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# *The State as an Agent of Social Change and an Economic Regulator*

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## **INTRODUCTION**

The debate on Social Development implies discussion about the role of the state. The last thirty or forty years have shown clearly the benefits and the limitations of state action, mainly as an agent of economic and social development. With the collapse of the Soviet Union, and the success of East Asian economies, the debate has been intensified. The range of the debate goes from those who believe that the state should get rid of the economy, and those who still believe that the state has a substantial role to play in order to adapt its countries to demands of a globalizing world economy.

As written by Joseph Stiglitz<sup>1</sup>, "the real issue that both the success of East Asia and the failure of the socialist experiment raise is, what is the appropriate role of government in economic development?"

This is a fundamental question, mainly for developing countries. Depending on your answer, public policies will be affected, as well as lives of the population.

In a country like Brazil, with enormous inequalities among states, ills of poverty, in process of opening the economy, the current administration understands as fundamental the state's role, mainly as an agent of social changes and economic regulator.

The purpose of this paper is to discuss briefly the role of the Brazilian government in the social field, before President Fernando Henrique Cardoso took office, in 1995, and the changes implemented in his administration.

Section II describes the prevailing public policies in the social field before the Real Plan. Causes of success or failure of those policies are also discussed.

Section III has three objectives. First, to point out the changes in the state's role after 1995, the priorities of the Cardoso administration, and the first impact of the stabilization plan. Second, to describe the new framework for social policies adopted by the current administration. And third, to detail the main actions and their results in the

following areas: education; health; employment and income generation; housing and basic sanitation; social assistance and justice. The paper ends with a summary of its main conclusions.

## II - The Social Situation at the Beginning of the Real Plan

### II.1 - General View

The Brazilian society lived, between mid 1980s until the beginning of the 1990s the consequences of their capital accumulation pattern initiated in the 1960s. Income concentration and social exclusion characterized this pattern of rapid economic growth. At the same time, it tried to create compensatory social policies. Those policies were envisaged to attenuate, on one hand, social tensions generated by relative economic stagnation, and on the other hand, by attempting to integrate excluded segments of the population through programs with social assistance characteristics.

In this way, the welfare programs based on social funds (FGTS, PIS, PASEP, FAT)<sup>2</sup> gave the middle-class rights to receive pension after retirement, medical assistance, facilities to get basic sanitation, financing for moderate income housing and urban development as means to compensate for wage losses.

For the informal sector, various programs were created, such as universal medical emergency assistance, aid benefits for elderly and rural workers, adult literacy and nutrition program. These programs even though handled without dexterity, tried to attenuate the needy conditions of life of the great majority of the Brazilian population.

The attempts to stabilize the economy and retake economic growth in order to soften the economic and social situation started at the beginning of 1980s. The results, unfortunately, didn't last more than a short period of time. The persistent inflation and recession continued producing negative effects like poverty increase, income concentration and precarious conditions in the labor market. At the same time these facts were happening, the return of democracy and political openness strengthened the demand for social policies.

In this sense, the 80's appear as a contrasting decade. There was a strong reduction in social expenditures in the first half-decade, and a significant increase in the last half. Data of this field, based on General Government Balance (BGU) and Social Funds Balances were systematized by IPEA (Institute of Economic and Social Research). They reveal that social expenditure during the first period mentioned was 14% of GDP, rising up to 17% of GDP in the second period<sup>3</sup>. In details, there was an increase in these expenditures between 1980/82 and 1984/90, and a decrease in 1982/84. After 1990, there was another decrease. The level of those expenditures in 1992 was the same of that observed for 1982. The cycles of expansion of those expenditures were not sufficient to compensate the losses during the crisis period.<sup>4</sup> The social expenditure, mainly at the federal level, shows a strong tendency to follow economic cycles. The greatest decline of resources in this field happened when the Brazilian economy lived through periods of deep crises.

During the 1980s, besides the movements observed in the budget and political arena with the openness, other transformations were occurring in the scope of Brazilian intergovernmental relations.

So far, the majority of resources based on tax and social contributions were concentrated at the federal level. States and municipalities were almost completely unable to promote and finance social policies with their own budgets. Besides, those programs were defined at the federal level and monitored by various ministries and institutions far away from their implementation. This methodology brought about additional difficulties to work with social policies and achieve results in this field.

In the context described above, the idea of administrative and fiscal decentralization began to predominate. The dominant class together with the federal government believed that administrative decentralization was necessary in order to transfer to each government level its responsibilities regarding public policies execution, particularly in fields such as health, sanitation, education, housing and transportation. The main argument was the awareness of these government levels of their communities' needs. Besides, there was the belief that decentralization could

be a way to introduce new philosophies of planning and management, helping local communities to become more conscientious in their role in the state development.

In fact, decentralization occurred in the fiscal area. The participation of states and municipalities in the federal revenue rose from 13.3% in 1980 to 28.6% in 1989.<sup>5</sup> Additionally, the states tax revenue also increased through rising the tax percentage. The negotiated federal transfers also rose. Those resources were extremely important to local governments. They represented a revival of their capacity to finance and manage policies.

The administrative decentralization, however, didn't follow the same way. The deepness of fiscal crises at the beginning of the 1990s, begun in the 1980s, led to a progressive exhaustion of the pattern of social management based on both, negotiated transfers and decentralization of responsibilities. The decentralization process in this period could be characterized as strongly dependent on the federal government, and also arbitrary in regard to transfers. The negotiation of resources always happened without rules or under federal rules. Depending on how the political relationships between the sides evolved the result would be positive or not.

Among many explanations for the failure, and considering the government model adopted in the country, one is always described as fundamental: the Constitution of 1988 increased the participation of states and municipalities in the federal budget, weakening the federal base of resources, and the concerns with economic stabilization placed growing limitations on the financial relations among federal, state and local governments.

However, this is only part of the history. States and municipalities could have made their own social policies, since they already had more resources. Instead of doing that, these levels of government were waiting for federal transfers. They also waited for federal decisions in this field. The 1988 Constitution and its regulation did not define responsibilities for each level of government in this area. This fact has created a difficult situation for the federal government that now is trying to review the issue. The modification depends on congressional approval, which means, political negotiations.

To summarize, since 1980 economic crises have reduced significantly the amount of resources for the social expenditures. Additionally, the lack of responsibilities for each government level helped to remove pieces of the decentralization of the social management system, which had been outlined in the 1980s.

The scenario in the social field when the current government took office included social exclusion, one of the worst levels of income distribution in Latin America, and negligence regarding social expenditures, mainly towards the most needy. Those facts were all combined with the inefficiency or failure of social policies adopted before 1995.

### III- The Current Administrative Framework for Social Policies

The State began to shift its role right after the new president took office. All reforms proposed were done in order to decentralize the federal government's power and reduce the state's role in the economy as an entrepreneur. The changes promoted, or in process, have as objective not only to improve economic performance, but also make it easier to implement a new social policy.

After years of poor macroeconomic performance, the present government implemented an ambitious stabilization program and structural reforms envisaging inflation reduction, ensuring long term sustainable growth, and promoting sharp reduction of social inequalities.

To achieve the third objective, in a scenario described before, the current administration defined the new Social Policy concentrating on the following areas:

a) more efficient social spending;

b) emphasis on greater opportunity, basic education, professional training and retraining, sanitation, housing and reduction of infant mortality;

d) fight against hungry and poverty, and

e) partnership with the civil society.

This huge task has as one of the main objectives to bring together economic and social decisions, in order to give support for all programs included in the social policy plan.

### III.1 - The First Impacts of the Real Plan

The Real Plan brought about a new economic reality and, together with that, the most important income distribution of Brazil's recent history. The government objective was to make a stabilization plan with inherent income distribution mechanisms. Besides, access of needy people to this distribution was expected, in order to improve their standards of living.

Low inflation has a profound social impact, bringing substantial gain for workers in terms of both employment and purchasing power, particularly by removing the inflation tax burden from the shoulders of those least able to bear it. There is a correlation between low inflation and economic growth, on one hand, and improved income distribution and poverty alleviation on the other.

"As shown in a recent study by IPEA, the drastic reduction in inflation resulting from the introduction of the Real Plan radically changed the pattern of increasing social inequality and constantly welfare declining. By this study, the poorest 50 percent of the population made gains of 1.2 percentage points in their share of national income, while the richest 20 percent lost 2.3 percentage points."<sup>6</sup>

In 1995, the economy grew and purchasing power increased, especially among workers with low salaries and low income. The cost of the items in the basic food basket remained practically unchanged during 1995. Food consumption grew, in general, by 30 percentage points<sup>7</sup>. There was also an increase in purchases of durable goods. Per capita food consumption of most of the basic food items has been growing throughout the 90s and improved with the Real Plan.

The employment rate also had significant impact after the Real Plan implementation. According to IBGE, the annual average unemployment rate (calculated in accordance with the methodology recommended by the International Labor Organization) has declined. The introduction of the Real Plan initially stimulated the creation of new employment. The overheating of the economy at the beginning of 1995, combined with the Mexican crises, however, made it necessary to moderate Brazil's growth rate. As a consequence of these contractionary measures, employment declined. Nevertheless, the 1995 unemployment level was lower than that of 1994<sup>8</sup>. In fact; unemployment was at one of the lowest levels in recent Brazilian history and below that of most developing countries.

After the introduction of the stabilization plan, employment grew in the services sector and agriculture, and fell in certain industrial sectors. To solve unemployment problems the government created, in 1995, the National Program for Professional Development the objective of which is train and retraining workers in order to give them more chances to better perform their work when returning to labor the market.

"The following 1995 employment and income data are also worth mentioning:

- average real wages, per person employed, grew by 13 points percentage in 1995, as opposed to 5,4% in 1994;
- the minimum wage grew by 54% (from R\$64,79 in July, 1994 to R\$ 100,00 in May 1995);
- by November 1995, unemployment insurance covered almost 4 million workers, at a cost of R\$1,6 billion, and
  - the Indentured and Child Labor Supervision Program was introduced, as a mean of taken children under 14 years old away from work, instead going to school."<sup>9</sup>

Concern with social problems within an economic plan is unusual in Brazil. The introduction of social action in the Real Plan as a priority shows that the dilemma existing between the economic and social is overcoming. In fact, in the globalization era the dilemma is other: both social and economic areas must move forward together or they are going to fail together. To grow nowadays it is necessary to be competitive. Brazil needs, besides economic reforms, to reach higher levels of knowledge, technology, education and professional qualification. The economy doesn't exclude, but imposes the social reform.

Brazil is going from one pattern of economic growth to another and from one style of consumption to another. In spite of the fact that there are still many people excluded from the market, large contingents of the poor class were included in it. This fact requires government and private actions constantly directed to guarantee this inclusion. This is a new reality, to be considered when making economic and social policies.

### III.2. The new framework for social policies

As already mentioned, the first impact of Brazil's economic plan, brought many fruits to the least privileged sectors of the population improving their standards of life.

These impacts were made possible because, besides the economic stability and economy reorganization, the federal government reviewed the traditional framework usually used to analyze and establish the organization in social field. The decision was based on the belief that social expenditure is not consumption expenditure but a social investment that when administered with efficiency generates human and social capital irreplaceable in reaching a sustainable growth.

So, to have an efficient management of social policies and programs, the government implemented several actions, listed below, in order to ready a new framework in this area:

1. Creation of intergovernmental nets as a mean of reaching their objectives. The President and staff believe that is impossible to work alone. Others entities, organizations and local governments must necessarily move in the same direction. The nature and extent of social objectives require multi-institutional cooperation. In this regard there were created, among other decisions levels, councils of:

- Education (with representatives of states, municipalities and civil society);
- Health (with representatives of states, municipalities and civil society);
- Social Assistance (with representatives of states, municipalities and civil society);
- Severance Pay Fund (representatives of government, labor unions, housing constructors, trade owners and bank system).

The councils are responsible for policy elaboration and results evaluation in each area.

2. Improvement of the connection between economic and social policy through creation of the Social Policy Chamber composed of ministers of Finance, Planning, Health, Agriculture, Education, Work, Social Assistance, Justice and the Civil House of Presidency of Republic. This Chamber is the highest level of social policy coordination in the government's scope. Its main role is to ensure the necessary conditions to make feasible the programs' execution in this field regarding financing and development quality. Supervision, evaluation and revision of proposed actions should achieve the latter task, when the results would be considered unsatisfactory. The meetings occur monthly or whenever any serious problem requires a more extensive decision.

3. Decentralization - to better perform essential programs in social field, decentralization of resources and responsibilities is essential. Education is a good example of this action, even though in the beginning. Each Council defines the policy, and the resources are transferred directly to states, municipalities and institutions. The councils also define the transfers' rules.

4. Connection with the civil society - besides Councils and the Chamber of Social Policy, the government created the Solidarity Community Program. That Program gives resources without charges for the poorest and monitors the social impact of ministerial programs. It raises funds for basic education and health projects in needy localities (basic "school kit" distribution to students and teachers, school transportation, school lunches and combating infant mortality). Its most recent project, the "Solidarity University", sent one thousand university students to poor communities to give assistance and guidance, and to initiate a process of improving the social situation in those communities.

5- Social Management Program - the objective of this program is to train civil servants to act in the social field as a manager. Without specialized knowledge, the organizations have the tendency to become incompetent when faced with more complex reality. This kind of program requires more and more advanced levels of interpretation to be developed. To have professionals with these skills, the Civil House of the Presidency of Republic of Brazil signed an agreement with the International Development Bank - IDB, more specifically with its Institute for Social Development - INDES, in order to train a first group of public servants, and to prepare a specific course to be taught in Brazil. This program began in February 1997 with only federal servants. Later, it will be extended to state and municipal servants.

6. As part of social development strategy, the Brazilian government selected various programs and actions that deserve special attention and priority for their relevance and immediate impact on the standards of life, mainly for the poorest people. The Chamber of Civil House of Presidency of Republic of Brazil, mentioned in item 2 above, is responsible for managing and appraising those programs.

All ministries, councils and the social chamber have to observe four criteria to classify a program as a governmental priority:

- 1) programs towards generating immediately changes in the basic social services functioning as in the case of basic education improvement;
- 2) programs that come face to face with serious and emergency situations of social segments in extreme difficulties, as in the case of rural and old people, and people with disabilities;
- 3) specific actions for the hunger elimination, and
- 4) programs brought about by the change of economic growth pattern like those related with generation of jobs as well as retraining of the unemployed.

The topic coming next describes the main social programs implemented by the present government as well as their first impact. The programs were designed based on the criteria above mentioned. It is worthy to stress that the new framework, in spite of being subject to all sort of problems, tries to give transparency to the government actions. Rules to transfers are defined. The role of the state and civil society this process is also defined. The results achieved are, somehow, a test for the present framework.

### III. Basic Programs and Main Results

#### III.1. Education<sup>10</sup>

Education is one of the most serious issues that governments have to face up in order to promote quickly development and reduce social inequalities.

In Brazil, due to enormous educational system problems, priorities involving major part of population were set up by federal government. In this case, as the solution for the problem also depends on states and municipalities actions it becomes a little more difficulty. The discussion about what is responsibility of each government level is still at the beginning.

However, to improve the educational system, especially the basic education, is necessary to increase the amount of public resources for the field, to launch a campaign improving teaching profession and to maintain students in class.

Until 1995 each state and municipality had to invest a minimum of 25 percentage of your tax revenue in education. At least half of this amount had to be spending in basic education and illiteracy eradication. However, inequalities among these levels of government are too big, that frequently, parcel of this amount was spent in others areas. As basic education stands out as a priority, the federal government sent to Congress, still in 1995, a proposed of constitutional amendment that would:

- allocate 15.0 percentage of state and municipal tax receipts for basic education and creation of a special fund to be administered by each state;
- redistribute money from this fund among states and municipalities in accordance with the number of students enrolled in the basic educational system;
- guarantee, at the federal level, an annual expenditure per student of at least R\$300. When the redistribution among states and municipalities result in a per capita student lower than R\$300, the federal government will cover the difference, and
- earmark 60% of those resources to pay professors that are actually teaching.

Besides this Fund, various programs were selected to be closely followed by the Council of Education, the Solidarity Community Program, and the Social Policy Chamber. They are described following, as well as their results.

1. Improvement of Basic Education and Teaching Profession - this is the base of changes in education. To achieve good results in this field, government must invest in human resources, since teachers are the main instrument of transformation in any kind of school. The projects of this Plan are:

1.1. Establishment of a Basic Education and Teaching Profession Fund. The Congress approved the project in 1996. It ensures to basic education resources around R\$12 billions per year. In 1995, before its approval by the Congress, the federal government anticipated this amount of resources.

The implementation of this program increased the number of public schools' enrollment, already in 1996, in 14,56% relating to 1994's enrollments. (SOURCE: Tres anos de Real).

1.2. School TV Program - this is an exclusive satellite channel to train teachers and to update their teaching techniques. Each public school with more than 100 students received the resources to purchase a TV, a VCR and a satellite disk to receive the School TV transmissions. Only in 1995, resources were made available to 40,000 schools, benefiting more than 23 million students. Currently, there are 38,846 schools using this program.

1.3. National Educational Book Program - 110 million of books to students of basic and middle grades were distributed in 1995, 83% more than in 1994. The tendency of this program is to increase the distribution of books, in line with the increase of public enrollment. The quality of the books is appraised in order to eliminate elements of discrimination, inadequate curricula, and eventual errors.

1.4. Resources to Public Schools Maintenance - the innovation here is the way utilized to transfer resources. Contrary to the recent past, when the federal government sent the resources to states, states to municipalities and finally to schools, they are transferred directly to schools or parents' association. Now, the parents have responsibility in this resources administration and can make choices, can give opinions. The community is integrated, exercising its citizenship.

In 1995, more than 100,000 schools, in 2,000 municipalities received R\$228,7 million to maintenance. In 1996, the amount was R\$262,8 million, and the number of schools increased to 170,000. For 1997 there are R\$272

million, and the municipalities that already integrate the Community Solidarity will receive a plus of 30% on the value fix to be distributed.

1.5. Educational Assessment - the program was launched to develop instruments and ways to appraise the educational system, especially public universities. It intends to improve the quality, efficiency and equity of Brazilian high education as well to obtain feedback to subsidize public policies implementation.

1.6. Alphabetization for whole population - designed for people 15 years and older who cannot, with understanding, read and write a short, simple statement on their everyday life. It involves federal government, states, municipalities, NGO's and the private sector.

1.7. National School Lunch Program - the program provides nearly 6 million lunches to 34 million children (basic, only) covering 4986 Brazil's municipalities. It has been spending about R\$450 million with this program - almost the total UNESCO worldwide budget (about US\$518 million).

1.8. Democratization and Enlargement of Professional Education - this program is fundamental to people leaving an adult program or for those without desire or condition to apply to a university. Besides, it combines and gives support to programs created for professional training. The program is in progress, and its goals are creation of 1,200 professional center for education, increasing the number of seats from 139,000 (1995) to 604,000 (1999). The resources are provided by IDB(R\$600 million), FAT(R\$200 million) and Ministry of Education (R\$200 million).

### III.2. Employment and Income<sup>11</sup>

Problems in the labor market have, essentially, a structural feature. Policies in this field, intending to improve workers' welfare, demand a whole of long term strategies. The success of these strategies depends on the consensus degree among government, workers and entrepreneurs in actions towards facing up the unemployment, generate new job's opportunities and get better the Brazilians' quality of life. In order to achieve these objectives, the government has already started various actions.

Two points should be stressed regarding supply of labor: massive investment in basic education as mentioned before, and wide-reaching training and recycle through the National Program for Professional Development. The target of these investments is to improve the labor-force skills in order to make it capable to face up the challenges that technological, organizational and management transformations are taken place in the world, and consequently in the Brazilian economy. This is one of the efforts to increase the quality of human capital within Brazilian labor force. Even though their effects will be strongly present in the medium and long-term, the National Program for Professional Qualification intends to be trained or recycled five million workers until December 1998. To reach this objective, there are involved universities, public and private schools (night classes), specialized institutions (SENAC, SESI), labor unions, enterprises and NGOs. The Plan follows one of the main criteria to implement programs in the current administration, i.e., decentralization. Each qualification plan is elaborated and coordinated for each State Work Secretariat, and has a State Commission for Employment to provide guidance.

"Actions on the side of the demand for labor, are concentrated on:

1. promotion of sustainable economic growth with prices stability;
2. development of policies for employment generation with a resumption of large-scale investments in infrastructure and social areas;
3. technical and financial support for better training in labor intensive sectors, such as construction, family based agriculture, and tourism;
4. tax incentives, improving conditions of financing for production, and technical support for small and medium companies, which provide most of the jobs in the country;



5. programs financed by state development banks designed to preserve and create jobs, and

6. reduction of the cost of labor factor in negotiations, making relations between Labor and Capital more flexible, including measures which provide greater autonomy to unions in celebrating collective labor contracts." ( Conference of the President Fernando Henrique Cardoso at the Colegio de Mexico, 1996.)

The actions mentioned are all included in the programs described below.

a) PROGER - Program of employment and income generation

To set aside for micro and small business with FAT (Workers' Assistance Fund) resources, managed by federal banks. These banks were chosen because have branches in the whole country. This is an essential characteristic to achieve the main objective of this program, which is identify areas or regions where jobs can be generated and the national and international saving can make investments. The program invested R\$1,32 billion in 1996, generating 309,000 positions. The amount of resource mentioned was spent in the urban and rural area.

b) PROEMPREGO - Program of Employment and Income Generation - was designed to more sizable investments. The resources come from FAT (Workers' Assistance Fund) and BNDES (National Bank for Economic and Social Development), and constitute a specific Fund, managed by BNDES (National Bank for Economic and Social Development). Currently this Fund has an amount of resources around R\$6 billion, to be invested (by loan) until December 1998. The results of this program are more intense in the long run. However, the investments generate jobs alongside.

c) National Program for Professional Development - the government is concerned not only about job creation, but also job recycling. For this reason, in 1995 the government spent R\$ 44,4 million to train about 222,000 workers and R\$290 million in 1996. For 1997 the amount will be increased with additional resources coming from states and the Ministry of Science and Technology.

d) National Settled Program - a goal of Brazil's agrarian reform is to settle 250,000 families until 1998. In 1995 40,000 families were settled, and 60,000 in 1996. With the conflicts between "without-land" and farmers, the Congress give to Agrarian Ministry a permission to hurry land's expropriation in order to have 250,000 families settled by the end of 1998.

d) PRONAF - National Program for Strengthening Family Farming - this program was designed to give assistance to the poorest rural families. It is understood that, besides the land, people need the necessary conditions to survive from it. Through an agreement with the National Confederation of Agricultural Workers (CONTAG), the government makes resources available to be used directly on the settlements.

The Reference Interest Rate (can be understood as the inflation rate) was eliminated from rural financing for new loans, and outstanding debts were refinanced for up to ten years with a two-year grace period.

As a result of this program, 19,000 families were benefited in 1995; 333,000 families in 1996, and the goal for 1997 is to benefit 600,000 families. The amount of resources spent in the two first years was R\$686 million. For 1997 the government has R\$1,5 billion to utilize.

e) Labor Market Flexibility - actions towards providing more flexibility in the labor market were also introduced as one of the main requirements to generate jobs by reducing costs for enterprises. The reduction of social tax burden can stimulate, on one hand, the job extent and, on the other hand, the legalization of labor market relations. These actions also contribute to reduce the "Brazil's Cost". Some of them are:

- modernization of labor legislation by deregulation of Ministry of Work's internal rules;

- introduction of labor rules more flexibles to make contracts. In this sense, the government sent to the Congress two-draft bill envisaging extent the limited term of work-contract nature and to make more flexible the current working day.

### III.3. Health, Alimentation and Nutrition<sup>12</sup>

Social services in Brazil are still far from surpassing their two major problems: high degree of inefficiency and inefficacy, and a low distributive impact. This fact is clear when discussing the health system.

The persistency of some system's characteristic keep a perverse mechanism where the more privileged people and regions are paradoxically the most benefited by social services. In the health area, as a result of this dynamic, the tax incentive turns in subsidies to medical-hospital for high-income class. It happens because complex treatments excluded from private health plans are financed with resources come from the Unite Health System (SUS). The SUS was created to offer universal service for Brazilian population, mainly those without enough money to have private health insurance, that is 80% of the population. In this sense, the health system was the opposite it should be.

Faced up with this reality, the system urged to be changed. In order to achieve good results, the Cardoso administration has been followed two ways: political-institutional system reorganization and improvement of sanitation framework. The latter issue emphasizes the infant-mortality reduction.

Sanitation problem requires the transmission disease control and a connection with programs of basic sanitation (sewer construction, drinking water, etc).

Malnutrition prevention and recuperation, actions of integral attention to women and children health are being implemented. The main governmental actions to ensure and extent the goals regarding to infant-mortality reducing are:

- the enlargement of vaccine to cover at least 90% of children five-years-old or younger;
- Implementation of Women's Health Integral Assistance programs;
- provision of drinking water and sanitation services. These actions involve resources and efforts of federal government, states and municipalities.

The aim of political-institutional reorganization is based on redirections of the current system to act in three main fields: individual and collective assistance, environment interventions, and extra-sectors policies. To obtain this result, the federal government has strengthened the role of states and municipalities decentralizing the management's service. The expectation for 1999 is that, from all Brazilians municipalities, 497 will already have total management autonomy, 2984 will have partial autonomy, and 14 states will have decentralized management.

Besides, with the Reform of the State, there will be implemented the revision of Ministry of Health's structure adjusting it to its new functions especially that related with public and private system, updating the "Sanitation Inspection" and definition of finances source. The planning, programming, controlling and evaluation of the information system also stands out in all government level, as fundamental instruments of change, and have been implemented.

Another crucial question is regarding to SUS finance. It's necessary to guarantee a stable level of federal resources to support the system. To solve this problem the Congress approved the "Temporary Contribution on Finance Movement - CPMF", that will bring about R\$6 billion to the health budget in 1997. From 1998 and on, other source of resource should be found.

The main programs in this area are:

1. Infant-Mortality Reduction - the actions of Ministry of Health and Solidarity Community in preventive medicine got amazingly results. Data from the National Commission of Bishop of Brazil (CNBB) based on information collected in 2,500 municipalities reveal that the infant-mortality rate drop off, for each group of one thousand born alive, from 41 children in 1992 to 17,6 children in 1996, per year. Maybe, this is the most

expressive index to show the shift in the Brazilian's standard of life, once it reflects the effect of several policies adopted.

2. Revision of Unite Health System (SUS)- the objective is to rebuild the System, updating technology and improving management conditions. In 1996, 355 public units were already rebuilt. The Ministry of Health intends to finish another 1,598 units until December 1998. The process is still slow.

3. National Immunization Program - keep infantile paralyze eradicated and contributed to decrease of diphtheria, tetanus, whooping cough and measles. The government mobilized Five million of students, in order to contribute for implementation of preventive diseases measures. Besides, campaign of vaccines covered 90% of the municipalities considered "in risk situation". Currently, 3,361 municipalities are being monitoring to prevent *Aedes aegypti* infestation.

4. Modernization of Sanitation Inspection - by introducing necessary techniques to produce chemical products. Periodical actualization of pharmaceutical product records already permits to inspect more than 270 industries and 100% of chemical laboratories.

5. Implementation of Community Health Agents Program - those agents help to fight against infant mortality and in dispensing preventive medicine. In 1995 the number of agents were 29,000, attending more than 26 million of person. Currently, there are 847 teams with 44,000 people working. These teams attend 3,5 million of families in the whole country.

6. Supplemental Food Program - "Milk is health". The PRODEA (Emergency Program of Food Distribution) have already distributed 7,5 million of basic basket food. This program is one of the branches of social policies helping to fight against the infant-mortality.

7. National Accounting System - to prevent and avoid fraud by computerized payment controls. The action is at the beginning. The system intends to combine all social information in only one record, making possible to check data and reach the system's objective.

#### III.4. Housing and Basic Sanitation<sup>13</sup>

Financing for housing and basic sanitation were restarted in 1996 after four years without loans. The Federal Savings Bank (CEF) and the Bank of Brazil are being restructured in order to be adapted to manage the new social policies. In 1996, R\$3,8 billion from the Severance Pay Fund (FGTS) were set aside to finance housing construction and sanitation programs. For 1997 the resources come from FGTS were set in R\$5,0 billion. The main programs to be financed with this amount of resources are:

1. Sanitation Program (Pro-Saneamento) - the goal is to benefit more than 15 million people in urban areas without drinking water and 6,0 million people without trash collect. The investments made in urban areas in 1995 and 1996 will benefit 1,68 million of Brazilian families. By the end of last year, the government had already reduced in 18,5% the deficit of sewer in urban areas. The end of 1998 will attend the last 20% who demand these services. From 1999 and on, with the responsibilities divided among the three levels of government, the problem in urban areas should be solved.

The total of resources for loans, around R\$5,7 billion comes from Severance Payment Fund. Low interest rate and long-term return characterize the loans. Besides, there is a linking between this program and job generation, since it executes public work labor intensive. In the first two years, 788 public works were executed in 644 municipalities, generating jobs. (SOURCE: Ministry of Planning, Urban Planning Secretariat).

2. Social Action in Sanitation - PROSEGE, PASS - both programs has as target to give support for families that perceive three or less minimum wage. The program reached 540,000 families in 727 municipalities, until December 1996. (SOURCE: Ministry of Planning, Urban Planning Secretariat).

3. Housing Program (PRO-MORADIA) - intend to provide housing for families perceiving three or less minimum wage, mainly that living in places considered "risk areas", i.e., places subject to flood, collapse, etc. The actions involve construction, rebuilding and recuperation of houses, sewer construction, acquirement of urbanized areas, and others infrastructure services. In 1996, the three levels of government made agreement to execute 234 public work that will be benefit around 99,000 families. Most of these services will benefit population living in slum, once the program was designed to people perceiving up to three minimum wage(R\$ 300.00). 4. Credit Card (Carta de Credito) - this new kind of credit to buy or construct house, almost a revolution in the way the loans were made in Brazil so far. Until 1995 all resources to finance housing were concentrated on the hands of big enterprises. Those enterprises, always under big business view, made lots of agreements with few or no result to improve this field. They left lots of works unfinished, because the government guaranteed the return of the loans. Under those conditions, enterprises didn't need to get worried with the investment goals.

In order to reduce the housing deficit for people perceiving up to 12 minimum wage, there were a redirection of available resources in the field. Currently, the Federal Saving Bank set the amount to be loaned, and who are interested make an application to get the Credit Card. The amount of resources and the selection of borrowers follow criteria defined by the Ministry of Planning and approved by the Council of Severance Fund, the superior level of decision about investments with resources of this Fund. Since the Credit Card was launched, 63,500 credit cards were distributed and 400 private began to be built. The private investment can be individual or through cooperatives. As a result, 273,300 families will have house and 90,100 new job were created.

5. HABITAR-BRASIL - recuperation of areas with few dwelling conditions. The aim is the lower income population. This program is developed closely with those mentioned in the item 2 above. Until December 1996, 99,000 families were benefited, and 147 public works in infrastructure were initiated. By the end of 1997, when the infrastructure's work will be finished, more than 27,000 families will have sewer and drinking water.

### III.5. Social Assistance and Justice<sup>14</sup>

The programs in this field intend to protect the rights of men and women, children and elderly, minorities and those excluded from society.

To do that the government has been following the directions given by Social Assistance Law, decentralizing the control and implementation of all resources and actions proposed by government and Council of Social Assistance. This is a difficult field to work in, since there are no reliable statistics to foundation decisions as, for example, to support charity entities and institutions. To be sure about the results and money application of thousands entities, the role of state and municipalities through the decentralization is crucial. There are already states and municipalities councils functioning in almost the whole country. Although, transformations in this area take time. The rupture with the consolidated bad habits, still present in this field, is fundamental to achieve exit in any action. The Social Assistance's accomplishment is:

1. Minimum income for elderly and disability people - provide one minimum wage for people with 70 years old or more and person who prove severe deficiency having no conditions to work. In the latter case, the family income should be equal or lower than one quarter of minimum wage. The amount of resources to be spending with this program in 1997 is nearly R\$1,0 billion, benefiting around 500,000 people.

2. Brazil - Children Citizenship - to promote children and adolescents social and educational attendance in order to guide them to schools to get a profession. In 1996, 435,500 children and younger were attended with this program.

Regarding to Justice, actions are been implemented in order to guarantee human right and take children away from slave-work.

1. Combat to Infant, Slave Work - the goal is to take away up to 60 thousand children from dangerous or slave work, especially in sector that produce sugar and coal;

2. National Program on Human Rights - elaborated following ample consultation with civil society, it aim changing the careless attitude about murder, slaughter, extermination, kidnapping, organized crime, drug trafficking and fatal traffic accident. Some of actions can be taken as example:

2.1. Public security prevention: a map of urban violence was implemented in four large Brazilian cities, using the available data and indicators of urban development life. The map will be the support to reinforce security in those areas;

2.2. National campaign against sexual abuse and exploitation of children and adolescents;

2.2. Anti-Drugs National Program - the issue have being discussed with civil society, to find a good manner to handle this issue. The Federal Police are acting against people from others countries that are making from Brazil a " drug traffic route".

#### IV - Conclusions

Perhaps the field analyzed above be one of generates more controversy in the society, and also into government. However, governments of all countries, rich or poor, are concerned about it. The objective of this paper is, in fact, to leave people aware of Brazilian actions in this area, in a transition moment, not only in this field, but also in the economy and society as a whole.

Conclusions about the theme can be divided in three main groups.

First, the prevailing model to manage social policies failed. It was due not only to economic problems, but also political interests. The idea of decentralization is often more receptive when related to resources than to responsibilities. The old model, based in negotiated transfers was limited. The limitation was a consequence of lack of criteria to transfer resources, reaffirming consolidated bad habits in this area. Besides, the legal framework that was supposed to help the implementation of actions was, in fact, an impediment. It helped to make actions more difficult than they already were.

Second, the Real Plan introduced a "new era" for the Brazilian economy. The Plan lowers the annual inflation rate from almost 3.000% in June 1994 to around 6% in June 1995<sup>15</sup>. Even if analyzed isolated, this remarkable fact had great impact on Brazilian's living standards. With low inflation, the cost of the food basket remains almost the same since June 1994, making possible for the poor to guarantee, at least, alimentation. However, the lack of specific policies to tackle urgent social demands was, and still remains enormous. In order to speed up actions in this area, the current government defined a new model for manage social policies. The model is based on decentralization of resources and actions; partnership with the private sector and civil society; formation of group of specialized managers, and transparency regarding rules in general. The latter item is, perhaps, the most important change, because explicit rules and permit the civil society monitoring.

Third, the programs and actions implemented under this model have had good results, mainly in education and employment and retraining of workers. The health area is not going fast in its modifications. Among many inherent problems, it also depends of legislation modifications.

Finally, is worthy to mention that the Brazilian population had already incorporated the benefits of low inflation. Meanwhile, millions of people still remain in the poverty. To solve the problem, is essential to consolidate the current social policies, and to improve it. The improvements will be done through more effective income distribution mechanisms, confident database, and changes in legislation. The current social framework is much more advanced than the previous one in terms of transparency, but still concentrated in federal transfers. In spite of others problems, this one will be solved with the definition of competence among government levels.

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