

Universalism and Targeting the Poor:

A Dual Approach to Fight Poverty in Brazil (1988-2001)

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Abstract

This research scrutinizes the social policies developed in Brazil between 1988 and 2001 with the goal of examining the political process that combined the universalization of social rights and the development of social policies targeting the poor and, as a result, culminated in the first federal cash transfer program in Brazilian history. With this specific goal in mind, to undergo an historical study on the genesis of cash-transfer programs in Brazil, the focus of this research is to trace the origins of the convergence point, when the fight against poverty in Brazil aligned universal social rights jointly with a federal cash transfer program (*Bolsa Escola*). Since this research is underpinned by the successful results of cash-transfer programs in Brazil, it aims to discover what institutions, events, and people were critical for the deployment of such initiative.

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List of Abbreviations:

BPC	Benefício de Prestação Continuada
CEF	Caixa Econômica Federal
CEME	Central de Medicamentos
CONSEA	Conselho Nacional de Segurança Alimentar
ECA	Estatuto da Criança e do Adolescente
INAN	Instituto Nacional de Alimentação e Nutrição
FAE	Fundação de Amparo ao Estudante
FAT	Fundo de Amparo ao Trabalhador
FIOCRUZ	Fundação Oswaldo Cruz
FNDE	Fundo Nacional de Desenvolvimento da Educação
FSESP	Fundação Serviços de Saúde Pública
INAMPS	Instituto Nacional de Assistência Médica da Previdência Social
INAN	Instituto Nacional de Alimentação e Nutrição
LBA	Legião Brasileira de Assistência
LOAS	Lei Orgânica de Assistência Social
LOS	Lei Orgânica de Saúde
MAS	Ministério da Ação Social
MEC	Ministério da Educação
PAP	Programa de Abastecimento Popular
PAT	Programa de Alimentação ao Trabalhador
PCA	Programa Complementar de Alimentação
PETI	Programa de Erradicação do Trabalho Infantil
PGRM	Programa de Garantia de Renda Mínima
PROAB	Programa de Abastecimento de Alimentos Básicos em Áreas de Baixa Renda
PSDB	Partido Socialista Democrático Brasileiro
PT	Partido dos Trabalhadores
SINE	Sistema Nacional de Emprego
SUCAM	Superintendência de Campanhas da Saúde Pública
SUDS	Sistema Único de Desenvolvimento de Saúde
SUS	Sistema Único de Saúde

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I – Introduction

Perhaps the most striking feature of Brazilian society is its extensive levels of poverty and inequality. It is inconceivable to live in Brazil and not be faced with a scenario where the utmost luxury coexists with extreme poverty. Any scholar that dedicates an academic career to learn and study about Brazil becomes versed in the robust economic development that the nation experienced through its modern history. Notwithstanding, such development was not accompanied by an overall socio-economic improvement of the Brazilian population.¹ The high levels of intergenerational poverty indicate that if you are born in a poor Brazilian household it is very likely that you will die in the lowest stratum of Brazilian society.²

Although the acute income gap has been a characteristic of Brazilian society since its colonial times, more recently the country has made the fight against poverty a governmental problem. The Constitution of 1988 is considered a milestone in the social history of Brazil. For the first time the country granted primary education and medical aid as universal rights that ought to be guaranteed by the government to every Brazilian citizen.³ In order to ensure that these basic rights of education and health care would not

¹ Marshall C Eakin, *Brazil: the Once and Future Country*. (St. Martins Griffin, 1998), 202. Marshall Eakin illustrates how, in the Brazilian case, high economic growth did not translate to better widespread living conditions “From the 1930s to 1980s, Brazil experienced something of an industrial revolution, becoming the tenth largest economy in the world and the most industrialized nation in the developing world. Yet Brazil has now the most inequitable distribution of wealth of any country in the world...”

² For a detailed study on the dynamics of intergenerational poverty in Brazil see Dorte Verner and Erik Alda. “Youth at Risk, Social Exclusion, and Intergenerational Poverty Dynamics: A New Survey Instrument with Application to Brazil.” *Policy Research Working Papers* (June 2004): 1-46.

³ *Federative Republic of Brazil Constitution*, 1988. Art. 212 “Education, health, food, work, housing, leisure, security, social security, protection of motherhood and childhood, and assistance to the destitute are social rights, as set forth by this Constitution”.

simply be a written agreement, with no serious repercussions for politicians that opted to ignore it, government authorities after the 1988 Constitution no longer had absolute authority over the allocation of resources in the Federal budget. Article 212 of the Brazilian Constitution established that spending on healthcare could not be inferior to 15% of the Net Tax Revenue while article 198 set 18% as the minimum to be invested in education.⁴

1.1 Combining Universalism and Targeting the Poor

Albeit the Constitution of 1988 represented a massive social advancement, it was not sufficient to solve the biggest social problem in the country – its enormous poor population and severe economic inequality. As long as the poor had meager access to income, they could receive medical treatment, but would never rise above their precarious sanitary conditions and deficient nutrition, arguably the main reason that they fall ill⁵. Little good was being done by providing free education to a family that relied on the labor of their children to eat. If Brazil were to correct five hundred years of neglect for the poor, universal education and healthcare had to be followed by programs that targeted the least economically privileged citizens and sought to improve their improper economic condition. Moreover, this study argues that the deployment of cash-transfer programs in Brazil was a revolutionary policy. Never before Brazil had

⁴ Brazil Const., 1988. Art. 212 “The Union shall apply, annually, never less than eighteen percent, and the states, the Federal District, and the municipalities, at least twenty-five percent of the tax revenues, including those resulting from transfers, in the maintenance and development of education”.

Art. 198.Paragraph 1. “The unified health system shall be financed, as set forth in article 195, with funds from the social welfare budget of the Union, the states, the Federal District and the municipalities, as well as from other sources. The Union shall spend at least eighteen percent of tax revenues”.

⁵ Kofi Annan, “Secretary General Tells the World Health Assembly”, 17 May 2001, <https://www.un.org/press/en/2001/sgsm7808.doc.htm>

The pronounced relation between poverty and precarious health was addressed by Former Secretary – General of the United Nations, Koffi Anan in a speech at the World Health Assembly in 2001 “The biggest enemy of health in the developing world is poverty, and the struggle for health is part and parcel of the struggle for development”.

experienced a direct and continuous redistribution of income. While programs targeting the poor were implemented in Brazil prior to the concept of giving money to the poor, these programs were not designed to redistribute income. As this research will show, such actions had the goal of alleviating poverty conditions, instead of establishing as their primary goal, moving people out of poverty.

This research scrutinizes the social policies developed in Brazil between 1988 and 2001 with the goal of examining the political process that combined the universalization of social rights and the development of social policies targeting the poor and, as a result, culminated in the first federal cash transfer program in Brazilian history⁶. The reasoning behind the selection of this historical period delineates two events that indicated a turning point in the development of anti-poverty policies in Brazil. The Constitution of 1988 represents a milestone in the history of social policies in the country with its universalization of social rights. On the other hand, the year of 2001 became notorious for the implementation of a pioneer national cash transfer program, the social program *Bolsa Escola* inaugurated during the government of Fernando Henrique Cardoso. Between the universalization of social rights and the implementation of the first federal cash transfer program in Brazil, other social programs that targeted the poor were developed and will be scrutinized in this study. Notwithstanding, this research argues that, although programs that provide assistance through accessibility to specific services or products help to alleviate the precarious

⁶ As this study will explain in more detail, cash transfer programs started in Brazil at a regional level. *Bolsa escola* was first adopted by Cristovam Buarque in the Federal District in 1995 and in the same year Jose Roberto Magalhães, mayor of Campinas – SP, implemented the *Programa de Garantia de Renda Familiar Mínima* (PGRFM) .

conditions of the needy, they do not offer a way out of what has been labeled as a “poverty trap”.⁷

The large majority of the academic literature that examines the impacts of cash transfer programs in Brazil focuses on the investigation of the subsequent, more comprehensive, and still in place, social program *Bolsa Familia*.⁸ This study does not focus on measuring the impacts of cash transfer programs on moving people out of poverty. The impressive numbers achieved by *Bolsa Familia* have already attracted the interest of many social scientists and have produced voluminous and illuminating literature on the results of the Brazilian experience with federal cash transfer programs. However, historiography has given little attention to the process of intellectual and operational creation of the concept of giving money to the poor. I argue that, it is crucial to have a profound understanding of the historical events that led to the revolutionary initiative that broke away from preconceived notions about direct income transfer. It has been considered that, if given money, the poor will very likely spend much of this extra income on alcohol, and give little care to their family’s wellbeing. This research will show that such assumption has been proven wrong, and if this case happens, it surely is not representative of the large majority of the resources applied by the poor on items that strive for the improvement of their socioeconomic conditions. Since this research is underpinned by the successful results of cash-transfer programs in Brazil, it aims to

⁷ The adoption of Federal cash-transfer programs in Brazil reduced poverty levels from 22% in 2001 to 13% in 2007 according to the World Bank Development Indicator online database.

Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time* (Penguin Books, 2015), 344. Jeffrey Sachs explains how the poverty trap works “The poor start with a very low level of capital person, and then find themselves trapped in poverty because the ratio of capital per person actually falls from generation to generation”.

⁸ This social program was introduced by Luis Ignacio Lula da Silva, the Brazilian president from 2002 – 2010 and encompassed the following programs that had been created by his predecessor, Fernando Henrique Cardoso: *Auxilio Gás*, *Bolsa Alimentação* and *Bolsa Escola* into one large social protection system.

discover what institutions, events, and people were critical for the deployment of such initiative. Hopefully other scholars or policy makers will be able to draw on this essay and grasp how the cash-transfer program was an evolving process. Better ideas about the global fight for poverty depends upon comprehension of how successful strategies were created. Important variables that have not been the focus of many scholarly studies will be shown to have fundamental significance. Had the Constitution of 1988 not determined that education and medical aid were universal rights, the current cash-transfer program model would not be viable. As I will describe in more detail, the Brazilian program was underpinned with two conditionalities, both of them tied to rights in the Constitution. Moreover, and arguably one of the most important examinations of this research, the first federal program in Brazilian history – *Bolsa Escola* – was not originally developed as a national initiative. This study will also show the complexity of developing a cash-transfer program in Brazil given the particularity of the structure of federal budget. Brazilian presidents are constrained by a piece of legislation that prevent them from generating more spending without creating a new source of income first. While much of the analyses on cash-transfer programs have focused on the governments of former Brazilian presidents Fernando Henrique Cardoso and Luis Ignacio Lula da Silva, this study shifts the focus to the regional programs developed in Brasilia and Campinas. Their revolutionary initiatives were the basis for this type of social policy. With this specific goal in mind, to undergo an historical study on the genesis of cash-transfer programs in Brazil, the focus of this research is to trace the origins of the convergence point, when the fight against poverty in Brazil aligned universal social rights jointly with a federal cash transfer program (*Bolsa Escola*).

1.2 – Explanation of the Timeframe 1988 – 2001.

Setting the Constitution of 1988 as the starting point for this study has a logical explanation. The institutionalization of social rights, along with the establishment of minimum governmental spending on education and healthcare, posed a set of new challenges for the development of social programs designed to help the poor. At the same time that minimum standards were set and all Brazilian citizens were guaranteed healthcare and education, politicians could merely abide by the minimum expenditure in these two areas and claim to be fulfilling their social obligations to their constituents. Under this scenario, there is no distinction between the poor and the affluent with respect to access to social services since they are inherent to every citizen. However, it is clear in Brazil that despite the free education and health care offered by the government, the population with the highest income frequently opted for contracting private schools and health care providers.⁹

Looking at the past and delving into the political debate on the diminution of poverty and inequality that took place in Brazil provides the opportunity to understand the origins of the political recognition that universal rights alone would not suffice in tackling these problems. To understand why cash transfer programs have arguably been the most successful strategy to lift people out of poverty in Brazilian history, it is necessary to examine the previous attempts to solve this same problem. Furthermore, a close scrutiny of the origins of the Brazilian experience with cash-transfer initiatives

⁹ The Ministry of Education produced a report that pointed out that despite the universalization of primary education, 21.5% of all enrolled children study at private schools. For the full report access: http://download.inep.gov.br/educacao_basica/censo_escolar/notas_estatisticas/2017/notas_estatisticas_censo_escolar_da_educacao_basica_2016.pdf.

In the area of healthcare the regulatory agency of healthcare providers estimated that in 2017 24.5% of the Brazilian citizens contracted private healthcare providers, despite the universalization of medical aid. For more information see: <http://www.ans.gov.br/perfil-do-setor/dados-gerais>

might contribute to a better understanding of how government and society can work cooperatively to design more effective solutions to deal with poverty and economic inequality.¹⁰

The chapters that analyze each federal government from 1988 - 2001 aim to investigate the social policies developed in each government and contextualize the political setting that the nation experienced in each administration. For example, Sarney's government overlapped with the period of the implementation of the new Constitution, bringing to his government a new set of challenges to adapt to the new obligations and duties that the document placed on his government. Investigation of the government of Fernando Collor de Mello must also take into consideration the corruption scandals of his government. The misappropriation of public funds affected the development of social policies and eventually led to his impeachment. Evaluating social policies during Itamar Franco needs to acknowledge the chaotic macroeconomic situation that Brazil faced in that period. As for Fernando Henrique Cardoso, we will see that a more stable economic environment, achieved mainly through the control of inflation, along with policies targeting the poor, had positive effects on moving people above the poverty line.

1.3– Structure of the Chapters.

The structure of this research is as follows: the first chapter discusses the social policies of the first civilian government after the military dictatorship, Jose Sarney 1985 – 1990. He was a politician who had the mission to lead the new Brazilian democratic

¹⁰ Jo Guild and David Armitage, *The History Manifesto*, (Cambridge University Press, 2014), 14
The authors elaborate on how the historical approach has contributed to advise present-day politics through its close examination of changes over time “Historians learn how to argue about these changes by means of narrative, how to join explanation with understanding, how to combine the study of the particular, the specific, and the unique with the desire to find patterns, structures, and regularities...”

wave but who actually supported the military dictatorship. His government is of special importance to this study since it was under his government that Brazil first undertook a joint social strategy of combining universalization of social rights and programs targeting the poor. The second chapter examines the governments of Fernando Collor de Mello 1990 - 1992, and of his Vice -President Itamar Franco 1992 -1994. Both presidents will be examined in the same chapter, since combined they served only four years due to the process of the impeachment of Collor de Mello.¹¹ The third chapter investigates and analyzes the impact on reducing poverty of the social policies implemented during the government of Fernando Henrique Cardoso 1995 – 2002. Moreover, it examines how the pioneer experiences with cash-transfer initiatives deployed in the municipalities of Brasilia and Campinas laid out the conceptual foundation for the culmination of the first federal program of cash transfer in Brazilian history (*Bolsa Escola*). The final chapter concludes with an analysis of the most influential social and political events during the years of 1988 – 2001 regarding the deployment of the concept of giving money to the poor.

1.4 Methodological Framework and Primary Sources

The methodological framework of this analysis is the academic literature of social policies that focus on the economically underprivileged. Some of the variables that will be scrutinized in this research are: how efficient these programs were at targeting the poor. Lena Lavinas' study addresses how the Brazilian government invested its efforts in social programs that targeted only the poor versus more integral

¹¹ "Pedro Collor Tells it All: The Video and the Interview that Narrate the Attacks by the President's Brother", *Veja*, May 30 1992.

His presidential decay started in May of the same year when his brother gave a bombastic interview to the magazine *Veja* affirming that his brother was part of a corruption scheme that permeated the Federal government.

investments to improve the overall social structure.¹² Another dimension of cash-transfer programs that will be examined is if they were designed as conditional or non-conditional programs. Laura B. Rawlings provides a more encompassing study, assessing the impacts of conditional cash-transfer programs by studying the initiatives of Mexico, Brazil, Nicaragua, and Colombia. The author argues that although such programs have been successful at reducing poverty levels, further research work needs to be undergone in order to prove their replicability.¹³ On the other hand, Marcelo Neri focuses solely on the Brazilian Bolsa Escola and Bolsa Família programs and compares them with previous programs that were tied to the Social Security apparatus.¹⁴

The impacts that they produced on alleviating poverty conditions have been the research interests of scholars. Simone Bohn's study investigates the impacts of cash-transfer programs on the creation of equality of opportunities in highly unequal societies by drawing on the experiences of Brazil with such programs. Her examination is centered on three main dimensions: effectiveness to end hunger, improvement of access to education and healthcare, and the ability of beneficiaries to be integrated into the job market.¹⁵ Jeni Vaistman and Luis Faria assess how conditional cash-transfer programs in Brazil have widened the scope of the segment of society protected by the public system of social assistance. The authors argue that these programs covered a part of the

¹² Lena Lavinas, "Gasto Social no Brasil: Programas de Transferência de Renda versus Investimento Social" *Ciência, Saúde Coletiva* 12, no.6 (2007): 1463-1476.

¹³ Laura B. Rawlings, "A New Approach to Social Assistance: Latin America's Experience with Conditional Cash Transfer Programmes," *International Social Security Review* 58, no.3 (2005): 133-161.

¹⁴ Marcelo Neri, "A Next Generation of Cash Transfer Programs," *Revista de Administração Pública* 51, no.2 (2017):168-181.

¹⁵ Simone R. Bohn, "Can Conditional Cash Transfer Programs Generate Equality of Opportunity in Highly Unequal Societies? Evidence from Brazil," *Revista de Sociologia e Política* 22, no.51 (2014): 111-133.

society that was not aided by the previous traditional systems of clientelism that were recurrent in Brazil.¹⁶

How successfully they moved people out of poverty is discussed in the works of Barrientos, Hanlon, and Hulme and Soares.¹⁷ The first study is an essential book for those interested in the development of cash-transfer programs worldwide. The authors provide compelling evidence to show that these type of programs, which discusses not only conditional initiatives but also non-conditional programs, have yielded positive results in the reduction of poverty worldwide. Serguei D. Soares compares the levels of reduction of inequality levels in Brazil with other countries to assess if such levels are considered acceptable by undergoing a close examination of the Brazilian Gini coefficient in comparison with the numbers presented by Mexico, United States, and Canada.

In addition to the current academic literature on social programs targeting the poor, this study will make use of primary sources such as newspapers, magazines, political statements, government documents, the diaries of former president Fernando Henrique Cardoso, and the Brazilian Constitution. Additionally, it employs data from the federal government on amount of resources spent on the social programs studied, reports of government assessment on the results that they produced, and reports of external agencies such as the World Bank and the United Nations assessing the development of social policies in Brazil. The Brazilian media will be investigated to understand the political rhetoric used to promote these social programs. For example, politicians could place emphasis on the moral obligation to assist the needy, or

¹⁶ Jeni Vaitsman and Luis Farias, "Social Protection in Brazil: What has changed in Social Assistance after the 1988 Constitution," *Ciência e Saúde Coletiva* 14, No.3 (2009): 731-741.

¹⁷ Armando Barrientos and others, *Just Give Money to the Poor: The Development Revolution from the Global South* (Kumarian Press 2010). Sergei Suarez Dillon Soares, "O Ritmo da Queda da Desigualdade no Brasil é Aceitável?" *Revista de Economia Política* 30, no.3 (2010):364-380.

alternatively, to promote social policies as a mechanism to enhance economic development. It is important to be able to draw on history in order to comprehend how these four presidents promoted their social policies targeting the poor as well as how they utilized the poor, either to enhance their local political alliances through the allocation of federal resources to states and municipalities, or directly as instrumental in their political platforms.

Chapter 2

Jose Sarney – Tudo pelo Social and an Ungovernable Country (1985 – 1990).

Folha de São Paulo, the largest Brazilian newspaper at the time, published in its cover on April 22, 1985 the following headline: “Tancredo Neves está Morto: Sarney Reafirma Mudanças”.¹⁸ This statement reflected the substantial fear that the death of the indirectly elected president Tancredo Neves, and his replacement with an old ally of the military, posed for Brazilian society.¹⁹ With the passing of Neves, the Brazilian Constitution mandated that the vice-president, José Sarney, be sworn into office.²⁰ Sarney had been a member of the political party of the military government ARENA, having served as a Senator for the state of Maranhão for that political organization up to 1979.²¹ Sarney had realized that he had as his first mission to dispel any suspicions that his rise to the Presidency would be a threat to the return of a democratic system. Sarney reaffirmed that Brazil would be governed by a civilian government and that the

¹⁸ “Tancredo Neves is Dead: Sarney Reassures Changes” *Folha De São Paulo*, April 22, 1985 p. 1. Author’s translation.

¹⁹ Tancredo Neves was elected through indirect voting by the Brazilian Congress. He ran against Paulo Maluf, the candidate from the political party PDS that succeeded the ruling party during the military dictatorship, ARENA. Neves had the support of the old political leaderships that opposed the military government and the dissidents from ARENA who were not pleased with the nomination of Paulo Maluf to be their presidential candidate. For a full account on the democratic transition of 1985 see: Thomas Skidmore, *The Politics of Military Rule 1964 -1985* (Oxford University Press 1967).

²⁰ The days when Tancredo Neves was hospitalized were filled with speculation about the process of succession in the case of the impossibility of Neves to take office. A segment of the political leadership wanted Ulysses Guimarães who was the president of the lower house to be sworn into office. Maria Kynzo illustrated the political setting on the verge of Sarney’s inauguration “Sarney tomou posse sem um plano de governo propriamente dito e com um sério déficit em legitimidade: uma figura política marcada por anos de vínculos com os militares, que assumia o poder sem o respaldo das urnas e que não era das fileiras do partido que esperava desta vez governar, o PMDB” Maria Dalva G Kinzo. “A Democratização Brasileira: Um Balanço Do Processo Político Desde a Transição.” *São Paulo Em Perspectiva*, vol. 15, no. 4 (2001):.5.

²¹ The military government instituted a two-party system in 1965 through the enactment of Institutional Act 2. ARENA became the political party representing the government and all opposition was grouped into one party MDB. In 1979 with the end of the two-party system, Sarney became the president of the political party PDS.

Brazilian population had no reason to fear the return of authoritarian rule “Nosso Governo é o Governo de Tancredo Neves” asserted Sarney on the day that Tancredo Neves had died and Sarney was declared the new president.²²

Sarney’s first years in the government were marked by a succession of economic plans designed to reduce inflation levels and improve the macroeconomic management of the Brazilian economy.²³ Although his government struggled to deal with the problematic economic situation left by the military, Sarney realized that the political opening process led to an increasing demand for progressive social policies by the Brazilian population.²⁴ As a seasoned politician, Sarney was aware that his government had to push forward measures that would appease the critics of the priority that past Federal governments placed on economic progress over social demands. The popular movement entitled *Diretas Já* that occurred in Brazil between 1983 and 1984 was a clear sign that civil mobilization was entering a new era in Brazilian politics. A large part of the Brazilian population went to the streets to manifest their desire to have direct elections.²⁵

²² “Our Government is the Government of Tancredo Neves” *Folha de São Paulo* April 23, 1985 p. 1.

²³ *Plano Cruzado*, implemented in February 27, 1986 was the most radical of these economic plans. It changed the national currency from the *Cruzeiro* to the *Cruzado* and froze all prices for twelve months. This plan proved to be unsuccessful to deter the inflationary pressure and was followed by *Plano Cruzado II* in November of the same year and by *Plano Bresser* in 1987. For more information on the impacts of the Plano Cruzado see: Werner Baer, *The Brazilian Economy: Growth and Development*. 5th ed. (Westport, Conn.: Praeger, 2001).

²⁴ The inflation levels reached a historic record at the end of 1985 with an annual inflation rate of 239%. For a full report on historic figures on Consumer Prices Index in Brazil see: <http://www.ipeadata.gov.br/ExibeSerie.aspx?serid=38391>

²⁵ Although this movement was not able to achieve its ultimate goal – direct elections for the next Brazilian presidential elections, it is regarded as playing a very important role in the redemocratization of Brazilian politics. For more information on the social movement *Diretas Já* see: Edison Ricardo Emiliano Bertencelo, “‘Eu Quero Votar Para Presidente’: Uma Análise Sobre a Campanha Das Diretas.” *Lua Nova: Revista De Cultura e Política*, no. 76 (2009): 169–196.

2.1 - Tudo Pelo Social

To demonstrate his commitment to a progressive social agenda Sarney's government adopted the slogan *Tudo Pelo Social* - Everything for Social Development.²⁶ In an article published in the newspaper *Estado do Maranhão* on December 14, 2014, titled "O Roubo dos Personagens", Sarney made the remark that he was the president who adopted the fight for social rights as the slogan for his government. Sarney expressed resentment with the debate whether the current social programs started with former presidents Cardoso or Lula "Todos os programas sociais que hoje, que discutem se foi de Lula ou FHC começaram comigo".²⁷ Sarney listed the programs implemented by his government with special praise for the *Programa do Leite* and highlighted that he was the president responsible for the universalization of medical aid.

However, Sarney's adoption of the motto became a target of controversy in Brazilian politics. The April 10, 1988, issue of *Estado de Sao Paulo* highlighted how Sarney's government was failing to implement effective social policies. According to this source, there was an abysmal discrepancy between the political propaganda and the actual achievements reached by the government. This story bespoke that the resources

²⁶ The use of slogans by the federal government was not a novelty in Brazilian politics. The military government made extensive use of this strategy to convey messages of harmony and social cohesion. One of the most well known was used by Medici's government in 1970 *Brazil: Love it or Leave it*, a direct reference to the political opponents that were exiled by the government. For more information on the use of political campaign by the military see: Carlos Fico, *Reinventando o Otimismo – Ditadura, Propaganda e Imaginário Social no Brasil* (Fundação Getulio Vargas 1987).

²⁷ "O Roubo dos Personagens" *Estado do Maranhão*, December 14, 2014, p.1. "All social programs that are result of debate whether they started during Lula of FHC's administrations, actually started with me." Author's translation. In the same interview, Sarney credited to himself the creation of the *Sistema Único de Saúde* (SUS), the Brazilian National Health Service that was created after his government, but according to him such a system was already in place in his administration. According to Sarney, it was only renamed under Fernando Collor's command. For the full interview see: <http://www.josesarney.org/blog/o-roubo-dos-personagens/>

allocated for the *Central de Medicamentos (CEME)* were ten times inferior to what would be necessary in order to cater to the Brazilian population that in 1988 had reached 144 million.²⁸ The *Instituto Nacional de Alimentação e Nutrição (INAN)*, an autarchy attached to the Ministry of Health, that distributed food baskets to children up to six years old, faced the same precarious financial situation.²⁹ In addition, Sarney's government was accused of using INAN for political gains. Since the number of food baskets distributed by the government was not sufficient to meet demand, priority to access the resources of this program was placed on political allies.

The decentralized structure of the program enabled the misappropriation of resources and facilitated corruption. Funds were concentrated at the Federal level and then transferred to state governors. These political leaders would privilege the mayors with whom they had close political affiliations by granting them a larger quantity of food baskets to be distributed in their municipalities. Other government autarchies such as the *Fundação de Amparo ao Estudante (FAE)* and the *Fundo Nacional de Desenvolvimento da Educação (FNDE)* were also facing drastic cuts in their budgets. The inconstant flux of resources to finance social programs provoked in the Brazilian society a conviction that on every occasion that the government had to cut down costs, the first area to bear the consequences was social spending.³⁰

²⁸ "Decreto 68.608, 25 de Junho, de 1971", Presidencia da República, JusBrasil. The government of Medici created the agency *Central de Medicamentos* through the Decree 68.608. As this document states the function of this organization was "to promote and organize the supply, at affordable prices, of medicine for human use, for those whom the financial conditions do not allow them to access such medicine."

²⁹ The government of Medici created in 1972 the *Instituto Nacional de Alimentação e Nutrição*. This agency had the goal of assisting the government in the formulation of a unified national nutritional policy. For more information on this agency see the entire decree: http://www.planalto.gov.br/ccivil_03/Leis/1970-1979/L5829.htm.

³⁰ *Estado de São Paulo* April, 10 1988, p. 15.

INAN's planning secretary Edgar Luiz Gutierrez expressed his disbelief in the *Tudo Pelo Social* motto "Quando a taxa de inflação e o desemprego aumentam junto com o déficit público, o que primeiro se corta são os gastos sociais. Falhando as metas econômicas, falham também as metas sociais"

One year after being inaugurated Sarney produced a document titled *A Message to the National Congress*. In this report the president elaborated on the challenges that his government had faced in its first year and the achievements reached by his administration. The first section of this presidential announcement outlined all the economic endeavors of his government in 1985, along with its economic agenda for the next year. Sarney advocated for a social pact that would bind together government and civil society in the fight against inflation.³¹

The second section of this document titled *Social Priority* is entirely dedicated to analyzing the social structure of Brazil. Sarney discussed the precarious situation that his government inherited, where more than thirty-eight percent of Brazilian families earned less than two minimum salaries, placing them in a state of extreme poverty. The discourse of his announcement was centered on increasing economic outputs in order to improve the condition of the poor “A luta permanente para superar a pobreza passa pela expansão do emprego, pela geração de novas oportunidades econômicas, pelo aumento dos salários”³². The same rhetoric that permeated Brazilian politics during the military dictatorship seemed to be replicated by Sarney. According to him, Brazil had to focus its efforts on economic expansion instead of pushing reforms that aimed at redistributing wealth. The matter of the universalization of education and healthcare

³¹ There was a current among Brazilian economists that considered the Brazilian inflation not to be a result of an unbalanced relation between demand and supply. This group of researchers believed that the Brazilian inflation was inertial, being the result of the continuous projection of future inflation in contracts by the use of indexation. That is the reason that Sarney sought the cooperation from the civil society. For more on inertial inflation see: Pereira Bresser “A Descoberta da Inflação Inercial,” *Revista de Economia Contemporânea* 14, no. 1 (2010): 167-192..

³² Biblioteca Nacional.” *Biblioteca.presidencia.gov.br*, www.biblioteca.presidencia.gov.br/presidencia/ex-presidentes/jose-sarney/mensagens-ao-congresso/1986/mensagem-ao-congresso-nacional-1986-parte-1/view, p.48.

“The constant struggle to overcome poverty is linked to an expansion of employment, the creation of new economic opportunities, and rising wages.” Author’s translation.

were addressed and considered as inalienable rights for every citizen. Notwithstanding, this report does not outline how this process would be conducted.

This document illustrates how the discourse on universalization of social rights and programs targeting the poor were intertwined, without a clear distinction between the different strategies that should be adopted to act in these two spheres. For example, Sarney states that all children under the age of fourteen would be provided with adequate nutrition, healthcare, and education, as an action to universalize social rights. To demonstrate his efforts towards the universalization of rights, Sarney described the actions targeting the poor that his government was pushing forward. Two other examples of this contradiction, are the *Programa de Abastecimento Popular* (PAP), a program designed to sell basic foodstuffs at lower prices to needy citizens and the *Programa Nacional de Alimentação Escolar* (PNAE), a program that provided school meals in public educational institutions. However, the numbers of these programs demonstrated that, although the government praised the improvement of child nutrition, students enrolled in the public school system received less than a meal a day. According to this assessment, Sarney's government increased school meals from 140 days to 180 in 1985, thus falling short of the goal to serve food daily in the public educational system.³³

The Constitution of 1988 established primary education and medical aid as universal rights and enabled the political rhetoric to employ the universalization of social rights as a fundamental component of the political platform, even if there was no explanation on how such a platform would be accomplished, “O compromisso do Governo é a universalização da educação básica de boa qualidade, garantindo a todas as

³³ Sarney, 51.

crianças, entre 7 e 14 anos, acesso e permanência na escolar de primeiro grau, pública e gratuita”.³⁴ The universalization of education was addressed by Sarney as a commitment of his government rather than a legal duty as it would become posterior to the promulgation of the 1988 Constitution.

2.2 - An Ungovernable Country

On July 26, 1988 José Sarney addressed the Brazilian population in a nationally broadcast speech. He was concerned about the final text of the Constitution of 1988 that was close to being enacted in Congress. According to Sarney, the sharp increase in public expenditures would make the government ungovernable “Reforo-me particularmente a explosão dos gastos públicos decorrentes de benefícios desejáveis, que todos nós desejaríamos atender, mas que infelizmente não temos como atender.”³⁵ Sarney pointed out that in order to meet all the demands of the new Constitution, resources from social programs that targeted the poor would have to be reduced “... retirando recursos da merenda escolar, da distribuição gratuita do leite, dos programas de habitação para pessoas de baixa renda”.³⁶ Although Sarney criticized many points of the Constitution, fourteen according to the newspaper *O Globo*, the president mentioned that the social advancements envisaged by the Constitution should be extolled.³⁷ Aware

³⁴ Ibid, 58.

“The government is committed with the universalization of primary education of good quality, guaranteeing to all children between 7 and 14 years old, access to primary, public, and free education.” Author’s translation.

³⁵ “Biblioteca Nacional.” *Biblioteca.presidencia.gov.br*
www.biblioteca.presidencia.gov.br/presidencia/ex-presidentes/jose_sarney/discursos/1988/65.pdf/view, p.30.

“I am referring particularly to the explosion in public expenditures, resulting from desirable benefits that we all would like to grant, but that unfortunately we cannot grant.” Author’s translation.

³⁶ Sarney, Discurso 1988, 35.

Withdrawing resources from school lunch, the free distribution of milk and, from housing programs targeted to the poor. Author’s translation.

³⁷ *O Globo*, July 28, 1988.

that criticizing the social rights established by the Constitution could have political repercussions, Sarney restricted his criticism to other points of the document. If the Constitution established the source of funds to provide primary education and free healthcare all Brazilians, the funds for other social rights determined in the document were not specified.³⁸

The political leaders behind the promulgation of the Constitution understood the president's message on the eve of the final vote on its definitive text as a threat by the Federal government and felt that they had to react to the presidential speech with a strong statement to defend the document. The Diary of the National Constitutional Assembly of July 28, 1988 narrates how Ulysses Guimarães, the president of the Assembly addressed Sarney's statement that the Constitution of 1988 would make Brazil an ungovernable country "A governabilidade está no social. A fome, a miséria, a ignorância, a doença inassistida são ingovernáveis. A injustiça social é a negação do Governo e a condenação do Governo".³⁹ The controversy that surrounded the new constitution illustrated how the establishment of social rights was a delicate manner. No politician would dare to openly criticize the universalization of social rights under the political environment that Brazil experienced in 1988. Notwithstanding, the conclusion that the feasibility of meeting all the obligations described in the document was

³⁸ Brazilian Const. Art. 6

Besides the right to education and healthcare, article six sets as responsibilities of the state to guarantee food, work, leisure, security, social welfare, protection to motherhood and childhood, and assistance to the needy .

³⁹ "Discurso Ulysses Guimarães." *Portal Da Câmara Dos Deputados*, [www2.camara.leg.br/camaranoticias/radio/materias/CAMARA-E-HISTORIA/339277-INTEGRA-DO-DISCURSO-PRESIDENTE-DA-ASSEMBLEIA-NACIONAL-CONSTITUINTE,--DR.-ULYSSES-GUIMARAES-\(10-23\).html](http://www2.camara.leg.br/camaranoticias/radio/materias/CAMARA-E-HISTORIA/339277-INTEGRA-DO-DISCURSO-PRESIDENTE-DA-ASSEMBLEIA-NACIONAL-CONSTITUINTE,--DR.-ULYSSES-GUIMARAES-(10-23).html).

"The good governability needs to be centered on social issues. Hunger, misery, ignorance and, unattended illness, are ungovernable. Social injustice represents the denial and the doom of the government." Author's translation.

problematic probably crossed the mind of many of the political leaders behind the inception of the new Constitution.

The political climate in which the new Constitution was devised, not long after the twenty-one years of authoritarian rule, claimed representation in Brazilian politics for a more sizable civil society. In his speech during the proclamation of the Constitution of 1988 on October 5 of that year, Ulysses Guimarães affirmed that the new document represented a new era for the country. Also, Guimarães reiterated that its elaboration was the result of a joint collaboration between the federal government and civil society, “Há, portanto, representativo e oxigenado sopro de gente, de rua, de praça, de favela, de fábrica, de trabalhadores, de cozinheiras, de menores carentes, de índios, de posseiros, de empresários, de estudantes, de aposentados, de servidores civis e militares ...”. The Constitution symbolized this moment and became known as the *Citizen’s Constitution*, “Repito, esta será a Constituição cidadã. Porque recuperará como cidadãos milhões de brasileiros”.⁴⁰ The demands for social rights held more support than the political claims that the document could not feasibly be executed by the federal government. Sarney saw himself at a crossroads where he had to adopt a very cautious posture. At the same time that Sarney criticized the document for its financial infeasibility, he had to celebrate its efforts to improve the social conditions of the Brazilian population. As a seasoned politician, Sarney knew that, otherwise, the political cost could be too heavy for him to bear.

⁴⁰ Guimarães, 20.

“I reiterate, this will be the Citizen’s Constitution. It will reclaim millions of Brazilians their sense of citizenship” Author’s translation.

2.3 - The social structure of Brazil in the years of Sarney's government before the Constitution of 1988.

A detailed report from the World Bank on public spending for social programs in Brazil was published in 1988. This study was a joint effort between Brazilian experts and World Bank's specialists that scrutinized the structure of social spending and how Brazil was failing to efficiently allocate its resources to produce high levels of social welfare. One of the main findings of this report was that mistargeting of social resources was a major obstacle that the country had to overcome. It pointed out three main ways that mistargeting affected social efficient allocation of social spending:

Mistargeting within sources, such as education and health, that result in high public subsidies for the types of programs that would reach the poor ii) mistargeting across sectors, with relatively high public subsidies for those sectors, such as social security and housing, that currently serve primarily the middle-class and the rich, compared with sectors, such as nutrition, that primarily serve the poor, and iii) failure within programs to reach the poorest and neediest groups. (World Bank 1988)

In 1986 it was estimated that Brazil spent 6.6 percent of its budget on education and 8.5 percent on healthcare. As we will learn when examining the changes implemented in the 1988 Constitution, Brazil not only spent less on these two areas than in the period post-Constitution, but also suffered from a poor targeting of its resources. The same report points out that public expenditure was almost eighteen times higher for university students than for primary education. Furthermore, the Brazilian educational system privileged wealthy students to become university educated since the entrance examination to attend public universities was highly competitive and benefited students that had their primary education at private schools.⁴¹ Primary and secondary education

⁴¹ In Brazil the admission process at public universities was based solely on the score achieved on the entrance examination, Vestibular. Since the general rule in the Brazilian educational system is that private schools do a better job at educating than public schools, this occurrence reinforced low levels of social mobility, thus preventing the poor from having access to tertiary education.

amounted to 77% of all resources for public expenditure on education whereas university education accounted for the remaining 23%. However, the amount per student was estimated in US\$149 per student at the primary level, US\$144 at the secondary level and a strikingly US\$ 2,586 per college student (40). Brazil spent approximately seventeen-fold per college student compared to expenditures on primary and secondary level students.⁴²

In the medical care area, the lack of a centralized health system before the creation of the *Sistema Unicos e Descentralizados de Saúde nos Estados* (SUDS) in 1987 contributed to the leakage of public resources that were distributed among six government bureaucracies – INAMPS, SUCAM, CEME, FSESP, FIOCRUZ, INAN, and MEC and three ministries – Social Security, Health, and Education. Total spending per capita in healthcare in 1986 had been estimated at forty-four dollars. This amount, compared to the United States and England was respectively fifteen and five times lower.⁴³ Another chronic problem of the healthcare system in Brazil was its disproportionate allocation of resources on curative versus preventive care. As Table 1 demonstrates, in 1986, the government spent 78 percent of its healthcare investment on curative care. This figure contrasted drastically with the early numbers of 1949 when curative care amounted to 13 percent of all healthcare expenditure. The new trend that

⁴² The Organization for Economic Co-operation and Development (OECD), issued a report titled *Education at a Glance*, assessing educational systems in 35 countries. According to this report, in 2016, Brazil still spent more on college students than on students from the primary level. While, the country spends US\$ 3,800 annually per student from the 1st to the 5th grade, expenditures on college students reach the amount of US\$11,700 per student. For the full report access: “Education at a Glance”, 2016, https://www.oecd-ilibrary.org/education/education-at-a-glance-2016_eag-2016-en

⁴³ Although the United States expenditure on health care is high, coverage is lower compared to other developed nations, therefore demonstrating the high costs associated with the medical aid sector in the country. For more on the healthcare system in the United States see the reports by the Agency for Healthcare Research and Quality available at Compendium US. Health Systems, 17 August 2017, <https://www.ahrq.gov/chsp/compendium/index.html>

centered the largest portion of the resources assigned to health care on medical treatments had dramatic consequences for the rural population. Massive governmental investment was allocated to the construction of large hospitals that were generally located in urban areas. Consequently, the rural population faced a situation where local investments in healthcare were not a governmental priority, thus forcing them to travel to urban areas to be medically treated.⁴⁴

Table 1 -Brazilian Public Health Care Spending, Curative and Preventive Shares, Selected Years 1949 – 1986.

Year	Curative %	Preventive %
1942	13	87
1965	36	64
1969	59	41
1975	70	30
1982	85	15
1986	78	22

Source: World Bank Report: Brazil Public Spending on Social Programs; Issues and Options. <http://documents.worldbank.org/curated/pt/429851468770334700/pdf/multi-page.pdf>

The report concludes that Brazil was failing to concentrate resources on the least economically privileged stratum of the society. The inefficiency of the government to not target the needy and instead concentrate the greatest volume of its resources towards the wellbeing of the middle and upper strata proved to be costly and deepened the inequality among classes. It is important to highlight another dimension of the devastating results of placing emphasis on curative care rather than preventive care.

⁴⁴ For a detailed study on preventive and curative healthcare in Brazil see: Janine Vieira Teixeira, “Universalidade Do Atendimento a Saúde No Brasil: Impasses e Perspectivas.” *Revista Políticas Públicas*, vol. 20, no. 1 (2016): 201.

This development was aggravated by the fact that in Brazil, before the Constitution of 1988, only formally employed citizens were covered by the governmental health care structure. Besides, being more costly, since preventing a disease is cheaper than curing it, curative care reached only this group of citizens, those employed in the formal sector.

2.4 - Programa do Leite

Albeit the focus of this research is to examine social policies in Brazil that occurred between 1988 – 2001, the fact that this program was continued after the promulgation of the Constitution of 1988, enables this research to make an exception and analyze a social program created in 1986 – *Programa Nacional do Leite Para Crianças Carentes*. This program was designed with the goal of improving nutrition of poor children by providing one liter of milk per child per day. In order to be eligible to receive this assistance, children had to be under the age of seven and belong to households that earned up to approximately 587 dollars monthly.⁴⁵ The government provided that families were granted a voucher that could be exchanged at any retailer. At its peak, this program became responsible for 30% of all milk sold in Brazil. One interesting aspect of this program was its targeting and conditionality. By targeting the program only for families that received up to two *salarios minimos* the government allocated resources of fifty million dollars that reached 4.1 million children by 1987. The government's goal was to reach ten million children by 1989 and distribute a total of 3.65 billion liters of milk annually.

⁴⁵ This amount is estimated considering the current *Salario Minimo* in Brazil of 954 reais multiplied by 2 since the *Programa do Leite* established that the eligibility for the program was a household income less than 2 *Salarios Minimos*. The amount of 1908 reais – the Brazilian currency - was then converted to dollars using the exchange rate of 3.25, resulting in 587 dollars.

The World Bank report pointed out that Brazil was incompetent at targeting the poor and if the same national resources were applied more efficiently, the poor could be greatly benefited “... if the total amount of US\$1.9 billion could be targeted efficiently to the 19 percent of the Brazilian population living on household income of less than one-quarter of a minimum- salary per capita, each of those persons would receive a subsidy of US\$74 a year, raising their income by at approximately 60 percent”.⁴⁶ This conclusion reinforced the idea that the challenge of improving social conditions for the needy might rely more on the efficient allocation of resources than on increasing the volume of funding for social policies.

As table 2 illustrates, Brazil was spending over sixty-five percent of its total budget for nutrition actions on programs that included the middle and upper classes – Wheat Subsidy and PAT (*Programa de Alimentação do Trabalhador*) - instead of allocating the majority of its resources on programs that targeted the impoverished. The wheat subsidy extended its benefits to all wheat consumers and growers, while PAT did not establish that only workers with low income should be granted this benefit, therefore reaching out its coverage to employees in the middle and upper classes. In addition, PAT had the highest cost per beneficiary and the largest part of its recipients was composed of male adults.

In similar fashion, the School Lunch Program was not restricted to the needy. All children enrolled in primary or preschool at the public educational system were entitled to a meal. This was the most expensive and the most far-reaching food program, extending its assistance to approximately thirty million children by 1986. The PSA/MCH – *Programa de Suplementação Alimentar* was targeted exclusively to

⁴⁶“Brazil, Public Spending on Social Programs; Issues and Options”, May 27 1988, <http://documents.worldbank.org/curated/en/429851468770334700/pdf/multi-page.pdf>: p.56.

pregnant women. PAP (*Programa de Abastecimento Popular*) and PROAB (*Programa de Abastecimento de Alimentos Básicos em Áreas de Baixa Renda*) were targeted at the poor and held in their eligibility prerequisites, evidence of low household income. These programs consisted in the national government selling basic food items to local retailers that had obtained federal authorization to resell them at a fixed margin. The PCA (*Programa Complementar de Alimentação*) was another program targeted at pregnant women and provided assistance to more than one million mothers in 1986.

TABLE 2 – Nutrition Program Spending, 1986 (US\$)

Program	Total Spending US\$ millions	Spending per beneficiary
Wheat Subsidy - WPS	1,100	8
PAT worker feeding	156	45
PSA/MCH posts	173	21
School Lunch	364	12
PAP Favelas	25	6
PROAB Favelas	13	8
PCA Welfare Centers	33	24
PNLCC –Milk Distribution	48	33
Total	1,912	

Source: World Bank Report: Brazil Public Spending on Social Programs; Issues and options <http://documents.worldbank.org/curated/en/429851468770334700/pdf/multi-page.pdf>

No technical reports were elaborated to explain why children past the age of seven should not be eligible for this benefit. It is known in the academic literature on social policies that the process of deciding who is eligible for a program can be considered the most controversial aspect concerning social programs. Barrientos,

Hanlon, and Hulmes indicate that when making this decision, policy makers should center their analysis on the ways that the chosen forms of targeting will foster civil cohesion and be financially and politically sustainable in the long term.⁴⁷ In the case of the *Programa do Leite*, we observe that the establishment of seven, as the limit age, did not seem to be grounded on empirical data that indicated that this targeting would bolster financial and political sustainability.

The structure created by the government to operationalize this program became one of the major flaws of this social plan. Although by 1987 twelve million children would fit into the criteria to receive this benefit, only one-third of this number had actually been granted a liter of milk per day. The government utilized coupons that became known as *tickets do Sarney* that had to be exchanged for liters of milk. As Cohn points out “Para além dos vários problemas que esse programa apresentou, entre eles a transformação do tíquete em moeda corrente, a pressão do comerciante que vinculava a troca do tíquete por leite à compra de outros produtos”.⁴⁸ Retailers would condition the exchange of coupons to the purchase of other products. The lack of state bureaucrats to manage the program, especially in many remote areas in the Northeast where state penetration is low and malnutrition was high allowed exploitation of the beneficiaries through the sale of coupons at a discount rate.

Another issue with the *Programa do Leite* was the fact that the consumption of milk increased to levels that forced the government to import milk. It is estimated that

⁴⁷ Armando Barrientos and others, *Just Give Money to the Poor The Development Revolution from the Global South*. (Kumarian Press 2010):98.

⁴⁸ Amelia Cohn, “Políticas Sociais e Pobreza No Brasil.” *Planejamento e Políticas Públicas*, no. 12, June (1995): 13. Among the various problems presented by the introduction of this program, were the conversion of tickets to cash and the pressure by the vendors to condition the redemption of tickets to the purchase of other products. Author’s translation.

between the years of 1986 and 1990 the production of milk increased twenty-one percent and per capita consumption went from 94 liters/year to 109 by the end of Sarney's government (Belik, Da Silva, and Tagaki 2001).⁴⁹ Given the fact that the *Programa do Leite* became responsible for thirty percent of this consumption, this policy not only restricted the access to the needy to one specific product, but also could result in an unbalanced situation where the milk production chain was heavily dependent on the continuation of this governmental subsidy.

The inflexibility of the program in terms of products or benefits for the poor was criticized when Luis Ignacio Lula da Silva decided to bring this program back into his social agenda in 2003.⁵⁰ On November 30, 2003 *Folha de SP* discussed how the initiative of reintroducing the distribution of milk was not an intelligent strategy. According to the then president of the Federal Council of Dieticians, Rosane Nascimento, by adopting this program the government was moving backwards. The government was not following nutritional research that did not place cow's milk as a key component of a healthy diet "Retomar a distribuição de leite é um retrocesso. Nutricionalmente não cabe. Só vejo uma justificativa: a mercadológica".⁵¹ Rosane stated that besides the fact that cow's milk alone does not fulfill all of children's

⁴⁹ The authors point out the impulse on milk consumption stemmed from the Milk Program. In their assessment, the government-driven rise in demand created on unbalanced supply and demand that drove farmers to increase their investments on milk production. Once the program was extinguished, milk consumption returned to similar levels of pre-program putting the farmers in a burdensome position to honor their loan payments. For the full article see:

José Graciano da Silva, Walter Belik and Maya Tagaki: "Projeto Fome Zero: Uma proposta de Política Alimentar para o Brasil" *São Paulo em Perspectiva*, vol. 15, no 4 (2001): 119-129.

⁵⁰ Under this program, families with income inferior to two monthly minimum – salaries would be eligible to receive two liters of milk per day. This program was part of the strategy devised by Lula's government to end hunger in Brazil – *Fome Zero* (Zero Hunger).

⁵¹ "Nada Se Cria: Lula Retoma Programa Do Leite Lançado Por Sarney." *Folha De S.Paulo*, www1.folha.uol.com.br/fsp/brasil/fc3011200302.htm.

Reprising the distribution of milk represents a setback. It does not conform with nutritional knowledge. I can only find one justification for such an act - business interests. Author's translation.

nutritional needs, poor families should have the right to decide what types of foods they desire to consume.

Despite its flaws in design, targeting and community outreach, the *Programa do Leite* contributed to the decrease of infant mortality levels in Brazil. Table 3 shows the evolution of infant mortality levels in Brazil during the decades between 1960 and 1990. The data is presented at the federal level and also divided by regions, illustrating the pronounced discrepancy of social indicators within the country.

TABLE 3 – Mortality rate in Brazil divided by regions (‰)

Year	Brazil	North	Northeast	Southeast	South	Middle West
1950	135	145	175	122	109	119
1960	124	122.9	164.1	110	96	115
1970	115	104.3	146.4	96.2	81.9	89.7
1980	82.8	79.4	117.6	57	58.9	69.6
1990	48.3	44.6	74.3	33.6	27.4	31.2

Source: Ministério do Planejamento, Orçamento e Gestão Instituto Brasileiro de Geografia e Estatística – IBGE. *Evolução e Perspectiva da Mortalidade Infantil no Brasil* (1999).

As Table 3 demonstrates, infant mortality rate at the federal level fell by 41.6 per cent during the 1980's. No other decade since the 1950's had experienced such a decrease. Even during the age of the so-called economic miracle 1969 – 1973 when the Brazilian economy grew at a rate of over ten percent a year, infant mortality was not reduced significantly. The report *Evolução e Perspectiva da Mortalidade Infantil no Brasil* (1999) produced by the government points out the sharp decrease in infant mortality levels in the years between 1980 and 1990. According to the report, it can be attributed mainly to governmental interventions in the areas of healthcare, nutrition, and the lower fertility rates after the implementation of the Family Planning Program in

1974, which promoted the use of contraceptive pills. One of the characteristics of the Brazilian history is the acknowledgement that periods of robust economic growth did not necessarily translate into better socioeconomic indicators. The staggering numbers of Table 3 during the decade of 1950 were partly produced during the government of Juscelino Kubitschek's 1956-1961, which had as its main slogan *Fifty Years in Five*, alluding to the rapid advancements that the economy would experience in his administration. However, this same advancement was not reflected in the social area. The same pattern was true in the subsequent decade, a period that witnessed the beginning of the era that became known as the economic miracle. Nonetheless, the infant mortality rate in Brazil during this decade yielded meager improvement in the infant mortality rates.

Sarney is still very proud of the achievements of his government in the social area. When talking about the accomplishments of his government he mentions the progressive social agenda implemented by his administration. In his assessment, he was responsible for the genesis of subsequent social programs put into action in subsequent governments. In an interview for the *Agência Senado* in 2008, Sarney was asked about his apparent hesitation to approve the universalization of social rights established in the Constitution of 1998.⁵² Sarney responded stating that the motto of his government was *Tudo Pelo Social* - Everything for Social Development demonstrating his commitment to improve the social conditions of the needy citizens. Furthermore, his concern was exactly what, in his opinion, eventually happened: the commitment to budgetary obligations that were incompatible with the state's capacity to meet such contracts.

⁵² For the full interview access :

"Sarney vê na Constituição Algo mais Grave que um Frankenstein", 12 September 2008, <https://www12.senado.leg.br/noticias/materias/2008/09/12/sarney-ve-na-constituicao-algo-mais-grave-que-um-frankenstein>

When asked about what would happen if the constituents had approved under those circumstances a project like *Bolsa Família*, Sarney stated that it would be compatible with the spirits of the Constitution and that Lula took a major step forward when he created this program.

Assessing the reduction of extreme poverty levels during the Sarney administration, it is noticeable that a sharp decline occurred in 1986 (table 4). Previously, the number of Brazilians living under extreme poverty was 20.2 percent and that number was reduced by nearly 50 percent in 1986. This downward change in poverty levels during this specific year has been attributed to the economic plan *Plano Cruzado*, which had as its main measures the freezing of all prices and the introduction of a new currency –The *Cruzado*.⁵³ However, as Table 5 displays, this improvement in extreme poverty levels was not long-lasting. After the subsequent failure of the stabilization plan and the return of rampant inflation, extreme poverty levels returned to pre-Cruzado Plan levels. By the end of Sarney's government, the president left the country with extreme poverty levels higher than the numbers prior to his administration- 20.2 percent in 1985 compared to 22.1 percent in 1990.

⁵³ Along with the freezing of prices, Sarney's government raised wages by sixteen percent, therefore increasing wages by a significant percentage. This measurement had a positive impact on the reduction of poverty but it as soon proved not to be sustainable. Once inflationary pressure returned, prices soared and the income levels returned to similar or even worse levels than prior to the introduction of *Plano Cruzado*.

TABLE 4: Levels of Extreme Poverty in Brazil

Year	Extreme Poverty Levels
1984	24.6%
1985	20.2%
1986	10.2%
1987	19.2%
1988	23%
1989	21.4%
1990	22.1%

Source: Instituto de Pesquisa Econômica Aplicada –Brasil. Sobre a Evolução Recente da Pobreza e Desigualdade.

The numbers for extreme poverty during these years, with the exception of 1986, demonstrate that the social policies developed during Sarney's government had little impact on the reduction of poverty in Brazil. In addition, these numbers indicate that the character of Brazilian poverty could be classified as chronic. The other classification of poverty -transient poverty - has been defined as household income or consumption around the poverty line but with most, observations above the poverty line. In the case of Brazil it is observable that its poverty is chronic, where families are constantly below the poverty line and present high levels of intergenerational poverty.

2.5 – Conclusion

The government of Jose Sarney has special significance for understanding the political process that combined universalization of social rights and programs targeting the poor that led to the the first federal-cash transfer program in Brazil. Through the examination of Sarney's social policies and political statements before and after the Constitution of 1988 we can observe that the concept of implementing a federal cash-

transfer programs was never part of his political platform. The World Bank report with its detailed examination of the social structure before the Constitution of 1988, points out that Brazil was failing to target its social programs to the poor. The high levels of per capita spending for university students exceeded the investment on education for students enrolled in preschool and primary school by seventeen-fold. This scenario sheds light on the failure of the government to efficiently allocate its resources to benefit the needy.

Similar logic can be found in the allocation of nutrition program spending. More than half of the expenditures on nutrition programs went to programs that did not target the poor. The two programs that accounted for the largest portion of the budget for nutrition programs benefited all consumers and growers of wheat (wheat subsidy), whereas the *Programa de Alimentação do Trabalhador* (PAT) aided mostly the adult male population. The *Programa do Leite* despite, all its flaws in its decentralized structure, community outreach, and inflexibility in terms of allowing the beneficiaries to decide what type of food they want to choose, contributed to reducing the infant mortality rates 46.1 percent in the years between 1980 and 1990. In the health care area, spending before the Constitution of 1988 was predominately placed on curative care instead of focusing on measures targeting prevention. Since the majority of the medical services was provided by the *Previdência Social*, a governmental agency funded by the contributions of the working class, most of the medical treatment benefits reached the middle and upper class.

It is clear that the rhetoric during Sarney's government was not dissimilar from the discourse of the military government. Whereas the military believed that to be able to distribute wealth, Brazil first had to concentrate efforts to create and expand a solid and robust economy, Sarney in his *Mensagem ao Congresso Nacional* in 1986

developed a similar narrative to that of the military government. In Sarney's words, the fight for poverty begins with the expansion of employment, new economic opportunities, and the increase of wages. Although in the same document Sarney stated that Brazilian society owned the necessary resources to offer a decent standard of living to all its citizens, there is no evidence that a cash-transfer program designed to redistribute wealth was in the plans of the government. The minimal variation in the levels of extreme poverty, with the exception of the ephemeral improvement in 1986, indicate that the social policies designed to aid the needy failed to move people out of the poverty trap.

Through an examination of the political rhetoric in the years of Sarney's government that preceded the Constitution of 1988 it is clear that the universalization of education and health care were used as a critical component of the government's platform. Sarney's political statements affirmed the relevance of programs targeting the poor as the proper direction to achieve the universalization of education. He made no clear distinction between the concepts of universalism and targeting the poor before the Constitution of 1988. The principle that the rights to primary education and health care were obligations of the government, along with the determination of the minimum expenditure in these two areas, forced politicians to disentangle the particularities of the two concepts. The social structure of Brazil experienced profound changes. Programs that only targeted a given social class could not be disguised as having the goal to achieve the universalization of social rights. On the other hand, if politicians settled only for strict compliance to the Constitution, the acute income gap existent in Brazil would remain unchanged. It was only after 1988 that Brazil adopted a dual approach to fight poverty: universalization of social rights along with programs targeting the poor. Sarney sensed that the Constitutional mandates would be burdensome and costly to the

government and made remarks that, in order to meet all its social demands, resources from social programs targeting the poor must be limited.

His threat that the replaced legislation would make Brazil an ungovernable country did not resonate with the National Assembly and the new Constitution was approved with a more rigid structure in terms of government spending on social areas. As we will see in the next chapter, Fernando Collor de Mello and Itamar Franco both struggled to abide by the new Constitution and push forward programs that targeted the poor.

Chapter 3

Fernando Collor de Mello and his National Reconstruction Project

On March 15, 1990, Fernando Collor de Mello took office after having defeated Luis Ignacio Lula da Silva in the second round.⁵⁴ Collor de Mello's inaugural speech, titled *The National Reconstruction Project*, delineated the five main areas that would form the base of his political platform. Along with democracy and citizenship; the State reform and the modernization of the economy; ecological concern; the Brazilian position within the contemporary world, Collor set the social debt as one of the pillars of his government.⁵⁵ Collor devoted most of his inaugural speech to the importance of economic stabilization through the control of the inflation that had reached the alarming rates of over 2,000% between 1988 and 1989.

When Collor addressed the issue of the social structure of Brazil he brought into the political discourse an element that represented at least a partial disassociation from the rhetoric presented by Sarney. Whereas Sarney had stated that the fight to overcome poverty should be concentrated on increasing economic outputs, Collor attempted to please the supporters of redistributive social policies by distancing his government from the belief that economic growth was the best alternative to improve poor people's lives "... ingênua crença de que a melhoria do padrão de vida das massas deriva automaticamente do crescimento econômico".⁵⁶ However, Collor by no means

⁵⁴ This record only changed in 2014 when Dilma Rouseff and Aécio Neves established the closest presidential election to this day. Dilma defeated Aécio by a difference of less than four percent. For more information on the results of the Brazilian presidential elections access: <http://www.tse.jus.br/eleitor-e-eleicoes/eleicoes/eleicoes-antiores>

⁵⁵ Fernando Collor de Mello, "Brasil : Um Projeto De Reconstrução Nacional." *Início*, Brasília : Senado Federal (2008), www2.senado.leg.br/bdsf/item/id/243024. In Brazil the term *social debt* refers to the idea that the government should look for the needs of the poor.

⁵⁶ Collor, National Reconstruction, 11. "The naïve belief that the improvement of the standard of living of the masses, automatically results from economic growth." Author's translation.

explained how his government would provide better standards of living to its poor population other than by producing a consistent and efficient economic performance “... o verdadeiro bem-estar coletivo, o progresso social duradouro, só ocorrem quando se assegura e se mantém um nível elevado de desempenho econômico e, por conseguinte de prosperidade geral”.⁵⁷ When Collor employs the concept of redistribution of wealth it is immediately followed by an explanation that such redistribution is only achieved after economic stabilization is accomplished.

Não concebemos a modernidade sem sua componente de justiça, nem o progresso sem que todas possam beneficiar-se de seus frutos. A finalidade maior de meu Governo é libertar o Brasil da vergonha da miséria e da injustiça. Mas como sou um democrata moderno e não um demagogo populista, tenho consciência de que, aqui também, impõe-se a estabilização financeira para que o investimento volte a irrigar nosso aparelho produtivo.⁵⁸

As discussed in chapter one, Sarney, before the Constitution of 1988, used the goal of universalization of social rights as a crucial component of his political platform. Collor had to resort to a different strategy to appease the anti-market sentiment of the portion of the population that no longer believed that the market could be the driving force to fight poverty, “Que esta posição fique clara: não deixarei o problema da pobreza à mercê do automatismo do mercado”.⁵⁹ On the other hand, Collor attempted to signal to the market that no progressive politics of redistribution of wealth should be

⁵⁷ Ibid, 13.

“True collective well-being and long-lasting social progress, only occurs when an elevated level of economic performance is assured, thus creating wide prosperity”. Author’s translation

⁵⁸ Ibid, 14.

“Our government does not conceive either modernity without its component of justice, or progress without the condition that all can enjoy its benefits. The ultimate purpose of my government is to free Brazil from the shameful condition of misery and injustice. But since I am a modern democrat, not a demagogue populist, I am aware that to achieve these goals, it is imperative to provide financial stabilization and to foster economic investment.” Author’s translation.

⁵⁹ Ibid, 15.

“My stance needs to be clear. I will not leave the problem of poverty at the hands of the market”. Author’s translation.

expected soon, “Mas tampouco recairemos na facilidade do social sem amanhã, do alívio efêmero, do redistributivismo inconsequente em prejuízo do esforço produtivo”.⁶⁰ Collor adopted this ambiguous narrative as a solution to attempt to please everyone and to dissociate his government from past notions of social and economic development. By criticizing welfare and market fundamentalism, he attempted to set himself as the new alternative to the country, even if this new alternative could not provide a clear scheme on how improvements would be accomplished.

The process of impeachment that culminated in the removal of Collor de Mello will not be examined in detail in this research. However, it is important to note that his government only lasted two years due to a corruption scandal that involved the economic sector of his government. Collor and his network of corrupt politicians siphoned resources from social programs and established a systematic strategy of commissions that were charged through the approval of amendments to the budget that were presented by other legislators. Some of the amendments concerned resources for social assistance that were never put into practice. Shell companies were created to channel these resources that would be distributed among the politicians involved in this corruption scheme. This author has not been able to find any empirical evidence, nor academic research, that demonstrates the exact impact of the misappropriation of resources from social aid to the deterioration of living conditions of people entitled to such assistance. However, it is clear that, had these resources been employed for the welfare of the needy, more positive results to improve poor people’s conditions would have been achieved. As will be described in more detail, one of the main vehicles to operationalize this corruption scheme was a newly created ministry that replaced the

⁶⁰ Ibid, 16.

“Nor we rely on the convenience of unsustainable social polices, the ephemeral relieve and, the inconsequential relief in prejudice of productive effort”. Author’s translation.

Secretaria Especial de Ação Comunitária engineered during the government of José Sarney.

3.1 - The creation of the Ministério da Ação Social:

Fernando Collor de Mello instituted the Ministry of Social Action in 1990. The attributions of this new governmental agency were listed in Decree Law 8.028 a) social assistance b) civil defense, c) housing and sanitation policies, and d) internal migrations. The heterogeneity of the responsibilities of the ministry are an indication of how the government approached the issue of developing effective social policies. The strategy of dealing with social assistance as a malleable concept confirms Collor's lack of a clear social strategy. At the same time, that he constantly addressed the social debt of Brazil to its citizens, Collor failed to give the proper attention to social matters by deploying a structured governmental apparatus to deal with social issues. Fagnani describes that the creation of a new autarchy that, despite being named Ministry of Social Action, encompassed other facets of government that implemented fragmented social actions, "As iniciativas do Ministério da Ação Social tinham em comum a extrema fragmentação de ações e programas, a pulverização de recursos em ações pontuais (em geral sem base técnica para balizar essas transferências)".⁶¹ In addition to the lack of cohesion of the social policies, the *Ministerio da Ação Social* did not develop mechanisms to supervise the efficient allocation of financial resources employed in these social programs. As was later discovered when the corruption scheme was revealed to the public, there was no intention of establishing a strict control and

⁶¹ Eduardo Fagnani, "Política Social e Pactos Conservadores No Brasil: 1964/92." *Economia e Sociedade*, no. 8 (June 1997) : 130.

"The initiatives of Ministerio da Ação Social had in common the extreme fragmentation of actions and programs, the wide spread of resources over specific actions (generally, not grounded in technical expertise)". Author's translation.

measurement of social policies since this would uncover the misappropriation by government officials of these funds.

3.2 - Collor's wife runs the *Legião Brasileira de Assistência*

The *Legião Brasileira de Assistência* had been created by Darcy Vargas, the wife of former Brazilian president Getulio Vargas, by Decree - Law 4.830 on October 15, 1942. Its main purpose was to provide social services either directly or with the collaboration of specialized companies.⁶² At the time of its creation, the government had a special concern with the lives of the families of soldiers that were sent to fight in the World War II.⁶³ It became a common practice that the first ladies would be the heads of this organization that, became a more encompassing agency after the end of the World War II, assisting all families in need.⁶⁴ At the time of Rosane Collor's administration, the *Legião Brasileira de Assistência* had an annual budget of one billion dollars and 9,400 employees. It did not take long until the first accusations of corruption within LBA started to be exposed by the Brazilian media. The newspaper *Jornal do Brasil* on September 1, 1991, read the following headline: "O Sonho Acaba para a Cinderela de Canapi".⁶⁵ In the next two days, the newspaper published devastating evidence that tied Rosane Collor with a network that had been created to misappropriate

⁶² For a full description of the decree law see:

"Decreto Lei 4830", 15 October 1942, <http://www2.camara.leg.br/legin/fed/declei/1940-1949/decreto-lei-4830-15-outubro-1942-414830-publicacaooriginal-1-pe.html>

⁶³ For more information on the history of LBA see:

Silvana Guilherme Simili, "O que virou moda na Guerra? As voluntárias da Legião Brasileira de Assistência" XVIII Encontro Regional de História – O historiador e seu tempo. ANPUH/SP (2006): 1-10.

⁶⁴ The LBA was created under the responsibility of the Ministry of Justice and Interior Affairs – Decree 6013 from October 1, 1942. It was then transferred to the Ministry of Work and Social Security in 1969 – Decree – Law 593. In 1990 it was then put under the authority of the newly created Ministério da Ação Social by Collor de Mello –Decree 99.244.

⁶⁵ "O Sonho Acaba Para a Cinderela De Canapi." *Jornal Do Brasil*, 1 Sept. 1991, p. 1.

"The Dream of the Princess of *Canapi* is Over". Author's translation.

public funds through the creation of shell companies and the overpricing of products and services contracted by the LBA. The Brazilian magazine *Veja* from September 4, 1991, also reported the corruption accusations in the LBA as its cover story. This reportage was titled *The Scandal in the LBA*. It illustrated on its first page a photo of an apparently saddened Rosane Collor with her head down alluding her shame with the disgrace brought into LBA through the accusations of corruption.⁶⁶

The report indicated that the LBA was being plundered in a range of forms. Though there was no official account on the volume of resources defrauded during Rosane's administration, preliminary calculations could detect the usurpation of at least ten million dollars. These funds, instead of being applied to the welfare of needy people, had been confiscated by public officials and business persons with close contact with the Collor family. One case mentioned in the report described how the LBA had hired a company owned by Rosane's brother to provide water to Rosane's hometown, Canapi, and despite being paid U\$227,000, did not deliver a single gallon of water.⁶⁷ The practice of hiring relatives to run social projects became a usual procedure in Rosane's administration. Another similar case occurred in a different town – Mata Grande - a company owned by Rosane's father's cousin was commissioned to provide water but never performed the work. Also, her sister-in-law was responsible for the *Association Pró-Carente de Canapi*, an organization that received more than U\$400,000 to deliver vocational workshops but never graduated a single student during its existence.

⁶⁶ "Escândalo Na LBA." *Veja*, 4 Sept. 1991, p. 1.

⁶⁷ This figure has been calculated to present-day value with the help of the website of *Fundação de Economia e Estatística*. The original amount of 59 billion *cruzeiros* was translated to *reais* and then converted into dollars. For more information see: <https://www.fee.rs.gov.br/servicos/atualizacao-valores/>

Perhaps the most scandalous case that struck LBA was the purchase of food baskets that were distributed to low income families. Between December of 1990 and January 1991, 235,639 food baskets were purchased to be distributed among the poor population of her home state of Alagoas.⁶⁸ However, the records of government accounts indicated that less than 80,000 food baskets had actually been distributed. In addition, each food basket cost the government 4,500 cruzeiros, more than double the price of the same products from local retailers. This was not the first accusation of corruption within the LBA. The newspaper *Folha de São Paulo* had previously reported that 6,930 food baskets had been purchased in São Paulo and in July of the same year, the same source published a report that examined the purchase process of the food baskets in the first year of Rosane Collor as the head of the organization.⁶⁹ According to *Folha de SP*, 40 percent of all food baskets acquired by LBA did not follow the common procedure of public competitive bidding.⁷⁰ Out of 1.54 million food baskets purchased by the LBA, 628 thousand had been bought directly from companies chosen by the organization. In her defense, Rosane Collor argued that the practice of acquiring products or services without following the recommended procedure was due to urgency for benefits to arrive in the hands of the recipients in the shortest time possible. Nonetheless, the media sources (*Veja*, *Folha de SP*, *O Globo*, *Jornal do Comércio*) found evidence that in many instances the immediate emergency alleged by Rosane would only occur at the moment of purchase, and the same promptness was not applied

⁶⁸ In 2001, Rosane Collor was sentenced by the Court of Audit of the Union to pay 1.8 million *reais* for administrative improbity incurred during her period as the president of the *Legião Brasileira de Assistência*.

⁶⁹ LBA - SP Compra Cestas Básicas Sem Licitação.” *Folha De São Paulo*, 6 Feb. 1991, p. 5.

⁷⁰ The Brazilian legislation allows the government to purchase without public bidding if such acquisitions can be proven to be of extreme urgency. Otherwise, government purchases are bound to follow the required procedures that include public bidding, competition among companies, and a due diligence process to ensure that the purchase operation complied with the governmental norms.

when delivering the acquired products or services. Food baskets that were purchased without public bidding due to their immediate emergency would be stored for months. Similarly, companies hired to provide water to the Northeast states, a region that has been plagued with a long history of severe droughts, never delivered a single liter of water.⁷¹

Also, similar to what allegedly happened in the case of the distribution of milk during Sarney's government, the distribution of food baskets served electoral purposes. It was estimated that forty percent of all food baskets were distributed in the states of Alagoas and Bahia. In these two states, the Federal government had strong political interests, the former being Collor's home state and the latter was holding elections for Governor where Collor supported the candidate Carlos Magalhães. Therefore, targeting of the distribution of food baskets, did not follow the premise that the most needy stratum of the society should be the proper recipients of the baskets. The *Legião Brasileira de Assistência* used the food basket program as a mechanism to ensure that this program would enhance Collor's political dominance. Another deficiency detected in the structure of the LBA was the criteria to select the employees that would be managing the organization. Only in the state of Alagoas, seventy-five relatives of Fernando and Rosane Collor occupied governmental positions, many of them playing important roles in social organizations.⁷²

⁷¹ The scarcity of water in the northeast region known as *Sertão*, remains a conundrum in the Brazilian landscape. A series of unsuccessful governmental projects have been deployed to counter the severe lack of water in the region. By 2017 this region had been afflicted by the longest period of draught in its history, more than five years without rain.

⁷² Nepotism was not a novelty in Brazilian politics. A study developed by Almerinda Alves de Oliveira scrutinizes the employment of nepotism in the public sphere and its association with corruption: Almerinda Alves Oliveira, "Nepotismo na Administração Pública Brasileira: Panorama Histórico e Associação a Corrupção" *Revista Da Controladoria-Geral Da União*, vol. 9, no. 14 (7 June 2017): 1–23.

3.3 -Lei Orgânica da Saúde and the Creation of SUS

The Constitution of 1988 represented a milestone in the social history of Brazil by establishing access to healthcare, along with other social rights, as inalienable rights for all Brazilian citizens and as a duty of the government to provide this service to its population. Before the Constitution of 1988, the area of healthcare was a responsibility of the *Instituto Nacional de Assistência Médica da Previdência Social* (INAMPS), an autarchy subordinated to the Ministry of Social Security and Assistance. As seen in the chapter on Sarney's government, medical aid was funded through Social Security revenues. Consequently, public healthcare coverage was provided to the formal working class - the contributors to the Social Security system and the eligible group for its medical coverage. A report issued by the Ministry of Health in 2002 examined the Brazilian public health system and summarized how Brazilian society was divided regarding access to medical aid “ 1 – those who could pay for the services; 2 – those who had INAMPS coverage; 3 – those who had absolutely no rights”.⁷³ This report also highlighted how the health system before 1988 contributed to increasing the high levels of inequality within different regions in Brazil. Regions that presented higher numbers of workers in the formal sector consequently had a higher number of beneficiaries and required more resources from the INAMPS.

Table 5 illustrates how, under this system, the wealthiest regions of Brazil were also the largest recipients of public funding, deepening the precarious situation of the needy in the most impoverished regions of the country. The two poorest regions, the north and the northeast, received together little more than 20 percent of all federal spending. On the other hand, the two regions that presented higher economic

⁷³ Renilsson De Souza., *O Sistema Público De Saúde Brasileiro*. (Ministério Da Saúde, 2002) p.12.

development – the southeast and the south – were recipients of almost sixty percent of all public funding for medical aid. The inadequate distribution of resources within the Brazilian territory, along with the inefficient targeting of medical aid were main components of the perpetuation of income inequalities. Moreover, the governmental emphasis on curative care instead of preventive care, as seen in the previous chapter, was another integral component to the failure of the public health system to take care of the segment of its population that most needed its assistance.

Table 5: Regional Inequality on Spending on Medical Aid in Brazil in 1986

Region	Percentage of Federal Medical Aid	Percentage of National Population
North	2.27	5.48
Northeast	18.10	28.82
Southeast	59.28	43.79
South	15.14	15.12
Middle-West	5.02	6.78
Brazil	100	100

Source: INAMPS/Secretaria de Planejamento / DIS – 1987

Decree - Law 99,060, issued on March 7, 1990, is regarded as an important step towards the implementation of the universalization of healthcare. Under this law, the Brazilian government decided that INAMPS was no longer bound to the Ministry of Social Security and that its administration should be transferred to the responsibility of the Ministry of Health.⁷⁴ This act was an important transition for the implementation of

⁷⁴ For the entire Decree Law see:

“Decreto lei 99,060”, 7 March 1990, <http://www2.camara.leg.br/legin/fed/decret/1990/decreto-99060-7-marco-1990-328511-publicacaooriginal-1-pe.html>

the system that would become the organ responsible for the institutionalization of health as a social right in practical terms. Six months after issuing Decree Law 99,060, the Brazilian government, under Collor's administration, enacted Decree Law 8,080, creating the *Sistema Único de Saúde* (SUS) that is in effect to this day. Article V established the objectives for this new autarchy:

I - a identificação e divulgação dos fatores condicionantes e determinantes da saúde; II - a formulação de política de saúde destinada a promover, nos campos econômico e social, a observância do disposto no § 1º do art. 2º desta lei; III - a assistência às pessoas por intermédio de ações de promoção, proteção e recuperação da saúde, com a realização integrada das ações assistenciais e das atividades preventivas.⁷⁵

The *Sistema Único de Saúde* was created with the purpose of putting into effect the mandates laid out in the Constitution and to provide medical aid to all citizens regardless of their socio-economic status. Article IX of the same law described the structure of this system and the respective organs that would hold authority and responsibility at the federal, state, and municipal levels: “I - no âmbito da União, pelo Ministério da Saúde; II - no âmbito dos Estados e do Distrito Federal, pela respectiva Secretaria de Saúde ou órgão equivalente; e III - no âmbito dos Municípios, pela respectiva Secretaria de Saúde ou órgão equivalente”.⁷⁶ At first, the SUS, instead of replacing INAMPS, it simply incorporated this organization into its structure and

⁷⁵ “Decreto Lei 8,080. Art. V” www.planalto.gov.br/ccivil_03/leis/18080.htm

I - The identification and promotion of determining and factors concerning the area of health. II – The formulation of a health policy designed to promote, in the economic and social spheres, in accordance to article 2, III- The assistance of people through the mediation of actions targeted to promote and protect the area of health though the integrated implementation of assistance actions and preventive activities. (Law 8,080, article 9) Author's translation.

⁷⁶ Art. IX, www.planalto.gov.br/ccivil_03/leis/18080.htm.

At federal level through the Ministry of Health, at state and Federal District through the Health Secretary of Health or the corresponding agency, and III – at municipal level through the Secretary of Health of the corresponding agency.. Author's translation.

adopted the logic of allocation of resources that were still mostly being derived from social security. Thus, the Brazilian government created a new entity but still relied on the old financial apparatus to put the new agency into motion. The goal of universal healthcare was attempted through the utilization of an organization designed to serve only a select part of the population.

The unfeasibility of the dispositions enacted in the Constitution about the universalization of medical aid aroused heated debates among the more conservative political class. As we saw in the previous chapter, Sarney stated that the Constitution would make Brazil an ungovernable country but he was not the only politician to foresee that scenario. Roberto Jefferson, a deputy from the political coalition *Centrão*, during the constitutional process criticized the unbalanced relation between duty and the rights of the state and questioned the origin of funds to finance the universalization of medical aid “[...] saúde, direito de todos, dever do Estado; previdência, direito de todos, dever do Estado. Isto é bonito! Porém, isto é fazer reverência com o chapéu dos outros”.⁷⁷ Jefferson referred to the absence of legal requirements ensuring incremental resources to expand medical aid to all citizens. In his analysis, the government intended to use the same resources that originally came from the contribution of twenty-seven million actively working citizens to a population of 160 million without adding new revenues.

Being still financially tied to Social Security brought a series of complications to the federal government. Since the richest states were the largest contributors of social security funding, they also demanded that they should continue being the largest

⁷⁷ Ricardo Cesar Rocha Da Costa. "Descentralização, Financiamento E Regulação: A Reforma Do Sistema Público De Saúde No Brasil Durante a Década De 1990." *Revista De Sociologia E Política*, no. 18 (2002):54.

“...healthcare is a right of everyone, a duty of the State, social security, a right of everyone, a duty of the State, This is beautiful! Although, it is pleasing people at the expense of others.” Author’s translation.

recipients of medical aid funding. Given the fact that SUS did not establish its own separate source of funds, the reallocation of existing funds would result in the reduction of resources destined for the most developed regions, which led to serious political repercussions. The epitome of this fragile and complicated funding system occurred in May 1993 when Antonio Brito, the Minister of Social Security, withheld the resources that totaled 250 million *reais* that should be applied to the financing of SUS. The Ministry of Health was forced to resort to the Fundação de Amparo ao Trabalhador (FAT) to borrow funds to meet its obligations. The initial years of SUS were marked by the lack of a clear and independent source of funding. Despite its mission of providing universal healthcare, the evidence on healthcare spending demonstrated that, in effect, federal government expenditure on medical aid was diminished in the first two years of SUS's existence.

Table 6 displays how the Collor's administration failed to allocate enough resources in the public healthcare system.

TABLE 6 – Federal Spending on Healthcare in Brazil in the years 1989 – 1993.

YEAR	Federal Spending (US\$ millions)	Percentage Annual Variation	Federal Spending per Capita
1989	11.320.3	-	80.37
1990	9,451.6	-16.5	65.86
1991	7,847	-16.9	53.67
1992	6,571.2	-16.3	44.11
1993	8,370.6	+26.4	54.73

Source: IPEA-IPLAN (Soares 1995, 253).

As the numbers above illustrate, the government of Fernando Collor de Mello reduced spending on healthcare throughout his entire administration. If we compare the

expenditure from 1989 to the resources employed in healthcare in the last year of Collor's administration (1992), we observe that federal spending per capita was reduced by approximately forty-five percent.⁷⁸ Collor opted to ignore the constitutional norms that set the minimum expenditure on health care. His reluctance to comply with the new rules posed serious risks to the survival of the newly created SUS. Fagnani discusses the strategies adopted by Collor and their impacts on the health care system "No governo Collor, destaca-se o veto presidencial a 25 itens da Lei Orgânica de Saúde (LOS) aprovada pelo Congresso Nacional, a maior parte concentrada nos dispositivos sobre o financiamento do SUS, atingindo sua espinha dorsal".⁷⁹ Although the Constitution had already been approved when Collor took office, he exercised his veto power to obstruct the complementary legislation that defined how the legal precepts established in the Magna Carta would be carried out.

However, Collor's lack of commitment to an engaged social agenda, would not span the four years for which he had been elected. An array of accusations of corruption that inflicted not only his political cabinet, but bespoken the direct involvement of the Brazilian president with illicit practices, deprived Collor of any political credibility to run the country.

3.4 - Itamar Franco Becomes the President.

On December 29, 1992, Collor sent a handwritten letter of resignation to the Brazilian Senate. His resignation was the last resort by Collor to avoid his impeachment that was being voted on that day.⁸⁰ If the Senate accepted his resignation and did not

⁷⁸ Only during the government of Fernando Henrique Cardoso would Brazil surpass the federal spending from 1989.

⁷⁹ Eduardo Fagnani, "Política Social e Pactos Conservadores No Brasil: 1964/92." *Economia e Sociedade*, no. 8(June 1997): 227.

⁸⁰ Collor De Mello, December 17, 1989,

<https://www1.folha.uol.com.br/folha/livrariadafolha/ult10082u663027.shtml>

The letter written by Collor had the following content: "Renuncio ao mandato de presidente da República, para o qual fui eleito nos pleitos de 15 de novembro e 17 de dezembro de 1989".

move forward with the impeachment process, Collor believed that his eligibility to run for political office would not be revoked.⁸¹ However, his action did not produce the desired result, as illustrated on the front pages of newspapers *Folha de SP* and *O Globo*, “Senado mantém o julgamento apesar da renúncia de Collor; Itamar é empossado presidente”; Collor renuncia mas deve perder seus poderes políticos”.⁸² It was under these circumstances, that the government of the first directly elected president after the military dictatorship, was replaced by the administration of a politician with very little notoriety in Brazilian politics – Itamar Franco.

The day after Collor was ousted from the Brazilian presidency, Itamar Franco addressed the Brazilian nation for the first time as the new president. His first presidential speech reflected the tumultuous and precarious economic and political situation that he had inherited from Collor. Itamar Franco did not delineate his political agenda, nor commit to concrete and measurable goals in the economic and social areas. Franco addressed the issue of poverty in Brazil as a matter that should be approached and dealt with by civil society instead of placing the responsibility on the government:

Não resolveremos a situação social no Brasil enquanto não formos capazes, todos nós, de olhar nos olhos de todos os brasileiros, crianças e velhos, das cidades e dos campos, e vê-los como vemos os nossos próprios filhos, os nossos próprios pais, os nossos próprios irmãos.
Não podemos ver os mais pobres com a comiseração que se endereça aos miseráveis, mas com o sentimento de que estamos diante de pessoas humanas iguais a nós, companheiras de nosso destino dentro dessas mesmas paisagens, sob este mesmo céu, e nessa mesma história. A nossa sobrevivência como Nação depende da união de todos e do trabalho comum.⁸³

⁸¹ The newspaper *O Estadão* speculated that Collor had aspirations to run for the position of mayor of São Paulo in the elections that would be held two years after his dismissal. However, his return to the political arena would occur only in 2006, being elected a Senator for his home state Alagoas. He would be reelected as a member of the Senate in 2014. Collor contemplated the option of running for the Brazilian presidency in the upcoming elections of 2018. Albeit, after finding minimal support for his campaign, he decided to withdraw his candidacy.

⁸² “Senado Mantém o Julgamento Apesar da Renúncia de Collor” *Folha de São Paulo*, December 30, 1992.

“Collor Renuncia Mas Deve Perder Seus Direitos Políticos” *O Globo*, December 30, 1992

⁸³ “Biblioteca Nacional.” *Biblioteca.presidencia.gov.br*,

The words above were his complete reference to the issue of poverty and inequality in Brazil. No promises or strategies that would be adopted by the government to improve the lives of the needy were laid out. Franco adopted a rhetoric that made the conundrum of the enormous poor population a problem not only pertinent to the government, but to the entire Brazilian society. Franco mentioned the poor economic performance in the government of Fernando Collor de Mello that had reduced GDP per capita by close to ten percent in his almost three years in the presidency.⁸⁴ Furthermore, Franco discussed the unsustainable maintenance of the exorbitant interest rates that drained the federal finances. The explanation of the poor economic performance of Fernando Collor's administration indicated that the new government was foreseeing a period of constrained public spending and therefore, investments in social programs could be expected to be diminished.

3.5 -Government and Society United to Fight Hunger – *Ação da Cidadania Contra a Fome, Miséria e pela Vida.*

Itamar Franco's call on the civil society to fight poverty was personified in the figure of Herbert de Souza. Betinho, as he was best known by Brazilians, became the national figure that symbolized the symbiotic relationship between government and civil society that Franco hoped for in his inaugural speech. On March 8, 1993, Betinho

www.biblioteca.presidencia.gov.br/presidencia/ex-presidentes/itamar-franco/discursos/discurso-de-posse/pronunciamento/view.

"We will not solve the social situation of Brazil as long we are not capable to look in the eyes of all Brazilians, children and elderly, from the urban and rural areas, and see them as our own sons, own fathers, and own brothers. We no longer may see the poor with the sorrow attitude addressed to miserable people, but with the sentiment that we stand before human beings just like us. Brothers that share the same destiny who inhabit the same landscapes, the same sky, and the history. Our survival as a nation, relies on our union and on our collective efforts". Author's translation.

⁸⁴ In 1990 the GDP of Brazil faced a retraction of 4,3%, in the next year it increased by 1% and it decreased again in 1992 by 0,5%. For a detailed account of the economic indicators of the Brazilian economy see: <https://seriestatisticas.ibge.gov.br/series.aspx?vcodigo=ST12>

created the institution *Ação da Cidadania Contra a Fome, Miséria e pela Vida* that had as its mission to provide assistance to the thirty-two million citizens that were below the poverty line.⁸⁵ In the same month, Itamar supported the *Política de Segurança Alimentar*, a plan presented to him by Luis Ignácio Lula da Silva, by then the president of *Partido dos Trabalhadores* that aimed to improve nutrition in poor areas. A national campaign to fight hunger gathered substantial support from the population and culminated in the development of the governmental *Plano do Combate a Fome e a Miséria*. Betinho was chosen to head this social plan. The choice of someone not affiliated with the government to be the main leader of this scheme represented the partnership between government and civil society towards the goal of fighting hunger and extreme poverty.

Itamar through the enactment of Decree 807/93 created the *Conselho Nacional de Segurança Alimentar (CONSEA)*, on 22 April, 1993.⁸⁶ This autarchy was composed of nine ministers and twenty-one representatives from the civil society that would be appointed directly by the president. Its main attribution was to assist the government to implement actions and formulate proposals designed to improve nutrition in the country (Guedes de Vasconcelos 2005).⁸⁷ Itamar saw the opportunity to capitalize on the public outcry to fight poverty and unite government and society and public and private funds

⁸⁵ *The Instituto de Pesquisa Aplicada (IPEA)* developed a study titled *O Mapa da Fome* in 1993. This study highlighted the causes of hunger and poverty in Brazil and the geographic divisions within Brazil that showed an acute inequality of resources distributed through the country. For the entire first volume of this report see “*O Mapa da Fome no Brasil*” (1993), <http://ipea.gov.br/agencia/images/stories/PDFs/o-mapa-da-fome-vol1.pdf>

⁸⁶ For the entire decree see: “Decreto 807/93”, 22 April 1993, <https://presrepublica.jusbrasil.com.br/legislacao/113260/decreto-807-93>

⁸⁷ Guedes de Vasconcelos and Francisco de Assis. “Combate à Fome No Brasil: Uma Análise Histórica De Vargas a Lula Fighting Hunger in Brazil: a Historical Analysis from Presidents Vargas to Lula.” *Revista De Nutrição*, vol. 18, no. 4 (2005): 439–457

to improve the social condition of the Brazilian society. Betinho's organization had been able to set up over five-thousand *Comitês de Combate a Fome* across the nation. His nationwide campaign against poverty gained the support of Brazilian celebrities and was nationally publicized in the media. The government took advantage of the favorable momentum of the *Ação da Cidadania* and through joint operations developed social actions that made use of the infrastructure created by Betinho's organization.

Betinho believed that the fight against poverty had to follow a dual approach: it needed to develop emergency actions since the poor were starving and could not wait any longer to be properly fed, but it also needed to advance sustainable and long-term goals, otherwise the needy would never rise above their precarious conditions:

A luta contra a miséria tem dupla dimensão, a emergencial e a estrutural. A articulação entre estas duas dimensões é complexa e cheia de astúcia. Atuar no emergencial sem considerar o estrutural é contribuir para perpetuar a miséria. Propor o estrutural sem atuar no emergencial é praticar o cinismo de curto prazo em nome da filantropia de longo prazo ⁸⁸

The aspirations of Betinho were not fully completed. The advancements of the partnership between the government and civil society institutionalized through, CONSEA and *Ação da Cidadania* respectively, produced relevant results in emergency actions, but the same could not be said about structural changes in the Brazilian social network. The unstable and insufficient flow of resources, along with a prevalence of unfounded economic precepts over social progress, exposed the fragility of the social fabric in Brazil. Without the support of the federal government, the long-term plans and structural changes that Betinho's organization intended to carry out in Brazil were at

⁸⁸ "Notícias." *Ação Da Cidadania*, www.acaodacidadania.com.br/?page=noticias&id=100.

"The fight against extreme poverty has double dimension, emergency and structural actions. The articulation between the two dimensions is complex and filled with craftiness. To focus on the emergency actions without taking into account structural actions is to contribute to perpetuate extreme poverty. To propose structural measures without also tackling emergency situations is to practice short-term cynicism under the name of long-term philanthropy." Author's translation.

risk. The large popularity that his organization gathered amidst civil society was not long-lasting and by 1995, although the organization was still operational, it did not enjoy the same support and financial resources as in 1993.

3.6 -Lei Orgânica de Assistência Social

The main goal of the *Lei Orgânica de Assistência Social* (LOAS) was to provide a regulatory framework to the provisions established in the articles 203 and 204 of the Brazilian Constitution.⁸⁹ The enactment of Law 8,742 on December 7, 1993, by Itamar Franco is considered one of the most important legacies of Itamar's government to the social structure of Brazil. The process of enacting an organic law started in 1989 with the draft Law 3099/89 by Assemblyman Raimundo Bezerra. After undergoing all democratic and legal procedures, along with modifications in the original document, the Senate finally approved it in May 1990.⁹⁰ Notwithstanding, in September of the same year, Collor through his Message to the Senate 672/85 stated that the LOAS was not based on a sustainable and viable social assistance structure. Fernando Collor decided to veto the LOAS in its entirety:

Entre as razões ponderáveis que justificam o veto, sobressai a da existência, na proposição, de dispositivos contrários aos princípios de uma assistência social responsável, que se limite a auxílios às camadas mais carentes da população,

⁸⁹ Brazil Const. Art.203

“A assistência social será prestada a quem dela necessitar, independentemente da contribuição a seguridade social, e tem por objetivos: I – a proteção da família, a maternidade, a infância, a adolescência, e a velhice. II – o amparo as crianças e adolescentes carentes, III –a promoção da integração ao mercado de trabalho, IV – a habilitação e reabilitação das pessoas portadoras de deficiência e a promoção da sua integração a vida comunitária, V- a garantia de um salário mínimo de benefício mensal a pessoa portadora de deficiência e ao idoso que comprovem meios de prover a própria manutenção ou de tê-la provida por sua família, conforme dispuser a lei.

Art. 204” As ações governamentais na área da assistência social serão realizadas com recursos do orçamento da seguridade social, previstos no art. 195, além de outras fontes, e organizadas com base nas seguintes diretrizes: Lei número 8,742 and 8,069.

⁹⁰ For a full description on the process of implementation of a regulatory framework for the social assistance structure see:

Eni Maria Monteiro Barbosa, “O Processo de Regulamentação da Assistência Social: Avanços e Retrocessos” Texto Para Discussão, Instituto de Pesquisa Aplicada, no. 222. (August 2001): 1-12.

sem contudo, comprometer-se com a complementação pecuniária e continuada de renda.⁹¹

The words expressed by Collor illustrated the reluctance of the federal government to abide by the predispositions of the new Constitution. In 1987, Sarney had stated that it would make the country ungovernable. Now three years later, Collor was vetoing legal predispositions that would make the government more accountable in efforts to provide the social assistance granted to all citizens by the Brazilian Constitution.

The LOAS instituted the principles, objectives and the general guidelines of social policies. It also set the organizational structure and the administration of its policies, resources, benefits, and programs concerning social assistance. It is in its dispositions that we might begin to detect traces of the concept of implementing a federal cash-transfer system in Brazil. Article twenty of the LOAS describes the *Benefícios de Prestação Continuada* (BPC). Unlike other federal benefits that were funded by Social Security and covered only the formal working class, the BPC determined that any citizen with disabilities and elderly people over the age of sixty-five years old who can prove the lack of financial resources either by him/her or by his/her family were entitled to one monthly minimum-salary. The government defined a disabled person eligible for the benefit as one who has any long-term physical, mental, intellectual, or sensorial impediments that prevent them from performing his/her full societal participation on an equal basis with other citizens. The classification of the other group, the elderly with limited financial resources, was the target of criticism by the advocates of stronger and more encompassing social policies. By establishing the eligibility for the benefit, households with income below one - quarter of the minimum-

⁹¹ Among the reasonable reasons that justify the veto, it stands out the existence, in the given proposition, of legal devices that go against the principles of a responsible social assistance. Such assistance should be restricted to the lower layers of the needy population. However, such assistance should not be undergone through a pecuniary and long-lasting complementation of income. Author's translation.

salary, the government targeted only the extremely poor. This was seen as a strategy to avoid the establishment of a minimum income for all citizens, an idea that was gathering some attention in the political scene.⁹²

Former Brazilian Senator Eduardo Suplicy had a pioneering role in the promotion of this idea. He describes his actions towards the implementation of the Programa de Garantia de Renda Mínima (PGRM):

Em 1991, durante um debate entre cerca de 50 economistas com afinidades com o PT, organizado em Belo Horizonte, onde, a convite de Walter Barelli, Antonio Maria da Silveira e eu apresentamos a proposta do PGRM, o professor José Márcio Camargo da PUC-RJ observou que a garantia de uma renda mínima era um bom passo, mas que deveria ser dada a famílias necessitadas, com filhos em idade escolar que frequentassem a escola com regularidade. Dessa forma, não seriam forçados a trabalhar mais cedo a fim de ajudar na subsistência da família.⁹³

Suplicy attributes the debates on determining a universal minimum income that occurred in 1991 as influential to the development of the regional versions of the cash transfer program Bolsa Escola that were put into action in the municipality of Campinas – SP and in the Federal District in 1995.

Although the disposition of LOAS did not provide the extension of benefits to the large portion of the needy population, it was seen as an advancement in comparison to the previous regulation. After the enactment of this law, the same aid provided to the handicapped and the elderly was transferred from the sphere of responsibility of Social Security to the direct responsibility of the social assistance structure. The disentanglement of social assistance and social security was a long process that made significant progress after the enactment of LOAS. The most substantial criticism of this

⁹² The idea of providing a basic income to all citizens has been widely discussed. For more information on this concept please see the website of the organization BIEN – Basic Income Earth Network <http://basicincome.org/>

⁹³ Eduardo Matarazzo Suplicy and Cristovam Buarque. “Garantia De Renda Mínima Para Erradicar a Pobreza: o Debate e a Experiência Brasileiros.” *Estudos Avançados*, vol. 11, no. 30 (1997): 79–93.

social policy was its strict targeting. In order to be more inclusive, benefits had to be extended to households with income higher than one-quarter of a monthly minimum salary. The Departamento Intersindical de Estatística e Estudos Socioeconômicos (DIEESE) had conducted a study that estimated that in order to have a dignified life, with all basic needs provided to workers and their families, they should earn at least six monthly minimum salaries.⁹⁴ In 1989 it was also estimated that 63 percent of all Brazilian households earned below that income, thus, a large part of the Brazilian population that should be granted some sort of social assistance was not being assisted by the government.

3.7 - Conclusion:

During his inaugural speech, Fernando Collor de Mello demonstrated the lack of a clear and cohesive social policy agenda. Although he attempted to detach his government from the previous political rhetoric that aligned social improvement with an increase in economic outputs, his actions bespoke the disengagement between his speech and his policies. Collor stated that the issue of poverty and inequality would not be at the hands of the market, indicating a strong presence of the government to deal with these two dilemmas of the Brazilian society. However, his government eschewed commitment to passing forward regulations that would make it more accountable to the development of a federal government more accountable to provide more encompassing and efficient social assistance to its citizens. The ambiguity of his inaugural speech set the tone of his government. Although it is difficult to contend that his ambiguous actions and political rhetoric were intended to bewilder his constituents, or were the

⁹⁴ DIEESE issues every year a report that takes into account prices of main services and products that are consumed by the average household, and calculates the differences between the current value and what should be the “ideal” salary. In its latest report, DIEESE, stated that the salary of July 2018 of R\$954 *reais*, in order to prove a dignifying standard of living should be increased by almost fourfold, amounting to R\$ 3,674.77. To see the historic numbers of this assessment see: <https://www.dieese.org.br/analisecestabasica/salarioMinimo.html>

product of a disoriented and unmoored government, we can affirm that after his government, the Brazilian social apparatus faced an even more precarious situation. Instead of concentrating efforts to create legal instruments to put into practice the goals envisaged by the Constitution, Collor exerted his political authority to deter such regulations. The integral veto of the *Lei Orgânica de Assistência Social* demonstrates his lack of commitment to the implementation of the universalization of education and medical aid foreseen in the Constitution.

The creation of the *Ministério da Ação Social* with its heterogeneous responsibilities, ranging from civil defense to social assistance, corroborate the observation that Collor's government approached social assistance as a malleable concept. By not defining an intelligible and comprehensible social structure, the *Ministério da Ação Social* fragmented actions and social programs through ad hoc policies that provided benefits without clear regulations or long-term plans. Furthermore, MAS, very likely intentionally, failed to enforce mechanisms to ensure the proficient allocation of its resources. Its programs did not undergo a strict control on their expenditures, nor a measurement of their effectiveness by external or governmental regulating agencies. Also, instead of relying on technical expertise to determine how benefits would reach the needy, his government, in many instances, allowed political criteria to determine the recipients of governmental assistance. Fernando Collor employed social programs for clientelistic practices, and to bolster political support. The cases of the distribution of food baskets to households of low income and the provision of water to areas that suffered severe cases of drought, were illustrative of this strategy.

The misuse of public money in the *Legião Brasileira de Assistência* was part of a larger corruption scheme that infected his government and ultimately caused his

impeachment. It is challenging to assess precisely the damage of corruption with regards to the improvement of the social structure of the country. To measure the impact of not receiving a food basket or being deprived of water, might be quantitatively convoluted. Nonetheless, it is overt to affirm that, had the funds be applied with the sole goal of bettering poor people's lives and reducing income inequality, they would have produced superior results. Also, the extensive adoption of nepotism in the organization prevented the government from putting in place an agency with competent and knowledgeable personnel.

Arguably the most relevant event for the social structure of Brazil that occurred in his government was the implementation of the *Sistema Unico de Saude* (SUS). Notwithstanding, the implementation of a federal health system had already been created through legislation when Collor took office, thus this achievement cannot be credited as one of the accomplishments of his government. In fact, Collor was reluctant to abide by the dispositions of the SUS, as his veto to twenty-five items of the *Lei Orgânica da Saude*, many of them concerning how the SUS would be financed, demonstrate. His actions put the survival of the newly established federal health system at risk. The numbers of federal spending on health care during his government show that investments on medical aid decreased by almost fifty percent throughout his administration.

Collor's contribution to the political process that culminated in the first federal cash-transfer program in Brazilian history seemed to be minimal. Despite his inaugural presidential speech where he stated that the poor would not be at the mercy of the market and that economic growth did not translate into better social conditions, his actions did little to improve the social conditions of the country. We could not identify any concrete attempts to implement any type of redistributive social policy that

provided the poor with assistance in the form of financial aid. Instead of representing a stepping stone to the materialization of *Bolsa Escola* that occurred in 2001, we are closer to affirm that his government represented a step backward. The misappropriation of public funds, absence of a clear social policy agenda, and lack of governmental commitment to constitutional social rights, are some of the evidence that supports the argument that his government failed to ameliorate the conditions of needy Brazilians.

The failure of Collor was such that once his vice-president took office, Itamar Franco immediately attempted to disassociate his image from that of the impeached president. Franco was aware of the chaotic economic situation of Brazil's public accounts when he imposed a drastic cut in the federal budget. Franco opted to adopt a more cautious political narrative in his first speech as the new head of the government and shared the responsibility of fighting poverty with the entire Brazilian community. Franco's strategy could be seen simply as an intelligent way of diminishing the state's responsibility and place part of the accountability for the high levels of poverty on the civil society. However, it resonated with a substantial portion of the population and, particularly through the organization created by Betinho, *Ação da Cidadania Contra a Fome, a Miséria e a pela Vida*, he gathered ample support and produced relevant outcomes in emergency actions to fight poverty.

Unfortunately, the cooperation between the government and society with public and private funds proved to be an ephemeral success. The association of public and private sectors failed to execute structural changes that would produce long-lasting actions to fight poverty. The concern of Betinho that the sole strategy of acting on emergency actions without taking into account structural measures would signify the perpetuation of misery proved to be legitimate. Franco's government demonstrated that in order to implement enduring and effective social programs, a steady and well-defined

source of funds needed to be determined. His government maintained that the role of civil society needs to be of a complementary nature. It is the government that needs to delineate the continuous flow of resources for social programs that aim to move people out of poverty.

Whereas Franco's efforts to unite government and civil society to fight poverty might not have resulted in efficient and consistent structural changes, it was under his rule that Brazil enacted one of the most important laws in the history of its social network. The *Lei Orgânica de Assistência Social* had been previously vetoed by Collor in 1990. It was under Franco's government that the law was enacted that set the organizational structure of the policies, resources, benefits, and programs that concerned social assistance.

LOAS is of utmost importance for this research since it is in its provisions that we can arguably detect the first signs of the concept of introducing a national cash-transfer program in Brazil. The *Benefícios de Prestação Continuada* (BPC) granted to citizens with disabilities and people over sixty-five years of age one monthly minimum salary. Albeit still restrictive in its scope, this action represented a conceptual shift in the political will to provide social assistance. Subsequent to LOAS, this type of benefit would no longer be tied to funds from Social Security which benefited only the formal working class. Placing the financial responsibility with the newly created social assistance structure, widened the targeted group to anyone who met the criteria, detaching this benefit from funds coming exclusively from social security. Also, the government conditioned its benefits only to the elderly citizens belonging to households with income lower than a quarter of the minimum-salary. At the time, it was believed that this strategy was adopted to avoid the establishment of a minimum universal income, an idea that was achieving increasing support. The political debate discussing

the target groups that should benefit from financial assistance by the federal government is another piece of evidence that the concept of cash transfer programs was becoming closer to be materialized.

Chapter 4

Fernando Henrique Cardoso –The Father of the *Plano Real* Succeeds Itamar Franco.

Perhaps no other Brazilian president bore a more substantial background for the goals of an improved social structure and a fairer distribution of wealth in the country. A sociologist by profession, being one of the originators of the dependency theory, expert on the intrinsic characteristics of the acute poverty and inequality of Brazil, Cardoso, had the qualifications to ensure that Brazil would enter a new era in its anti-poverty policies.⁹⁵ Albeit his marked socialist background, it was his economic achievements during his term, as finance minister for Itamar Franco that brought him to the highest office in the federal government.⁹⁶ Cardoso assembled a team of economists from the university PUC-RJ and designed an economic plan that had as its main task to halt the rampant inflation levels that had reached forty-four percent in the month previous to the implementation of the *Plano Real*.⁹⁷ Cardoso's economic policies were so successful that his popularity made him the natural candidate for the Brazilian

⁹⁵ James F Hoge, "Fulfilling Brazil's Promise: A Conversation with President Cardoso." *Foreign Affairs*, July 1995.

In this issue, *Foreign Affairs* interviewed Fernando Henrique Cardoso, who they described as "being called the most honest and best prepared president of Brazil in more than a generation... a former Marxist intellectual whose thinking has evolved from socialism to his current approach, which couples liberal, market-based economics, with strong anti-poverty measures.

⁹⁶ Gustavo Franco, one of the leading economists of this economic plan and former president of the Brazilian central bank, wrote an article titled "Real Plan" in 1996. In this research, he explains with details the rationale of the plan and the particularities that made it the first successful economic initiative to tackle inflation in a sustainable matter.

⁹⁷ Edmar Bacha, P rsio Arida , Pedro Malan, Andr  Lara Resende, Rubens Ricupero, and Jos  Serra, all working under the supervision of Cardoso, are considered the mentors of the Real Plan. It is important to note that when first introduced to the political class and the International Monetary Fund, the Real Plan did not find substantial support. Accounts from the economic team also report that Itamar Franco was reluctant to approve a plan that did not include the freezing of prices. Fernando Henrique Cardoso in his book recalls the moments of the creation of the real plan. Fernando Cardoso, *Diaries of the Presidency Vol. 1* (Companhia das Letras 2015).

presidency.⁹⁸ Cardoso capitalized on the triumph of his economic policies and embraced the continuation of his reforms as the main component of his presidential campaign. The cover of *Folha de São Paulo* from Cardoso's inauguration day stated that seventy-nine percent of the population supported the Real Plan.⁹⁹

Cardoso's first presidential speech emphasized that his election implied approval by the Brazilian population of the achievements of the *Plano Real* and its important role to permanently eliminate the threat of high inflation, "... a maioria absoluta dos brasileiros, fez uma opção pela continuidade do Plano Real, e pelas reformas estruturais necessárias para afastar, de uma vez por todas o fantasma da inflação".¹⁰⁰ Fernando Henrique, as he was known in Brazil, unlike his predecessors, was taking office under an economic scenario that envisaged a promising future. While the better economic setting allowed Cardoso a more harmonious beginning for his administration, it put more pressure on him to address how his government would approach the issue of poverty and inequality. As reviewed in this research, Sarney, Collor, and Franco centered their inaugural speeches on the challenge of engendering economic stabilization. The three presidents previous to Fernando Henrique approached social correction as a product of economic stabilization and growth. Cardoso established social justice as the main mission of his government, "Falta a justiça social. É este o grande desafio do Brasil nesse final de século. Será esse o objetivo número um do meu

⁹⁸ Cardoso was elected in the first round with 54,24% of the votes. Luis Inacio Lula da Silva was the forerunner with 27,07% followed by Eneas Carneiro 7,38%, Orestes Quercia 4,38% , Leonel Brizola 3,19%, and Esperidião Amin with 2,75%. The elevated numbers reached by the third candidate Eneas Carneiro were deemed as a protest vote, given the fact that very little was known about his political platform. For a detailed report on the election numbers see: <http://www.tse.jus.br/eleicoes/eleicoes-antiores/eleicoes-1994/resultados-das-eleicoes-1994/brasil>

⁹⁹ "FHC Toma Posse; 79% Apóiam Real" *Folha de São Paulo*, (January 1, 1995): 1.

¹⁰⁰ Fernando Henrique Cardoso, "Discurso De Posse." *Biblioteca Nacional*, www.biblioteca.presidencia.gov.br/publicacoes-oficiais/catalogo/fhc/discurso-de-posse-1995, p.13.

governo”.¹⁰¹ Cardoso was aware of the misconception that equated economic growth with better widespread living conditions, and the results that this rationale had produced in his country. It is relevant to note the evolution of political discourse throughout the governments covered in this study. It is observable that the rhetoric that poverty had to be fought with economic development lost ground to the recognition that different alternatives to reduce poverty had to be elaborated. In the government of Franco, political discourse was centered on sharing this responsibility with the civil society. When Cardoso took office we observe the ultimate acknowledgement that the political will had to focus on the deployment of a strong social agenda.

One of the issues analyzed in this research was how Federal spending on health care in the government of José Sarney resulted in the largest fraction of resources spent on curative versus preventive care. Cardoso expressed his concern with the area of medical aid in Brazil, and the importance to concentrate efforts on preventive care, “Mas a saúde tem que ser encarada – e assim vai ser no meu governo – principalmente como prevenção da doença, e não só a cura da doença. Um visão moderna da saúde, inclui saneamento básico, vacinação adequada, esporte para todos”.¹⁰² This statement by Cardoso is particularly relevant to this study. As will be demonstrated in the next chapter, the conditions of eligibility for the experiences with federal cash-transfer programs in Brazil included actions directed at preventive care.

¹⁰¹ Cardoso, *Discurso Posse*, 13.

“There is a lack of social justice in the country. This is the main challenge of Brazil in this end of century. This will be the number one goal of my government” (Cardoso 1994). Author’s translation.

¹⁰² *Ibid*, 20

The conundrum of healthcare needs to be faced – and this is how my government will proceed – principally in actions towards the prevention of diseases, instead of focusing on the cure of such illnesses. A modern vision on health includes basic sanitation, adequate vaccination, and sports for all” (Cardoso 1994). Author’s translation.

In the area of education, Cardoso emphasized reducing the number of illiterate and semi-illiterate that permeated the Brazilian society.¹⁰³ According to him, in order to improve education in Brazil, it was necessary to implement measures that surpassed physical investments in the form of building new schools. Cardoso believed that Brazil had to undergo a cultural transformation in the perception of education by teachers and students. To ensure that students would have an insightful and knowledgeable experience through their periods as students was a fundamental premise to him “Chega de construir escolas faraônicas e depois enchê-las de professores mal pagos e mal preparados, juntamente com estudantes desmotivados e sem condições materiais e psicológicas para terem um bom aproveitamento”.¹⁰⁴ As in the case of measures of preventive care, Cardoso also capitalized on the development of *Bolsa Escola* to devise dispositions that would ensure that children attended school in order to receive the program’s benefits.

4.1 -Rede de Proteção Social

The set of social policies and programs developed during the government of Cardoso was later termed the *Rede de Proteção Social*. Cardoso’s political party PSDB, issued a report in 2002 that delineated all the accomplishments of his eight years as the Brazilian president. In its section on the improvement of the social structure, it relates

¹⁰³ The Brazilian Institute Geography and Statistics (IBGE) ascertained the levels of illiteracy in 1995 in the population of citizens of 15 years old or older as 15,5% For historic figures on this issue see <https://ww2.ibge.gov.br/home/estatistica/populacao/condicaodevida/indicadoresminimos/notasindicadores.shtm>

For a more complete description of the figures and characteristics of the problem of illiteracy in Brazil see a report elaborated by The Ministry of Education in 2003. available at “Mapa do Analfabetismo no Brasil”, 2013, http://portal.inep.gov.br/informacao-da-publicacao/-/asset_publisher/6JYIsGMAMkW1/document/id/485756

¹⁰⁴ Cardoso, Discurso Posse, 21.

“We must stop building colossal schools, and fill them with poorly prepared and paid instructors, along with unmotivated students without the adequate psychological and material conditions in order to properly perform in the educational system”. Author’s translation.

how the *Rede de Proteção Social* was able to develop twelve social programs that focused on the poorest group of Brazilian citizens.¹⁰⁵

Table 7 lists the seven programs that were non-contributory (not tied to the social security system) and their respective targets, volume of resources, and the number of beneficiaries. The federal government provided a more encompassing table with twelve programs that formed the entire set of social actions of the *Rede de Proteção Social*. This research intentionally did not include the programs *Seguro Desemprego*, *Seguro Safra*, *Aposentadoria e Pensões Rurais*, and *Bolsa Qualificação*, because they were contributory programs that only extended their benefits to the formal working class.¹⁰⁶

¹⁰⁵ It is important to note the Fernando Henrique Cardoso implemented the *Fundo de Combate a Pobreza* in 2000 through a Constitutional Amendment. This piece of legislation was promulgated in December 2000 and established the funds to combat poverty would derive from a percentage of the CPMF – Contribuição Provisória sobre Movimentações Financeiras. This tax had been temporarily instituted and became a target of criticism since it taxed all financial transactions. The government determined that ,08% of this tariff would be used to fund the Fundo de Combate a Pobreza that became the responsible organ for the Rede de Proteção Social created by Fernando Henrique Cardoso. For the full content of this Constitutional amendment see:

http://www.planalto.gov.br/ccivil_03/constituicao/emendas/emc/emc31.htm

For more information on Cardoso's strategies to develop Rede de Proteção Social see: Sônia Draibe, "A Política Social No Período FHC E O Sistema De Proteção Social." *Tempo Social* 15, no.2 (2003): 63-101.

¹⁰⁶ All monetary values were brought to present terms in the Brazilian currency through the Brazilian Central Bank system and then converted to dollars according to the exchange rate from 03/28/2018. To access the Brazilian Central Bank calculator see:

<https://www3.bcb.gov.br/CALCIDADAOPublico/corrigirPorIndice.do?method=corrigirPorIndice#>

Table 7: Non-Contributory Programs of Rede de Proteção Social: 2002

Name	Target group	Amount per recipient *	Number of Beneficiaries
Bolsa Alimentação	Children up to 6 years old, pregnant women, mothers breastfeeding infants up to 6 months old, from households with income per capita up to half minimum salary.	US\$ 14 per children. Limit of three children per household.	1,300,000
Erradicação do Trabalho Infantil (PETI)	Children between the ages 7 – 15 involved with insalubrious or degrading labor, from households with income per capita up to half minimum salary	US\$ 23 per children in rural areas and US\$ 37 in urban areas	810,769
Bolsa Escola	Children between the ages 6– 15, from households with income per capita up to half minimum salary	US\$ 14 per child. Limit of three children.	8,633,354
Auxílio Gás	Families of low income	US\$ 7 per family per month.	8,108,758
Brasil Jovem	Youth between the ages of 15-17 years old from household with income per capita up to half minimum salary	US\$ 60 per month	105,000
Benefício de Prestação Continuada (BPC)	Elderly people over 67 years old and handicapped with income lower than one-quarter of the minimum salary	One minimum salary US\$ 292	1,450,660
Renda Mensal Vitalícia	Elderly people over 70 years old, or disabled who can prove the lack of resources to provide his/her subsistence	One minimum salary US\$ 292	724,124

Source: Biblioteca da Presidência da República:

<http://www.biblioteca.presidencia.gov.br/presidencia/ex-presidentes/fernando-henrique-cardoso/publicacoes/brasil-1994-2002-a-era-do-real-1/1994-2002-a-era-do-real/view>

Although a complete and detailed analysis of the entire set of the social programs comprised in the *Rede de Proteção Social* could provide us with a more thorough picture of the social achievements of Cardoso's government, it is beyond the scope of this research. One of the criticisms of his government is the fact that, despite his resolution to place the quest for social justice as the first priority of his government, it was only in his second term in office (1999-2002) that we can observe the development of robust and encompassing social programs. For example, the programs *Auxílio Gás* and *Bolsa Alimentação*, although relevant to analyze the impact on poverty reduction in Brazil in the first decade of the 21st century, were subsequent to the program *Bolsa Escola*, therefore not inclusive in the timeframe of this research. Other

programs such as the *Benefício de Prestação Continuada* and the *Renda Mensal Vitalícia* had been established by previous governments and were simply kept in place during his administration. For the reasons previously mentioned, the remainder of this research will be focusing only on examining the impacts of the *Programa de Erradicação do Trabalho Infantil* (PETI) and the ultimate target of this research, the first federal cash-transfer in Brazilian history, *Bolsa Escola*.

4.2- Programa de Erradicação do Trabalho Infantil

In a joint effort with the International Labor Organization, the Brazilian government launched in 1996 the *Programa de Erradicação do Trabalho Infantil* (PETI). The purpose of this initiative was to eradicate child labor and return youth to the classroom by giving cash incentives to their families. The conditions to be eligible for the program were to be between 7 and 15 years old and belong to households of income lower than half the minimum salary per capita. Beneficiaries would receive a cash incentive equivalent to twenty-three dollars at present value for families in rural areas and thirty-seven dollars to households in urban areas.¹⁰⁷ The condition imposed on the recipients of the benefits was that the children would have to attend regular classes and extra-curricular activities promoted by their school. The money would primarily be given to the mothers, a feature also followed in the subsequent cash-transfer programs.¹⁰⁸ Also, the state was responsible to provide the cash benefit along

¹⁰⁷ The Institute of Applied Research (IPEA) produced an assessment of the strides that Brazil had reached towards eradication of child labor. This study concluded that the main reasons for the sharp decline in the employment of child labor since the 1990's is mainly due to the deployment of PETI and the subsequent cash-transfer programs that applied minimum school attendance records in their conditionalities.

Paes de Barros and Rosane Mendonça. "Trabalho Infantil no Brasil Rumo à Erradicação" Ideas Working Paper (August 2010): 3-28.

¹⁰⁸ The Mexican version of cash-transfer program, was first called *Progresá* (1997), renamed *Oportunidades* in 2002, and switched names again in 2014 to the current denomination *Prospera* as of

with the transfer of resources to municipalities to help them promote extracurricular activities in sports, leisure, culture, and other areas. Each municipality would receive the amount of eighteen dollars per student in rural areas, while schools in urban areas would be eligible for half of this amount.

Brazil has a long history of employment of children in its workforce. Child labor became legally restricted in Brazil only with the advent of the Constitution of 1934. Its Article 121 enacted the prohibition of any labor activities of individuals under fourteen years old, night shifts for people under sixteen years old, and employment in hazardous industries for people under eighteen years old and women of all ages.¹⁰⁹ Whereas the Constitution of 1937 did not make any changes in this provision, the Magna Carta from 1946 raised the minimum age to work night shifts to eighteen years old.¹¹⁰ Nonetheless, the Constitution of 1967, devised under military rule represented a retrograde step to the rights acquired in the previous legislation. The government lowered the minimum age to perform any labor activity from fourteen to only twelve years old. Additionally, the military government deregulated the provision that established the unlawfulness of unequal pay based on age. Thus, the military government, besides allowing employment

2018. For a full description of the program, see the research published by the Inter-American Development Bank and elaborated by Laura G. Dávila Lárraga.
 Laura Davila Larraga, “How Does Prospera Work? Best Practices in the Implementation of Cash-Transfer Programs in Latin America and the Caribbean” IADB (2016): 1-94.

¹⁰⁹ For a full description of the article 121 see
 Brazil Const. Art. 121
<https://www.jusbrasil.com.br/topicos/10619014/artigo-121-da-constituicao-federal-de-16-de-julho-de-1934>.

¹¹⁰ Bernardo Leôncio Moura Coelho, “A Proteção à Criança Nas Constituições Brasileiras: 1824 a 1969.” *Revista De Informação Legislativa*, vol. 35, no. 139 (July 1998): 93–108.

Bernardo Leôncio Moura Coelho reviewed the Brazilian constitutions from 1824 – 1969 and their prerogatives regarding the legal employment of children. He points out that the Constitution of 1946 was influenced by the conventions of the International Labor Organization organized in 1920, 1921, 1932, and 1937, where the debates raised resulted in strides in the abolishment of child labor.

of citizens over the age of twelve, also permitted that they were more poorly compensated than the adult workforce.¹¹¹

It is in the formulation of the Constitution of 1988 that the rights of children attracted wider political and social support. Article 227 established the duties of the family, society, and the state to ensure the rights to life, health, food, education, leisure, professionalization, culture, dignity, respect, freedom, and family and community interaction.¹¹² In 1990, Brazil enacted Law 8.069. This measure shaped the regulations that would guarantee the rights of children and adolescents stipulated in the new Constitution. The set of regulations delineated in this law became known as the *Estatuto da Criança e do Adolescente* (ECA). Despite the legal protection brought about by the new Constitution and the ECA, the reality was that the numbers of participant children in the Brazilian workforce were still staggering. The fact that many families relied on the labor of their children for their subsistence called for further actions to eradicate child labor.

Table 8 presents the evolution of the number of children and adolescents employed in the years 1992 and 2008 according to their respective age range.

¹¹¹ Brazil, Const, 1967. Art. 158 “A Constituição assegura aos trabalhadores os seguintes direitos, além de outros que, nos termos da lei, visem à melhoria, de sua condição social: X - proibição de trabalho a menores de doze anos e de trabalho noturno a menores de dezoito anos, em indústrias insalubres a estes e às mulheres”.

¹¹² Brazil, Const, 1988, Art. 227

“É dever da família, da sociedade e do Estado assegurar à criança, ao adolescente e ao jovem, com absoluta prioridade, o direito à vida, à saúde, à alimentação, à educação, ao lazer, à profissionalização, à cultura, à dignidade, ao respeito, à liberdade e à convivência familiar e comunitária, além de colocá-los a salvo de toda forma de negligência, discriminação, exploração, violência, crueldade e opressão.

Age Group	1992		2008	
	Percentage (%)	Number (thousands)	Percentage (%)	Number (thousands)
5 – 9 years	4	690	1	157
5 – 14 years	13	4,665	5	1,655
5 – 15 years	16	6,046	7	2,475
10 – 13 years	19	2,716	7	954
10 – 14 years	22	3,938	9	1,499
10 – 15 years	26	5,436	11	2,319
14 – 15 years	40	2,720	20	1,365

Source: PNAD/IBGE:

http://www.ipea.gov.br/agencia/images/stories/PDFs/TDs/td_1506.pdf

As the figures from Table 8 show, despite the minimum age for work eligibility being set at sixteen by the Constitution and the ECA, forty percent of adolescents between the ages of 14 and 15 were still engaged in employment two years after the implementation of ECA. Perhaps even more striking was the statistic reporting that 690,000 children between 5 and 9 years old were active participants in the Brazilian workforce. A similar trend can be observed across all the other age ranges. No age group reduced its numbers by less than fifty percent over the sixteen-year period. It is perceptible the impact that cash-transfer programs that aimed to keep children in school had on the efforts to eradicate child labor. By 2008 the workforce participation of the same age groups had fallen by approximately seventy-seven percent in the case of children of ages from 5 to 9 years old and by half in the group of adolescents between 14 and 15 years old. A report issued by the federal government in 2002, estimated that the *Programa de Erradicação do Trabalho Infantil* (PETI), had been able to place over eight-hundred thousand children back in school. According to this report, most of these

children had been in workplace positions that did not contribute to their professional and cultural development.¹¹³

The PETI originated in the state of *Mato Grosso do Sul* focusing on the children working in the charcoal plants in that state. In its first year of operation, the program reached 1,500 children dispersed through fifteen municipalities. Throughout the years this social initiative expanded significantly, reaching all twenty-six states and the Federal District, totaling 810,769 children. Since the enforcement of the program relied on the effective cooperation of the federal government, states, and municipalities, priority was placed on the areas that relied heavily on the employment of child labor. For that reason, this program was more prevalent in rural and more remote areas than in the large Brazilian urban areas. The program differed from *Bolsa Escola* in scope since, in its conception, the purpose of it was to locate working children and give their families a cash-incentive to keep their children studying. The convolution of its network, where state authorities had to first identify the working children, notify families and employers on the illegality of this act, and only then process the benefit, made it difficult to reach nationwide proportions. In 2006 the Federal government incorporated its benefits under the most comprehensive cash-transfer program in Brazilian history – *Bolsa Família*.¹¹⁴

¹¹³ *Brasil 1994-2002 - A Era Do Real - 2002*. Secretaria De Estado De Comunicação Do Governo, 2002, pp. 1–468.

This report signaled that most of these children performed labor activities in charcoal plants, orange plantations, sugarcane fields, and other activities enterprises centered on the exploitation of hard labor.

¹¹⁴ Under the administration of Luis Inácio Lula da Silva, *Bolsa Família* underwent a process of incorporation of other social programs under one encompassing social protection system. Provisional measure 132 from October 20, 2003, enacted that *Bolsa Escola*, *Programa Nacional de Acesso a Alimentação*, *Programa Nacional de Renda Mínima*, *Bolsa Alimentação*, and *Auxílio Gás*, were all unified into one single social program named *Bolsa Família*. For the entire content of this provisional measure see: http://www.planalto.gov.br/ccivil_03/mpv/Antigas_2003/132.htm PETI was later incorporated into the same program in 2006. For more information on the evolution of *Bolsa Família* see Rocha Sonia. “O programa Bolsa Família: evolução e efeitos sobre a pobreza”. *Econ. Soc. Campinas* vol. 20, no. 1 (April 2011): 113-139.

4.3 - Bolsa Escola – A Regional Cash-Transfer Experience

Cristovam Buarque was elected the governor of the Federal District in 1995. He was a former chancellor of the *Universidade de Brasília* (UNB) and an enthusiastic advocate of the use of education as the primary tool to fight intergenerational poverty. One of his first measures as governor was the promulgation of *Decreto* 16,270/95 that instituted the social program *Bolsa Alimentação para a Educação*. Buarque believed that the root of the precarious social condition of Brazil was the lack of education in the lower economic classes. He realized that an educational revolution could not be grounded only in the construction of new schools and better training and remuneration of teachers. Buarque understood that, in many instances, children of poor families did not attend school because their labor was critical to the subsistence of their families. The past history of Brazilian governments of neglecting the need to educate the poor created an implicit reasoning among the poor that education was a privilege of the wealthy.

Buarque pointed out that the basic premise of his social program originated from a discussion with his political cabinet, “Ao buscar medidas concretas para colocar as crianças na escolar, fiz ao grupo a pergunta: se as crianças não estudam porque as famílias são pobres, porque não pagamos as famílias, para que as crianças estudem”.¹¹⁵ Buarque concluded that it was crucial to detach the program from the concept of charity. He was convinced that instead of being bound to the Secretary of Social Assistance, *Bolsa Educação* had to be under the responsibility of the Secretary of

¹¹⁵ Buarque, Cristovam. *Bolsa-Escola: história, Teoria e Utopia*. Thesaurus Editora, 2012.

“When seeking concrete measures to ensure that children attended school, I inquired my political cabinet: if these children do not attend school because they belong to poor households, why do not we pay their families so that, their children can study?”. Author’s translation.

Education. The idea of giving money to poor families to keep their children in school was a novelty in Brazilian politics and was criticized as being a demagogue strategy by Buarque's opponents during this political campaign.¹¹⁶ *Bolsa Escola* granted one monthly minimum salary to families that had all their children between the ages of 7 and 14 enrolled in the public educational system. To be eligible for the cash benefits, the prerogatives of the program stipulated that household income could not exceed half the minimum salary per capita.¹¹⁷ An additional condition was that the students must maintain monthly attendance of at least ninety percent. In the case that a student missed more than two school days without appropriate justification, families would not be eligible to receive the benefit. Furthermore, in case any adult family members were unemployed, he/she would have to be registered at the *Sistema Nacional de Emprego* (SINE) to prove the pursuit of work placement. In order to prevent a large internal migration to the Federal District from other states, *Bolsa Escola* also set the requirement of five years of local residency.

The *Instituto de Pesquisa Aplicada* (IPEA) issued a report in 1998 to evaluate the first numbers presented by *Bolsa Escola* in the village of *Paranoá*, the first region to receive the benefits of the program. The report pointed out how the focus on families that had children between the ages of 7 and 14 enabled the government to reduce its target population by forty-seven percent. Had the eligibility for the program been based

¹¹⁶In his website, Buarque narrates how, at first, his idea was criticized by his political opponents "ainda durante a campanha eleitoral, a ideia foi criticada e tida como assistencialista e demagógica pelos meus adversários. Porém, quando os primeiros resultados apareceram, comprovou-se que, a Bolsa-Escola era uma forma simples, e de baixo custo, de trazer as crianças para as escolas, mantê-las em sala de aula e fazer com que as famílias que nunca tiveram acesso à educação valorizassem a trajetória escolar de seus filhos"
<http://www.cristovam.org.br/porta2017/2016/04/24/bolsa-escola-fez-da-educacao-o-caminho-para-a-cidadania/#>

¹¹⁷ At present value taking into account the monthly minimum salary in June 2018 of approximately 258 dollars, the financial requirement of *Bolsa Escola* amounted to total income household of only 129 dollars. These numbers demonstrate the narrow scope of the program, being eligible only to families under extreme poverty.

strictly on the criterion of income, the government would have been required to provide the benefit to an additional 37,800 families.¹¹⁸ The same study illustrated the high correlation between poverty and low levels of education in the Federal District. Table 8 shows the level of education of the applicants for the program who in most cases were either the father or the mother of the benefited students.

Table 9 – Level of Education of Applicants- Bolsa Escola

Level of Education	Number of Cases	Percentage
Illiterate	694	26.4
Can read and write	1,626	61.9
Completed elementary school	273	10.4
Completed high school	34	1.3
Total	2,627	100

Source: IBGE/PNAD, 1995, Bolsa Escola

http://repositorio.ipea.gov.br/bitstream/11058/2457/1/td_0582.pdf

More than eighty-eight percent of the applicants had either no formal education, or very limited experience in the educational system, not being able to articulate beyond basic reading and writing skills. Only a little over one percent of the applicants were able to finish high school. This data indicated the relevance of breaking the intergenerational cycle of meager access to education by the poor. Moreover, the average income of the recipients provided further evidence that the government was on the right track to improve educational levels through the promotion of cash rewards.

¹¹⁸ João Sabóia and Sonia Rocha. *Programas De Renda Mínima — Linhas Gerais De Uma Metodologia De Avaliação a Partir Da Experiência Pioneira Do Paranoá No Distrito Federal*. IPEA (1998): 1–42.

The government's assertion that acute levels of poverty prevented youths from attending school is demonstrated by the low levels of income found among the participants of *Bolsa Escola* (table 9).

Table 10 – Distribution of Applicant Income for Bolsa Escola

Total Household Income	Number of Cases	Percentage
Up to one minimum- salary	630	24
Between one and three minimum-salaries	1825	69.5
Between four and five minimum-salaries	134	5.1
More than five minimum - salaries	38	1.4
Total	2627	100

Source: IPEA: Programas de Renda Mínima – Linhas Gerais de Uma Metodologia a Partir da Experiência Pioneira do Paranoá, no Distrito Federal (1998, 17)

Table 10 demonstrates that, although the benefit of *Bolsa Escola* was insufficient to provide a decent standard of living, for many families it represented a substantial component of their income. For twenty-four percent of the recipients of *Bolsa Escola*, the benefit was either equal to or superior to their household income. To almost the totality of the applicants, 93.5 percent, the benefit received by the program represented at least an increase of thirty percent in their earnings.

Cardoso's memoir, *The Diaries of Presidency*, demonstrates that the Federal government was paying close attention to the social program developed by Buarque. The third volume of his diaries cover the two years previous to the implementation of *Bolsa Escola* at the federal level in 1999-2000. Cardoso, in an entry from April 28, 2000, relates the episode when the governor of the state of *Mato Grosso* inquired about

the possibility of trading the state's debt with the federal union for resources to be applied in their *Bolsa Escola* program. Although Cardoso declined the offer, explaining that it would not be feasible to convert Mato Grosso's debt into funding for *Bolsa Escola*, Cardoso expressed his admiration for Buarque's program "A *Bolsa Escola* é uma coisa importante, e o governo, por outro caminho, deve dar recursos à *Bolsa Escola*, mas não trocando pela dívida, até porque a *Bolsa Escola* gasta muito pouco em comparação com o tamanho da dívida".¹¹⁹ At this point *Bolsa Escola* had also been implemented by other states – Amapá, Mato Grosso do Sul, Alagoas, São Paulo, Minas Gerais, Rio de Janeiro, Goiás, and Acre – which adopted Buarque's ideas and instituted their regional *Bolsa Escola* programs. The wide support received by regional cash-transfer programs demonstrated that a narrative of political will that supported the poor was feasible. Although the Constitution did not guarantee the maintenance of cash-transfer, and this social policy relied on political will, contemporary developments in Brazil affirm how this initiative achieved high levels of political support. During the presidential elections of 2018, all candidates promised to keep the current program, *Bolsa Família* and, in some cases, even expand its benefits. Many viewed the elected president Jair Bolsonaro as a threat to cash-transfer programs. However, Jair Bolsonaro, dispelled all doubts about the continuation of this social policy. Moreover, he promised to grant all beneficiaries a thirteenth salary, a benefit granted to all laborers working under the formal system.¹²⁰

¹¹⁹ Fernando Henrique Cardoso. *Diários Da presidência, Vol. 3: 1999-2000* Companhia Das Letras, 2017), 114.

"Bolsa Escola is something of great importance, and the government has to provide resources to it, however this financial assistance should not be in the form of exchange for debts with the government, because Bolsa Escola requires much less investment than the debts of the states with the Union". Author's translation.

¹²⁰ Bolsonaro Promete Criação do 13 para Beneficiários do Bolsa Família", <https://www1.folha.uol.com.br/mercado/2018/10/bolsonaro-promete-criacao-do-13o-para-beneficiarios-do-bolsa-familia.shtml>

4.4 -Programa de Garantia de Renda Familiar Mínima

In the same year that *Bolsa Escola* had been implemented in Brasília, another regional cash-transfer program was being devised in the city of Campinas in the state of *São Paulo*. On January 6, 1995, Campinas' mayor José Roberto Teixeira Magalhães enacted law 8261/95 instituting the *Programa de Garantia de Renda Familiar Mínima* (PGRFM).¹²¹ This program became the center of controversy in Brazil about the real origins of federal cash-transfer programs in Brazil. While, *Bolsa Escola* was created under an administration of the leftist political party *Partido dos Trabalhadores* (PT), the Campinas's program was the result of a government by PT's rival party PSDB. Given the positive impacts of cash-transfer program in diminishing poverty once they were scaled to the federal level, both parties claim the intellectual and practical ownership of this social policy.¹²²

Teixeira Magalhães realized that the conventional policies of social assistance to fight poverty did not produce relevant results since they functioned only to alleviate the effects of poverty through the distribution of governmental funds in the form of delivery of products or services. His government sought to reverse this process by reducing poor people's dependency on the receipt of these state sponsored benefits. Teixeira Magalhães believed that in order to produce long-lasting effects in the fight against poverty, his administration had to concentrate its efforts on increasing earnings in poor families. His plan was to raise income levels, along with the creation of better

¹²¹ "Law 8261/95", January 6 1995, <https://cm-campinas.jusbrasil.com.br/legislacao/337310/lei-8261-95>

¹²² PSDB claims to ownership of cash-transfer incentives center on their arguments that PSDB was the political party that instituted *Bolsa Escola* as a federal program. Moreover, its political leaders affirm that it was the regional version the cash-transfer measures deployed by PSDB in the municipality of Campinas the program that laid the foundational step to the national program. Conversely, PT alleges that it was the program deployed by Cristovam Buarque the architect for the subsequent cash-transfer programs at the national level. Also, PT affirms that the solidification of cash-benefits was obtained under its administration that turned *Bolsa Familia* into a more encompassing and far-reaching program.

professional opportunities for the needy through access to education. This strategy would eventually free the poor from the dependency on the receipt of government's services.

The elevated number of children and adolescents that begged on the streets, sold products at traffic lights, and even engaged in illicit activities, made visible to the municipality of Campinas that actions had to be taken to provide poor youth better opportunities. The challenge for the municipality of Campinas concentrated on addressing two basic questions “Como fazer para combater o trabalho infantil, para impedir que o trabalho que essas crianças e adolescentes fosse vital para o orçamento dessas famílias? Como fazer para que essas crianças pudessem brincar e estudar?”.¹²³ The acknowledgement that these children were out on the streets not because of their lack of interest to be educated but that they were victims of a system that constrained their ability to exercise their most elementary rights – the entitlement to be an active part of the Brazilian educational system, and the deterrent to work until the age of 16, was pivotal to the deployment of the Campinas cash-transfer program.

One of the main differences between the Campinas and the Brasilia experiences was the fact that, in Campinas, families with children under the age of seven that qualified under the economic criteria were also eligible for the receipt of cash rewards. In Brasilia, only children between the ages of seven and fourteen who were enrolled in the public educational system were eligible to be participants in the program. By the adoption of more flexible entrance requirements, extending the benefits to families with children below seven and not attending school, the government of Campinas opted to

¹²³ Arnaldo Machado De Souza and Ana Maria Medeiros Da Fonseca. “O Debate Sobre Renda Mínima a Experiência De Campinas.” *São Paulo Em Perspectiva*, vol. 4, no. 11 (1997): 28.

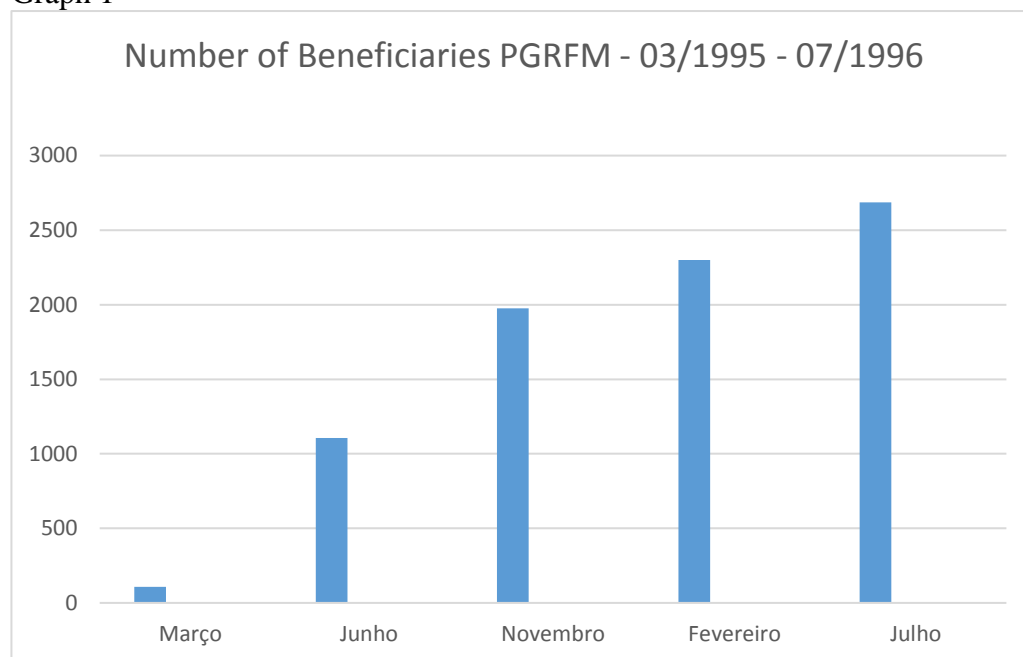
“What actions could be taken to fight child labor, to impede that their labor was vital for the budget of their families? What actions could be taken to ensure that these children were able to play and study?” Author's translation.

embrace the pursuit of improving nutritional levels as the main aspiration of its program.

Families were required to prove residency in Campinas during the past two years and their household income could not exceed 140 *reais*. In case these families presented income above 140 *reais*, they also could be qualified for the program as long as their per capita income did not surpass thirty-five *reais*. The municipality of Campinas deployed its program in two distinct phases. In the first stage, efforts were concentrated on identifying families whose children lived on the streets and showed a deteriorating nutritional condition. The Secretary of Health was the responsible entity to detect the children that were eligible to be the first recipients of the program. The screened families were required to complete an application form – *Ficha de Cadastramento* – that compiled data on items such as their housing conditions, employment, income, educational level, and if they were participants in other state – sponsored social programs.¹²⁴ In a subsequent phase initiated in May 1995, the scope of the program was widened and targeted families facing extreme poverty. By not only focusing on children who were living on the streets, or those who were in a debilitating nutritional state, the expansion of its breadth exponentially increased the number of beneficiaries, as shown in graph 1.

¹²⁴ For the entire content of the application form see:
<http://www.campinas.sp.gov.br/sa/impressos/adm/FO400.pdf>

Graph 1



Source: Author's elaboration through data obtained from Fonseca and Montali (1996), *O Programa de Renda Mínima de Campinas: Uma Estratégia de Combate à Pobreza Urbana*

Starting from 108 families in March, 1995, the municipality of Campinas had been able to reach 2687 families in July, 1996. While these numbers represented a sizable population of the first targeted group – ninety percent of children living on the street, and ninety-two percent of the youth suffering malnutrition, the numbers regarding families living under extreme poverty were not as strong. It was estimated that during the first year of its implementation, PGRFM extended its benefits to thirteen percent of the population living under extreme poverty. As the scope of the program widened, the percentage of the eligible group that were covered by the PGRFM decreased considerably. With the sole adoption of socio-economic criteria, the universe of potential recipients surpassed the number of families that the government had established as its goal – four thousand families by the end of 1996.

The municipality of Campinas and the Núcleo de Estudo de Pesquisas Públicas from the University of Campinas conducted studies to measure the first impacts of PGRFM.¹²⁵ In terms of increasing income, the results were illuminating. Prior to the cash benefits, the median income of the covered families amounted to 50.06 reais with a per capita income of 10.85 reais. Subsequent to the implementation of the program, family income had increased to 162.97 reais while per capita figures grew more than three-fold, totaling 35.32 reais.

Since the Campinas cash-transfer program did not determine how the cash benefits should be spent by the families, both studies attempted to investigate how the beneficiaries were administering their resources. Table 11 shows the figures found by the NEPP/UNICAMP research.

¹²⁵ *Acompanhamento e Avaliação Da Implementação Do Programa De Garantia De Renda Familiar Mínima Da Prefeitura Municipal De Campinas: Fevereiro/Dezembro De 1995*. NEPP/UNICAMP, 1996.

Table 11 Expenditure of Cash Benefits – Participants PGRFM 1995

Items	%
Food, Cleaning, and Hygienic Material	45.8%
Shoes and Clothing	10.4%
Purchase of Furniture and home appliances	10.4%
Payment of Overdue Bills	4.2%
Payment of Water and Electricity Bills	8.3%
School Supplies	8.3%
Construction Material	8.3%
Medicinal Products	2.1%
Other Expenses	2.1%
Total	100%

Source: Fonseca and Montali (1996), O Programa de Renda Mínima de Campinas: Uma Estratégia de Combate à Pobreza Urbana.

The preliminary results were illustrative regarding the assumption that the poor could not be entitled to receive money without restrictions on how they could spend this financial resource.¹²⁶ As Table 10 demonstrates, almost half of the benefits were spent on items that aimed for the improvement of nutritional standards or better sanitation practices. Clothing and housing items were the other categories that accounted for a considerable portion of the cash assistance. The remaining amount of the resources were invested in other basic items that were essential for the improvement of their socio-economic condition. On one hand, the government of Campinas could be pleased with

¹²⁶ Hulme and others, *Just Give Money*, 73.

David Hulme, Joseph Hanlon, and Armando Barrientos in their book *Just Give Money to the Poor: The Development Revolution from the Global South*, dispelled the allegations that the poor become lazy and dependent on the government when receiving any state financial help “The poor, find that the cash encourages them to work harder, because they are no longer caught in the poverty trap and can now see a way out”.

the results since they indicated an effective use of the cash benefits by its recipients. By spending on items such as food, hygienic products, and school supplies, the participants of the program were improving their standard of living and abandoning some of the undignified features of extreme poverty. On the other hand, these same numbers do not indicate any edifying evidence that the PGFRM participants will be able to engender new revenues and no longer need the cash benefit.

The Campinas program had been designed with the goal of extending the benefits for one year. Nevertheless, in case the participants still had not been able to rise above poverty conditions at the end of that period, they were eligible to renew their participation for another year. The first assessment of the program by the government revealed that only twelve families could be discontinued from the program due to their rise in income levels. The profile of the benefited families, marked by low levels of education, lack of professional skills, and in many cases being single-parent households, all contributed to their short-term inability to overcome poverty. Moreover, these families faced a circumstance where the legal guardians encountered salient adversities to be inserted into the labor market given their limited professional expertise. Additionally, in many instances, the selected families included a single adult who was solely responsible for the upbringing of all the children in the home, and were unable to perform any labor activities outside of their household.

The Campinas cash transfer program demonstrates that although it represented a progressive social policy, the idea of giving money to the poor was a concept that faced pronounced antagonism from some of the political establishment. Even twenty-three years after the first regional experiences with cash-benefits, the dispute on whether this type of program should stipulate the lifespan of its benefits, or if it should continually be granted as long as the participant families found themselves in poverty, it is still a

point of vigorous debate among the diverse political actors in Brazil. Brazilian president of the lower house, Rodrigo Maia argued that the current Brazilian cash – transfer program *Bolsa Família*, enslaves its recipients. In his statement, he asserts that a program that has no deadline to end its benefits, creates a counterproductive dependency on the government. In his words, a good social program “... inclui a pessoa e dá condições para que ela volte à sociedade e possa, com suas próprias pernas, conseguir um emprego. A cidadania é um emprego, a cidadania não é depender do Estado brasileiro”.¹²⁷ His remark reflects the salient bias against the poor that persists in the political and societal realms of the Brazilian landscape. Maia’s “return to society” through employment implies that the poor are only an active agent of the Brazilian society when they are performing a remunerated activity. As long as the poor received any form of governmental assistance, a segment of the society would regard them a civil burden that had to be financed by the working class.

Despite some resistance from a sector of the political class, the pioneer Campinas and Brasília’s experiences expanded throughout other municipalities in Brazil that mirrored their programs on these two innovative endeavors. According to the assessment of the impact of cash-transfer programs on child labor and school attendance, conducted by Cardoso, Portela and Souza (2009), in the beginning of 1999 there were sixty-one cash-transfer programs deployed in Brazil, distributed over different states.¹²⁸ The encouraging results that the local experiences yielded were pivotal to the subsequent scale up of the program to the federal level. In Campinas it

¹²⁷ Henrique Gomes Batista, “Maia Afirma Que Bolsa Família 'Escraviza' as Pessoas.” *O Globo*, O Globo, 17 Jan. 2018, oglobo.globo.com/brasil/maia-afirma-que-bolsa-familia-escraviza-as-pessoas-22296779.

“...enables the participant to return to society, and be capable through her own efforts, to get a job. Exercising citizenship consists on having a job instead of being dependent on the government”. Author’s translation

¹²⁸ Eliana Cardoso and André Portela F. De Souza. “The Impact of Cash Transfers on Child Labor and School Enrollment in Brazil.” *Child Labor and Education in Latin America*, (2009): 133–146.

was estimated that by the end of Buarque's administration, eighty percent of the eligible population was being covered by Bolsa Escola. With less than one percent of Brasilia's total budget, the Federal District had been able to yield substantial results in the increase of school attendance and reduction of child labor. These numbers surely would not go unnoticed by the federal government that still struggled to develop effective social policies to fight poverty.

4.5 -From Regional to Federal – Bolsa Escola

The promising preliminary results obtained with the regional cash-transfer experiences attracted the attention of the federal government. The Campinas and Brasilia programs had been replicated in municipalities in different states where local authorities sought alternatives to finance their programs. In a April 2000 meeting with the governor of the state of *Mato Grosso*. Cardoso narrated an episode when he was asked to pardon the state's debt with the federal government in exchange for subsidies to finance their regional *Bolsa Escola* program. In his diary Cardoso pointed out that, although he considered that the Union should provide financial assistance to the regional governments to deploy their *Bolsa Escola* programs, this monetary aid should not be associated with the state's debt to the Union.¹²⁹ In the same year, Cardoso also logged in his diary a meeting with the governor of the state of Goiás, where he presented the state's version of a cash transfer program. Cardoso remarked that this program had been inspired by *Bolsa Escola* and he was impressed by how it appeared to be superior in comparison to other federal programs of his government.¹³⁰ These two

¹²⁹ Cardoso, Diaries Vol. III, 533.

Entry from 28 april, 2000 "Eles sabem que continuamos subsidiando os estados. Agora o Bolsa Escola é uma coisa importante, e o governo, por outro caminho, deve dar recursos à Bolsa Escola, mas não trocando pela dívida, até porque a Bolsa Escola gasta muito pouco em comparação ao tamanho da dívida"

¹³⁰ Ibid, 602.

"O governador de Goiás mostrou, como havia prometido, o programa que eles têm de Bolsa Cidadã (do qual resultou o Bolsa Escola), no fundo um tipo de renda mínima que me parece bastante razoável, e melhor do que muitos programas que fazemos sem resultados maiores".

events illustrate how the thriving achievements obtained by regional experiences with cash transfer programs pressured the Federal Government to play a more prominent role in providing monetary assistance to the poor.

Another important strength of cash-transfer programs, especially for developing nations is how effective they are to reduce poverty considering the volume of resources employed by the government. In Brazil, presidents have little autonomy over the federal budget since the largest bulk of governmental expenditure is already destined to meet governmental spending requirements established in the Constitution, along with payments of the public debt. Fernando Henrique Cardoso was aware that a piece of legislation enacted in his own government, *Lei de Responsabilidade Fiscal*, compelled him to create a new source of revenue to fund a federal cash-transfer program.

Besides all internal problems and the precarious social structure that permeated the Brazilian government, Cardoso had to deal with an external economic agent that posed more obstacles to expanding social investment. In November of 1998, Cardoso, had to resort to the International Monetary Fund to borrow thirty billion dollars in pursuance of the sustainability of his economic plan that was being seriously affected by the Russian crisis that erupted that same year. As part of its conditionality, the IMF imposed on Brazil the generation of a primary surplus of three percent.¹³¹ The impact

¹³¹ In order to generate a primary surplus, the government's total revenues need to be higher than its spending. Interests paid on governmental debts are excluded from this calculation. Gesner Oliveira and Frederico Turolla analyze the economic policies during the second term of Cardoso and the impact of the pursuit of primary surplus' goals on the achievement of economic growth and levels of investment. Oliveira, Gesner, and Frederico Turolla. "Política Econômica Do Segundo Governo FHC: Mudança Em Condições Adversas." *Tempo Social* 15, no. 2 (2003): 195-217.

In addition to the financial pressure exerted by the IMF, Fernando Henrique Cardoso faced another budgetary restriction that was created by his own government. On May 4, 2000, Cardoso approved a piece of legislation called *Lei de Responsabilidade Fiscal*. This piece of legislation established that all political unities, the Union, the states, the federal district, and the municipalities were obliged to attach their expenditure to their capacity of raising revenues. One of the main goals of this complementary law was to avoid lame duck governments to undergo large projects in order to "write a legacy" for their governments. For the full content of this *Lei Complementaria* see: http://www.planalto.gov.br/ccivil_03/Leis/LCP/Lcp101.htm

of the IMF's economic policies on developing nations has generated substantial academic literature and it will not be investigated in this research project.¹³²

Notwithstanding, it is important to note the standpoint of current Brazilian Central Bank's president, Illan Goldfajn. In an article published in 2003, he argues that the IMF's restricted economic policies forced the Brazilian government to be more effective in the management of its public accounts, and that conditionality yielded Brazil some positive gains.¹³³

That rationale seems to fit the case of the Federal government regarding the deployment of cash – transfer programs. Cardoso related in his diary how the conditionality of the IMF of running a primary surplus of three percent constrained the ability of the government to invest in programs designed to fight poverty.

Notwithstanding, Cardoso observed that his government was investing in a wide range

Gary Reich, "Executive Decree Authority in Brazil: How Reactive Legislators Influence Policy." *Legislative Studies Quarterly* 27, no. 1 (2002): 5-31 explains how Brazilian presidents extensively use presidential decree orders. This instrument provided FHC the viability of implementing a new social policy without Congress's preapproval, although Brazilian legislators hold the autonomy to amend executive decrees.

¹³² To name a few of these studies:

Joseph Stiglitz, *Globalization and its Discontents* (Penguin Books 2002)

by the Nobel prize recipient and former senior vice-president and chief economist for the World Bank Joseph Stiglitz exposes the failure of the IMF's practices to ensure economic prosperity in developing nations.

For works focused on specific cases see

Paul Blustein, *And The Money Rolling In (and Out): Wall Street, the IMF, and the Bankrupting of Argentina* (Public Affairs 2006)

Blustein narrates the events that led to the collapse of the Argentinian economy.

See also

Benjamin Kohl and Linda C. Farthing, *Impasse in Bolivia: Neoliberal Hegemony and Popular Resistance* (Zed Books 2006)

They describe how neoliberal reforms led to a popular uprising that resulted in the dismissal of IMF's economic prescriptions.

¹³³ Illan Goldfajn, "Conference on Globalization and IMF." *Club De Madrid*, (2003): 22.

Although Goldfajn's research points out weaknesses on the IMF's economic strategy, it also takes into consideration positive aspects of the Brazilian negotiation with the entity "On the political side, the IMF agreement provided the need to coordinate on basic economic principles – fiscal responsibility, monetary discipline, and respect for contracts".

of different social programs. In his opinion, the fragmented social agenda of his government that deployed many programs without a common goal was causing his government to lose focus. The IMF's economic goals, forced the Brazilian government to be overly efficacious in the allocation of its investments. With fewer financial resources available, Cardoso's administration was pressured to attain a new level of competence and effectiveness. Edward Amadeo who was at the time replacing Pedro Malan as the Minister of Finance, approached Cardoso and proposed the idea that the government should concentrate its efforts on fighting poverty through the enhancement of the *Bolsa Escola* program. Cardoso demonstrated his concordance with Amadeo and expressed his perception that a program that implied a direct transference of income could be the most compelling way to fight poverty.¹³⁴

On February 13, 2001, through the enactment of the provisional measure 2.140, Cardoso instituted *Bolsa Escola* as a federal program, extending its benefits to the entire Brazilian population. On the previous day of the formalization of the Federal *Bolsa Escola*, Cardoso gave a speech in the city of *Aguaí* in the state of *Goiás* where he stressed the significance of scaling the program to the federal level. Although Cardoso in his diaries attributes the creation of *Bolsa Escola* to the program deployed by Cristovam Buarque in Brasília, in this speech Cardoso extolled the figure of Campinas's former mayor José Roberto Magalhães Teixeira, who in his speech was given the prominent role of the architect of the program.¹³⁵ Cardoso and Magalhães belonged to the same political party, PSDB, while Cristovam Buarque, at the moment of

¹³⁴ Cardoso, Vol III, 622.

“No fim dia, Edward Amadeo, que está substituindo Malan no Ministério da Fazenda, disse, com razão, que precisamos fazer uma coisa nova: nos concentrar na Bolsa Escola, distribuímos mais Bolsas Escolas, que é uma distribuição direta de renda.”

¹³⁵ José Roberto Teixeira Magalhães passed way in 1996, a year after the launch of the Campinas's program and 5 years before *Bolsa Escola* was scaled to federal level.

the implementation of the *Bolsa Escola* in Brasília, was affiliated to Cardoso's rival political party, PT. The fact that the deployment of cash-transfer programs had proven to be an effective strategy to fight poverty, gave rise to an intensive dispute regarding the fatherhood of the program. Cardoso was aware of the political gains that could be obtained by being recognized as the maker of *Bolsa Escola* in the presidential elections that would be held in the following year.¹³⁶ In April of the same year, Cardoso named the law that instituted *Bolsa Escola*, *Lei Magalhães Teixeira*, with the clear intention of establishing that his political party was the creator of cash-transfer initiatives in Brazil.

In the same speech, Cardoso reiterated that the focus of the program was the poorest segment of the Brazilian society “O Brasil cansou de ver recursos em nome dos pobres pararem naqueles que não são os mais pobres”.¹³⁷ He stressed the responsibility of the community and the local authorities to ensure that the resources were being applied to the well-being of the proper group. Cardoso asserted that the government's preliminary estimates bespoke that approximately nine million children would be eligible to *Bolsa Escola*. Cardoso accentuated how *Bolsa Escola* tackled two of the main hurdles that pervaded his country “no Brasil nada é mais importante que duas coisas que estão sendo combinadas aqui: educação e aumento de renda. Este é o Brasil do futuro, com melhor educação e maior renda”.¹³⁸ Cardoso's statement was a

¹³⁶ The presidential election of 2002 was a political battle between Cardoso's political party, represented by former Minister of Health José Serra, and Cardoso's old political rival Luis Ignacio Lula da Silva, the leader of PT and the politician who ruled Brazil for two presidential terms.

¹³⁷ Fernando Henrique Cardoso, “Discurso Cardoso- Bolsa Escola Federal.” *Biblioteca.presidencia.gov.br*, www.biblioteca.presidencia.gov.br/presidencia/ex-presidentes/fernando-henrique-cardoso/discursos/2o-mandato/2001/13.pdf/view, p. 87.
Brazil is tired of witnessing resources that were intended to aid the poor being directed to those who do not belong to the lowest stratum of the society”. Author's translation.

¹³⁸ Cardoso, Discurso Bolsa Federal, 88.
“...in Brazil nothing is more important than the two things that are being combined here: education and the boost in income. This is the Brazil of the future, a country with better education and higher income” Author's translation.

reassertion of the Buarque's statement in 1995 that recognized that there was a clear correlation between being extremely poor and not attending the educational system.

The conceptual foundation of the local and the national variation of *Bolsa Escola* remained identical. The federal version of the program maintained the focus on keeping poor children in school, as Buarque had envisioned in his regional program. However, at the operational level, the federal government had to deploy adjustments in order to match the scope for the program with the availability of resources attainable by the Union. An assessment undertaken by Cardoso's cabinet established the proper target group and the amount of the benefit given to each qualified family. One of the changes implemented by the national government was the widening of the age bracket of the eligible recipients. While the regional version of *Bolsa Escola* covered children 7-14, the national variant extended the eligibility to ages 6-15. Families with children of the stipulated age had to attend the public educational system and hold attendance records of at least eighty-five percent. Besides, the age requirement, families that pursued the aid of *Bolsa Escola* had to fit into financial prerequisites established by the government. As for the financial criterion, per capita income of the beneficiaries could not be superior to ninety reais, which was equivalent to half-monthly minimum salary. Taking into consideration the age and financial criteria, the preliminary evaluation by the federal government estimated that the program would reach out approximately nine million children ¹³⁹

¹³⁹ A posterior report elaborated in March, 2003, by the Ministry of Education, set the goal of assisting 5,8 million families, reaching out 11 million children between the ages 6 -15 during the years of 2001-2002.

Through the achievement of these numbers, the government estimated that one out of every three children attending the educational system would be assisted through *Bolsa Escola*. (Minister of Education 2001).

For the full report see:

<http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/281945-1131468287118/1876750-1140107387177/BrazilCCT.pdf>

It is important to note that although the Federal *Bolsa Escola*, widened the target group by extending the age bracket of eligible children, the resources received by each recipient was diminished once the program was scaled to the national level. While, Brasilia's program granted one minimum-salary to each family, the federal version stipulated the maximum amount that an eligible family could be granted was forty-five *reais*. The upper limit of the cash - benefit, entailed the reward of fifteen *reais* per child, with a cap of three children per family.¹⁴⁰ At the time of the deployment of the Federal *Bolsa Escola*, the minimum salary in Brazil was one-hundred and eighty dollars. Taking into consideration these figures, the benefit granted to each children was equivalent to 8.3% of the value of the minimum salary, while families composed of three or more children would receive 25% of a minimum salary. A positive aspect of the federal program was that, unlike its regional variants, the national arrangement did not stipulate a time limit to the end of the benefits. The loss of eligibility would derive from either the incompatibility with the age bracket or non-compliance to the minimum school attendance requirements.

As seen in the chapter on Fernando Collor de Mello, one of the main flaws of the structure designed to carry out governmental social policies was the creation of local committees. In many instances, these entities would receive resources from the government and be in charge of distributing public assistance in the form of food baskets, medicine, or other services, to the population within their areas of influence. This strategy enabled the government to strengthen its local political alliances, and use public aid for electoral purposes. Furthermore, this arrangement led to a position where leakage of resources was considerably higher, resulting in a poor allocation of the

¹⁴⁰ The current version of cash-transfer in place in Brazil, *Bolsa Família*, set the maximum number of beneficiaries within the same household as five recipients. For more information on this program see <http://www.caixa.gov.br/programas-sociais/bolsa-familia/Paginas/default.aspx>

government resources. To avert this scenario the federal government determined that *Caixa Econômica Federal* (CEF), would centralize all responsibilities regarding the distribution of the cash-benefits. By appointing CEF as the financial hub for *Bolsa Escola* the federal government capitalized on the existing structure of the banking institution and utilized CEF's extensive territorial presence and expertise to perform the delivery of cash-benefits.

Another important prerogative of the Federal Bolsa Escola was that women were assigned as the primary receivers of the financial assistance. Studies on cash-transfer programs have shown how the strategy of appointing women as the primary receptors of cash-benefits result in the optimal usage of the resources “Evidence from countries as varied as Brazil, China, India, South Africa, and the United Kingdom shows that when women control more household income—either through their own earnings or through cash transfers—children benefit as a result of more spending on food and education”.¹⁴¹ Given the focus of Bolsa Escola on improving educational levels among the youth, enabling women to manage the extra revenue proved to be an ingenious arrangement. Another indirect ramification of the strategy of appointing women as the primary recipients was that it might contribute to improve gender equality, since women are empowered through the increase of household income under their care.¹⁴²

The characteristics mentioned above were some of the main attributes of *Bolsa Escola* once it was elevated to a national social program. This study will not delve into measuring and evaluating the impacts of such program on alleviating poverty, an

¹⁴¹ Ana Revenga, and Shudhir Shetty. “Empowering Women Is Smart Economics.” *Finance and Development* (March 2012): 40.

¹⁴² For a study on the impacts of cash transfers on women's empowerment see Kate Ambler and Alan De Brauw “The Impacts of Cash Transfer on Women's Empowerment: Learning from Pakistan's BISP program” Social protection and labor discussion paper, no. 1702. Washington, D.C (2017): 1.46.

endeavor much more suitable for a scholar equipped with a grounded knowledge of quantitative research methods. Additionally, in order to assess the effects of the federal *Bolsa Escola* and its renamed and rebranded version *Bolsa Familia*, would require an extension of the end of the timeframe proposed by this study, the year of 2001. The focus of this research is to trace the origins of the convergence point, when the fight for poverty in Brazil aligned the universalization of free primary education and healthcare jointly with a federal cash-transfer program (*Bolsa Escola*). The next chapter reviews the findings of this research project and attempts to highlight the events that seem to have played a fundamental role in the process of deployment of a national cash-transfer initiative.

5 - Final Conclusions:

A logical starting point to elaborate a list of the most significant developments that occurred in Brazil during 1988 -2001, and that culminated in the concept of giving money to the poor is the promulgation of a new Constitution in 1988. Despite the fact that when first elaborated, amidst its extensive list of articles there is not a single predisposition that establishes the entitlement of cash-benefits from the Brazilian government to any sector of its citizens, the Constitution was indirectly responsible for the model of cash-transfer program that was crafted in Brazil. The feasibility of conditioning the receipt of cash incentives on compliance with requirements in the areas of education and health would not be viable had these same services not been provided at no cost by the government. The universalization of primary education and healthcare was established in the Constitution of 1988. This was the fundamental instrument that enabled Brazilian policy makers to design a plan that would, besides fight against poverty directly through cash assistance, also counter other structural hurdles originated through the lack of income – the inability of poor children to be educated and the absence of proper medical care. This is without any doubts the most celebrated event for the objectives of this study that occurred in the government of José Sarney. However, the conception of a new Constitution was the result of a social clamor for a new document that would be representative of the era post-military dictatorship, rather than an initiative conducted by his government. The observations raised in the analysis of the social policies deployed in his period in the Brazilian presidency signaled that Brazil had yet to detach itself from the idea that poverty is erased from society through the attainment of economic growth, a salient rationale adopted by the military regime. Not even the resounding evidence that the military dictatorship resulted in lower income for the lower classes seemed sufficient to depart from the idea of associating economic

growth with reduction of poverty. Sarney's government was a manifestation of the lingering legacy of the military rule. Furthermore, the examination of his government exposes the inefficacious allocation of resources employed in social programs. The greatest portion of social government spending did not target the poorest segment as the examination of state expenditures on the areas of education and health made evident.

Fernando Collor de Mello's inaugural speech kindled hopes that the recognition that economic growth was not sufficient to fight against poverty had finally reached the highest governmental offices. However, his first presidential speech marked the tone for a series of deceptions and setbacks that permeated his short period as the first democratically elected president post-military dictatorship. His veto of twenty-five items of the *Lei Orgânica da Saúde*, the piece of legislation that constituted the backbone of the financial structure of the *Sistema Único de Saúde* is illustrative of his disregard for a progressive social agenda. Perhaps even more detrimental than his lack of commitment for the betterment of the Brazilian social structure was the looting of public funds destined for social programs promoted by his administration. The epitome of his corruptive practices in the social sphere was the use of *Legião Brasileira de Assistência* under the leadership of his wife.

The only development under Collor's administration that seems to have contributed to the design of cash-transfer schemes does not have any direct relation with his government. In 1991, opposing political party *Partido dos Trabalhadores*, and a number of economists, discussed an economic scheme that contemplated the notion of granting a minimum income to every Brazilian citizen. Although this author has not been able to collect more substantial data to assess the exact influence of Suplicy's advocacy for state payments through cash benefits in the formulation of *Bolsa Escola*.

Nonetheless, some reference to the Suplicy's campaign for a universal minimum income is amply present amidst the studies on cash-transfer programs in Brazil.

If Fernando Collor's government accounted for a setback in the social, political, and economic spheres, leaving no traces of any legacy for the deployment of cash-transfer programs, it was during the government of his successor, Itamar Franco, that Brasil would take the first concrete steps towards the concept of giving money to the poor. The enactment of *Lei Orgânica de Assistência Social*, a legal predisposition that had been vetoed by Collor, provided the regulatory framework to put into practice the social provisions of the 1988 Constitution. It was under the *Lei Orgânica de Assistência Social* that Brazil started moving towards the disentanglement of social security and social assistance. As discussed previously, one of the main features of the Brazilian social protection system was its defective system that did not cover the segment of population that was either unemployed or belonged to the informal labor apparatus without any social security shelter. The *Benefício de Prestação Continuada* guaranteed one monthly minimum-salary to any citizen with disabilities and elderly people that fit the age and financial criteria regardless their employment situation. Although the scope of this program was limited in comparison to the posterior cash-transfer programs, it can be envisaged as a stepping-stone to the subsequent developments. Furthermore, by adopting the financial requirement of families with income below one-quarter of the minimum monthly-salary, the government ensured that its resources were being directed to the extremely poor.

Although its intention was very likely to divide responsibility with civil society, the strategy adopted by Franco to share social accountability, more specifically the issues of poverty and inequality with the population, might have contributed to galvanize support for the development of social policies targeted to the poorest. The

wide civil engagement gathered by the joint actions between the federal government and *Ação da Cidadania*, led by Betinho, in the two years preceding the first regional cash-transfer programs 1993-1994, might have been crucial to raise consciousness among politicians and civil society to the severity of the issues of poverty and inequality in Brazil. The deployment of *Plano do Combate a Fome e a Miséria*, a governmental scheme headed by a member of the civil society, Betinho, along with the creation of *Conselho Nacional de Segurança Alimentar*, were the two pillars of the campaign for government and civil society coalescing into one single instrument to fight poverty.

Before moving to an examination of the legacy of Fernando Henrique Cardoso in the deployment of cash-transfer programs in Brazil it is imperative to stress the foundational base of his federal *Bolsa Escola*, its regional versions from Brasília and Campinas. These two regional programs were the architects of the concept of rewarding poor families with cash incentives, provided that, they followed conditionalities in the areas of education and healthcare. In Brasília, Cristovam Buarque concluded that poor children did not go to school because their families relied on their labor for subsistence. He understood that the government's responsibility was to take actions to provide these children an opportunity to study. Buarque's inferences, although seemingly elementary, laid the foundational ground for the posterior developments of cash-transfer programs. A similar acknowledgement provided the conceptual framework for the social policies focusing on the poorest deployed in Campinas. The two basic questions that directed all efforts in the formulation of effective social policing were straightforward – how to impede child labor and what could be done to allow poor children to exercise their rights to play and study? The time lapse of six years between the first cash-transfer policies until the adoption of the same strategy scheme by the federal government put

forward a series of other regional initiatives that mirrored the Brasilia and Campinas experiences.

As for the ongoing political debate whether the federal *Bolsa Escola* was modeled after the Campinas or the Brasilia's program, the diaries of president Fernando Henrique Cardoso provide solid evidence that Buarque's plan was the one that exerted more influence on the federal government. Another fact that corroborates the higher influence of Buarque's program on the federal *Bolsa Escola*, is the overt demonstration that once the program was scaled to the federal level it kept the name of the Brasilia's scheme. Though this debate should be deemed of secondary relevance to the literature of cash-transfer endeavors, the political struggle to determine the fatherhood of the idea of giving money to the poor suggests the positive results stemming from this policy. The fact that the two political parties, PT and PSDB, that claim paternity of *Bolsa Escola* have opposing political ideologies stresses the galvanized support obtained by this initiative. PT is notoriously a political organization identified with the left wing, while political specialists credit PSDB as a right-centrist political party.

Prior to adopting *Bolsa Escola* as an integral part of its social agenda, Cardoso's plan to eradicate child labor (PETI), also promoted the idea of awarding money to children that attended school. Perhaps the main dissimilarities of this program and *Bolsa Escola* were its scope and operational framework. PETI had to rely on a convoluted network where state authorities first had to locate working children and then proceed with the state bureaucracy to process the benefits to their families. On the other hand, *Bolsa Escola* simplified this process and extended its coverage to all children that fit the financial and age criteria, regardless of their employment situation. Perhaps that is one of the reasons that *Bolsa Escola* yielded solid and sustainable positive results. At the same time that it enlarged the scope of programs such as PETI, its simpler requirements

enabled the government to focus on the poorest with lower operational costs. The eventual incorporation of PETI into *Bolsa Família* demonstrates that this program followed the same precepts and was relevant to the subsequent and more elaborated version of cash-transfer scheme.

One of the main strengths of cash-transfer programs grounded on financial requirements is their effective targeting for the poorest and the positive return on investment ratio. Return here is being measured as the number of people being raised above poverty levels through state payments. The strict fiscal policies imposed by the International Monetary Fund, might have been influential to the adoption of cash-transfer initiatives by the federal government. Drawing on Cardoso's accounts, he states clearly how the conditionality of running a primary surplus of three percent limited the ability of his government to expand social investment to combat poverty. His diaries also highlight his recognition that programs of redistribution of income might represent the solution to increase the efficiency of the scarce resources applied in social programs. The pressure of dealing with an external agent, monitoring public accounts and setting economic goals and policies, might have indirectly affected Cardoso's decision to resort to cash-transfer programs as a method to deal with the conundrums of poverty and income inequality.

This academic research attempted to rely on the interpretation of past events, along with the academic literature that surrounds the universe of cash-transfer schemes, to be able to draw inferences about origins of the concept of giving money to the poor in Brazil. The primary goal of this academic study was to identify the main events, or social policies, occurring in the years of 1988-2001 that have contributed to the deployment of a federal cash-transfer initiative in Brazilian territory. I hope that scholars interested in this area, as well as policy makers will grasp the importance of

how cash-transfer programs were not a concept that emerged in Brazil overnight, but a development that happen over a span of many years. The successful case of Brazil became a product exported to a wide range of developing nations. Indeed, for those who believe that governments have to take more responsibility for their poor population, it is encouraging to see that the Brazilian and Mexican experiences have been inspirational to other nations that face the conundrum of high levels of poverty. However, this study hopes to shed light on the mechanisms and ideas that enabled the deployment of such program, so that, policy makers and scholars partaking in the deployment of cash-transfer initiatives in other countries can draw from the Brazilian experience, and adapt such programs to their particular conjuncture. Of no lesser importance, this historical account of the development of cash-transfer programs in Brazil, points out the influence of small, regional enterprises. As shown in this study, the regional experiences of Brasilia and Campinas paved the way for the federal program. Perhaps, here lies a valuable lesson for political leaders. An inward look at their local political unities might reveal to them successful actions that can be scaled to the federal level. This author hopes that this essay will contribute for further discussions of the initiatives to fight poverty and engage historians to conduct studies on the revolutionary idea of giving money to the poor, and endeavor that has been mostly concentrated on the areas of economics, political science, and sociology, but a field to which historians have much to contribute.

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