de 1995, p.15
43 Neoliberalism entails shrinking the government sector through budget reductions and privatization of government-owned enterprises, opening the economy to foreign imports through free trade measures, increasing foreign indebtedness, and in general pursuing macroeconomic stability while sacrificing economic growth.

made notable achievements in the areas of public health and an expansion of elementary education.

Economic Policies

In 1995 President Cardoso inherited a country that had managed to reduce inflation from a 40 per cent monthly rate to less than a 10 per cent annual rate through the Plano Real stabilisation programme. Liberalizing measures such as privatisation, commercial and financial deregulation and institutional reforms were deepened, attesting the neoliberal contour of the Cardoso administration. Stabilisation played a central role in reducing poverty for it ended the well-known "inflationary tax", which falls mostly over the poor. Also, a significant real increase in the minimum wage raised considerably the purchasing power of the poorest population.[44]

Furthermore, despite its neo-liberal profile, the administration implemented an expansive fiscal policy, increasing social spending steadily. These elements boosted a short but significant period of economic growth contributing to poverty reduction: in 1993, the poverty headcount ratio was 43 per cent, while in 1995 that fraction was 35 per cent, reaching 34 per cent in 1998, the end of Plano Real's first phase and Cardoso first tenure. The success of the Plano Real in achieving macro stability reelected President Cardoso. However, the very beginning of his second tenure was marked by threats of high rates of inflation. Monetary and fiscal policies where then tighten: nominal interest rates reached 45 per cent per year, whereas policy-based loans with the IMF fixed goals for fiscal primary surplus, constraining social expenditures. As a result, GDP and GDP per capita grew less than 0.1 per cent between 1999 and 2002, while poverty headcount ratio fluctuated between 35 per cent and 31 per cent.[45]

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[44] Susan Cunningham, "Made in Brazil: Cardoso's Critical Path from Dependency via Neoliberal Options and the Third Way in the 1990s", *European Review of Latin American and Caribbean Studies,* Vol. 67, December 1999,p.81

[45] Renato Baumann, *Brazil in the 1990s: An Economy in Transition* (New York: Palgrave, 2002),p.167

During the two Cardoso administrations, social policy in Brazil experienced major progress. The decentralisation process reinforced by the New Constitution went finally beyond spending, affecting also policy design and implementation. While central government stimulated partnerships with other sub-national governments as well as with civil-society organizations and the private sector, municipalities accounted for important innovative programmes.

Plano Real

When President Cardoso became finance minister in May 1993 (he was elected president in October 1994), Brazil had suffered for over a decade from deep macroeconomic imbalances that gave rise to one of the most severe levels of hyperinflation in Latin America. Instead of meeting with failure as had the previous stabilisation plans, a process of disinflation was rapidly begun by the new strategy put in place in 1993 and the Real Plan introduced by the Monetary Reform of July 1st, 1994. The Plan Real was set up in an environment already purged of its inertial inflation, as in the first half of 1994, all prices, wages and other contracts had been converted into a new and unique unit of account pegged to the dollar (the Unidade de Valor Real). Thereafter, the introduction of the new currency, the *real*, allowed an immediate fall in the monthly rate of inflation from over 40 per cent in June 1994 to 1.9 per cent in August 1994.[46]

The exchange rate regime took the form of a scrawling bandy system in March 1995. From October 1995 to December 1998, the real was depreciated against the dollar by a monthly average of 0.6 per cent in nominal terms. This nominal peg as well as a restrictive monetary policy warded off the return of inflationary expectations from 1994 to 1998. In addition, until July 1996, the real appreciation of the real made it possible to accelerate price stabilisation by importing disinflation. As a result of the stabilisation of economy Brazil's poverty index declined significantly in the immediate aftermath of the Real Plan This is understandable because inflation is most burdensome for the poor who have little ability to shelter their incomes. Since 1995, poverty has remained stable at

46 Flynn, n.41,p.409

about 30 per cent of the population, with a little less than half of these severely poor or "indigent." Another useful measure is the ratio between the minimum wage and the cost of a standard market basket of commodities; this means a sharp increase in the purchasing power of the minimum wage in 1995, and a slow improvement since then.[47] The impact of the Real Plan on Poverty has been discussed at length in the Chapter II.

47 Cunningham, n.44, p.82

Constitutional amendments

To rectify the deep-rooted inequity and inefficiency of Brazilian society and to construct a state with transparency and social accountability, it was necessary to enact constitutional amendments that meticulously prescribed the rules applied to society. The 1988 constitution, with its 245 articles and 70 transitional rules, proclaimed in the abstract a series of rights that the people could exercise. As such it was only a law echoing "an unrealistic and opportunistic distributionism". [48]

The first and second Cardoso governments made thirty-one amendments to the constitution. The main ones provided for the reelection for only one consecutive term of the presidents, governors, and mayors, administrative reforms, and reforms in economic regulation (for instance, deregulating activities of foreign companies and abolishing state monopoly on oil and gas services). Overall, these amendments were intended to reduce the role of the state in economic activities, privatize state enterprises, and facilitate the participation of foreign firms in the Brazilian economy. Some amendments were oriented toward giving the federal government powers to secure fiscal sources for social services and to allocate them to local governments. Falling in this category were amendments providing for the establishment of the Social Emergency Fund Article (203,204), FUNDEF as a fund to manage educational budgets (1996), and a fund to combat poverty (Article 192). These amendments directly reflected the Cardoso government's predilection for social policies and efforts to reorganize the state according to the needs of society.[49]

Cardoso's Welfare Programmes

This agenda can be described as the quest for public benefits and social protection for the population, in a context of economic growth and industrialisation. It is very European in inspiration and is associated with issues like job stability, the reduction of working hours,

48 Konder Comparato Fabio, "The Economic Order in the Brazilian Constitution of 1988", *American Journal of Comparative Law*, Vol. 38, No. 4 ,Autumn, 1990, p. 753
49 Ibid

medical care, retirement, and housing. It includes also the organization of workers in unions, the development and strengthening of professional associations, and the growth of the public sector as an efficient and fully professionalised administrative core Like all Brazilian progressives, Cardoso was deeply concerned about the suffering of the country's huge impoverished and marginal populations, especially the landless peasants and the shantytown poor in the cities. But at the same time he was also painfully aware of his government's limitations in meeting these urgent needs. He frankly conceded that his government is not the "regime of the excluded, because it does not have the conditions to be. I would like to incorporate them more, but I cannot say that this will be."[50] In Cardoso's view, if the poor are not part of the dynamic sector of the economy, they cannot be the social basis for progress. Cardoso wanted to help the poor and dispossessed, not only for ethical reasons, but also because society cannot function smoothly with millions of people at its margins. In his phrase, the excluded are "sand in the machinery" of society, and social programmes were needed to integrate them into the mainstream. However, these programmes can be paid for only if the economy is vigorous and the government cuts waste, corruption and unnecessary bureaucracy. [51]

Cardoso spent, in 1994, about 14 per cent of its gross national product (GNP) in social benefits (approximately 51.5 billion reais, or dollars), 65 per cent of which went to social security (two-thirds for the general population, one-third to military and civil-service retirees), 18.4 per cent to education, 16.5 per cent to health, 9.3 per cent to education and culture, and 7.1 per cent to housing.10 Only a small part of these resources reached the bottom of society. [52]These are some of the areas where he tried to bring reforms.

Educational Policies:

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50 Amaury De Souza, "Cardoso and the Struggle for Reform in Brazil", *Journal of Democracy*, Vol.10, No.3, July 1999, p.49

51 David Fleischer, "The Cardoso Government's Reform Agenda: A View from the National Congress, 1995-1998", *Journal of Interamerican Studies and World Affairs*, Vol.40, 1998, p.119

52Fleisher,n.51,p.120

Educational policy has improved significantly during the Cardoso years. The Cardoso government made improving primary education a top priority because the need was so great. Under new federal legislation, which was implemented in 1998, states were required to concentrate their spending, and their use of federal monies, on primary education. Funds were pooled and distributed to schools in proportion to the number of primary schoolchildren actually attending. One of the most important reforms has been to force local and state governments to spend at least $300 per student per year, which has provided a guaranteed base salary for all school teachers. At least sixty per cent of the total resources of the fund must be spent on improving the pay of primary school teachers, a critically important profession that has been woefully underpaid in Brazil.[53]

A distance education programme, with satellite television reaching to remote areas, helped to cut regional inequities, a computerization programme brought schools into the digital age, and a school book and school library programme helped schools to catch up on traditional printed media. Substantial funding was made available for school meals. Studies have shown that decentralization led to improvements in efficiency and effectiveness, but improvements in the quality of teaching were slower and more difficult to measure. The government also devoted resources to teacher training, improvement of curricula and materials, and national assessment schemes.

Health:

Health is an important area where Cardoso administration continued and developed reform policies that were begun by previous governments. Prior to the 1980s, the Brazilian health care system was fragmented and focused more on treatment than on prevention. Health care was especially poor in the rural areas, and in urban slums. Lack of sewers and sanitary water supply was a major problem, and there were powerful pressures for reform as democracy was restored. Many of these reforms were included in the 1988 Constitution which called for a Unified Health System, but implementation was

[53] De Souza, n.50, p.54

slow. The Cardoso administration's greatest accomplishment has not been in changing the model of health care, but in making it more of a reality. Implementing legislation was passed in 1995 and 1996 to diversify and expand the sources of funding for health care, redistribute resources to basic services, and decentralize public health management.[54] Programmes have been targeted on the poor, including family doctor programmes, basic pharmacy programmes, vaccination programmes, women's health programmes and programmes combating infant mortality. The effectiveness of these policies can be seen in the continuing decline in infant mortality rates, and the continuing improvement in life expectancy in all regions of Brazil.

One area in which improvement has been much more rapid under Cardoso is Brazil's response to the global AIDS epidemic. Brazil was one of the first countries in the world to challenge the high prices charged for AIDS drugs by American drug companies and to produce generic AIDS medications. Brazil has provided free health care for people with AIDS. There has been a sharp decline in deaths since 1995, primarily due to the free distribution of AIDS medications through the public health networks.

Poverty:

Poverty affects millions of people who are in the backward areas in the countryside, at the periphery of the urban centers, at the margins of the educational system, and are not likely to come soon to the fold of modern economy. It affects also, disproportionably, some specific minority groups, particularly blacks, special groups of children and women, special regions, above all the rural Northeast, and some occupational groups, such as the displaced peasants in the countryside. It is naive to believe that the conditions of these groups could be reversed simply by the adoption of a proper attitude, or by the sheer exercise of the government's "political will." There is just not enough money to grant the direct and indirect benefits and services which would be required. Besides, Brazil has a long experience of providing resources to the poor which never reaches the

54 De Souza, n.53, p.56

needed, and even when it does, it does not equip the receiver with the instruments and conditions to enter and remain in the labor market. The Cardoso administration tried to overcome this historical pattern of dependency and wastefulness through associations with organized, grass roots movements in cities and in the countryside, and cooperation with voluntary and non governmental organizations.

Unemployment :

Open unemployment in Brazil's urban centers is low, but underemployment is high. The outlook for the next 10 to 20 years is of a growing number of youngsters entering the job market combined with the drive in the productive sector to increase efficiency by incorporating new technologies and downsizing. This perspective was cause of concern, and the government responded with a series of actions. The most important, but without short-term effects, was to increase the quality of basic and secondary education. Secondly, the Ministry of Labour devised new legislation to reduce the cost of labor and deregulate the labor market. Generally a firm had to spend approximately the same amount it pays for salaries in social benefits and taxes. A reduction of these costs was resisted, because it would affect benefits which are taken for granted by the employees, and have a negative impact on the resources available for social security. The Ministry wanted to end with the trade union tax ("imposto sindical") which supports a large union bureaucracy, and reduce the role of labor courts in the settlements of labor disputes. The basic idea was to have a menu of choices for labor contracts, including indeterminate, fixed and short-term contracts, and different packages of social benefits and severance compensation, to be negotiated one by one between independent unions and the employees. Such system would allow for better job contracts in the richest sectors of the economy, and more employment with fewer benefits in sectors that are not employing today, or are hiring illegally, without paying benefits or taxes. Finally, the Cardoso administration amplified Brazil's system of unemployment insurance. Although still very limited in how much and for how long it pays the unemployed, it helped about 4.5 million people who lost their jobs in 1995, an estimated

60per cent of the total (the remaining 40per cent did not apply, probably because they could find another job without much delay). [55]

Conclusion

Despite claims by Fernando Henrique Cardoso's administration, the impact of his social welfare reforms have not been far reaching. True, poverty and infant mortality rates fell, literacy rates went up, and even the wretched record of income distribution seemed to have slightly improved when measured by the Gini coefficient. However, poverty, infant mortality, literacy, and other social indicators have been improving since the 1940s, and hence the current results cannot be completely attributed to the liberalisation experiment. Income distribution actually worsened considerably. The Gini coefficient fell from 62 in 1990 to 56 in 1998 before increasing to 58 in 1999. However, Gini coefficients in Brazil measure wage inequality, not overall income inequality. If we look at the functional distribution of income, the picture that emerges is quite different and rather bleak. The share of wages in total income was approximately 51.4 per cent in 1993 and only 40.7 per cent in 1999. The flip side of the reduction in the participation of wages is the increase in the net operational surplus (interest, profits, rents, etc.) from 35.4 to almost 46 per cent in the same period. [56] Not surprisingly, despite the incredible reduction of inflation, the center-right coalition that supported the Cardoso administration suffered a landslide defeat in the 2002 elections. The result brought to power a party from the left of the political spectrum for the first time in Brazilian history. The legacy of macroeconomic imbalances and the long history of social inequality served as a deterrent for excessive optimism. However, progressive forces around the globe expected a break with the pattern of reforms pursued in the last decade.

Cardoso claimed to have accomplished his life's major goal: the reestablishment of political democracy in Brazil. Of course, maintaining democratic continuity was not his

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[55] De Souza, n.54, p.58

56 Juan De Onis, "Brazil's New Capitalism", *Foreign Affairs* ,Vol.79, No.3, 2000,p.107

only responsibility. Brazilians wanted economic growth, a lessening of poverty and inequality, better health and education, safety from crime, environmental protection, cultural development, and all of the good things that people everywhere want for the taxes they pay. Cardoso stated that "liberty is fundamental, but democracy is not limited to party or electoral institutions - it is extended to society. It requires a more agile and competent state. It is possible within the limits of democracy, to carry out social policies that lessen the amount of poverty." [57]

As a sociologist, Fernando Henrique had always believed in gathering the best objective, statistical data to evaluate any social programme. As a pragmatist, he asked to be judged by the results of his programmes, not by ideological principles. Brazilian government agencies have long gathered excellent statistics on economic and social trends, and at the end of his term of office, Cardoso and his staff began to gather the data for an assessment of their accomplishments and of the challenges that remained. Cardoso's annual messages to Congress read like a social science report, full of statistical data and scholarly explanations of the forces behind the social trends. So much so that his report to Congress on February 15, 2002, was titled "Eight Years of Stability, Development, and Social Conquests." It was his report to the nation on his presidency.

It is in this backdrop of these neoliberal policies adopted by Cardoso, the following chapters attempt to examine the extent to which the social security policies of Cardoso addressed the critical issues of Brazil at the time. To what extent does neoliberalism represent a coherent social policy package? Is it inevitable in the current conjuncture of globalization, or do countries have other choices? What were the effects of the Cardoso administration's policies and its consequences? To what extent were successes and failures attributable to the neoliberal principles themselves, and to what extent did they derive from deviations from those principles or from exogenous factors and not attributable to the government's own policy choices? What was the response from unions and other social movements and in public opinion? Finally, as is well known, Cardoso's candidate, José Serra, lost the 2002 presidential election to Luiz Inácio Lula da Silva of

[57] De Souza , n.55,p.60

the Workers, Party who campaigned as a stern critic of his predecessor's policies and promised major changes. What is the legacy of the Cardoso years and to what extent has it constrained the new government's freedom of action and policy choices? How far was Cardoso's neoliberal state able to address issues of social welfare? In the following chapters dealing with Cardoso's policies with regard to Education, Poverty and Health these questions will be raised. The following chapters dealing with the health , poverty and education will try and answer these questions.

CHAPTER II

Poverty Alleviation Programme

CHAPTER II

Poverty Alleviation Programmes

Brazil is the fifth most populous country in the world and has the ninth largest economy. It accounts for half or more of South America's Gross National Income (GNI). Brazil's assets include vast natural resources, a large internal market, and a democratic government. However, despite its wealth (a GNI per capita figure of US$3,070 in 2002), the incidence of poverty and inequality remain high. Inequality is linked to race, gender, social class and geographic location, with the North and North East being the poorest regions. There are over 40 million Brazilians living on less than $2 a day, and nearly 20 million on less than $1 a day. Brazil is among the most unequal countries in the world. The richest 10 per cent of the population have about 48 per cent of the national income; the poorest 20 per cent have 2.5 per cent. The poorest 50 per cent account for 10 per cent of national income and so do the richest 1 per cent.[1]

The gulf in income levels between people who live in the developed South of Brazil and in the North East of the country is large. Poverty is concentrated in the North East region, where the UN's Human Development Index (HDI) is 0.575 (compared to 0.78 for the South of Brazil). This places the region on a par with India and Kenya at the bottom of middle ranking human development category.[2]

Between the mid 1960s and late 1970s, Brazil experienced the combination of a dictatorial regime and an average annual GDP growth of 10 per cent, making anti-poverty policies a secondary priority. The lesson from the 1980s was clear: the high economic growth of the 1970s did not promote a sustainable reduction in poverty, since the low economic growth of the 1980s pushed poverty back to levels of the mid 1970s.[3] Thus, the widespread belief that economic growth would eradicate poverty was weakened,

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[1] United Nations Human Development Report, "Politics of Current Events", 6 January 2003, p. 123
[2] A. Atkinson , "Comparing Poverty Rates Internationally: Lessons from Recent Studies in Developing Countries", *The World Bank Economic Review*, Vol. 5, No.1, 1992, p. 20
[3] M. Fox Louise, "Poverty Alleviation in Brazil, 1970-1987", *World Bank Report*, July, 1990.

highlighting the need to design effective anti-poverty policies. Under a variety of economic and institutional scenarios, inequality has remained consistently high over the last thirty years. As a result, poverty levels in Brazil have been higher than in other countries with similar development levels, despite the fact that public social spending has been proportionally higher than in other middle-income nations. Thus, the Brazilian social policy was soon perceived as historically inefficient and ineffective in attacking poverty. It was in this context that the idea of social safety nets first appeared as a proposal of structuring the country's social assistance system.[4]

The purpose of this chapter is to show the recent evolution of anti-poverty policies by President Cardoso and their implementation in Brazil. The first section attempts to define and understand poverty in Brazil especially in respect of its vast regional disparities in income. The second section discusses the evolution of Brazilian poverty and its main macroeconomic determinants during the last 15 years. The third section examines the economic policy measures implemented during the regime of Fernando Henrique Cardoso and its impact on poverty in Brazil. Given the importance of the Real plan, special attention will be paid to the analysis of the disinflation impacts on the level and the distribution of income and to possible synergism between these two dimensions of poverty determination. The fourth section gives an overview of the various poverty alleviation programmes carried out by the Cardoso government such as the conditional cash transfer (CCTs) as well as the proposal of the Bolsa- Escola Programme. Section five concludes with a brief discussion of the current challenges faced by the Brazilian social security policy.

[4]Francisco. H. G. Ferreira and José M. Camargo, "The Poverty Reduction Strategy of the Government of Brazil: A Rapid Appraisal", *PUC Discussion Paper,* No 417, Rio de Janeiro, 2000.

Defining Poverty

Poverty is one of the most serious challenges faced today. With the expansion of globalisation and accompanying programme and policies, issues of poverty have become a matter of concern and debate. While many scholars write in support of globalisation, others point to the ample evidence which shows that poor in the developing countries do not share in the gains from rising aggregate affluence. As a writer points out: "There is plenty of evidence that current patterns of growth and globalisation are widening income disparities and hence acting as a brake on poverty reduction."[5]

Economic growth is an integrated concept, which includes increasing income and productivity, generation of employment, and economic diversification. The types of policies that drive economic growth include those on employment and inequality reduction. Growth generates resources which are potentially available for development, including the development of human resources. The actual control and use of these economic resources within countries, in addition to their quantity, is a critical determinant of their impact on human development. If economic growth directly includes the poorest sections of the population then there will be an immediate economic benefit as their incomes rise. Raising poor people's income is likely to result in large benefits. This is because the additional resources purchased with this extra income are more likely to be basic necessities, including food and health care, which have large nutritional pay-offs. This may be termed 'equitable growth', or 'growth-with-equity' call it 'growth-mediated security'.[6] As the major asset of the poor is their labour power, growth which is labour-intensive is more likely to be equitable. Equity is promoted through improving access of poor people to land, credit, technology, infrastructure and services.

Equitable growth improves income distribution within countries such as Indonesia, where the percentage share of income of the poorest 40 per cent increased by nearly 50 per cent

[5] Justin Forsyth, Oxfam Policy Director, *Letter to The Economist*, (20 June, 2000), p.6.
[6] Jean Dreze and Amartya Sen , *Hunger and Public Action* (Oxford: Clarendon Press, 1989), p.44.

in the decade from 1976.[7] On the other hand, growth in which a relatively even income distribution is not maintained, or in which pre-existing income mal-distribution is not reduced, is not equitable and is likely to be less beneficial as perhaps is the case in Brazil. Labour-intensive, equitable growth will also be more efficient in alleviating poverty than a more conventional 'trickle down'[8] growth strategy in low-income countries (i.e. the unit decrease in poverty incidence will be greater per unit GDP increase).

Brazil is an interesting case study for it has impressive personal and regional disparities in income. Poverty is also understood as 'deprivation in well-being'. But what precisely is deprivation? The voices of poor people bear eloquent testimony to its meaning. To be poor is to be hungry, to lack shelter and clothing, to be sick and not cared for, to be illiterate and not schooled. But for poor people, living in poverty is more than this. Poor people are particularly vulnerable to adverse events outside their control. They are often treated badly by the institutions of state and society and excluded from having a voice and power in those institutions.

The economy in Brazil grew at a relatively high rate in the 1970s (averaging 4.0 per cent annual growth in real per capital GDP) before completely stagnating, to -0.2 per cent between 1980-1988. Brazil has been characterized as an example of "unaimed opulence" whereby the overriding objective is a higher per capita income, regardless of the means adopted or their results.[9] For example, while real per capita GDP in 1990 was 3.4 times that in 1960, the proportionate share of the poorest 40 per cent of the population remained at around 7 per cent during this entire period. The ratio of the income of the highest 20 per cent of the population to the lowest 20 per cent was 26.1 for Brazil in 1990 compared to 4.7 for Indonesia. The Gini coefficient increased from 0.50 in 1960 to 0.64 in 1989 -

[7] Atkinson, n.2, p.22.
[8] An economic theory which advocates letting businesses flourish, since their profits will ultimately trickle down to lower-income individuals and the rest of the economy.
[9] "Unaimed opulence" was used by Jean Drèze and Amartya Sen to describe the maximization of economic growth in a society without paying any direct attention to converting greater opulence into better human living condition, in A. Sen and J. Drèze, *Hunger and Public Action* (Oxford: Clarendon Press, 1989), p.45

among the highest values recorded. The Gini coefficient for landholding was even higher, at 0.86 in 1980.[10]

This high degree of social and regional inequality resulted from a capital-intensive, regionally-biased route to growth. There was however a decline in the proportion of Brazilian population living below the poverty line, from 58 per cent in 1970 decreased to 27 per cent in 1980 mostly driven by the huge growth of the 1970s. As growth stagnated in the 1980s, poverty worsened, and the proportion of the population below the poverty line rose to 35 per cent by 1989. In the poor Northeast, the poverty decline in this period was from 77 per cent in 1970 to 50 per cent in 1980 and 60 per cent in 1989, while in the rich Southeast the corresponding figures were 38 per cent, 12 per cent and 24 per cent. Much rural poverty in Brazil translated into urban poverty with rural-urban migration accounting for the fall in the proportion of the rural population below the poverty line. Thus, regional disparities increased although significant improvements in growth-mediated poverty reduction occurred in all areas of the country in the 1970s.[11]

In a recent study, the World Bank has presented a comprehensive profile of the urban and rural poor in Brazil based on household data. In this section, the most important characteristics of poverty in Brazil is presented, based on the data collected by the World Bank. A poor person is defined as living in a household with per capita income less than the equivalent of R$65 per month at São Paulo Metropolitan Area prices. The poverty line of R$65 is determined by the cost of a basic food basket (extreme poverty line). At the chosen extreme poverty line, Brazil has a poverty headcount ratio (poverty rate) of 22.6 per cent. This means 34.9 million Brazilians live in households with a per-capita income below the poverty line. A little more than half of the poor (52.5 per cent) live in urban areas. Of the urban poor, 39 per cent live in urban areas with a population less than 20,000; 23 per cent live in urban areas with a population between 20,000 and 100,000; 16 per cent live in urban areas with more than 100,000 inhabitants; and 21 per cent live in

[10] Marcio Morais Valenca, "The Lost Decade and the Brazilian Government's Response in the 1990s", *The Journal of Developing Areas*, Vol.33, No.4, 1998, p.51.
[11] Vinod Thomas, "Differences in Income and Poverty across Brazil", *World Development*, Vol. 15, No 2, 1987, p. 146.

the metropolitan areas. In terms of geographical distribution, 63 per cent of the poor live in the Northeast, 18 per cent in the Southeast, 8 per cent in the South, 6 per cent in the North and 5 per cent in the Center west.[12]

Overall, there is a strong concentration of the poor in the Northeast and in the rural and the small and medium sized urban areas, both in terms of absolute numbers and in terms of poverty rates. Both in absolute terms (number of poor) as well as in relative terms (poverty rate), poverty is the worst in rural areas; within urban areas, poverty is more severe in small and medium sized urban areas; and poverty is least severe in the metropolitan core areas.

From 1990 to 1994, poverty declined less in the Northeast, in the rural areas, and in the small and medium sized urban areas. Consequently, poverty became more concentrated in these areas. This profile presents a stark contrast to the common perception of poverty in the *favelas* of the mega-cities of São Paulo and Rio de Janeiro, where poverty is most visible. In fact, the poor of the metropolitan areas (core and periphery) of São Paulo, Rio de Janeiro, and Belo Horizonte together constitute only 3.7 per cent of Brazil's poor or 7 per cent of Brazil's urban poor.[13]

Income poverty is closely associated with different forms of deprivation. The poor have less access to public services, such as water, sanitation, and garbage collection. Even though country-wide electrification rates were high, a quarter of the poor lived without access to electricity. 52 per cent of the poor had no canalized water, 68 per cent had no garbage collection, and 78 per cent had neither sewage connection nor septic tanks. Health indicators, such as infant mortality, were significantly higher for the poor. Most poor did not work in the formal labour market. A large share of the poor worked in the informal sector (22 per cent were informal employees and 37 per cent were self-employed) or were inactive (15 per cent). Only 15 per cent of the poor were working in

[12] Thomas, n.11, p. 146
[13] D. Lam and R. F. Schoeni , "Effects of Family Background on Earnings and Returns to Schooling: Evidence from Brazil", *Journal of Political Economy*, Vol. 101, No.4 ,1993, p.710

the formal sector (private or public); and 5 per cent were unemployed.[14] This meant that social policies tied to formal employment or unemployment had only very limited reach among the poor.

Poverty is also associated with low levels of education. About 73 per cent of poor households are headed by individuals with four or less years of schooling. Educational inequality, rather than labour market segmentation or discrimination, explains most labour income inequality in Brazil. Low education levels lead to low incomes, which in turn, lead to low school attendance of children, perpetuating poverty. Household size is strongly correlated with poverty. Poverty rates increase with the dependency ratio (share of income earners over non-income earners in the household). As observed all over the world, increased income and improved health indicators would typically reduce dependency ratios and thus further increase perspectives for poverty reduction.

Child labour is also usually associated with poverty in Brazil, as families in which children go to work tend to have household income close to the poverty line. The contribution of the income obtained by the children for the household income is significant especially because per capita income in such families is very low. For example, in 35 per cent of the urban families and in 46 per cent of the rural families, the contribution of child income to the household income is greater than 20 per cent, while for more than 10 per cent of the urban families and 17 per cent of the rural families, this contribution is larger than 40 per cent.[15]

[14] G. Fields, "Changing Poverty and Inequality in Latin America", Public Finances, Vol. 47, 1992, p. 59
[15] Albert Fishlow, "Brazilian Size Distribution of Income", *American Economic Review*, May 1972, p.391.

Poverty from the 1980s in Brazil

The 1980s in Brazil clearly represented a rupture from the relatively successful path the country has followed since the 1930s, but especially after the Second World War, to attain the status of a developed country. From 1968 to 1980, per capita GNP grew at an average yearly rate of 6.25 per cent, as a result of a brisk pace in investment and modernization. [16]

Although the benefits of income growth were unevenly distributed, people were better off at all income levels, which guaranteed social peace. The general awareness in the academic milieu that questions concerning social inequality and poverty were not automatically solved as a function of economic growth did not affect the conduct of economic policy in Brazil. It was taken for granted that growing inequality was a necessary result of productive bottlenecks, especially the scarcity of qualified manpower, and that trickle down effects would soon begin to operate. As a consequence, economic policy was tacitly geared to the attainment of high growth rates as an objective in itself. High liquidity in international financial markets fueled domestic investment in the 1970s. As a result, Brazil entered the 1980s as highly dependent on flows of foreign capital and was badly hit by the money shortages and rise of interest rates at the beginning of the decade.

The debt crisis and the process of adjustment that followed led to successive short-term economic cycles all along the decade, resulted in a decline in investment and a deplorable result in terms of income growth: from 1980 to 1994 GDP grew at a dismal 1.07 per cent yearly average. Forcefully, per capita results were still more adverse, per capita GDP presenting a reduction in the same period.[17] This period is characterized in macroeconomic terms by the launching of the so-called heterodox stabilization plans. There were six stabilization plans: Cruzado (February 1986), Bresser (June 1987), Verão

16 Valenca, n.10, p.52

[17] Baumann Renato , *Brazil in the 1990s: An Economy in Transition* (Nova York: Palgrave Publication, 2002), p. 231

(January 1989), Collor (March 1990), Collor II (February 1992) and Real (July 1994). These plans produced sharp drop oscillations in inflation rates.

Macroeconomic policy, although highly successful on the foreign front, seemed unable to deal with monetary and fiscal unbalances which plagued Brazilian economy. High rates of inflation - the consumer price index attained 1863.6 per cent in 1989 penalized individuals with lower incomes and increased income inequality from already unbearable levels.[18] Stagnant income and growing inequality placed Brazilian society under strong pressure. It caused a sudden rupture in the rapid growth and high social mobility pattern the Brazilian society had become used to. Social unrest and urban decay in areas affected by the long period of low and unsteady economic growth brought the poverty theme to the center of national attention. Questions such as What is the nature of poverty in Brazil? How many are the poor? What are the characteristics of the poor? What are the implications of these characteristics for fighting poverty?' became central in a debate that mobilized not only politicians and academics, but the whole society.

1995 Poverty Profile

This section traces a poverty profile according to the main attributes of the heads of households (i.e.; gender, age, schooling, race, sectors of activity, working class, population density and region). The overall proportion of poor (P0) during 1995 was 28 per cent. As expected, the groups with higher head-counts ratios were headed by: females (33 per cent), young families (15 to 25 years old (43 per cent)), illiterates (43 per cent), non-whites (indigenous (53 per cent) and black (38 per cent)), inhabitants of rural areas (34 per cent), inhabitants of the Northern part of Brazil (North (44 per cent) and North-east region (43 per cent)) , working in agriculture (40 per cent) and construction (27 per cent), unemployed (74 per cent) and informal employees (40 per cent). Since a few restricted groups (minorities) tend to present higher poverty rates, the contribution of the poorest groups mentioned in the previous paragraph to poverty is not always substantial: females (20 per cent), young families (15 to 25 years old 8.9 per cent), illiterates (32 per

[18] Peter Flynn, "Brazil: The Politics of Crisis", *Third World Quarterly*, Vol. 20, No.2, April 1999, p. 315.

cent), non- rural areas (25 per cent), inhabitants of the Northern part of Brazil (North (7.1per cent) and Northeast region (46 per cent)) , working in agriculture (35 per cent) and construction (9.8 per cent), unemployed (8.5 per cent) and informal employees 22.3 per cent).[19]

Poverty Alleviation Programmes Under Cardoso

In 1995 President Cardoso inherited a country that was going through high inflation but he managed to reduce inflation from a 40 per cent monthly rate to less than a 10 per cent annual rate through the Plano Real stabilization programme. Liberalizing measures such as privatization, commercial and financial deregulation and institutional reforms were deepened, attesting to the neoliberal contour of the Cardoso administration. Stabilization played a central role in reducing poverty for it ended the well known "inflationary tax"[20], which falls mostly on the poor. Also, there was a significant real increase in the minimum wage altering considerably the purchasing power of the poorest population.[21]

Furthermore, despite its neo-liberal profile, the administration implemented an expansive fiscal policy, increasing social spending steadily. These elements boosted a short but significant period of economic growth contributing to poverty reduction: in 1993, the poverty headcount ratio was 43 per cent, while in 1995 that fraction was 35 per cent, reaching 34 per cent in 1998, the end of Plano Real's first phase and Cardoso first tenure. The success of the Plano Real in achieving macro stability led to the reelection of President Cardoso. However, the very beginning of his second tenure was marked by threats of high rates of inflation. Monetary and fiscal policies were then tightened: nominal interest rates reached 45 per cent per year, whereas policy-based loans with the IMF fixed goals for fiscal primary surplus, constraining social expenditures. As a result,

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[19] "Brazil: A Poverty Assessment", *World Bank Report No. 14323- BR*, Washington 1995, p. 78.
[20] "An inflationary tax is the economic disadvantage suffered by holders of cash and cash equivalents in one denomination of currency due to the effects of inflation, which acts as a hidden tax that subtracts value from Assets" *World Bank Report No. 19767*, January 2000, p.245.
21 David Fleischer, "The Cardoso Government's Reform Agenda: A View from the National Congress, 1995-1998," *Journal of Interamerican Studies and World Affairs*, Vol.40, No19, 1998, p. 135.

GDP and GDP per capita grew less than 0.1 per cent between 1999 and 2002, while poverty headcount ratio fluctuated between 35 per cent and 31 per cent.[22]

During the period from 1990 to 1992 a sharp recession reached the economy as a result of stabilization attempts by the Collor government that not only attempted to curb price rises with incomes policies (i.e., price freezes, exchange rate pegging, wage conversions) but also through vigorous and interventionist demand restrained policies. The result was the largest recession in the statistically documented Brazilian economic history. The patterns of changes assumed by the degree of earnings concentration in this period were quite diverse: rise in 1990, sharp fall in 1991 and slight increase in 1992. Despite of this diversity, poverty indices increased during each of these years. The 1993-94 period was marked by steadily increasing already high inflation rates. The economy still presented aggregate growth but the lowest deciles faced incomes losses, worsening inequality. As a consequence, poverty and inequality measures reached new records in 1994, the year the Real plan was launched.

Impact of Plano Real on Poverty

Since Brazil's macroeconomic stabilization programme was implemented in 1994, the per cent of Brazilians living in poverty decreased and the distribution of income registered a small improvement. But poverty and income inequality remained severe. For several decades, Brazil has had one of the most unequal income distributions in the world. From the early 1980s to the early 1990s, the Gini coefficient for the per capita income distribution of the economically active population and the Gini coefficient for per capita household income have both been around 0.60. In contrast, the average Gini coefficient from the 1960s to the 1990s was 0.35 and 0.39 in South and East Asia, respectively, and 0.34 in the industrial and high-income developing countries. Income distribution tends to be more unequal in Latin America than in other regions, but in no other Latin American country is the gap between rich and poor as wide as in Brazil--the average Gini

[22] Camille Goirand, "Citizenship and Poverty in Brazil", *Latin American Perspectives*, Vol.30, Issue 129, No. 2, March 2003, p.20.

coefficient for Argentina, Bolivia, Chile, Colombia, Costa Rica, Mexico, and Panama was 0.42 in the early 1990s.[23]

Income inequality remained high in Brazil in the early 1990s, showing no large improvements. In tandem with low economic growth, this forestalled any reduction in Brazil's poverty rate. The situation seems to have improved sharply. However, since the implementation of Brazil's Real Plan in July 1994, which was named for the new currency introduced under the Plan. The macroeconomic stabilization achieved under the Plan has been accompanied by a sizable reduction in poverty because of the rapid income growth experienced by the poor. There has also been a very small decline in income inequality. The next challenge for Brazil is to undertake reforms that will tackle the structural causes of poverty and income inequality.

The main elements of the Real Plan introduced by Cardoso, who was then Finance Minister, included the introduction of a new currency (the Real); the delineation of the economy; an initial freeze of public sector prices; the tightening of monetary policy; and the floating of the currency, with a floor specified for its value vis-à-vis the dollar. These policies enabled Brazil to get monthly inflation rates down from 45 per cent during the second quarter of 1994 to an average of less than 1 per cent in 1996. Economic activity increased strongly during the second half of 1994, led by a boom in domestic demand that was fueled by lower inflation and higher real wages; the economy grew by 6 per cent in 1994, and by 4.2 and 2.9 per cent in 1995 and 1996, respectively. Fiscal consolidation was more problematic, however; the public sector balance excluding interest payments, measured as a percentage of GDP, dropped from a surplus of 4.3 per cent in 1994 to a surplus of 0.4 per cent in 1995 and a deficit of 0.1 per cent in 1996.[24]

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23 P. Gottschalk and T. Smeeding , "Cross-National Comparisons of Earnings and Income Inequality", *Journal of Economic Literature*, Vol. XXXV, 1997, p. 687.
24 Juan De Onis, "Brazil's New Capitalism", *Foreign Affairs*, Vol. 79, No.3, 2000, p. 107.

Effect on Income Distribution

An examination of data from the Monthly Employment Survey (PME) for six major metropolitan areas showed that the overall inequality of labour income declined between September 1994 and September 1995, as the income of the lowest 50 per cent of workers grew strongly. Over this period, per capita labor income increased by roughly 30 per cent for the lowest four deciles of the income distribution, while the top decile's income grew by only 10 per cent. The strong income growth of the poorest groups is reflected in a drop in the percentage of Brazilians in these areas living below the poverty line, from a peak of 42 per cent in July 1994 to 27 per cent in December 1995. [25]

The asymmetric gains from the Real Plan are also evident in data on income increases in the formal and informal sectors. Formal sector employees saw their monthly average real incomes go up 18.7 per cent between 1994 and December 1995, while workers in the informal sector enjoyed an increase of 38.4 per cent. One reason lower-income groups seem to have benefited more than other groups from the Real Plan is that relative prices for non tradable goods have gone up, fueled by strong growth in the non financial services sector, compared with industry. This sector employs many unskilled workers. Data on income gains by level of education also show that income growth for groups with less education has been greater than for other groups. [26]

Recent data on changes in the distribution of income from all sources for all of Brazil also demonstrate that macroeconomic stabilization has been accompanied by greater equality, although it should be kept in mind that the improvement has been very small. Gini coefficients for the distribution of all incomes fell to 0.59 in 1995, from 0.60 in 1993 except for 1992, this was the lowest Gini coefficient of the 10-year period from 1986 to 1995. The poverty rate had been significantly reduced, from 30.4 per cent of the population in 1993 to 20.6 per cent in 1995. However, the severity of poverty (the gap

25 De Onis, n.24,p. 108.
26 Camille, n.20 , p.22.

between the average per capita income of those below the poverty line and the per capita income that defines the poverty line or the "poverty gap") was only slightly reduced. [27]

Compensatory Programmes

During the two Cardoso administrations, social policy in Brazil experienced major progress. The decentralisation process reinforced by the New Constitution went finally beyond spending, affecting also policy design and implementation. While central government stimulated partnerships with other sub-national governments as well as with civil-society organizations and the private sector, municipalities accounted for important innovative programmes in the 1990s.

Poverty alleviation policies in Brazil remained a priority for the Cardoso administration because even after the July 1994 stabilization plan, poverty incidence remained high, with the proportion of poor being estimated at 21 per cent in 1997.[28] Nevertheless, the heterogeneous characteristics of the poor across the country constituted a major obstacle in anti-poverty policy design and implementation. Financial constraints have been the greatest difficulty in conceiving and implementing a minimum income programme on a national basis. In spite of the difficulties, society's concern about poverty led Cardoso to lay the legal grounds for implementing minimum income programmes as a local initiative. The implementation of *Bolsa Escola* is perhaps Cardoso's main contribution to the Brazilian social policy in the 1990s.

Conditional Cash Transfer Programmes (CCTs)

Incentive-based poverty reduction programmes have generated substantial interest within the international development community. Also known as conditional cash transfers, these social programmes can help alleviate short-term poverty (through the provision of a cash transfer), while providing households the incentives to invest in human capital and

[27] Camille,n.26,p.22
[28] Ibid

thereby reduce poverty in the long-run. Central to the success of these programmes is the ability to effectively reach and engage the poor. This has led several countries to experiment with devolving to local communities the targeting of programme recipients. Devolution of decision-making power from the central government to the local community has several potential advantages that can lead to better targeting outcomes and improved project performance. Local authorities tend to have more information about the community and can better identify the poor, which should allow for fewer targeting errors. With better information on local costs and fewer levels of bureaucracy, the local community can deliver goods and administer the programme more efficiently than a central government that must rely on monitoring devices. Because local institutions are potentially more accountable to local citizens, this creates further incentives for both better programme targeting and programme outcomes.

Bolsa Escola Programme

The Bolsa-Escola (scholarship) is a multi-objective programme designed to combat poverty and social exclusion while building a better and stronger society by enabling children from poorer communities to go to school. It is a demand-driven education programme that provides cash transfers to mothers of poor children throughout Brazil, conditional on their children's continued attendance in school. While initiated in 1995 on the outskirts of Brasília, Bolsa Escola became a nationwide federal programme in 2001. By the end of 2001, Bolsa Escola had been implemented in 98 per cent of the 5,561 Brazilian municipalities, providing stipends to over 8.2 million children from 4.8 million families, at a cost of over US$700 million.[29] Having benefited millions of Brazilian school-aged children, the programme has served as a source of inspiration and a point of comparison with similar educational programmes throughout the world.

[29] François Bourguignon, Francisco H. G. Ferreira, and Phillippe George Leite, "Conditional Cash Transfers, Schooling, and Child Labor: Micro simulating Brazil's Bolsa Escola program", *World Bank Economic Review,* Vol. 17, 2003, p.229

Bolsa Escola was implemented in two stages. First, the Federal government allocated, based on a determination of need, the number of federally-financed stipends that a municipality could provide to its population. Secondly, given this number of stipends, the municipality selected which households receive the programme. This devolution of the selection process allowed each municipality to target the programme, within the general guidelines, according to its own local objectives and preferences. As a result, the programmes impact on schooling and targeting outcomes varied considerably across municipalities and expectedly along a number of observable dimensions. This two-stage design thus provided a unique laboratory to analyze how differences in institutional settings and programme implementation affected the programmes impact on school attendance and achievement and the targeting of children who were at risk of discontinuing school. .

Despite support given by the federal government that began in 1997, the Bolsa Programme remained run by municipal governments until 2001, when the National Bolsa-Escola Programme (NBEP) was launched. As these local experiences blossomed, some federal actions accounted for major innovations in the social policy, contributing to the NBEP implementation and design. These included the Comunidade Solidária Programme (CSP), launched in 1995, and the Programmea de Erradicação do Trabalho Infantil (PETI), another CCT initiated in 1996. The first two CCT programmes launched in Brazil took place in the Federal District (DF) and in the city of Campinas. After these two pioneering experiences, municipal Conditional Cash Transfer Programmes were implemented throughout Brazil.

National Bolsa Escola Programme, 2001

The interaction of positive evaluations with the variations in performance of the various municipal BEPs, and the growing consensus on the need of educational and anti-poverty policies, created a favorable (political) environment for federal interventions in the BEPs' financing. In fact, this favorable environment led to the opportunistic behavior of the President of Senate of the right-wing party, Partido da Frente Liberal (PFL), who

proposed the creation of the Fundo de Combate e Erradicação da Pobreza. This fund later financed the main anti-poverty federal programmes. It was in this context that President Cardoso launched the National Bolsa-Escola Programme (NBEP) in 2001, increasing significantly the amount of resources directed at the programme. Nevertheless, the US$680 million directed at the NBEP represented a mere 0.7 per cent of federal social expenditures in 2001.[30]

Overall, the NBEP introduced two sets of changes to the existing BEPs, the first of which was the unification of the various BEPs' designs and parameters. Thus thresholds, eligibility criteria, conditionality, and benefits were made common to all municipalities. The second set of changes introduced by the NBEP concerned the programmes functioning and funding. The NBEP was based on partnerships between the federal and municipal governments in a way to avoid shortcomings of over centralized structures. In these partnerships, municipalities were responsible for the execution of the programmes, while the federal government designed coordinated and financed benefits. Furthermore, stipends were paid directly to the beneficiaries from the federal government, preferably to the mother, through the use of electronic cards. Finally, most of the spending was directed at poor municipalities within the 14 states with the lowest HDI.

One controversial point about the NBEP was its low cash allowance of R$15 per child, up to a maximum of R$45 per family. It is estimated that this amount reduced the short-term headcount poverty ratio by only 1 percentage point. [31]Nevertheless, the programme was well targeted, indicating that transfers should be increased so as to accomplish the objective of reducing current poverty. However, it should be noted that municipalities were allowed to increase stipends using their own resources, thus enhancing the impact of the NBEP on poverty.

[30] Bourguignon, Ferreira, and Leite, n.30,p.230
[31] Ibid

Other Innovative Federal Programmes.

Concurrent to the implementation of BEPs at local levels, some other innovative policies were also carried out at the federal level.

Comunidade Solidária Programme (CSP)

Launched in 1995, the Comunidade Solidária Programme (CSP) changed the form and content of the anti-poverty agenda by replacing the LBA. The CSP had two streams of action. The first held an immediate poverty alleviation nature, and actions in this stream consisted primarily of food handouts to poor regions adversely hit by shocks such as droughts. A federal agency with its own budget was responsible for these compensatory policies. The second stream can be seen as a strategy of providing access to universalistic policies for the needy population through partnerships between the three levels of government and civil-society organizations. These are presided over by a Council that carried out programmes requiring low sate funding.[32] At least three innovations conducted by the CSP were of major importance for the NBEP. First, the CSP was one of the first federally structured policies to use sound selection and targeting criteria; the geographical areas assisted by the programme were chosen according to their poverty incidence. This strategy was also adopted by the NBEP, which used the HDI to select and prioritize the states and municipalities to be assisted. Second, the NBEP inherited the partnership-based structure of the CSP, as it was jointly operated by federal and municipal governments, with clear rules for resource transferences from federal to municipal governments. Finally, both the CSP and the BEP are aimed to extend universal policies by targeting the poor.

Programme of Eradication of Child Labor (PETI)

Along with the CSP, the PETI was also an innovative federal programme. Launched in 1996, it was the first federal CCT programme implemented, and it had the similar basic

[32] Bourguignon, Ferreira, and Leite, n.31,p.233

objectives of the later NBEP: reducing child labor by improving school attendance. The programme was focused, however, on those children who actually worked on risk labor activities, and required that these children did not work during the programme.33 Also, children were required to attend to after-school activities (the Jornada Ampliada), in order to keep them away from labor activities. For that, municipalities were eligible to receive additional resources to create, expand and improve those after-school activities and for tutoring, transportation, feeding and recreation services. That is, supply-side interventions were present in the PETI design, a feature which as not passed to other CCTs in Brazil.

Alvorada Project

Along with other federal targeted programmes, all the federal CCTs were incorporated in an umbrella programme, namely, the Alvorada Project (PA). However, the PA was aimed at reducing regional inequalities by offering the programmes to the poorest municipalities, rather than integrating the administrative structures of the three existing CCTs. Thus, the issue of avoiding the waste of resources with superposition of administrative efforts in the execution of these CCTs remained untackled.

The Conditional Cash Transfer Programme redefined the target population of the pre-reform programmes. In addition to poor families with children, extremely poor families are also eligible to the *Bolsa Escola* Programme regardless of the presence of children. Extremely poor families receive a base monthly transfer of R$50 aimed at food consumption, while both extremely poor and poor families with children can receive up to three transfers of R$15 based on compliance with conditionalities. The average family benefit was thus increased by the new benefit schedule, jumping from R$24 (US$8) to R$71 (US$24). Furthermore, the BEP required all members of the families to comply with conditionality. The BEP inherited many features of the pre-reform CCTs. Not accounting for supply-side interventions; not establishing rigid time limits for the participation of beneficiaries in the programme; decentralized implementation and the use

[33] Bourguignon, Ferreira, and Leite, n.32,p.236

of federal municipal partnerships and the inexistence of a built-in programme evaluation design are but a few to be mentioned. In 2003, the BEP reached 3.6 million families and the goal was to increase it to 11.2 million (44 million beneficiaries) in 2006, "which will represent a significant scaling up of social assistance as compared with the (overlapping) coverage of its predecessors." [34]

Conclusion

Although Brazil appears to be moving in the right direction with respect to poverty reduction, there are still more than 50 million Brazilians living in impoverished conditions. The situation seems to reinforce the popular Brazilian phrase that Brazil is not a poor country but rather a country with a lot of poor. While most economists would argue that sustained economic growth is critical to eliminating poverty, it has become increasingly evident that growth must be equitable. Equitable growth, in turn, means a broader-based growth structure that energizes market forces not only at the top, but also at the base of the economic pyramid.

Increasing the share of micro businesses and small businesses would not only provide for more equitable economic growth, but would also allow for a greater measure of local employment and commerce. The unskilled and the semi-skilled poor must both share in the benefits of growth. However, it is the richest tenth of Brazilians that reportedly take in 47 per cent of all earnings.[35] Though the southeastern states of São Paulo, Rio de Janeiro, and Minas Gerais drive the national economy, they are also magnets for the poor Sustained and equitable economic growth can lift Brazilians out of poverty but will take time to achieve. In the short-to-medium-term, marginalized segments of society need to continue receiving government support until new jobs can be created; a social safety net is essential. For that reason, Conditional cash transfer programme was initiated by President Cardoso government in 1995. The flagship social initiative was subsequently

[34] World Bank Report , *Making Service Work for Poor People, World Bank Development Report,* The World Bank: Washington D.C, 2004, p.10

[35] Marcelo Aguiar and Carlos Henrique Araújo , *Bolsa-Escola -Education to Confront Poverty* (Brasília: UNESCO, 2004), p. 271.

named "the *Bolsa Escola* Programme." The government of Brazil instituted this programme to combat hunger, to provide incentives for families to take their children for health checkups and immunizations, and to make sure that children attend school regularly. In 2003 the *Bolsa Escola* Programme provided 5.3 million poor families with critical support and proved to be an appropriate conduit for a social safety net.[36]

The *Bolsa Escola* Programme is multi-faceted and aims to address the underlying causes of hunger and poverty. In view of this situation, the priorities of the *Bolsa Escola* Programme were not confined simply to alleviate acute hunger. Rather, by targeting long-term food and nutritional security, the programme hoped to gradually help the broader poor segment of the population. However, despite the important steps taken by the national government in executing a programme in resource transfers, it is the Brazilian and international NGO communities that took the lead. They assisted marginalized communities through local self-help and income generation interventions that fostered sustainable livelihoods and link communities to productive market access.

Brazil is reaping the benefits of over a decade of market-oriented economic reforms, which have tamed hyper-inflation and put most of the economy in private sector hands. The Real Plan which has been associated with declines in poverty and income inequality, demonstrated that macroeconomic stabilization can benefit the poor. However, the results suggest that there are limits to how much macroeconomic stabilization can improve the distribution of income, given the small changes in the Gini coefficients for the distribution of labor income between 1994 and 1995 and all incomes between 1993 and 1995. Income inequality in Brazil remained high by international standards and it is rooted in its structural causes, such as inequality in educational attainment and land ownership. Moreover, a number of other government policies, including education policies, appear to have contributed to the high degree of inequality. To achieve substantial improvements, root causes of income inequality need to be addressed. These reforms are delivering predictable and sustainable economic growth. Yet the reforms did

[36] Aguiar and Araújo ,n.35, p. 277

not go far enough to substantially increase the level of growth and have not allowed the fruits of economic growth to be equitably shared. The question is whether deregulation and reduction of barriers to setting up and running a business, and broad based reform alone is effective.

Brazil has made important strides through the ongoing development of the Bolsa Escola Programme. Such cash transfer programmes are important to placing resources in the hands of families that desperately need them, but they are not a substitute for economic growth and opportunity. The poor must also be involved in sustainable economic endeavors that connect them to markets for goods and services. Business deregulation, labour market reform, reform of the financial system, and reform of the education system to prepare the poor to seize market-generated opportunities are primary steps in fostering community-based opportunities and equitable growth. The state along with the private sector must promote equality through programmes that redistribute resources and jumpstart productive activity.

Chapter III

Educational Programmes

CHAPTER III

Educational Programmes

Education in Brazil saw a profound change during the last decade. Access to basic education became nearly universal, secondary education expanded very rapidly, along with higher education, at the undergraduate and graduate levels. However, serious problems related to quality, equity, and inappropriate use of resources continues to exist.

Despite some major achievements in the second half of the century, the educational system in Brazil when compared either with the rapid economic growth that followed or with other much poorer Latin American countries lagged behind.[1] With such a weak educational system, it is difficult to understand how Brazil has managed to grow at such a fast pace.

Significant changes have been made in Brazil's education structure in the past 25 years; however, there is still a long battle to fight for the educational development in Brazil. Public schools in Brazil are not well cared for. The building structures, plumbing, and heating are usually in terrible condition. Many schools lack equipment needed and resources. In the Northeast region of Brazil, teachers are not well educated to teach. Many of them have not completed primary school themselves. Poverty and lack of schooling contribute to a vicious cycle of illiteracy in Brazil. Some areas of Brazil have more than half of the population that cannot write their own name. The country's private schools, however, are in a much better state as more money is given to them and educated teachers work for these institutions.

Children are required to attend school; however, many of them do not. In the major city centers children do attend public school, however, these are children of rich or middle class families. Poor children have to work and cannot go to school because they have to

[1] A. Amaral and M. Polidori, "Quality Evaluation in Brazil: A Competency based Approach ? ", *Higher Education Policy,* Vol. 12, 1999, p.177

support their families. Others, living in remote areas have to travel a long distance to get to school and therefore, usually do not attend. The dropout rate in Brazil is very high; 33 out of every 100 students who enter grade one make it to grade six.[2] Another issue that prohibits children from receiving an education are the availability of facilities. Many children want to go to school; however, there is not a school they can go to. Sometimes schools are too far to travel to or there are not enough classrooms in a school for all children to attend. School hours are sometimes divided into three sessions during the day so that all children have an opportunity to attend for at least part of the day.

Most of the changes were brought about during the Cardoso years. One of the most important reforms has been to force local and state governments to spend at least $300 per student per year, which has provided a guaranteed base salary for all school teachers.[3]

This chapter has been divided into three sections. The first section traces the evolution of education in Brazil since 15th century till the establishment of 1988 constitution. The second section explains the general characteristics of the educational system in Brazil according to 1988 Constitution and the long standing lags in the educational system. Third section describes the educational policies applied in Brazil in the eight year period from 1995-2003 which were aimed primarily at expanding the system while improving its quality. This chapter ends with an analysis of the challenges and prospects of education in Brazil.

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[2] Kempner Ken and Jurema Loureiro, "The Global Politics of Education: Brazil and the World Bank", *Higher Education*, Vol. 3, No.4, 2002, p.354.
[3] David Fleisher, "The Cardoso Government's Reform Agenda: A View from the National Congress", *Journal of Interamerican Studies and Affairs*, Vol. 40, No. 4, Winter, 1998, p.135.

History of Education in Brazil

With a population of 165 million, Brazil is the fifth most populous country in this world, surpassed in this respect only by China, India, Russia and United States.[4] Its society and economy are diversified and complex, with enormous potential but also with serious problems inherited from the past. There is now a clear awareness in the country that investment in education is the most important way of tackling those problems.

Since Brazil is aware of the strategic importance of education in order to be a part of the global economy which is increasingly based on knowledge and innovation, Brazil has come to view education as a national priority.

There are three phases of evolution of education in Brazil:

1) The period from discovery until 1930: predominance of Jesuitical teaching and the private tutoring of the elites.
2) The period from 1930 to 1964: predominance of educational populism, the confrontation of public and private teaching and the victory of the liberal educational system, still elitist and non-democratic.
3) The period after 1964 period: authoritarian teaching of the military governments with the predominance of educational technocracy.[5]

The history of education in Brazil began in 1549 with the arrival of the Jesuit fathers who were responsible for laying the foundation of a vast educational system that progressively developed with the territorial expansion of the colony. From the time of the expulsion of the Jesuits in 1759, until the transfer of the Portuguese court to Brazil in 1808, education in the colony went through a period of disintegration and decline. However, with the arrival of the Prince Regent, João VI, the educational policy adopted by the Portuguese

[4] I. Epstein, "Educating Street Children: Some Cross-Cultural Perspectives", *Comparative Education,* Vol. 4, No.3, 1996, p. 289
[5] Maosir Gadottir, "The politics of Education and Social Change in Brazil", *American Education Research Association (AERA) Annual Meeting*, Chicago, April 4 -7, 1991

Government in relation to Brazil was modified. Various educational and cultural institutions were inaugurated and the first courses in higher education began: colleges for law, medicine and engineering but no universities. The basic levels of education meanwhile continued to be ignored.

When independence was gained in 1822, new ideals sprang up and the National Assembly seriously debated the question of popular education. A law in 1827 laid down that primary schools should be created in all the cities and larger towns. Unfortunately these laws were not implemented and in 1834 primary education became the responsibility of the provinces.[6]

The absence of a centre for the formulation of educational policy which was essential in view of Brazil's cultural and political characteristics had the effect of compromising the development of popular education. The expansion of teaching was slow and irregular. The proclamation of the Republic in 1889 changed this perspective with the expansion of higher education by means of the creation of a large number of schools for training in the learned professions.

The educational policy started to change after the First World War with the emergence of a generation of great educators such as Anísio Teixeira, Fernando de Azevedo, Lourenço Filho and Almeida Júnior. Various teaching reforms in the states date from this period. The Manifesto of the Pioneers in Education in 1932 drew this movement together by stating the central points for the broad reform of national education and had a powerful influence on all subsequent trends. Dating from the 1930s Brazilian universities were set up and wide reaching reforms were implemented in teaching at other levels; the authoritarian regime.[7] Since the 1930s the Brazilian educational system has moved from the model of sponsored mobility to that of competitive mobility. Definitive selection stages of the student body tend to be avoided and delayed, while compulsory education has been extended. Besides this there is a tendency at least in law towards the integrated

[6] Celso Furtado, *The Economic Growth of Brazil: A Survey from Colonial to Modern Times* (Berkeley and Los Angeles: University of California Press, 1987), p. 107.
[7] Ibid.

type of educational code and for flexible structures, according to Bernstein theory.[8] Practice however reveals a strong tendency of schools to maintain a close relationship between the contents of curricula.

The return to democracy that followed the Second World War led to a new reforming impetus that was of a more popular nature. At that time there was an excellent movement in favour of universal, Free State schools that had a direct influence on the National Congress and resulted in the proclamation of the Law of Directives and Basis of National Education in 1961 after a difficult passage lasting thirteen years.[9]

With the establishment of a new authoritarian regime in 1964, the popular debate lost ground, but government action encouraged a considerable expansion of the teaching system, including that of higher education. Support agencies were created for research and post-graduate studies. Compulsory education was extended from four to eight years. Certain fundamental laws were promulgated, such as Laws 5.540/68 and 5.692/71, introducing significant changes in the different levels of teaching and which have remained in force until the present day.[10]

The 1988 Constitution, promulgated after a wide-ranging movement to reintroduce democracy into Brazil, heralded a new period. Responsibility of the public power for education broadened considerably and gave rise to the new reform movement that is still in progress.

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[8] Basil Bernstein, *A Theoretical Framework on the Structuring of Educational Knowledge and a Language of Description* (Berkeley: University of Los Angeles, California Press, 1988), p. 22.
[9] Eunice Ribeiro Durham, *Historical process*, URL at www.brasilemb.org/social-issues/.social7.shtml.date Dated 30 December 2005
[10] Frank D McCann, "The Brazilian Army and the Problem of Mission, 1939-1964", *Journal of Latin American Studies*, London, Vol. 12, No. 1, May 1980, p.126.

Constitution of 1988 and the Structure of Education

Brazilian Constitution of 1988 established the guidelines for national education, according to which education is a right for all, duty of the State and of the family, and is to be promoted with the collaboration of society, with the objective of fully developing the person, preparing the individual for the exercise of citizenship and qualifying him/her for work.

The Federal Government was given the charge of legislation of the Guidelines and Bases for national education, coordinating and developing National Educational plans, and providing technical and financial assistance to the States, the Federal District and the Municipalities for the development of their educational systems and for priority assistance to compulsory schooling.

The Federal Government's role mentioned above does not exclude the responsibility of the States to, in their own sphere of action, legislate concurrently on matters related to their own educational systems, provided that the federal legislation is respected.

Aims and Objectives

The general aims and objectives of national education are expressed in specific statutory laws. The National Educational Bases and Guidelines Law enacted in 1961 (Law no. 4.024/61, later amended by other statutory laws, no. 5.540/68, 5.692/71 e 7.044/82) is the tool which regulates aims and objectives, means and powers of educational actions. [11]

According to the National Educational Bases and Guidelines Law:

> national education, inspired in the principles of freedom and in the ideals of human solidarity, has the purpose of: understanding individual rights and responsibilities, as well as those of citizens, the State and other community groups; respecting man's dignity and fundamental freedoms;

[11] Thomas E. Skidmore, *Politics in Brazil, 1930-1964: An Experiment in Democracy* (New York: Oxford University Press, 1967), p. 123.

> strengthening national unity and international solidarity; integral development of the human personality and his/her participation in the work towards common welfare; preparing individuals and society to master scientific and technological resources which will allow the use existing possibilities to common welfare; protecting, disseminating and expanding cultural heritage; condemning any unequal treatment resulting from philosophical, political or religious belief, as well as any social classes or racial prejudices. [12]

The general educational objectives are conceived in relation to the degree of maturity and the age group of the student. Thus, the current legislation defines distinct objectives for the different educational grades.

Fundamental education is compulsory for all children aged 7 to 14 and free at all public institutions, including those who did not have access to school at the appropriate age. The Constitution does not set age limits: it determines that education is compulsory, aiming at providing the necessary structure to the development of the students potential as an element of self fulfillment, training for work, and conscious exercise of citizenship. Intermediate education is also free in public schools, although is not compulsory; it aims at the full development of adolescents, including the elements, which make up the objective of fundamental education, as well as training for work, depending on the choice of each educational institution. Higher education aims at the development of the sciences, arts, qualification of professionals at university level, research and specialization and is equally free at public schools and universities.

Structure of the Educational System

According to the constitution of 1988 Brazilian educational system is divided into three levels: primary, intermediate and higher education, the higher education comprising two different levels: undergraduate and graduate. Preschool or infant education is added to this hierarchical structure, for the purpose of providing assistance to children less than 7 years of age.

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[12] Skidmore, n.11, p.124

The regular school year in Brazil, independently of the calendar year, covers a minimum of 180 days of effective work, excluding tests and exams, according to the current Education Law. Preschool education aims at supporting all aspects of child development it also aims at creating conditions for the acquisition of knowledge and its progressive systematization It comprises a diversified pedagogical programme on three forms of assistance: at day nurseries, for children up to 2 years of age; in kindergartens, for children from 2 to 3 years of age; and in preschool, for children from 4 to 7 years of age.[13] The organization and operational of specific preschool institutions follow the same rules established for fundamental school, while keeping their specificity, as determined by the characteristics of each age group. Enrollment in any of the three categories of preschool assistance depends on vacancies available; attendance is optional.

Primary School, compulsory to 7 to 14 year olds, extends over eight grades, with an annual minimum of 800 hours of activities. To enroll in the first grade, the student must be 7 years old, although entrance at an earlier age is allowed, depending on rules and regulations of each educational system. Enrollment and attendance to fundamental education are allowed outside the appropriate age group. At 18 years of age, the student must attend supplementary education courses. The Primary education curriculum is consists of a common core and a diversified part. The common core, as defined by the Federal Council of Education, is compulsory in the whole country, so as to ensure national unity, and it comprises: Portuguese, Social Studies, including History and Geography, Physics and Biology Science and Mathematics. The diversified part is defined by the needs of each educational system and of each school, taking into account regional and local characteristics, the school's plans as well as individual differences and aptitudes of students. Each school draws up its internal regulations, which must be approved by the Educational Council of the respective Educational System (state or federal). The assessment of student achievement is defined in the school's internal regulations and includes learning evaluation expressed in grades or besides providing codes of assessment and attendance, the minimum requirement being 75 per cent.[14]

[13] Paulo Renato Souza, "*Education and Development in Brazil*", *Cepal Review*, 2001, p. 65
[14] Souza, n.13, p.66

The requirement for entering intermediate school is to have finished fundamental school or the equivalent supplementary schooling. Intermediate schooling takes up 2,200 hours of effective school work, spread over at least three annual grades. When the course includes professional training, it may last for four or five years, depending on the nature of course and the minimum content established by the Federal Educational Council for each area. Finishing intermediate education is one of the requirements for entering higher education. A number of jobs require specific intermediate level of schooling. Professional qualification can be specific for a certain occupation or basic for an economy sector.

Higher education is taught at schools or universities. Besides providing higher education qualification, universities promote all modes of research, as well a provide courses and other type of specialization activities to the community. Higher education in Brazil is organized in two levels: undergraduate and graduate. The latter may be understood late sense (updating, specializing and further studies courses) or strict sense (master and doctorate courses). Enrollment is done by subject, in a inconsequential system, with variable minimum or maximum duration, depending on the course. Besides finishing intermediate schooling, the student who wishes to enter higher education at the undergraduate level must pass a classifying entrance examination, specific to each course.[15] At the graduate level, entrance requires having completed an undergraduate course and going through the selection process established by the institution. In graduate courses strict sense, the development of an individual paper is required a master's degree dissertation and a doctorate thesis the latter being expected to constitute an original contribution to the theme focused upon. The basic structural elements of a full higher education curriculum are a minimum core, consisting of subjects and practices established by the Federal Council of Education, and a diversified content which may be defined by the institution.

[15] Souza, n.14, p.67

Education level of the Brazilian population was extremely low in comparison to those of other upper middle-income countries. An estimated 17 per cent of Brazilians over seven years of age are illiterate. In 1990, the average schooling for the adult population was only 4 years, approximately the same as El Salvador, Guatemala and Nicaragua, countries with less than half the income level of Brazil. Brazil's low educational attainment rates were directly related to high repetition in primary education, particularly in the early grades. Each year over 50 per cent of students in the first grade of primary school repeat, the highest first grade failure rate in Latin America. The average Brazilian student currently spent 7.7 years in primary school, longer than for any other Latin American country. Yet during those 7.7 years, the average student did not even complete the fourth grade. According to a 1993 report, 63 per cent of children dropped out of primary school before completing it. [16] One of the main reasons for such high dropout and repetition rates was the need for children to contribute to family income by working either for wages or on family enterprises. At the higher level of education, the Federal Council of Education did not possess sufficient staff resources to exercise these wide powers. It also did not have any responsibility for directing resources to the institutions which were placed under its supervision that would give real authority to its statutory powers. The costs and financing of the federal universities were subject to legislation affecting the wages and salaries of public employees and a federal constitutional prohibition against imposition of tuition. The private colleges and universities did receive indirect support from the federal government in the form of loans to students attending the institutions. Nevertheless, only about a fifth of students in private universities and colleges availed themselves of loans provided through commercial banks. The scheme was administered by a unit of the Federal Ministry of Education and not by the Federal Council of Education which had accrediting functions and, thus, could use this policy device to improve the low standards of many private institutions.

[16] Amaral and Polidori, n.1, p. 179.

Educational Programmes Under Cardoso

During his two administrations Fernando Henrique Cardoso attempted reforms in several sectors of the Brazilian state including that of the education sector. This section attempts to develop an analysis of his educational policies and a brief sketch of criticism that the Brazilian left has made of them. This study covers the first four years of his terms of office, and the first three years of his second term. Cardoso was able to continue and maintain the same team at the ministry of education over his two governments.

Cardoso's efforts were concentrated on expanding educational opportunities while at the same time promoting higher quality, from the most basic areas of the educational system to its highest levels; these efforts were directed in particular towards the school age population, but they also sought to provide opportunities for entry to those who did not have access to education at the corresponding age, in view of the right of all Brazilians to enjoy full citizenship and to have access to the development model necessary for the full exercise of that right.[17]

In Primary education the most important objective was to enroll children between 7 to 14 and keep them in school thereafter, guaranteeing them high quality education. The second objective of the government, after universal success, was to ensure the success of the schooling provided, as presented by the progress of students up to the completion of the last grade within the scheduled time: an objective which necessarily included improvement of the quality of the education.

The quantitative and qualitative aspects of these policies were subjected to continuous control through reliable information and educational appraisal mechanism.

In addition, complementary programmes of a compensatory nature were prepared in order to overcome the past history of inequality in Brazilian society. Among these

[17] Amaury De Souza, "Cardoso and the Struggle for Reform in Brazil",*Journal of Democracy,* Vol.10, No.3, July 1999, p. 49.

programmes are the provision of free school lunches and the textbooks in the primary education, the supplementation of the incomes of the poorest families with children in school, and educational loans for young people who reach the level of higher education.[18] The educational programmes of Cardoso government based on the pursuit of equality of opportunities included not only the principles of universal coverage, high education and decentralization, but also community participation in the running of schools and greater social control over public expenditure and its results.

Primary Education

In eight years of Cardoso's administration there has been a big expansion in access to primary education. The proportion of children between 7 and 14 enrolled in school in school rose from 89 per cent in 1994 to 96 per cent in 1999, representing the incorporation of four million students into the system. Regional inequalities were also reduced. In the North East region enrollment grew by almost 27 per cent compared with 13 per cent for the country as a whole.[19]

Contrary to what is usually assumed, it would appear that the public schools offering basic education have enough vacancies to absorb the entire population between 7 and 14 and 15 and 17.According to the 1999 school census Brazil had 44 million students enrolled in the public basic educational system, whereas the population aged between 7 and 17 was only 37 million. The difference is accounted for by repetition, which reaches very high levels in the earliest grades, and late into the system. Between 1994 and 1999, the number of students graduating from primary education soared from 1,588,000 to 2,383,000 that is an increase of 50.1 per cent. Over the same period, the number of students graduating from secondary education grew by 67.8 per cent from 915,000 to 1,535,000.[20]

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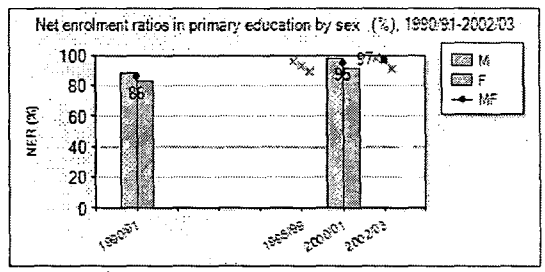
[18] David Fleischer, "The Cardoso Government's Reform Agenda: A View from the National Congress, 1995-1998" ,*Journal of Interamerican Studies and World Affairs*, Vol.40, 1998, p. 125.
[19] De Souza,n.17, p.48
[20] Souza, n.15, p. 69.

The promotion rate which measures the number of students processing from one grade to another rose from 65 per cent in 1995 to 74 per cent in 1998; the expectation of completing first grade increased to 63 per cent, and the average time needed to complete all eight grades went down from 12 to 10 years.[21] In 2000 enrollment in the primary cycle began to go down first time, but in the first four grades as it continued to grow in the case of fifth to eighth grades. More students were completing primary education than were entering it, which meant that the age distortion and the indexes of repetition were going down. This greater efficiency lightened the educational burden on the municipalities and increased the challenges to the states, which were responsible for ensuring the expansion

Table: 1 Primary Enrollment

Primary		1990/91	1998/99	2000/01	2002/03	2002/03 Regional average
GER (%)	MF	105	...	151	147	119
	M	(4) 108	...	155	151	121
	F	(4) 102	...	146	143	118
NER (%)	MF	86	...	95	97	96
	M	88	...	98	...	(4) 97
	F	83	...	91	...	(4) 96



Source: World Bank Development Indicator Database,Brazil Country Profile,April 2004. http://devdata.worldbank.org/idg/IDGProfile.asp?CCODE=BRA&CNAME=Brazil&SelectedCountry=BRA Dated .20 May 2006

An important element in the improvement in the age/grade distortion is the accelerated learning programme. Through it, the federal government finances special classes for students having a serious lag in this respect, in order to help them to progress rapid to the grade corresponding to their age. Between 1998 and 2000 over 3.5 million students took part in this programme, and most of them succeeded in advancing their studies.[22]

It should be repeated that the main problem in primary education were not quantitative but qualitative. In this respect, in addition to the formulation and diffusion of national parameters and curricular guidelines for all levels and forms of basic education(pre-school, primary and secondary school, together with special programmes for young

[21]Souza,n.20,p.70
[22] De Souza, n.19 , p. 50

people and adults)and programmes such as "TV Escola" or "Proinfo". There was also the effort made to improve and extend other programmes such as those for the issue of school books and school libraries, in order to meet the challenge of raising the quality of primary education.

Primary school teachers were provided with more than 1.4 million copies of the curriculum parameters and guidelines. In 1998, schools were issued with 20,000 sets of the "teacher's library", consisting of reference works on the historical, social and political formation of Brazil, and in 1999 a further 35,000 libraries of children's and young people's literature were delivered for use by primary school students.[23]

Programmes of compensatory nature, designed to correct the big social and income related disparities effecting a large proportionate of Brazilian families, also helped to create suitable conditions for the successful education of students from low income families.

Compensatory Programmes

National school nutrition programme (PNAE) Commonly known as the "School Lunch Programme "provides during the 200 days of the school year at least one meal per day to the 36 million children in the primary and the pre-school levels of the public system. The coverage of the programme is practically universal: in 1999 it operated in 96.7 per cent of all urban public schools and in 98.1 per cent of the rural schools. The programme has been improved, expanded and completely decentralized. Cardoso government doubled the expenditure on these meals: between 1995 and 2000 the country invested 3.6 billion reales in feeding primary school students. In 1999 alone the investment came to 903 million reales representing 33 per cent of the total budget authorized for the National Educational Development Fund (FNDE).[24]

The existing National School Book Programme(PNLD), through which the federal govt acquires and distributes primary school textbooks, has been improved and expanded since

[23] De Souza, n.22 , p. 51
[24] Souza, n.21, p. 71.

1995.As from PNLD began to serve all first to eighth grade students. Between 1994 and 2000 the FNDE acquired 597 million school books, selected by the teachers from a catalogue of books evaluated by an independent commission of teachers. In 1999,502 different works from 27 publishers were distributed to 170,000 schools all over Brazil.[25]

The most effective and important initiative for ensuring that from low-income families stay in schools is undoubtedly the National Guaranteed Minimum Income Development Programme (PGRM), better known as "every child in school" programme. Within the worldwide tendency toward the decentralization of resources and the targeting of attention, the programme provides monthly financial aid to deprived families with school age children. The PGRM is implemented by Municipalities where the average family income is less than the average for the state in question. At the end of 1999 the programme had already benefited over 500,000 families, representing almost a million children between 7-14 in over a 1000 municipalities.[26] This programme also helped in eradicating child labour.

The North east project was established in the light of the extremely unfavorable situation of students in that region of the country which registers indicators far below the Brazilian averages. In addition to providing substantial resources for municipal and state education programme, this project supports research to help formulate effective strategies to overcome educational shortcomings. Between 1993-1998 the North East project invested national and external resources amounting to nearly US$500 million. It was reformulated in 1999 under the new name of Educational Strengthening Fund and was extended to North and centre west regions. The educational indicators in the North East and the Northern regions have grown faster than the national average in both qualitative and quantitative terms. In these regions primary education is grown by 27.2 per cent since 1994, compared with 13 per cent in the country as a whole, while enrollment in the fifth grade has grown by 49 per cent compared with a nationwide 27 per cent. Over half of the students attending accelerated learning classes are in the North East region. In Secondary

[25] Souza, n.24, p. 72
[26] Ibid

education while nationwide enrollment grew by 5.4 per cent between 1999 and 2000 it increased by 11 per cent in the North East and by 8.3 per cent in the Northern region. [27]

School TV has been on the air since September 1995. It is a channel that broadcasts via satellite to promote exclusively the constant updating and refreshing of the knowledge of teachers. The Ministry of Education has invested R$ 70 million in order to guarantee an efficient network by which to receive the programmes across Brazil but chiefly in the more distant locations where access is difficult. By means of School TV, Brazil is increasing the efficiency of its educational system and becoming tuned into the major educational opportunities offered by distance learning. The Roquete Pinto Foundation is also taking part in this project, taking care of the broadcasting and production requirements of the programmes channeled via School TV.

Secondary and Techno Professional Education

The growth rate of the number of enrollments in secondary education has scored by 11.5 per cent in 1999 and 57 per cent between 1994 and 1999. In North East region the growth has been even faster: 62 per cent. The impressive expansion of enrollments in secondary education is due to three main factors: there are more students completing their primary education; more students completing it at an earlier age and are therefore in a position to continue with their studies, and there has been an increase in the demand from young people for better schooling to meet the demands of an increasingly competitive labour market. Supplementary secondary (education of young people and adults over 18) grew by 169 per cent between 1995 and 2000.[28]

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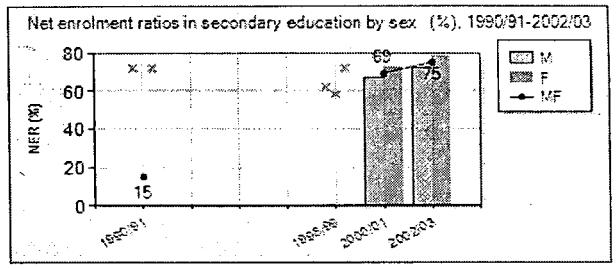
[27] Souza,n.26,p.72

[28] Candido Alberto Gomes, "New Perspective for Secondary Education", *International Review of Education,* Vol.45, No.1, 1999, p.54.

Table 2: Secondary Enrollment

Secondary		1990/91	1998/99	2000/01	2002/03	2002/03 Regional average
GER (%)	MF	38	...	105	110	88
	M	...	...	100	105	85
	F	...	...	111	115	91
NER (%)	MF	15	...	69	75	66
	M	...	...	67	72	64
	F	...	...	72	78	68



Source: World Bank Development Indicator Database, Brazil Country Profile, April 2004. http://devdata.worldbank.org/idg/IDGProfile.asp?CCODE=BRA&CNAME=Brazil&SelectedCountry=BRA Dated.20 May 2006

Secondary and techno professional education underwent profound reforms during Cardoso government. Previously Secondary education had no identity to its own and was divorced from the requirements of the modern world, so it was not fulfilling the functions demanded by it. Secondary education was required that to teach students to learn on their own, provide them with guidance on everyday matters and their future working careers, and prepare them for the exercise of citizenship and democracy. It should also be able to train young people in the use of new technologies and ways of producing goods, services and knowledge.

The first step in the reform of secondary education was of a structural nature: secondary education was separated from techno professional training .These areas of education now operate independently, and the latter is now complementing to the former. This will facilitate the achievement of another of the government's great goals in education: the attainment of universal coverage of secondary education too. In addition of these structural changes in secondary education, the ministry of education made changes in the areas of teaching itself and the curricula. At the teaching level, the new form of secondary education will associate knowledge with the practical life of students, providing them with guidance on their future and not merely being a preparatory stage for further entry into higher education.

The national curricula guidelines laid down by the Cardoso government made secondary education compulsory for all the schools in the country. The ministry of education prepared the corresponding curricula parameters, set of guidelines and recommendation for supporting the work of teachers under this new concept of secondary education. The curricula were made flexible: 75 per cent of their content was in line with the common national base, while the remaining 25 per cent was defined by the schools themselves in the light of local economic and social characteristics or the interests of the schools community.[29] Through this innovation, students had greater freedom to design their own curricula.

In addition to these changes in secondary education, the ministry of education embarked on the reform of techno professional education, as provided for in the law on the guidelines for Bases for National Education. That area of education was divided into three independent levels: Basic, technical, and technological. The secondary level, post secondary and higher courses in this area were previously given in full time schools with rigid curricula structure linked with very clearly defined of occupations and aimed primarily at young people.

However, thanks to Cardoso, as well as being separate from the secondary cycle, techno professional education started offering courses that met the needs of local and regional level labour markets. The authorities promoted the diversification of post secondary techno professional education, both technical and higher level, to give broad flexibility to the curricula and freedom for young people and adults to enter and leave the educational system several times. The organization of the curricula in models allowed students to take various short courses at different times in their lives and allowed for flexible contents which took account of the student's preferences.[30] With this restructuring, techno professional educations were better able to effectively train students to work in various different occupations.

[29] Gomes, n.28, p.54.
[30] Souza,n.27 , p. 73

Through the Brazilian Support System for Micro and Small scale Enterprises (SEBARE), 10,000 technical education teachers were trained to give their students a basic knowledge of business management, thus preparing students to work on their own account, if they so desire, or open a small enterprise after completing their training.

Higher Education

Although the Brazilian higher education system is quite small for the size of the country and displays enormous differences in quality, it has never been a serious impediment to Brazilian development. The percentage of the population with completed higher education among adults over 25 is similar to the levels such as Austria, Chile, Italy and Uruguay and is higher than in China, India, Indonesia and Turkey.[31]

In 1997, in Italy 7 per cent of the population between 25 and 34 years of age had higher education. In the age 35-44 age group the percentage rose to 9 per cent, while in the 45-54 and 55-64 age groups the percentage went down to 8 per cent and 5 per cent respectively. The indicators for Italy for each of these age groups are similar to these figures: 8 per cent (25-34), 11 per cent (35-44), 8 per cent (45-54), and 5 per cent (55-64).[32]

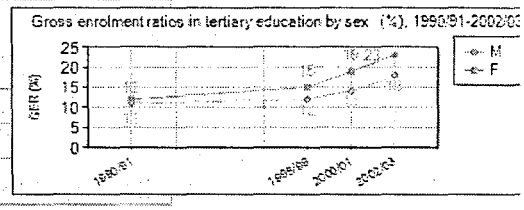
In higher education policy the challenge that was faced was ensuring the expansion and diversification of the system while maintaining or improving its quality. Expansion of this area of education recovered in quantitative terms from 1994 onwards, after a long period in which the numbers of students remain unchanged. In the four years from 1994 the enrollment in higher education grew more in absolute terms than in the previous 14 years. Thus in 1998 there were 2.1 million students in higher education: 28 per cent more

[31] A. Canen, "Child Education and Literacy Learning for Multicultural Societies: The Case of the Brazilian National Curricular References for Child Education (NCRs)", Compare, Vol. 33, No.2, 2003, p. 254.
[32] D. Checchi, A. Ichino and A. Rustichini, "More Equal but Less Mobile? Education Financing and Intergenerational Mobility in Italy and in the US", *Journal of Public Economics*, Vol. 74, No.3, 1999, p.351.

than in 1994. The total number of graduates represented in 2000 was 9 per cent of the population aged 21 or over.[33]

Table:3 Higher Education

Higher			1990/91	1998/99	2000/01	2002/03
GER (%)	MF	(3)	11	14	16	21
	M	(3)	11	12	14	18
	F	(3)	12	15	19	23



Source: World Bank Development Indicator Database, Brazil Country Profile, April 2004. http://devdata.worldbank.org/idg/IDGProfile.asp?CCODE=BRA&CNAME=Brazil&SelectedCountry=BRA Date.20 May 2006

With regard to diversification, the curricula of the higher courses were being reformed in two aspects; their structure became more flexible, thus permitting partial certification of short courses and the establishment of minimum curricula for each course were abandoned and replaced with curricular guidelines for each area of study. As far as quality is concerned, up to 1995 the expansion of the system was only subject to *ex ante* bureaucratic controls, without there being any system of evaluation that enabled the accreditation of institutions to be linked to judgments on their permanence and quality.

The legislation on the accreditation of courses and institutions has been substantially modified, and evaluation of performance as the main mechanism for accreditation and re-accreditation has been institutionalized. An innovative system of final examination, which must be taken by all students in order to graduate, has been established as an indirect means of evaluating the performance of the courses in question. The result of these examinations together with the evaluation of the operating conditions carried out by the specialist commissions appointed by the ministry, enable society to know which institutions and courses have the best performance. Since the creation of this integral system of evaluation, there has been greater freedom for the private sector to expand its activities in the field of higher education, subject to the fulfillment of established pattern

[33] Souza,n.30, p. 74

of quality under the supervision and systematic evaluation of the Ministry of Education. Significant expansion of higher educational activities towards the interior of the country and correlation of the regional imbalances has been observed. Thus almost one-third of the increase in the number of vacancies in private-sector institutions has been in Northern, Northeast and Centre- West regions.

The new Student Finance Programme (FIFS), which was set up in 1999, provided loans to more than 80,000 students enrolled in institutions all over the country in its first six months of operation. This is 173 per cent more than the last selection process made in 1997 by the former educational credit system, and in 1999 the resources used for this purpose exceeded 150 million reales.[34] In public higher education which is free of charge measures were taken to increase the productivity of the system which had one of the lowest professor/student ratios in the world.

Consequently the expansion of the higher education now includes an important new feature: the public system has recovered its dynamism. The number of undergraduates students grew by 17 per cent between 1994 and 1999, while the number of post graduates also increased significantly: between 1995 and 1998 the number of students studying for the master's degree rose from 43,000 to 51,000 and those studying for doctorates increased from 16,000 to 27,000.[35]

Public Sources for Education

Brazilian legislation provides for a regular flow of public resources to education. Brazil's public expenditure on education, as a portion of Gross Domestic Product (GDP), is one of the highest among the countries participating in the WEI project and is equal to the average of the OECD countries.[36] The 1988 Constitution lays down that the states and municipalities must devote at least 25 per cent of their tax revenue to education and at least 60 per cent must be spent on primary education. Primary education also receives supplementary resources from the "education wage", a social contribution equal to 2.5

[34] De Souza, n.33, p. 75.
[35] Ibid
[36] Kempner and Jurema,n.2, p.357

per cent of their payroll that enterprises must make for this purpose. In 1988, the sources allocated by the three levels of government exclusively to primary education amounted to 18.3 billion Reales.[37]

If it had not been for the faulty distribution of the existing resources plus their faulty application, the available resources would have been enough to maintain an educational system of much better quality and coverage than that which actually existed in the country up to 1995.The faulty distribution was due to the big differences in the revenue collection capacity between the richer and the poorer states and municipalities. The former didn't devote the mandatory 25 per cent of their revenue to compulsory primary education of infant education rather they invested these resources secondary or higher education.[38]

It was in order to correct such distortions and ensure that implementation of the objectives of the new law on the Guidelines and Bases for National Education that in 1996 the Cardoso government proposed and approved Constitutional Amendment No14 which set up a Fund for the Maintenance and Development of the Primary Education and the Improvement of the Status of Teachers (FUNDEF).[39]

Fund for Maintenance and Development of the Primary Education and the Improvement of the Status of the Teachers (FUNDEF)

Constitutional amendment No 14 which set up FUNDEF laid down that for ten years from the date of its promulgation states and municipalities must assign to primary education no less than 60 per cent resources already marked for education under 1988 constitution. According to FUNDEF:

- A minimum of 60 per cent must be used for the payment of the teachers actually working in the primary education

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[37] Ladislau Dowber, "Decentralization and Governance Latin American Perspective", *Journal of Latin American Issue*, Vol. 25, No.1, January 1998, p. 29.
[38] Fleisher David, "The Cardoso Government's Reform Agenda: A view from the National Congress,1995-1998", *Journal of Interamerican Studies and Affairs*, Vol. 40, No. 4, Winter, 2001, p. 119.
[39] Souza, n.34, p.75

- The remaining 40 per cent must be used for actions defined by the law as corresponding to the upkeep and development of education, construction, expansion, completion or remodeling of schools acquisition of teaching materials and equipment and payment of pensions.

A recent evaluation of FUNDEF indicated that it has reshuffled 13.3 billion *reais* (out of a total of 18.3 billion spent in basic educations) and generated a net increase of 2 million in educational expenditures. Municipal schools increased their expenditure by 22.7 per cent and 2159 municipalities benefited from such gains. Two thirds of the gain went to north and northeast, the poorest region in the country. The injection of fresh money into the poorest municipality led to an increase of 6 per cent in total primary enrollment jumping from 30.5 to 32.4 million students. FUNDEF generated 153,000 new jobs, mostly teaching positions. Overall in a country where government expenditure tends to be regressive, FUNDEF stands as a powerful counter example.[40]

International Sources of Finance

Foreign loans can be important means for carrying out special projects, provided the regular financing of the system is not dependent on such resources .In this respect international cooperation has been very important for Brazil in the form of technical assistance and the financing of studies and projects. The Inter-American Development Bank (IDB) and the World Bank are both important resources for the financing of projects fundamentally designed to improve the quality of education and the equity of the education system.

The main project supported with resources from the World Bank is the North East project, aimed at the poorest areas of the country, which has now been reformulated and expanded under the name of FUNDESCOLA to cover also the Northern and the Centre West regions of the country. The IDB for its part is providing support for the important Techno-Professional Expansion Programme which will cost US$500 million including resources from the Ministries of Labour and the Education, it is also contributing to

[40] Souza, n.39, p. 76

programme such as the International Virtual Education Network, which brings together specialists from Brazil, Venezuela and Columbia to promote the development of computer programmes to support the teaching of mathematics and science in public schools.[41]

Challenges

The current great challenge for Brazilian education is no longer the achievement of universal primary education or the elimination of illiteracy, but rather the quest for ever-improving indices of quality of all levels: an objective which is intimately associated with the upgrading of the teaching staff. Between 1995 and 1998 there was a reduction in the number of illiterates from 19.2 million to 15.2 million and there was a particularly rapid reduction in the rates of illiteracy among the young people.[42] Brazil has succeeded in providing universal access to primary education, expanding the coverage of the secondary and higher education, and raising teacher's qualifications

Much more is needed. It is necessary to apply the reforms in curricula to the full, increase the number of teachers with higher education, expand enrollments in secondary education while improving its quality, and increase the number of years of schooling to the population. The speed at which Brazil managed to expand the coverage of secondary education is probably unparalleled in any country. However the net enrollment ratio is still considered to be low even though it grew by 57 per cent between 1994 and 1999.[43]

The challenge of training and upgrading teachers for the new stage of expansion of secondary and technical education is enormous. It will be necessary to make use of latest technologies with a growing combination of in-school and distance education, and to develop computer programmes with interactive learning modules by Internet, and new technologies in which teachers act in a classroom as a kind of versatile monitor who uses the resources of distance education.

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[41] Kempner and Jurema, n.36, p.357
[42] De Souza, n.40, p.76
[43] Ibid.

The universities are preparing to take the lead in this process by organizing themselves into virtual education networks. The "Uni-Rede" is a consortium set up in January 2000, made up of 65 republic federal and state universities which cover the entire country by Internet and the cable television in order to meet the demand for the public higher education through out the country. The training of working teachers to meet the higher Guidelines and Bases for National Education is one of the priority objectives of the Uni-Rede which aims to serve 100,000 students per year bringing educational content and teaching resources prepared by the best universities of Brazil to the far flung areas.

Criticism of Cardoso's Educational Policies

Cardoso has been criticized by the left in Brazil for its educational policies. One of the main accusations against Cardoso's educational policy is that it is "neo liberal"[44] It is argued by the left that Cardoso's specific initiatives are influenced by International Organizations, such as the World Bank. Another criticism is that Cardoso's initiatives are not sufficient to meet Brazil's true educational needs. Cardoso is said to have allied with the right-wing parties to govern the country, and thus adopted, with their support, a neo-liberal programme: privatisation of the public companies, reducing social expenses, redefining the function of Brazilian state by promoting the creation of "minimum state."[45] Cardoso has defended himself by claiming that his government is not neo-liberal. The sales of these public companies are simply a reflection of their inefficiency and not a general attack on the state. It is a social democratic attempt to focus the state's activities in the areas where they can be most effective.

Another criticism of Cardoso's policies are that they inadequate to meet the true educational needs of the country. The left says that while primary education has been a success and the government did succeed in putting every child in school, the initiatives taken for technical and higher education did not address the new demands of the work world. This is because they continued to be based on outdated human capital theories. The profession of teacher is also not sufficiently valued in society, and that teaching in higher education did not receive sufficient attention.

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[44] Kempner and Jurema, n.41, p.358
[45] Ibid

Cardoso administration has rejected this criticism. However the Ministry of Education admits that there are still school age children that are not in the school, but it affirms that during the Cardoso government there was a big increase in the number of school age children that started to frequent the school. Trying to contradict the Brazilian left, the Ministry offered statistics showing that 97 per cent of the Brazilian children are in school. The government denied that its policies were responsible for the lack of social prestige of teaching as profession.[46]

The debate between Brazilian left and the Cardoso administration over educational policies have involved exaggerated claims from both sides. However, it does serve to highlight some important issues that need to be addressed by the future Brazilian administration.

Conclusion

Education in Brazil has been in a dismal state of affairs in the past. During the Cardoso administration major changes took place at the primary level where the main bottleneck that of retention and eventual dropping out was removed. In other words, the most critical problem is the area in which most spectacular progress has been recorded. But there are changes and improvements through out. But Brazil is still far from having a halfway decent education. Although Cardoso was successful making primary education a reality but the improvement in the secondary and higher education was lacking. The curricula of the secondary education which needed to be changed were ignored. Higher education remains the area in which Cardoso's policies has been most timid. The public universities in Brazil are very expensive and out of the reach of the poor. The salaries of the teachers in the universities are also very low. Corresponding change was also necessary in the teacher education. Moreover a variety of modalities were needed to be used side by side such as technical schools, centers of work training, programmes to serve students at different levels of schooling. Above all diversity was needed for the overall result.

On the whole, education reforms especially primary education under Cardoso is viewed favorably. He managed to bring some vibrancy in the educational policy, in

[46] De Souza, n.42, p.50.

administration, and in the educational systems. Education, which was very deficient, took a considerable jump, although it is still far from being satisfactory.

CHAPTER IV

Health Care Programmes

CHAPTER IV

Health Care Programmes

Social inequality remains the main health and social policy issue in Brazil. The health care system in Brazil as a consequence is also affected by these extreme internal inequalities. For example, economic growth in recent years has raised the median income in all strata, yet the median income of the wealthiest 10 per cent of the population remained 30 times greater than that of the poorest 40 per cent. Between 1960 and 1990 the share of national income by the poorest half of the population fell from 18 per cent to 12 per cent, and that of the richest 20 per cent rose from 54 per cent to 65 per cent. Brazil has the highest number of absolute poor in Latin America: an estimated 30 per cent of the population or 48 million people are poor, and 15 per cent or 24 million people are extremely poor. Brazil's 165 million population grows at a rate of 1.2 per cent per annum, and 75 per cent of them live in urban areas. [1]

The health of Brazil's lower income families was long neglected, even though highly skilled medical care was available to the wealthy. As a result of malnutrition, tropical diseases, and a high rate of infant mortality, the life expectancy of the average Brazilian in the 1960s was only 43 years. Since that time the government set a high priority on solving the nation's health problems. The structure of the health system in Brazil has changed a great deal in the since 1970s. Until 1960s there was a division of labour between the Health Ministry and the former Institutes of Retirement and Pensions (AIPs).[2] The former took care of community health, the logistics of vaccine distribution and basic medical care for the low income population in the regions where the government was not able to offer a service of better quality. The AIPs on the other hand concentrated on providing medical care to workers in certain professional categories and their families, covered by welfare protection.

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[1] O. Altimir, "Income Distribution and Poverty through Crisis and Adjustment", *Cepal Review*, Vol. 52, No.7, 1999, p.31

[2] Kurt Weyland , "Social Movements and the State: The Politics of Health Reform in Brazil", *World Development Report*, Vol. 23, No.10, October 1995, p.1699

After the 1960s, there was a growing trend towards the expansion of the cover of the health system for the Brazilian population. In 1967, the former AIPs were brought together as the Instituto Nacional de Previdência Social (INPS) [National Social Welfare Institute], which included, for the purposes of medical care, all workers with an approved work permit, as well as the self-employed who wished to contribute to social welfare.[3]

In 1976, the Instituto Nacional de Assistência Médica da Previdência Social (Inamps) [National Medical Care for Social Welfare Institute] was created as the body responsible for all medical care to the population dependent on workers in formal employment. Over the 1970s and 1980s, the non-contributing population segments incorporated into the health system, such as rural and poor people, expanded and there were strategies for decentralisation linked to the programmes for expanding the cover.

The Constitution of 1988 instituted the Sistema Único de Saúde (SUS) [Single Health System], which set as its goal universal cover of the entire Brazilian population, in the pattern of the traditional systems of social welfare existing in the European countries, which took the route of setting up a welfare state. The course taken by the Brazilian health system has however continued to reveal some basic problems, which needed to be resolved.[4] The financing of the health sector in the country have been insufficient to cover the aims of universality, completeness, and fairness. In the country, little is spent on health and spent badly, while a great deal of the financial effort of the sector has not been channeled towards the neediest segments of the population. Consequently, there existed a serious deficit and gaps in the cover of the Brazilian health system.

The Cardoso administration continued and developed reform policies that were begun by previous governments. Many of these reforms were included in the 1988 Constitution which called for a Unified Health System, but implementation was slow. The Cardoso

[3] P. Buss and P. Gadelha, "Health Care System in Transition: Brazil. Part 1: An Outline of Brazil's Health Care System Reforms", *Journal of Public Health Medicine*, Vol.18, No.3, 1996, p.289.
[4] A. L. Viana and M. S Queiroz and N. Ibanez, *Implementation of a Single Health System: New Relationships between Public and Private Sectors in Brazil* (London: Macmillan Press, 1997), p.150

administration's greatest accomplishment has not been in changing the model of health care, but in making it more of a reality. Programmes have been targeted on the poor, including family doctor programmes, basic pharmacy programmes, vaccination programmes, women's health programmes and programmes combating infant mortality.

This chapter has been divided into three sections leaving Introduction and Conclusion. The first section gives an initial overview of the history of health reforms in Brazil. The second section proposes to review the structure of the health care system in Brazil. The third section discusses and explains the reforms carried out by Cardoso government in the structure of Brazilian health system and the lags in the system. Then an attempt is made to examine and evaluate the impact of these reforms on Brazil.

Evolution of Health Reform Process in Brazil

Health care reform is necessary and important, not only because of the significant improvements it can achieve in terms of access to health care and, subsequently, better health, but also because it is often predictive of the direction that other social and economic reforms will take since it reveals changes in the underlying value system. Depending on the direction it takes, health reform will either reinforce social cohesiveness or decrease it by aggravating existing inequalities. It could also prove to be a precursor of changes in governance yet to come.

Dating back to 1975, the movement for Brazilian health reform involved various segments of society, from intellectuals and health services researchers to workers' organisations and political parties. Two characteristics of this movement deserve particular attention: it was part of a wider struggle for the democratisation of the country during a period of authoritarian regimes, and it had a very well-elaborated proposal for the reorganization of the health system, based on the principles of universality and equality of access to health care.

In the 1980s, at the height of the democratisation process, several health experts and members of the health reform movement occupied key positions in the ministries responsible for health services (at that time, the Ministry of Social Security and Assistance and the Ministry of Health). As a result, these ministries began to implement the main reform proposals that had been under discussion, including, among others, the decentralisation of the health system and the unified control of the sector at each level of government.

From an ideological standpoint, the health reform positions defended at that point were (and to a large extent still are) marked by a certain misunderstanding regarding the government's responsibility for health and the public provision of services. In other words, the advocates of a Unified Health System understood health to be the exclusive responsibility of the government, conflating the government's role as insurer and as provider of health services. This position proved particularly problematic because private health services accredited by social security were responsible for the majority of hospitalizations and ambulatory services.

When the National Congress elaborated the country's new constitution in 1988, the health sector presented the most complete proposal both in terms of governing principles and in the organization of the system. In the text of the constitution, health was established as a universal right and a responsibility of the state. Article 198 called for a Unified Health System (SUS) that organized a regionalized and decentralized network of health services, with coordinated management at each level of government, community participation, and the prioritizing of prevention as part of an integrated approach to health services delivery. As for the private sector, article 199 of the constitution defined its participation in the SUS as follows: private practice of medicine was permitted, and private institutions could play a complementary role in the SUS (regulated by the SUS), with priority going to philanthropic and not-for-profit organisations. [5]

[5] Viana , Queiroz and Ibanez, n.4, p.155

The guidelines and the new organizational model of the health system were further defined in the Organic Health Law of 1990 (code no. 8080 and 8142). At the stage of implementation, the new system now had to confront the historic legacies of a health system that had heretofore been guided by a logic of either inclusion or exclusion in social security and, in turn, in the private health care market.

The important feature of health sector reform in the 1980s was its explicit political character and its relation to the fight against the military regime. Health sector reform became a fundamental feature of the fight to re-democratise the society and the political regime. Of relevance, was the Public Health Reform Movement, a wide ranging and loosely organized coalition of social and political groups emerging from the mid 1970s and dedicated to a democratic reform of the health sector. It included progressive members of health professional and occupational groups along with intellectuals, trade unionists, and social popular movements promoting the need for improved health and municipal reformers and held broad links with opposition political parties.

The period of political transition in the mid 1980s was marked by a number of reform initiatives: the creation of Integrated Health Activities (AIS) in 1984 and the Unified and Decentralized Health System (SUDS) in 1987. The major change however, was signaled by the new National Constitution of 1988 and the creation of the SUS in 1990.

Single Health System (Sistema Unico de Saude)

The history of the SUS goes back more than a decade, to the Brazilian constitution of 1988, which mandated a free, universal health care system as a result of a long social movement to counter the inequitable health policies of previous regimes. Previous military regimes in Brazil had left a healthcare system that was highly centralized and with little capacity in effect, a system that was extremely unresponsive to Brazil's local needs and regional diversity. In the 1970s, inflation was rampant and the Brazilian economy was in crisis. A severe recession followed in the early 1980s and public healthcare expenditures fell substantially, driving down the quality of both health services

and infrastructure.[6] In response to this, a council consisting of federal ministry representatives undertook the Reforma Sanitaria, a health care reform effort. The first phase of this reform was the Integrated Health Actions, an effort to improve coordination and decentralize service delivery from the Ministry of Health and INAMPS (Instituto Nacional de Assistencia), the main financing mechanism, to state and municipal levels. The second phase of the reform was the creation of the SUDS (Sistemas Unificados e Decentralizados de Saude) in 1987-88, which completed the process of decentralisation. Then came along the new constitution in 1988, which paved the way for the creation of SUS, the third and final phase of the reform. Since that time, the SUS has begun to contract-out a large majority of patient care to a network of private and philanthropic hospitals, clinics, and other facilities. It is been estimated that 20 per cent of the available hospital beds in Brazil used by the SUS in 1988 belonged to private hospitals. The government itself owned just 31 per cent of the hospital beds it supports and has been gradually decentralizing the control of publicly owned facilities.

The constitution of 1988 and the Organic Health Law of 1990 unversalised access to medical care, unified the public health system supported by the Ministry of Health and the National Institute for Medical Assistance and Social Security and decentralized the management and organization of health services from the federal to the state and, especially, municipal level. Between 1985 and 1990, for example, the proportion of programme funds managed by municipalities increased from 10 to 15 per cent and by states from 23 to 33 per cent. The sweeping health reforms that were initiated in the 1980s attempted to extend coverage to those outside the social security system.[7]

The constitution of 1988 granted all Brazilian citizens the right to procure free medical assistance from public as well as private providers reimbursed by the government. While the public domain oversees basic and preventive health care, the private nonprofit and for-profit health care sector delivers the bulk of medical services, including government-subsidized inpatient care (that is, private facilities owned 71 per cent of hospital beds

[6] J. Horn, "Brazil: The Health Care Model of the Military Modernizes and Technocrats", International *Journal of Health Services*, Vol. 15, No. 1, 1985, p. 49.
[7] Buss and Gadelha, n.3, p.390

designated for government-funded health care in 1993). This publicly financed, privately provided health system continued to intensify its focus on high-cost curative care, driving hospital costs up by 70 per cent during the 1980s.[8]

It was called the "Citizens' Constitution" because it introduced significant improvements in terms of social rights. It defined health as an obligation of the state and imposed radical changes on the health sector. The guiding principles of the health care reform were as follows.

- **Health as a right of citizenship**. All Brazilian citizens acquired the right to health care provided by the state, thereby characterizing health as an activity of public relevance.
- **Equal access**. All citizens should have equal access to health services, with no discrimination of any kind.
- **Health as a component of social welfare**. The health sector had to be integrated with the social welfare system, defined as an "an integrated set of actions provided by the state and society aimed at fulfilling rights related to health, social assistance and welfare" (Federal Constitution 1988, article 194). The connection of this statement with the financing plan led to the creation of a single integrated budget — the Social Welfare Budget — which gave each sector autonomy of management and resources, and guaranteed 30 per cent of the budget for health on a temporary basis until rules and regulations had been set. These resources came from various sources: tax collection; social contributions, mainly by companies, to finance social activities; and contributions from employees and employers based on a per centage of the payroll.
- **A single administration for the public system**. One principle of health care reform concerned the creation of a single system to aggregate all health services provided by federal, state, and municipal public institutions through direct and indirect administration, as well as foundations supported by public authority. The

[8] Sonia Fleury, *Reshaping Health Care in Latin America; A Comparative Analysis of Health Care Reform in Argentina, Brazil, and Mexico* (Ottawa: International Research Development Center Canada,2000),p.125

private sector was also allowed to become part of the system under contract; however, the public authorities retained the power to rule, control, and inspect the services provided. The Ministry of Health was responsible for monitoring and directing all activities related to health, including medical care, which was no longer under the control of social security.

Integrated and hierarchical health care. The unified system had to be organized to provide integrated care by giving priority to preventive procedures without jeopardizing care at other levels. Therefore, promotional, preventive, and curative activities had to be based on the epidemiological profile of the population. Provision of services had to be arranged with respect to the health care hierarchy and had to provide people with universal access to all levels of care. The hierarchy had to operate on referral and counter-referral mechanisms, from the least-complex level of care to the most, ensuring continuity of care through the primary caregiver.

Social control and social participation. The system had to be governed according to democratic criteria, and the participation of civil society in its decisions was of paramount importance. For this reason, it was proposed to create health councils at the federal, state, and municipal levels, to increase democratic participation in developing and implementing health policies. The health councils were to comprise representatives of the three constituencies involved: users, professionals, and managers. Health conferences, to be held at the national, state, and municipal levels on a regular basis, were also intended to stimulate and guarantee social participation. Various collegial institutions were to take over functions previously the exclusive domain of executive power, such as determining resource allocation, inspection, and regulation.

Decentralisation and regionalism. Decentralisation was a fundamental factor in health system reform because it led to a redistribution of the responsibilities between levels of government. Provision of health services had to become the responsibility of municipal governments, aided financially by the federal government and the states. However, all services had to operate within a unified system, because it could not be expected that all levels of services could be

provided at the municipal level. The need for a hierarchical and regional system led to the creation of management forums at the various government levels, and to the strengthening of the role of municipal managers, who became relevant actors in the new system.

Structure of the Health Care System

According to the 1988 constitution, the health care system operates through a three-tier system of devolved government: the federal level, the state and the municipal level. Although decentralisation was a key feature proclaimed of SUS from its inception, the mechanism to put it into practice was only issued some years later through the Basic Operating Rule of 1993. SUS operated through a complex and centralized payments system whereby provider units, both public and private, throughout the whole country received money on the basis of service provision. This pay for service system meant that the Federal level made monthly payments (preset according to a number of criteria) the bills sent by public (be these state or municipally owned) and private units (to whom payments were channeled through the states). The federal level, through the Ministry of Health, took on typical macro functions of, for example, national health policy but had a limited role in the direct provision of curative services. It did, however, operate a number of national programmes relating, for example, to communicable diseases and nutrition.

It should also be pointed out that the approved budget was not always fully executed, due to cost containment. Federal funds for health care come from general revenues and three 'social funds' FAS, FPAS, and FINSOCIAL which in turn were financed through earmarked taxes. Although attempts were made to set a clear sum for SUS funding from the social funds, they tended to be somewhat erratic. The state level was financed through the State Health Fund, which received both federal and state sources of income. It ran its own network of health care services, although the process of decentralisation has tended to pass over the state level and pass directly to the municipals. The latter, of which there are 5507 in the country, operate their own Municipal Health Funds, which receive both

federal and municipal contributions. The municipals also operate their own system of health care activities, although their measure of autonomy depends on a number of variables, as mentioned below. Because the inception of SUS, there has been a gradual process of selective decentralisation to the municipals. The first years of SUS, and particularly the Collor government (1990–92), however, held little hope for a decentralized system.[9] The municipals appeared more as simple providers existing within a centralized payments system. Things started changing after Cardoso government came to power and took municipalisation and decentralisation as its key theme.[10]

Lags in the Single Unified System

The legal components of the Brazilian health care reform guaranteed the state's right to regulate, inspect, and control the health system. The legal framework ruling the unified health system was composed of the Health Organization Law, the federal Constitution, the state constitutions (1989), and the municipal organization laws (1990).

Operational strategies for the system were outlined in the Normas Operacional Básicas (NOBs, basic operational norms) published by the Ministry of Health in 1991, 1992, 1993.The Health Organization Law governed such items as: conditions for health promotion, protection, and cure; powers and resources of each level of government; and basic mechanisms for managing the system, including community participation through health councils and conferences. The two laws were complementary, as the second law was passed after the first was vetoed by then-president, Fernando Collor.[11]

Since the Organization Law went into effect, the administration of the SUS reflected all the conflicts of interest and perpetuated all the ambiguities within the system. One of these concerns the difficulty of defining the roles and responsibilities of the federal, state, and municipal governments with respect to the SUS. The Organization Law 8.142/1990 governed the transfer of resources from the federal government, but remains silent on the

[9] Charles Collins, Jose Araujo and Jarbas Barbosa, "Decentralising the Health Sector: Issues in Brazil, Health Policy", *Elsevier*, Vol.52, No. 35, 2000, p. 123.
[10] Ibid
[11] Collins, Araujo, Barbosa, n.9, p.125

responsibilities related to the different agencies and levels of government, leading to duplication of some activities and gaps in others. [12]

The most important issue, however, was that the sphere of action of the SUS legislation was almost entirely restricted to the public sector. Although the government had the right to inspect and monitor both public and private sectors, neither the 1988 Constitution nor the Health Organization Law include any provision for private sector regulation. The years since the formal reform legislation passed have been marked by conflicts over certain points; with the result that implementation of the system has been slow and uneven across the country.

Health Care Programmes Under Cardoso

The Cardoso administration's greatest accomplishment has not been in changing the model of health care, but in making it more of a reality. Implementing legislation was passed in 1995 and 1996 to diversify and expand the sources of funding for health care, redistribute resources to basic services, and decentralize public health management. Programmes have been targeted on the poor, including family doctor programmes, basic pharmacy programmes, vaccination programmes, women's health programmes and programmes combating infant mortality. The effectiveness of these policies can be seen in the continuing decline in infant mortality rates, and the continuing improvement in life expectancy in all regions of Brazil.

Reforms of the Health Sector

Since the middle of 1995 the health sector in Brazil had been putting forward the need to carry out reforms. The awakening of the consciousness of the need for reforms came

[12] P. Berman, *Health Sector Reform in Developing Countries* (Harvard University Press, Cambridge, MA, USA, 1995), p.154

from the generalized perception that the health system in Brazil presented, since its new configuration created with the Constitution of 1988, a series of contradictions. [13]

According to Single Health system the central government had to define the principal features of national policy and regulate the provision of public and private health services through various accreditation and regulatory bodies. The State governments were given the task of co-coordinating the transfer of health provision to municipalities, and assume the complete management of these responsibilities during the transition phase. Once municipalities run their services the States are left with the tasks of setting policy directions and co-coordinating various providers, particularly with regard to secondary and tertiary care providers for rural communities living away from the cities where most hospital services are based.

Within the SUS, the municipal governments had to manage public health services, while the central government was given more general responsibilities. However, the adaptation of municipal governments to their new role were slow, partly as a result of Brazil having more than 5,000 cities, 25 per cent of which have less then 5,000 inhabitants, and partly because a number of economic, political and administrative issues remain unresolved. The private sector was legally permitted to participate in the SUS structure as a provider, and the relationship between private providers and public sector managers was administered through contracts. [14]

As mentioned before, the 1988 Federal Constitution made it clear that the decentralisation trend in health care was an important alternative in order to reverse the low quality of public administration in the social area, to redefine the priorities of state action in order to attend the needs of the population; and to amplify the administration autonomy of local public authorities. The first year of SUS during the Collor government (1990–92), however, held little hope for a decentralized system. The municipals appeared more as simple providers existing within a centralized payments system.

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[13] Buss and Gadelha, n.7, p.394

[14] Araujo Jla Jr, "Attempts to Decentralize in Recent Brazilian Health Policy: Issues and problems, 1988–1994", *International Journal of Health Services*, Vol. 27, No.1, 1997, p.124.

Things started changing with the 9th National Health Conference in 1992, which took municipalisation as its key theme. The resulting regulation was Ministry of Health Basic Operating Rule (BOR) of 1993. This allowed for the grading of municipals in three categories and the subsequent transfer of responsibilities to the municipal according to their respective category. The lowest category was referred to as 'incipient' management, followed by 'partial' management and 'semi-full' management.[15] All categories received public sector health units transferred from the state and federal levels as part of the decentralisation process. In the 'partial' category the municipals were given some control over the SUS contracted units of the private sector, although the latter still received payment directly from the National Health Fund. In the 'semi-full' category the municipal had a more complete control over the private sector linked to SUS. Resources were transferred directly to the Municipal Health Fund and the municipal took responsibility for resources use. How these figures were calculated varied between states, although the procedure adopted was usually previous expenditure through SUS.

By 1996, 3127 or 63 per cent of the total municipals in the country had registered within the categories established in BOR 93, distributed in the three categories. It should be noted that although only 144 municipals were put into the highest category, these covered the major urban centres, such as Recife and Belo Horizonte, and occupied 28.4 per cent of the national transfers within BOR 93.[16]

The decentralisation process was taken forward by the Cardoso government through recommendations of the Tripartite Intergovernmental Commission in 1996 and the promulgation of BOR 96 in the same year. The strategic perspective was to extend the municipal and state manager's accountability, and to induce a set of changes in the care model for the strengthening of basic and primary care and of collective health care actions. The NOB1/96 has simplified the municipal entitlement process proposed by the NOB1/93, by reducing the qualifying conditions down to two modalities - Full

[15] Fleury, n.8, p.128
[16] Collins, Araujo and Barbosa, n.11, p. 128

Management of Basic Care and Full Management of the Municipal System. The main objectives of the NOB1/96 are:

· to promote and consolidate the municipal function in the public management of health care and to redefine the responsibilities of the States, the Federal District and the Union;

· to establish a new federal agreement concerning health care responsibility;

· to reorganise the care model by giving the Municipality the responsibility of the management and direct execution of basic health care;

· to make sure intra-governmental transfers be fund-to-fund and reduce the transfers to the remuneration of provided services;

· to strengthen the shared management between the three government levels through tripartite and bipartite inter-management commissions;

· to establish a single level of management at each government level;

· to strengthen the management function of state offices and to redefine the responsibilities for the co-ordination of the SUS on the state level;

· to regulate relations between municipal systems and those between these systems and federal and state administrations, pointing out as a main instrument of intergovernmental relations the Integrated Agreement Planning (PPI).

The objective NOB1/96 for the end of 1998 was the transfer to 3,300 Municipalities of the accountability for the basic care and the qualification of further 700 in the full management of the respective local health care systems. In the first case, the goal was exceeded by 41 per cent at the end of the second semester of 1998. In the second case, the degree of commitment of the objective reached 67 per cent in November of this year, which means that 93 per cent (5.136) of the Brazilian Municipalities have assumed some control over its health care services, particularly the primary care ones.[17]

Compensatory Programmes

The inauguration of President Fernando Henrique Cardoso in January 1995 launched a period of unprecedented emphasis on primary health care. From 1995 to 2000, according to Health Minister, federal spending on health grew about 30 per cent in real terms, while

[17] Collins, Araujo and J.Barbosa, n.16, p.130

the proportion spent on primary care rose from 17 to 25 per cent. [18] The main vehicles for the delivery of primary care were the Community Health Agents Programme (Programmea Agentes Comunitários de Saúde, PACS) and the Family Health Programme (Programmea Saúde da Família, PSF). The Community Health Agents Programme was introduced in 1991, but did not begin to increase rapidly in scale until 1995. The Family Health Programme, which absorbed Ceará's health agents programme, began in 1995.

Community Health Agent Programme

The Community Health Agents Programme employed modestly trained health workers to visit households once a month to identify health risks; to record health information; to monitor the health of infants, children, the elderly, and people with chronic diseases; to promote prenatal care, vaccinations, breastfeeding, oral hygiene, sanitary precautions, school attendance, and cancer screening; and to provide education about family planning, oral dehydration therapy, nutrition, and sexually transmitted diseases. Each agent was assigned to monitor the health of an average of 550 people, and each was trained and supervised by a salaried nurse, who was responsible for no more than 30 agents. Municipal governments chose the agents, ostensibly according to merit criteria. Candidates had to be over 18 years old, literate, and resident in the community for at least two years. The agents were paid about $100 per month in 2000 US dollars, with the funding coming from federal, state, and municipal revenues.[19]

The Family Health Programme involved community health agents in a larger team with added resources and responsibilities. A Family Health Team comprised a doctor (a generalist or family practitioner), a nurse, a nurse auxiliary, and four to six community health agents, as well as other health personnel according to local resources and needs. Each team surveyed the population for which it was responsible (which averaged about 3,450 people), identified major health problems and risks, developed a plan to improve the health status of the population, submitted the plan for evaluation by a municipal

[18] Amaury De Souza,"Cardoso and the Struggle for Reform in Brazil", *Journal of Democracy*, Vol.10, No.3, July 1999, p. 49.
[19] Fleury, n.15, p.130

health council, and delivered basic health care, mostly through a programme of home visits. The Family Health Teams were selected by the municipalities in cooperation with community associations, were usually trained at university-based facilities, and were funded by federal, state, and municipal revenues Members of the teams had full-time contracts and received salaries competitive with what they could earn in private practice.

The post-1995 primary health care programmes developed innovative mechanisms for financing, administration, and community participation, but their most revolutionary feature was their scale, which was vastly greater than that of any prior initiative. In 2000, 5,957 health teams attended 21 million people (up from 328 teams attending 1 million people in 1994), while119, 000 health agents attended 68 million people (up from 29,000 agents attending 17 million people in 1994). The programmes were scheduled to continue expanding until 2002, at which time they were slated reach their maximum scope: 150,000 health agents attending 81 million people (about half of the total population) and 20,000 health teams covering 69 million people. The programmes operated throughout Brazil, but focused on impoverished areas. In 2000, community health agents attended more than 80 per cent of the population most of the poorest states, but only about 10 per cent in São Paulo and Rio de Janeiro.[20] The family health teams, which required more administrative resources, had more scattered coverage in poor states, with Bahia notably underserved. The failure of the family health teams to cover some of these areas was probably due to the dearth of community organization and of administrative, financial, and human resources in some of the poorer municipalities.

In 1995, family health teams began to operate in Camaragibe, an impoverished municipality of 119,000 on the outskirts of Recife, Pernambuco. By 1999 they served 90 per cent of the population. In 1995, before the programme began, Camaragibe had 153 public health workers, among whom 7 per cent were community health agents. By 1999 the municipality had 782 public health workers, including 360 community health agents.

[20] D. Gwatkin, *Reducing Health Inequalities in Developing Countries* (Oxford: Oxford University Press, UK),2002, p.94

Infant mortality in Camaragibe reportedly fell from 112 per cent 1000 in 1993 to 16 per cent 1000 in 1999. [21]

National Drug Policy

In early 1997, Brazil's Ministry of Health established a working group to coordinate the development of a national drug policy. The resulting "National Drug Policy" document, the product of 20 months of broad negotiation, was adopted in 1998, and represented Brazil's first drug policy consistent with WHO guidelines. The document established a basis for activities and priorities, including the adoption of a national essential medicines list, health-related regulation of medicines, the re-orientation of pharmaceutical services, and promotion of the rational use of drugs, scientific and technological development, the promotion and production of pharmaceuticals, and human resources development.[22] In addition, the National Policy of Pharmaceutical Services was approved in 2003. The National List of Essential Medicines (RENAME), based on WHO's model drug list, is reviewed regularly by a national commission.

An agreement was taken regarding Pharmaceutical Services for Primary Healthcare with a minimum shared financing by the Federal Government (US$ 0,37/per capita per annum), State and Municipal (at least US$ 0,18 / per capita per annum each) with a list of drugs based on RENAME that must be available for dispensing in the primary healthcare units. A Federal Programme for Hypertension and Diabetes, with 5 medicines provided by the Health Ministry, for patients registered in these programmes was started. Also a programme for Mental Health financed 80 per cent by the Ministry of Health and 20 per cent by the State Secretary of Health was in practice.[23] The federal government provided medicines for enrolled patients in the treatment of specific diseases, such as HIV/AIDS, Tuberculosis, Hanseniasis, Blood and Hemoderivatives (Factor VII, Factor IX, Protrombinic and Desmopressine Complex), Diabetes (Insuline) and Endemic Control

[21] Gwatkin,n.20,p.95

[22] D. Béhague and H. Goncalves and J. Dias da Costa, "Making Medicine for the Poor: Primary Health Care Interpretations in Pelotas, Brazil", *Health Policy and Planning*, Vol.17, 2002, p.131

[23] Ibid

(Drugs for the treatment of Chagas Illness, Schistossomosis, Filariosis, Leishmaniosis, Malaria, Pest and Trachoma), a responsibility of States and Townships.

National STD/AIDS Programme

Brazil has approximately 600,000 (six hundred thousand) HIV-positive people. Four-fifths of them do not know they are infected. And yet, the number of deaths caused by AIDS in Brazil by the end of Cardoso's regime stood at a level of less than half the total. The explanations for this relative success are above all, the dynamic interplay between popular, people's initiatives and public policy. The impact of AIDS in Brazil in the early 1980s exposed the shortcomings of the public health system (for example, lack of adequate screening of blood banks which led to the contamination of the hemophiliac population). Associations of people living with HIV-AIDS started denouncing the risks of discrimination and inaction by the government. A national network on HIV-AIDS and Human Rights entities gave national visibility to the problem. Advocacy led the Federal Government to create, in 1988, a national coordinating unit to design a comprehensive strategy to fight AIDS. [24]

Financing was provided in 1994 by the World Bank which allowed for strengthening partnerships with six hundred NGOs that were engaged in implementing the public policy. Public awareness was further enhanced by a series of judicial decisions that upheld the basic rights of HIV carriers in insurance and employment matters.

In 1996, national legislation ensured the right of free and universal access to antiviral drugs. To sustain that policy, it was essential to lower the price of drugs, for example, promoting local production in Brazil of eight generic versions of non-patented antiviral drugs. The pharmaceutical industry was compelled to reduce prices. Guaranteed access to treatment and full respect for human rights encouraged people to accept voluntary and confidential testing. Hope and self-esteem were strengthened. HIV-carriers improved

[24]Roy Wadia , *Brazil's AIDS policy earns global plaudits,* URL at http://archives.cnn.com/2001/WORLD/americas/08/14/brazil.AIDS/ 16 August 2001

their quality of life and adopted a responsible behavior toward others. The cost of the programme was estimated at 500 million dollars annually. It was more than offset by the reduction in the cost of hospital treatment and the economic benefits derived from people living a productive and dignified life. Death rate fell by 50 per cent. Hospitalizations plunged by 75 per cent.[25] Women's health care programmes were expanded to include full coverage for HIV testing during pregnancy. Targeted prevention programmes reached out to especially vulnerable groups such as prostitutes, drug users, truck drivers, inmates, street kids, and indigenous people.

Regulation of Health Products

Brazil's Sanitary Surveillance Agency (ANVISA) was created in 1999, "to protect and promote population's health, ensuring the health safety of products and services, participating in the construction of the access to them". It is part of the Ministry of Health, but has administrative and financial autonomy, through taxes and other mechanisms that assured its self-sufficiency. Pharmaceutical products, both locally-produced and imported, must be registered with ANVISA.

Since 2001, Article 229-C of Law 10196 has charged that the "grant of patents to pharmaceutical products and processes be subjected to prior approval by ANVISA". ANVISA itself states that its role is, among others, to provide "technical support in granting of patents by the National Institute of Industrial Property". ANVISA oversees reference medicines, similar and generic drugs, medical equipment, cosmetics and hospital services, and has responsibility for authorizing products on the market, as well as licensing manufacturers.[26] User fees for ANVISA have grown substantially in recent years.

In 1999, Brazil passed legislation, which dealt with the licensing and registration of generic medicines. Supplementary measures provided technical standards and norms,

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[25] Wadia,n.4

[26] National Sanitary Surveillance System, Ministry of Health , Brazil *http://www.ghtf.org/conferences/9thconference/presentations/latinamerican/waynebrodbeskow.pdf* Dated 20 May 2006

such as bioequivalence and bioavailability standards, that are now applied by ANVISA. Generic drug approvals started to issue in 2000, and by December 2004, 1377 approvals were issued for 284 active ingredients in 5,960 dosage forms 26. It should be noted that there are state-owned pharmaceutical manufacturing facilities. In 2003, the official laboratories produced 5,110,904,498 units of medicines, destined mainly to meet the needs of the Unified Health System (SUS), of which 57 per cent of the laboratories having the Ministry of Health as their main client, 29 per cent of them having the State Health Secretariats as their main client and 14 per cent for the Township Health Secretariat.

Financing of the Health Care System

Until 1988, the health sector had been financed principally through social security revenues (contributions from workers and employers through payroll deductions) and, to a much lesser extent, from resources from the national budget for the Ministry of Health. The new constitution of 1988 established new revenue sources for social security through mandatory contributions tied to the gross revenues and net profits of companies, but for 5 years the old system of social security contributions remained the most important revenue source for the health sector. In 1993, social security stopped providing resources to the health sector, and its financing began to depend exclusively upon the national budget. However, this change in financing occurred in the context of structural adjustment policies promulgated by the International Monetary Fund (IMF) and other international financial agencies and resulted in chronic funding shortages.

Because of the funding crunch, the Ministry of Health became the temporary beneficiary of a new source of revenue created in 1996: a tax on all financial transactions. In 2001, a constitutional amendment reverted the system of financing the health sector to general revenues: the federal government is now required to allocate and spend an amount equivalent to the previous year's budget adjusted for gross national product (GNP) (whose average growth over the past 7 years was 2.4 per cent) and using the 1999 budget (US $9 billion) as a basis. State and municipal governments have also been mandated to

increase their spending on health until it reaches 12 per cent and 15 per cent of their respective budgets by 2004. [27]

In the 1980s, the federal share of health spending was 77.7 per cent of the total. By 1996, the federal share experienced a sharp drop to 53.7 per cent of the total, in large measure stemming from the decrease in federal spending owing to fiscal adjustment measures pressed by the IMF. Because of the federal decrease, municipal financing as a share of the total has grown considerably, with an increase of approximately 12 per cent per capita over the same period.

Thus, during the Cardoso administration there was a profound change in the financing of the health sector in Brazil—from almost complete dependence on social security revenues to the general funds of federal, state, and municipal budgets. Notwithstanding these changes, overall public spending in health remains at approximately 3.4 per cent of the Brazilian GNP.[28]

Evaluation of the Health Reforms

The main result of reform of the health system in Brazil is universal access. In a country with the inequality indexes of Brazil, guaranteed health care, independent of links to work or ability to pay, is a major advance. There has been a transformation of the power structure of the sector, which previously was dominated by the private interests of politicians, bureaucrats and service providers, which encouraged inefficiency and corruption in the system. This new structure is more transparent and has made possible important improvements in public health services, through better management of resources. For example, managers at the different levels of government participate in decision making about resource allocation. This allows the formation of agreements based on technical criteria, thus reducing conflicts over scarce resources. Many health

[27] R. Guimarães , *Financing and priority setting in health research in Brazil, URL at* www.globalforumhealth.org/forum7/CDRomForum7/wednesday/Plenary4aGuimaraesFull.doc dated 27 June 2006

[28] Ibid

councils exercise their role of supervision of service suppliers, procurement and bidding processes. The federal government recently introduced a national information programme on current prices for medicines and services, thus facilitating comparisons for local managers.

Nonetheless many problems remained. Access to public services was still difficult for a large part of the population. There were problems in the areas of management and human resources, along with poor distribution of resources and services. But funding can be identified as the main factor. The system did not have stable resources. The funds earmarked for it depended on economic guidelines and had undergone successive cuts.

Universal coverage obviously required greater public-sector investment, but practically none had occurred. The public sector still depends on private services, which are contracted and account for most of the medical care provided by the public sector. Though these contracts are under much tighter control, the payment criterion continues to be based on the volume of services provided, which encourages use.

There has been a gradual recovery in the Brazilian public sector's health-care capacity. Furthermore, the Brazilian Health reforms have increased the competition through a more private provision pace. Nonetheless, it remains focused on the poor population that cannot afford private insurance or a private health plan. Private health institutions, on the other hand, are beginning to improve their services to users as a result of the new regulations.

Despite health reform efforts and a particular focus on reproductive health, many of Brazil's health indicators continue to be cause for concern. Like many countries, there is wide disparity in Brazil's demographic and reproductive health indicators. Maternal and infant mortality rates are nearly three times higher in the north-east region (250 per 100,000 live births and 75 per 1,000 live births, respectively) than in the south and South-

east; overall infant mortality in 1998 was 37 deaths per 1,000 live births. In North-east Brazil, 55 per cent of births in the last five years were classified as 'high risk.'[29]

The State Remains Crucial Despite Decentralisation

Decentralisation did not change the fact that the state remains the main payer for health care provided in private institutions. It did, however, stimulate an increase in local investment in the creation or recovery of the public service network. An effort was made to control costs and rationalize the use of services.

An important change concerns the mechanism of allocating financial resources to private and public providers. The fee-for-service mechanism used to pay private providers was considered uncontrollable, and has been replaced by a type of diagnostic-related group (DRG) procedure for transferring funds

The introduction of some intermediate management bodies in Brazil, such as the inter-management commissions and health councils, has opened the door to innovative forms of regulation, although they are not yet fully deployed. Undoubtedly, a new form of regulation neither bureaucratic nor corporate, nor laissez-faire — is emerging that can be used by the government and organised civil society to defend the public interest.

The SUS, which provides an estimated 95 per cent of primary care in Brazil, supports outpatient services in a fee-for-service system, and reimburses inpatient services through a prospective payment system. The Ministry of Health assumes primary responsibility for national sanitation and the evaluation of health system performance, while state government focuses on chronic care and communicable disease prevention. Local health authorities are accountable for meeting needs assessments and budgeting requirements for their immediate care market. Limited national and municipal funds have been spent to increase the number of access points for end users and address complaints about the poor

29 Naresh Chenani , Vikalp Mehta & Resha Patel,*Review and Evaluation of Health Care Reforms in Brazil,*URL at http://www.econ.qmul.ac.uk/NHS_reforms.com/student_file/Chenani_new.doc dated 30 June 2006

quality of the public portion of the health care system. The middle and upper classes increasingly are opting for private health care. The private sector in Brazil is divided into two systems private hospitals that depend on SUS financing but provide secondary and tertiary care for "luxury clients", and private hospitals in specific geographic areas, ethnic groups, or networks of physicians, which have their own insurance plans. An estimated 30 per cent of the Brazilian population purchases private health services

Conclusion

Reform of the health sector in Brazil presents a difference in comparison with the reforms carried out in other Latin American countries. It is not the result of a reduction in government, with a consequent reduction in public responsibilities. On the contrary, it is based on extension of health-care coverage to the population as a whole, under the government's responsibility. However with the government reducing their intervention and funding has gone against the aim of the reform, which was precisely to expand this responsibility. This difference has meant that the Brazilian reform has taken place at an uneven rate, with many hesitations and solutions highly dependent on political negotiation.

Cardoso's reforms succeeded in changing important characteristics of the system that prevailed from the 1970s to the 1980s, but not the segmentation of access to health care, which may have become more complex.

In the 1970s and 1980s, health coverage depended on contributing to social security which was only made possible through an official contract of employment—available only to the organized sector. This distinction was done away with by the Sistema Único de Saúde (SUS, unified health system). However, the kind of segmentation remained, with more dimensions and with larger distances between the groups. This segmentation occurred among those who were insured, because there were differences among the lists of services and their quality, according to the positions acquired by the various categories of insured groups. Segmentation occurs not only within the private system, as the

offerings differ enormously from one company to another but it also occurs in public services, according to the services offered to the population by a given government. And none of these services—public or private, guarantees quality.

After all these reforms by Cardoso the health care system is far from providing quality health care to whole population. Health care system still faces difficulties in access to services, as well as privatised health care unit under contract provide low quality of care. Greater control was needed over private-sector companies that supply services to the public sector and the regulations governing private health insurance. Special health plan was also necessary and health to promote basic, preventive health care.

Cardoso should have defined more clearly the role of the states in balancing differences between municipalities, in encouraging municipal autonomy and in creating strategic health plans illustrating the idea that Health authorities are becoming planners. Incentives could have also been provided to improve efficiency in the relationship between costs and improvement of health indicators.

CHAPTER V

Summary and Conclusion

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Fernando Henrique Cardoso's eight years as president of Brazil were a time of constant attempts to transform Brazil economy, society and polity. These years were also consequential in shaping contemporary Brazil. There are disagreements among the scholars whether the outcomes of the Cardoso years were largely satisfactory or largely disappointing. The reforms Cardoso succeeded in promulgating, along with his failed attempts at reform in other areas, resulted in widely varying assessment of his success. There are two differing views of the Cardoso's presidency that emerged in this argument. Some scholars criticise Cardoso for systematically capitulating in the face of international financial pressure and indeed, for serving as a handmaiden of hegemonic international capital and being an agent operating on behalf of foreign (and some domestic) capital, a puppet of international oligarchs who worked to "make Brazil safe for capital".[1] Other scholars by contrast praise the Cardoso presidency from a variety of thematic angles and reach much more mixed conclusions about the outcomes.[2]However, the focus in the preceding chapters has been on Cardoso's social security policies with regard to education, health and poverty and the accomplishments in these three areas during his administration.

Beginning with a brief overview on the origin of the concept of social security the first chapter attempts a definition of social security and how it changed over the years. Industrialisation in the late eighteenth and nineteenth centuries exposed a much larger number of workers to new risks and insecurities leading to the establishment of the trade unions and mutual aid societies. This in turn compelled the state to assume direct responsibility for some elements of social security. However, it is only after the Second World War that the concept of. Social security became more comprehensive and

[1] James Petras and Henry Veltmeyer, *Cardoso's Brazil: A Land for Sale* (Lanham: Rowman and Littlefield, 2003),p.134

[2] Mauricio Font , Anthony Spanako and Christina Bordin,*Reforming Brazil*(Lanham: Lexington Books, 2004),p.224

generous, protecting the population against poverty, unemployment, sickness and injuries, and providing health care, maternity benefits, family allowances, housing subsidies and old age pensions. Nevertheless, the coverage and the range and level of benefits showed considerable country variation. The social security systems and welfare provisions in developing countries like Brazil were more diverse than in the industrial countries extending to begin with to civil servants and employees of large enterprises only.

The welfare state in Brazil evolved in a different way, because the genesis of Industrialisation in the country occurred late and did not present significant changes during the democratic regime between 1945 and 1964. Between 1964 and 1985 Brazil was ruled by military governments known for their political repression, rigid centralization and strong emphasis on economic growth as opposed to social development. After the economic crisis that hit Latin America in the 1980s, Brazil's social security fell into deep financial trouble and no major institutional reform was carried out in that decade. The State was not only unable to solve the social crisis, but it also contributed to exacerbate the crisis by excluding social groups from receiving benefits and allowing the deterioration of the quality of social services. As a result, inequality levels in Brazil were higher than in other countries with similar development levels. Thus, the Brazilian social policy was soon perceived as historically inefficient and ineffective. The re-democratization of 1985 tried to address the serious social problems (poverty and unemployment) aggravated by the twenty-one years of military regimes, and to promise better social services. The Brazilian Constitution of 1988 had a whole chapter on the social order, with guidelines for social security, education, culture, ports and science and technology. But these policies could not be implemented during the Collor administration, which implemented a tight macroeconomic policy to reduce inflation.

During the eight years of his administration (1994-2003), President Fernando Henrique Cardoso performed a massive experiment on the Brazilian economy by becoming the champion of neoliberalism and making his government a paradigm of the political economic regime that was adapted to varying degrees in the countries of Latin America

during the 1990s. Despite its neo-liberal profile, the administration implemented an expansive fiscal policy, increasing social spending steadily in contrast to the Collor administration. These elements boosted a short but significant period of economic growth contributing to poverty reduction. At the same time the Cardoso government also adopted compensatory social policies, which made notable achievements in the areas of public health and expansion of elementary education. During the two Cardoso administrations, social policy in Brazil experienced major progress. The decentralization process reinforced by the New Constitution went finally beyond spending, affecting also policy design and implementation. While central government partnerships with other sub-national governments as well as with civil-society organizations and the municipalities, accounted for important innovative programme. It is against this backdrop, that an attempt is made in monograph to examine Cardoso's policies on poverty, education and health.

The purpose of the chapter on poverty is to examine the economic policy measures implemented during the regime of Fernando Henrique Cardoso and its impact on poverty in Brazil. President Cardoso inherited a country that was going through high inflation but he managed to reduce inflation through the Plano Real stabilization programme. Liberalizing measures such as privatization, commercial and financial deregulation and institutional reforms were deepened, attesting to the neoliberal contour of the Cardoso administration. Stabilization played a central role in reducing poverty. Also, there was a significant real increase in the minimum wage altering considerably the purchasing power of the poorest population. Despite its neo-liberal profile, the administration implemented an expansive fiscal policy, increasing social spending steadily. These elements boosted a short but significant period of economic growth contributing to poverty reduction.

The Cardoso government also implemented various poverty alleviation programme, such as Bolsa Escola programme, which was designed to combat poverty and social exclusion while building a better and stronger society by enabling children from poorer communities to go to school. It is a demand-driven education programme that provides

cash transfers to mothers of poor children throughout Brazil, conditional on their children's continued attendance in school. While initiated in 1995 on the outskirts of Brasília, Bolsa Escola became a nationwide federal programme in 2001. By the end of 2001, Bolsa Escola had been implemented in 98 out of the 5,561 Brazilian municipalities, providing stipends to over 8.2 million children from 4.8 million families. There was other innovative federal programme such as Comunidade Solidária Programme, Programme of Eradication of Child Labor, Alvorada Project. Since Cardoso implemented macroeconomic stabilization programme in 1994, the number of Brazilians living in poverty decreased and the distribution of income registered a small improvement. But poverty and income inequality remained severe. Brazil has also made important strides through the ongoing development of the Bolsa Escola Programme.

The impact of Cardoso's policies was felt most in the sphere of education. There was not much change in the basic education system in Brazil till constitution of 1988 established the guidelines for national education, according to which education was a right for all, duty of the State and of the family, and was to be promoted with the collaboration of society, with the objective of fully developing the person, preparing the individual for the exercise of citizenship and qualifying him/her for work. But the emphasis on the basic and the primary education continued to be ignored till the 1995. It was in 1995 that the Cardoso government started promoting higher quality education directed in particular towards the school age population. They also sought to provide opportunities for those who did not have access to education at all. Compensatory programme such as School Lunch Programme for children in the primary and the pre-school levels of the public system, National School Book Programme (PNLD) distributing primary school textbooks, and National Guaranteed Minimum Income Development Programme were also implemented. However, the emphasis was on primary education. Secondary and techno professional education too underwent profound reforms mainly because more students were completing their primary education at an earlier age enabling them to continue with their studies.

The challenge Cardoso faced in higher education was how to ensure the expansion and diversification of the system while maintaining or improving its quality. Cardoso succeeded in providing universal access to primary education, expanding the coverage of the secondary and higher education, and raising teacher's qualifications. Much more was needed. It was necessary to apply the reforms in curricula to the full, increase the number of teachers with higher education, expand enrollments in secondary education while improving its quality, and increase the number of years of schooling to the population.

The health care system of Brazil had always been neglected, even though highly skilled medical care was available to the wealthy. Though various reforms in the health care system took place but it was the constitution of 1988 changed the health care system in Brazil and led to the establishment of Unified Health System. However, it was only during the Cardoso administration that the system was implemented. The Cardoso government's greatest achievement in the health care system has not been in changing the model of health care, but in making it more of a reality. Programme were targeted on the poor, including family doctor programme, basic pharmacy programme, vaccination programme, women's health programme and programme combating infant mortality. The Cardoso government in 1996 took decentralisation of health care system forward. The objective was to give the 3,300 Municipalities the accountability for the basic care and the qualification of further 700 in the full management of the respective local health care systems. Cardoso also launched various programme like The Community Health Agents Programme employed modestly trained health workers to visit households once a month to identify health risks and to record health information. In early 1997, Brazil's Ministry of Health established a working group to coordinate the development of a national drug policy. This document established a basis for activities and priorities, including the adoption of a national essential medicines list, health-related regulation of medicines, the re-orientation of pharmaceutical services, and promotion of the rational use of drugs. Cardoso government also created the Brazil's Sanitary Surveillance Agency (ANVISA) in 1999, "to protect and promote population's health, ensuring the health safety of products and services, participating in the construction of the access to them". One area in which improvement has been much more rapid under Cardoso is Brazil's response to

the global AIDS epidemic. Cardoso provided free health care for people with AIDS. There was a sharp decline in deaths since 1995, primarily due to the free distribution of AIDS medications through the public health networks. Thus, during the Cardoso administration there was a profound change in the health care system in Brazil. The main result of reform of the health system in Brazil is universal access.

The success of the social security policies and programme implemented in Brazil during the Cardoso years have been questioned and contested. The the three preceding chapters discussing his policies on poverty, health and education show that Cardoso's success was a matter of debate. According to critics, the social impact of Cardoso's policies have not been very rewarding, despite claims to the contrary by the Fernando Henrique Cardoso's administration. True, poverty rates fell, infant mortality also fell, literacy rates went up, and even the wretched record of income distribution seems to have slightly improved when measured by the Gini coefficient. However, poverty, infant mortality, literacy, and other social indicators have been improving since the 1940s, and hence the current results cannot be attributed to the liberalization experiment. Income distribution, which is responsible for the terrible Brazilian reputation in social issues, actually worsened considerably.

The reason for this income inequality can be traced to the neoliberal policies of Cardoso. President Cardoso's eight year Presidency witnessed a reversal of 50 years of progress: he privatized the most profitable and successful state industries and banks; he opened Brazil's markets to cheap, subsidized food and information technologies, displacing millions of peasants and undermining local industry; he borrowed heavily from foreign banks mortgaging future export earnings and he deregulated the economy leading to ecological devastation of the Amazon rain forest. The IMF, World Bank, and private banks of the US, Japan and the European Union lent the Cardoso regime tens of billions of dollars and called Cardoso a model reformer. But within the country however the response from the workers, peasants and universities were hostile.

Through this neo-liberalism Brazil's per capita GNP grew at 1 per cent; its GNP in dollar terms declined from $705 billion in 1995 to $504.8 billion in 2001. Brazil's growth rate from 1995-2002 was the lowest in the 20th century. Brazil's free market led to a negative trade balance and after interest payments and profit remittances of a negative cumulative current account balance of $182 billion between 1995- 2002. The foreign debt grew from $148.3 billion to $228.6 billion in 2001 and fast approaching $250 billion in 2002. While Cardoso has been borrowing heavily overseas and paying exorbitant interest rates, he slashed public spending subsequently. In 1995 the regime spent 20.3 per cent of its tax revenues on education, in 2000 it spent 8.9 per cent; in 1995 it spent 9.2 per cent on higher education in 2000, 4.2 per cent. In contrast, in 1995 it paid 24.9 per cent of revenues in interest payments for public debt, in 2000 it paid lenders 55.1 per cent. Income distribution, which is responsible for the terrible Brazilian reputation in social issues, actually worsened considerably.

Not surprisingly, despite the incredible reduction of inflation, the center-right coalition that supported the Cardoso administration suffered a landslide defeat in the last elections. The result brought to power a party from the left of the political spectrum for the first time in Brazilian history. Despite these structural impediments, Cardoso's legacy has been one of democratic consolidation and substantive improvements in education and rural health care.

Although supporters of Cardoso's successor, Lula da Silva rail against Cardoso's "neoliberal" policies and their supposed failure to alleviate poverty, the outgoing president had taxed and spent as never before, while poverty had fallen and other social indicators had improved. His most memorable achievement, one that several of his predecessors had attempted without success, was the conquest of inflation. When the Real Plan was launched, inflation was running at an annual rate of 10,445 per cent. Soon afterwards, it fell to single figures and stayed there. Since the poorest had found it hardest to keep up with rising prices, this caused a drop in deprivation. According to a study, by a research institute, it was reckoned that the proportion of Brazilians living in extreme poverty (defined as not having enough income to eat properly, let alone afford anything

else) fell from 20 per cent to 15 per cent between 1993 and 1995, though it has not improved further since.

For measuring health care reform, infant mortality is the most widely used yardstick. Infant mortality had fallen significantly in response to various federal programme, although Brazil remained behind some other comparable countries. A bold anti-AIDS programme (official exhortations to use condoms, cheap drugs for those with HIV) seems to have paid off. The number of new cases peaked in 1998 is below its 1994 level. Progress against other infectious diseases has been more variable: cases of dengue fever, for example, have increased.

In education, one of the areas in which Brazil has long been backward, progress has been made. For the first time in history, almost all Brazilian children are going to primary school. Enrolments have soared in secondary and higher education. Among many new reforms was the Bolsa Escola, a benefit pioneered by local PT governments paid to poor families on condition they send their children to school. Yet, for all this, the rich world has been improving its educational performance faster, leaving Brazil still further towards the back of the class.

Cardoso's record certainly compares well with those of his predecessors and with those of the leaders of neighbouring countries. There are areas where he has accomplished much less than he hoped, such as reducing income inequality. Critics repeatedly claim that Cardoso has not paid enough attention or spent enough money on social programme. However, it can also be pointed out that the amount of money spent is not necessarily as important as the results achieved. The purpose of government programme was to get results. Many of these reforms have had measurable results, such as the increase of the number of families settled on farms by the agrarian reform programme. Social indicators have improved during the Cardoso years. Of course, the needs were great and much remained to be done. But resources were limited and there were many legal and political restraints on how they could be used.

The Cardoso record, in sum, is clearly mixed. After assessing the Cardoso years the results are neither alarmist nor impressive. Under Cardoso, Brazil had made significant progress according to indicators for health and education, and on macroeconomic stabilization, but had done considerably less well on reducing income inequality.

The main objective of this monograph was to raise the question whether social security policy package proffered by a neo-liberal state such as Brazil was able to meet the needs of the marginalized segments of the population against the untrammeled market forces or merely sub-served these very market forces. In most neo-liberal states while the state had assumed responsibility to provide social security, eventually they had resorted to supporting "private responsibility" through work incentives and privatization of service provisions. In the case of Brazil it is not as easy to arrive at such a conclusion. For, in Cardoso's Brazil the "welfare" objective of the state received the importance that it deserved as much as the regime's commitment to social security policy was adequately reflected in respect of its enforcement and efficacy. Yet it cannot be gainsaid that the adoption of neo-liberalism by the state no doubt made inroads in its efforts to evolve appropriate social welfare policies. Overall, looking at the track record of Cardoso's regime, it is possible to say that in some areas such as education the state's initiatives have been effective and productive. Yet in the realm of eradication of poverty and equitable income distribution the regime's accomplishment has been far from satisfactory.

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