

## Social protection in Brazil: universalism and targeting in the FHC and Lula administrations

A proteção social no Brasil:  
universalismo e focalização nos governos FHC e Lula

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**Abstract** *This article analyzes the organization of Brazil's social protection system after the Federal Constitution of 1998 (CF 1988). It also demonstrates that 1988 Federal Constitution favored the institutionalization of universalist public policies. This institutionalization took place amidst conflict with the stabilization goals of the Real Plan. The paper argues that such an institutionalization protected public spending in the social area of the macroeconomic management's minimalist project. It also identifies the implementation of social programs targeting the poor during the 1980's decade. Targeting is an innovation directly associated with the adjustment agenda. It reveals that under the FHC and Lula administrations there was an identical adoption of targeted social programs. The targeting of social protection did not possess power of veto over the universalist proposals arising from the democratization in the 1980's. It demonstrates that the Bolsa Família Program (Family Grant Program - PBF), the main mark of the Lula administration, is a large scale adaptation of the targeted programs of direct transfer of income in the FHC administration. The combination of universalism and targeting expanded the scope of social policy. However, the significant growth in social public spending has not been producing broad social results, although the poor in Brazil have benefited from the PBF's targeting*

**Key words** *Universalism, Targeting Lula, Bolsa Família, Brazil*

**Resumo** *O artigo analisa a configuração do sistema de proteção social no Brasil após a Constituição Federal de 1988 (CF 1988). Demonstra que a CF 1988 favoreceu a institucionalização de políticas públicas universalistas. Esta institucionalização foi realizada em conflito com os pressupostos da estabilização do Plano Real. O trabalho argumenta que a institucionalização protegeu o gasto público na área social da proposta minimalista da gestão macroeconômica. Identifica também a implementação de programas sociais focalizados nos pobres ao longo da década de 1990. A focalização é uma inovação diretamente associada à agenda do ajuste. Revela que nos governos FHC e Lula ocorreu uma idêntica adesão aos programas sociais focalizados. A focalização da proteção social não teve o poder de vetar as propostas universalistas originadas da democratização dos anos 1980. Demonstra que o Programa Bolsa Família (PBF), principal marca do governo Lula, é uma adaptação, em larga escala, dos programas focalizados de transferência direta de renda do período FHC. A combinação de universalismo e focalização ampliou o escopo da política social. O expressivo crescimento do gasto público social não tem, entretanto, produzido resultados sociais abrangente, ainda que os pobres no Brasil tenham sido beneficiados pela focalização do PBF.*

**Palavras-chave** *Universalismo, Focalização, Lula, Bolsa Família, Brasil*

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## Introduction

In this article I examine the dynamics of the Brazilian social protection system post 1988 Federal Constitution (CF 1988). The hypothesis adopted in this paper is that, in the beginning of the 1990's decade, there was a significant normative dispute to define the scope and range of the Brazilian social protection system. Two agendas competed for conduction of the social policy: the minimalist perspective of the conductors of macroeconomic adjustment and the universalist perspective of protection. In the former, social protection would be secondary to the fiscal adjustment policy. In this view, the social protection system would be an external aspect of the macroeconomic adjustment effort, generating targeting in the poorer strata.

In the universalist perspective, the public policy of protection should respond to the need to repay the social debt via a social security system promised by the redemocratization in the 1980s decade.

The paper presents arguments and evidence to support the thesis that there was the institutional construction of a social protection system in Brazil, in spite of the limitations of the macroeconomic adjustment initiated in the 1990s. It also supports the thesis that the macroeconomic adjustment determined an agenda of innovation in terms of social policies in the implementation of targeted social programs for the poor. The targeting strategy produced important innovations through actions of direct income transfer, such as the Bolsa Família Program (Family Grant Program—PBF), implemented in 2003 by the Lula administration. The survival of the strategy targeting the poor, by the PBF, without affecting substantially the universalist social policies created by the Federal Constitution of 1988, indicated that there was also a significant continuity in terms of social agenda in the FHC and Lula administrations.

In order to reach such conclusions, this article refers back to a point already highlighted by Draibe regarding disagreement as to the “format and range” of the country's social protection. The author states that: *the reform agenda took place during the 1980s, particularly with the 1988 Federal Constitution. But, paradoxically, the moment the constitutional provisions are still being implemented, a new discussion agenda on the format, scope and likely outcomes of the social programs is becoming more important. In other words, a new reform movement is arising, a new ideological setting which recognizes both the impossibilities regarding improprieties of previously valid concepts [...] They added to the suspicions regarding both the possibility as well*

*as the convenience of basing our social policies on rigidly universal criteria of directing public spending and distributing social assets and services. In addition to the financial limitations, what seems to be under questioning is the capacity to face worsening social conditions through universalist and egalitarian concepts of social justice<sup>1</sup>.*

## Macroeconomic adjustment and social security

Draibe, in highlighting the arising new “ideological mood”, refers to narrowing options of public policies of national orientation in the 1980-1990s, mainly in non-developed economies or those dependent on external funding.

In the field of economic policy in the 1980s, the Brazilian economy was resistant to the spread and learning process of normative guidelines of the macroeconomic adjustment. The economic policy decisions responded with a high degree of autonomy with regard to the guidelines and conditions in policies defined by the international financial community.

With the establishment of stabilization proposed by the Real Plan in 1994, it could be said that the set of economic tools and policies possessed by the government suffered a centralization which was organized aiming at stabilizing public spending, with important effects on the economy's insertion in the global market.

This new orientation of the macroeconomic management might result in an important subordination of the social protection agenda to the fiscal adjustment and macroeconomic stabilization processes. Attempts by previous plans were faced with internal political problems, in addition to technical inconsistency in making their own plans and the lack of international conditions which enabled its success.

In the new scenario, a logical conclusion is that the formation of the social protection system was dependant on change in the development model integrated with the economy's globalization. In fact, such changes would bring a significant decrease in the level of freedom of the domestically targeted policies and greater effort in the search for external approval to guarantee investments and credit and internal approval through inflation control via fiscal discipline<sup>2</sup>.

The studies on macroeconomic adjustment emphasize that those policies become attractive to external agents when one adopts fiscal austerity actions over non-financial government spending,

mainly through control of primary performance of the whole public sector. The austerity in public spending would produce, consequently, serious limitations to expenditures with social programs in the countries subject to the macroeconomic adjustment agenda.

In the Brazilian case, the major topics which dominated the public policy agenda after the Real Plan were: encouragement to centralization and isolation of the macroeconomic policies, especially the monetary policy, through the Central Bank's autonomy in relation to the Executive and the Legislative; control of non-financial spending of the federal government; the federal and subnational governments' administrative reform; the privatization of activities related to the offer of public services; clearance of foreign trade and other reforms aiming to open the internal market; the adoption of targeted policies and selective protection for groups more vulnerable to the adjustment process in the development model.

In the mid-1990s decade, the intentional agenda of integration to the globalization dynamics seemed to be extremely successful in creating major cosmopolitan alliances for implementing a new public policy agenda derived from the macroeconomic adjustment policy. Redirecting the development policy increased the external vulnerability of the national economy, as shown by the significant increase of the country's net public debt between 1994 and 2002<sup>2</sup>.

Since the developmentist model of the accelerated growth decades of the Brazilian economy was unable to offer convincing answers to repay the social debt, for the latter was often accompanied by inflation, the new public policy agenda, which was allowed before the need for adjustment, sought to introduce an important set of innovations in the social sector.

One could, thus, consider the possibility that this new scenario did not allow providing for broad solutions for the social public policies due to the goals of integration of the Brazilian economy with the globalization. Such goals would lead to denial of the universalist agenda in certain social areas, the targeting of programs and the specialization of social financing.

For example, the federal government's document for the social area entitled "A Strategy for Social Development", of 1996 (Presidency of the Federative Republic of Brazil), in stating that "the growth standard of protected industrialization, conducted by the government and based on import substitution, has left a complex system of social protection" which would be a part of "a prob-

lem to be handled by the Brazilian social policy in the near future"<sup>3</sup> – seems to have defined an agenda congruent with the new development model with inflation and public spending control.

The document emphasized essentially regressive aspects of the social protection system – progressive and unequal incorporation of professional corporations, high spending, administrative centralization, lack of democratic control, operational inefficiency and concentration of benefits on groups of lower income – and considered it as a simple manifestation of "a complex network of interests and acquired rights, involving privileged politicians, workers, suppliers and beneficiaries".

Faced with this network of interests, the FHC administration allegedly was "committed to restructuring and deeply reforming these sectors aiming to eliminate waste, increase efficiency, *promote decentralization, universalize its cover whenever necessary and legitimate, and, above all, to restructure benefits and services in order to increase its redistribution impact*"<sup>3</sup> (italics from original text).

Thus, it seemed more than obvious that economic stability with external integration would lead to the restructuring of the social protection system born with the Federal Constitution. This perception was accepted by Castro & Cardoso Júnior<sup>4</sup> when they described the implications of the monetary stabilization strategy post-1994 to the financing of social spending from 1995-2002. According to the authors, it could be said that the social strategy of the governments which handled the Brazilian social policies during the 1990s was also a strategy to solve the problem of financing social policies, even if it was implicit and never express. Restricted universalization, targeting poverty, fiscal decentralization, social participation and privatization of profitable parts of the social policies would have contributed, together and structurally, to limit the financing needs of the social public spending, especially in the federal sphere, which would also be coherent and necessary to the government's more general strategy of fiscal restriction faced with macroeconomic limitations (self) imposed by the monetary stabilization's superiority over any alternative economic policy<sup>4</sup>.

The authors point out that *the monetary stabilization strategy adopted since 1994 represented limitations to the expansion of federal social spending. The latter, although it has risen in relation to the GDP between 1995 and 2002, rose much less than the growth observed proportionally in other public spending spheres. The change in the composition of public spending took place at the relative expense of the non-financial expenditures, above all that of a*

***social nature, and favored relatively the total financial expenditures, including interests and fees***<sup>4</sup>.

Fagnani's work presents additional arguments to the perspective of limitations to the macroeconomic adjustment agenda: ***the environment which arose in the 90s was absolutely hostile to the recently acquired citizenship. The embryo of a Social State, universal and equal, sketched by the 1988 Constitution, was practically doomed. In this adverse context, against the broader structural processes in the internal and external levels, it was possible to observe, from 1990, the definitive downfall of the reformist project. In the social field, the privileged focus of this counter-reform was the deconstruction of rights provided for by the 1988 Constitution***<sup>5</sup>.

The Constitution was gradually disfigured and the reformist project was destroyed. The principles which govern the neoliberal paradigm in the social issue were absolutely opposite to those in the 1988 Constitution: the Welfare State is replaced with the Minimum State; social security with social insurance; universalization with targeting; direct offer of social services by the government with the Regulatory State and privatization; and labor rights with deregulation and flexibilization<sup>5</sup>.

This take on the linear relationship between the macroeconomic adjustment and social policy is in accordance with the theoretical matrix of the political economy which emphasizes absolute subordination of the national policies to the globalization processes of financial markets and commercial flows<sup>6</sup>.

Kaufman draws attention to the hypothesis that the main agents in the globalization process have no specific social agenda. International agents (banks, multinational companies, investors and multilateral cooperation agencies, besides local cosmopolitan elites), would emphasize more the decentralization aspects through the local and regional governments' increased role in providing services and other public assets than the definition of the countries' social protection regime<sup>6</sup>. Kaufman's observation fails because it does not take into account that such agents, in defending fiscal discipline as the normative principle of the macroeconomic management, are indirectly assigning public spending a function in the social area.

The arguments proposed by Haggard and Kaufman<sup>7</sup> seem more appealing. They identify four factors which condition the behavior of non-developed economies when facing the macroeconomic adjustment agenda: (i) the timing when starting the macroeconomic adjustment, which reflected the different level of urgency in responding to the stabilization initiatives; (ii) the national political alli-

ances' ability to support the adjustment guidelines; (iii) the government's administrative ability in developing sector reform policies; and (iv) the type of political regimen, whether democratic or authoritarian, which sponsored the stabilization policies.

Those factors highlighted by the authors are useful to understand the social protection dynamics in the context of adjustment in Brazil. In the early 1990s, the stabilization was faced with the construction of the new democracy, established in 1985, which defined an agenda targeting domestic interests.

### **The social policy institution in Brazil in the 1990s decade**

During the redemocratization, organization of the Brazilian social protection agenda was substantially different from that defended by the stabilization agenda. The democratization strengthened the mediation of municipal and state Executives over public spending and diversified the range of social interventions of the public sphere.<sup>8</sup> The new social protection conditions became official in the Federal Constitution of 1988, which defined the field for action of the government sectors and the market in financing and offer of services.

Draibe suggested that the 1988 Federal Constitution broke with the social protection system built during the military regime (1964-1985) due to the emphasis given to the "social security" dimension in the set of social policies. The social security dimension defined institutional rules which in turn defined the financing conditions for public funding and established certain universality criteria for access to the benefits. Such an arrangement was made possible by the discussion between the governmental and private spheres; by the strengthening of municipal and state governments in the social area and by the innovations brought by the income transfer programs. In that sense, the development of the social policy gained relative autonomy in relation to the economic policy, the priority now being the issue of fighting poverty, misery and social inequities<sup>8</sup>.

Such reformist efforts would have changed the features of the previous social protection system. The democratic agenda of social reform offered new guidance to the social policies in order to respond to society's demands with more equity and expanding social democracy. The demand for reducing inequities gained the concrete connotations of expanding the cover of social programs and activating the policies' universalism. According to

Draibe, “express in the new Constitution of 1988, such a guideline was undoubtedly successful during the 90s”<sup>8</sup>.

Considering the fiscal adjustment policy, the tendencies and features of the reforms of social programs would not have shown that the old national system of social policies had “crumbled” or even remained<sup>8</sup>.

The construction of a wide social protection system was one of the central demands of the Brazilian redemocratization process in the decades of 1980 and 1990. The cover limitations and low effectiveness of the current policy were the distortions pointed out in the social policy. The meaning of merit, understood as the position in the occupational structure, was the base on which the condition of access to the Brazilian social system was defined<sup>9,10</sup>. The persistent economic growth observed in the 50s, 60s and 70s decades was not successful in forming the bases for a protection system which broke with the excluding limits of contribution criteria to the social protection. The stagnation of social conditions in the 80s decade worsened the residual and selection aspects of governmental action in the social sector, with strong features of corporatism and clientelism<sup>1</sup>.

Considering those limitations, the construction of a wide institutional structure of protection was considered a desirable option for the social development when faced with the evidence that the mere economic growth did not generate redistribution or social inclusion in the previous decades. The economic development observed in the 50s, 60s and 70s decades produced significant social mobility through growth of industrial and urban employment, but offered no consistent responses to the social question.

In the Brazilian debate in the early 1990s decade, the proposal to overcome social crisis through simply returning to the national-developmentalist agenda, also largely accentuated by the authoritarian regime post-64, then sounded like an “anachronism”<sup>1</sup>. In addition to the distortions in the social protection system, the authoritarian regime (1964-1995) added the strong centralization of decisions in a federal level, by expropriation of tools of social action of states and municipalities; blocking social and political participation in the decision-making process, with the suppression of ways of social control; the institutional fragmentation which made it impossible to build an integrated social policy and closing down people’s access to social assets and services<sup>8</sup>.

From the income redistribution and social issue’s points of view, the 1980s decade was perceived

as a “lost decade”<sup>11</sup>. The “legacy of mistakes” of the 1980s projected a shadow over the future. It would be necessary to “coordinate projects, decisions and actions involving organically, all relevant social agents” aiming at repaying the Brazilian social debt<sup>12</sup>. There is no doubt that the complex structure of social protection set forth by the Federal Constitution of 1988 responded to the Brazilian elite’s discomfort with the social situation in Brazil after 20 years of conservative modernization produced by the military regime established in 1964.

### Democracy and social protection

It is important to ask what the real institutionality of the new rules defined by the 1988 Federal Constitution for the Brazilians’ social protection was considering the strong arguments favorable to the paralyzing effect of the macroeconomic adjustment presented by the political economy. According to Draibe’s view, the protection system’s institutionality would have generated an institutional path to the public policies’ sustainability. This institutionality is usually difficult to reverse when the gains of the institutional decisions are perceived as increasing<sup>13</sup>. The institutions are considered the rules of the game which define the conditions and opportunities for action by the agents. In the context of the Brazilian redemocratization, the institutionalization of the social protection system created a wide range of distribution opportunities for the new alliances between the Federal Government, States and Municipalities’ Legislatives and Executives.

Such alliances, associated with the sectoral bureaucracies and the benefits of social policies, directly influenced the public policies of protection due to gains in income and political power. Ames states that *most of Brazilian politics concentrates on attempts by politicians to appoint supporters to bureaucratic positions and to provide individualized or geographically specific public assets [...] personal gain and excessive patronage guide the formation of policies. Politicians do not sustain themselves as such taking care of the prosperity of their states and of maintaining public assets, but distributing funds, services and jobs to individuals*<sup>14</sup>. Although it must be admitted that, as Pereira points out, the positive aspects of exchanges between the Executive and the Legislative in Brazil. Such exchanges play an integral role in the Executive’s ability to approve its agenda in congress, as well as in its governability<sup>15</sup>.

From Ames’ point of view, one can consider that the Brazilian public policy is encouraged not

only by the perspective of construction of a redistributive regime of social security, but it is also favored by the elite's structural option for diffuse distributism. In that case, the distributive public policy would be the one which generated diffuse costs and often benefits which are also diffuse<sup>16</sup>.

The successful mediation ability of those sponsorship and personal gain interests was a decisive factor for the consolidation of new sectoral public arrangements created by the 1988 Federal Constitution. This broadening in the scope of action of organized interests in the public sphere was perceived clearly by Vianna when he identifies in the "fractioning of organized interests" the reason behind what he names "failure of social security" in the 1990s decade<sup>17</sup>. The social protection system had, in spite of the collective action's fragmentation, a notable institutional development and diversification of clientele.

It can be said, thus, that the Brazilian social protection system is a result of a normative conflict between the search for fiscal discipline for public expenditures and the search for more funds for distributive ends... This explains why the Brazilian social protection system presents an immense variety of organizational arrangements, sources of financing and clientele, summarized by Castro & Cardoso Júnior<sup>4</sup> and characterized by Arretche<sup>18</sup>.

The influence of the distributive orientation has been especially important in the sectors of social politics with alliances which are mobilized and united around an agenda, as is the case in the health sector, as we are reminded by Draibe<sup>19</sup>. The institutionality of the health policy has had success in stabilization by controlling sources and indexing of federal public spending to mobilization of municipal and state governments' funds. The health policy has been effective in ensuring access by poorer groups to the diffuse benefits of public action, although maintaining high inequity standards among the income strata and inefficiency of allocation.

In such conditions, the new institutionality of the social protection system would have reinforced other distortions which affected systematically the dynamics of the social area in Brazil: the problems of inefficacy, poor targeting of goals and low effectiveness of spending<sup>8</sup>.

### Social policy in the FHC administration

The innovations in the FHC administration's agenda (1995-2002) for social policies sought to respond to the problems in allocation of social expendi-

tures on poorer and more vulnerable groups. The initiatives which arose in that context resulted from the effort to determine the target population for social intervention and define clear strategies for access to the benefits conferred by social protection programs. However, the FHC administration did not act as an active institutional authority with veto power over the agenda created by the 1988 Federal Constitution. Tsebelis draws attention to the obstruction power which the Executive has not only in forming the agenda, but especially in implementing public policy decisions<sup>20</sup>. The latter is a point often overlooked in the analyses of recent governments in Brazil, that is, what the scale produced by their veto power is over constitutional decisions associated with social rights. In the FHC administrations, this scale was certainly close to zero<sup>9</sup>.

The paper "Economic Policy and Structural Reforms", published by the Ministry of Finance in April, 2003, in expressing discomfort with the conditions of allocation of federal funds, reinforces the profound diversity of the protection system resultant from the FHC administration.

***Despite the amount of funds allocated to social programs by the central government [...], its efficacy in alleviating poverty, is still very limited. The government's social expenditures' little capacity to reduce inequities in income arises from the fact that most of the funds are directed to the non-poor.***<sup>21</sup>

The Ministry of Finance's paper, in the context of the Lula administration, for example, ignored that, since the end of the 1990s decade, some important programs governed by the targeting perspective renewed the Brazilian social assistance scene - Bolsa Escola, Child Labor Eradication, Bolsa Alimentação, among others. These programs were, together with the programs derived from the Organic Act of Social Assistance (LOAS), such as the Assistance to the Elderly and the Assistance to Disabled Persons, a relevant and diffuse set of assistance benefits granted regardless of any contributions made, as demonstrated by Table 1.

It can be seen in Table 1 that assistance expenditures already represented 5.5% of the federal government's spending in 2002.

Of all expenditures on social assistance, as demonstrated by Table 1, 40% were directed at programs defined by the LOAS's rules of access, that is, they arose from the social protection agenda made official in the 1988 Federal Constitution.

Table 2 also shows that the federal government spends a significant amount on health, education, employment and social security areas. These four sectors concentrated 88% of the Brazilian social

expenditures in 2002. It is worth noting that social security only represented 65.8% of the total social expenditures in 2002.

Few studies gave proper recognition to the complexity of the structure of the Brazilian social protection in the early 2000 decade. One of the few

**Table 1.** Central Government Spending on Social Assistance.

Items	2001	Total %	2002	Total %
<b>1. Direct Expenditures</b>	<b>8,506.3</b>	<b>74.7</b>	<b>10,245.4</b>	<b>75.7</b>
A - Assistance to the Elderly	1,644.2	14.4	1,983.7	14.6
Social Assistance - LOAS	926.9	8.1	1,251.7	9.2
Permanent Monthly Income	675.1	5.9	679.7	5.0
Assistance to Elderly Persons	34.1	0.3	37.1	0.3
Others	8.2	0.1	15.2	0.1
B - Assistance to Children and Young Persons	2,149.1	18.9	2,477.8	18.3
Bolsa Escola (School Grant Program)	1,530.7	13.4	1,605.4	11.9
Child Labor Eradication	315.1	2.8	516.1	3.8
- Bolsa Criança-Cidadã (Child Citizen Grant)	<b>164.0</b>	<b>1.4</b>	<b>274.9</b>	<b>2.0</b>
Daycare, Assistance and Maintenance	263.5	2.3	280.9	2.1
Agente Jovem de Desenvolvimento Social e Humano (Youth Agent Program)	35.6	0.3	66.7	0.5
- Grants for Young Persons from 15 to 17 years of age	<b>18.7</b>	<b>0.2</b>	<b>43.03</b>	<b>0.3</b>
Others	4.3	0.0	8.7	0.1
C - Assistance to Disabled Persons	2,871.3	25.2	3,328.6	24.6
Social Assistance - LOAS	1,767.1	15.5	2,176.4	16.1
Permanent Monthly Income	1,020.4	9.0	1,64.1	7.9
Assistance to Disabled Persons	80.4	0.7	81.2	0.6
Others	3.3	0.0	6.9	0.1
D - Food and Nutrition	1,176.3	10.3	1,101.0	8.1
School Food	902.0	7.9	848.9	6.3
Bolsa Alimentação (Food Grant Program)	—	—	152.0	1.1
Others	274.0	2.4	100.2	0.7
E - General Social Actions	137.0	1.2	780.7	5.8
Gas Voucher	—	—	650.5	4.8
Assistance to Underprivileged People	117.4	1.0	100.5	0.7
Others	19.6	0.2	29.7	0.2
F - Assistance to Indigenous People	169.7	1.5	176.7	1.3
G - Justice-related Actions	76.0	0.7	108.7	0.8
H - Sports Actions	219.0	1.9	217.1	1.6
I - Support Actions	63.9	0.6	71.1	0.5
<b>2. Tax Waiver</b>	<b>2,883.4</b>	<b>25.3</b>	<b>3,297.2</b>	<b>24.3</b>
Non-Profit Social Assistance Bodies	1,250.3	11.0	1,543.8	11.4
Income Exempt from Income Tax	1,427.1	12.5	1,568.9	11.6
Workers' Food Program	117.9	1.0	135.9	1.0
Donations to Non-Profit Entities	43.7	0.4	36.5	0.3
Fund for Children and Young Persons Rights	44.4	0.4	12.1	0.1
<b>Total</b>	<b>11,389.7</b>	<b>100.0</b>	<b>13,542.6</b>	<b>100.0</b>

Source: Ministério da Fazenda<sup>21</sup>.

**Table 2.** Allocation of Social Spending by the Federal Government (not including tax waiver and subsidies) by area of spending. 2002 (%).

	(%)
Social Security	65.8%
Health	12.8%
Social Assistance	5.5%
Education and Cultura	5.3%
Employment	5.1%
Rural Organization	2.0%
Housing and Sanitation	0.6%
Other Expenditures	2.9%

Source: Ministério da Fazenda<sup>21</sup>.

was Melo's work<sup>22</sup>. He acknowledges the great relevance of innovative federal social programs in the 1990s decade. Bolsa Escola Program, the Fund for Basic Education Development and for Enhancing the Value of the Teaching Profession – Fundef, and the Fund Against Poverty. He states that the changes which took place in the Brazilian social protection system in this decade “are contradictory”. He says: ***how can we explain the changes which happen in the pattern of social policies, if we take into account the formidable fiscal and institutional obstacles to change in the country, at least in the way in which the latter is analyzed in the dominant view in literature? Such obstacles were not restricted to severe fiscal limitations, but would also include the fact that Brazil had a fragmented political system***<sup>22</sup>.

Melo's thesis is that such changes can be explained fundamentally by the reorganization of the relationship patterns between the Federal Executive in the Fernando Henrique Cardoso administration and the state and municipal governments due to the federal government's incentives and institutional capacity leading to the end of the social area's reorganization by the federative decentralization. This is a point often emphasized in Arretche's analysis<sup>18</sup>.

Another new aspect in Melo's work is the acknowledgement that the macroeconomic adjustment agenda in the FHC administration included a successful social agenda. In Melo's view, the first generation reform in the FHC administration (monetary stabilization and fiscal adjustment) was followed by second generation reforms in the social area. To the second reform there would be associated “contradictory” changes in the Brazilian social protection. The author states that: ***the big bang strategy adopted, due to which support to its***

***monetary stabilization program extended to its other initiatives, was also a part of the support given to the social policies reform program in both of Fernando Henrique Cardoso's terms of office***<sup>22</sup>.

The successful reorganization of the social policy was, according to Melo, a result of the conditions of macroeconomic stability ensured by the new conditions of the opening economy and international integration. But what was the scope and range of the FHC administration's social policy?

There is evidence that the social reform agenda of the Fernando Henrique Cardoso administration concentrated on strengthening and consolidating focal programs to reduce poverty, on social security reform and on regulating federal transfers to education (Fundeb) and health (Funds Transfer for Basic Care) and Family Health Care Program). Melo states that both the reduction of poverty and the allocation of resources to health and education were the credible commitments to the allocation of funds in social areas which could be associated with the second generation of macroeconomic reforms<sup>22</sup>.

This conclusion by the author should, however, be analyzed carefully. It would be more appropriate not to make a direct connection between the macroeconomic adjustment agenda and the development of decentralization in education and health, for example, by means of allocating resources. It is worth noting that the good governance of the adjustment agenda identified, in the debate then, the control of public funds as a threat to the efficiency of public spending<sup>23</sup>.

The FHC administration's guidelines in the first two terms of office were enforced by clear targeting of priority social programs and by the specialization of social financing. However, this innovation, which was coherent with the macroeconomic adjustment agenda, was not opposite to the federalist agenda of traditional social areas, such as education and health. This is one of the core aspects of the development of the Brazilian social protection in the FHC administrations which was not adequately understood by the macroeconomic restriction approach. In the early 1990s decade, the social protection system had already taken a complex shape, by the coexistence of institutional structures which arose in the 1988 Federal Constitution with the innovations of programs targeting poverty. The FHC administration embraced the targeting agenda and, at the same time, expanded the federative decentralization in health and education. The decentralization agenda, in those areas, is closely related, in Brazil, to the democratization and criticism to the authoritarian centralization of the



military regime, and not to the State reform agenda of the 1990s.

### **Social policy in the Lula administration (2003-2008)**

The political alliance which takes office under Lula's leadership did not have a defined, explicit social agenda. The lack of a social agenda can be explained by the lack of understanding of the real structural complexity of the social protection system in the country by the Partido dos Trabalhadores (Labor Party) and its intellectuals. The Brazilian left-wing's reasoning, in general, agreed with the political economy's theses: social protection was only an external aspect of the macroeconomic adjustment which the Brazilian economy went through. Both FHC terms of office would have done nothing more than impose a liberal agenda to the country's social area, submitting social protection to the macroeconomic adjustment.

The Fome Zero Program would then occupy, at first, the space in the government's social policy agenda because it referred back to the movement headed by the Partido dos Trabalhadores and civil society to Fight Hunger in the early 1990s. From this perspective, the State's actions on social policy would be centralized on regulating distribution and fighting hunger problems. The new income transfer programs were defined, at that moment, as "policies of direct assistance to the unprivileged population"<sup>24</sup>.

The Fome Zero Program would reinstate the fight against hunger and poverty agenda through proposing a food security policy for Brazil. The proposal was presented for public discussion in October 2001, in a paper drawn up by the Institute for Citizenship, together with NGO representatives, research institutes, unions, popular organizations, social movements and experts on the country's food security issue. The Fome Zero Program had as its main goal the formulation of a Food and Nutrition Security Policy for the Brazilian people. The document was signed upon its presentation by then candidate Luiz Inácio Lula da Silva<sup>25</sup>.

The Fome Zero Program proposed to: ***enlist solutions for the problem through expanding the demand for food, lowering costs of food and emergency programs to cater for the population excluded from the market, acknowledging that it is necessary to change the economic model (growth with distribution of income)***<sup>26</sup>.

Although it presented a broad, and thus diffuse, intervention strategy – the Fome Zero Program's agenda was the major mark of the Lula administration's social action in the first year of his term of office<sup>27</sup>.

The creation, in 2003, of the Extraordinary Ministry for Food Security and the Fight Against Hunger (MESA), directly subordinate to the Presidency of the Federative Republic, had great impact on the federal government's organizational structure. MESA's diffuse agenda became evident in the endless governmental action agenda for the sector in 2003: structural policies (7); specific policies (8); local policies (4); policies for small and midsize cities (4) and policies for rural areas (6)<sup>28</sup>. The initiative to transfer income appeared as one of the "structural policies" enforced by means of the Bolsa Escola Program (School Grant Program) and minimum income<sup>28</sup>. The income transfer was a top priority in the social policy agenda in the first year of the Lula administration<sup>27</sup>.

MESA – and its diffuse agenda – were short-lived. They became extinct in 2004. In that year the Ministry of Social Development and the Fight Against Hunger was created. The adoption of the "social development" agenda meant a new direction for the Lula administration's agenda: breaking with the tradition of movements to fight hunger and food security which governed the government's social intervention in the first year<sup>29</sup>.

The central position given to the Bolsa Família Program represented a significant change in social agenda in the second year of Lula's term of office. Created in the end of 2003, PBF from the start subject to the Presidency of the Federative Republic – thus, directly subordinate to President Lula. In January 2004, it merged with the recently created Ministry of Social Development and the Fight Against Hunger.

There is evidence – see Table 3 – that the Lula administration's new line of action consolidated, via unification, the income transfer programs created by the Fernando Henrique Cardoso administration – Bolsa Escola, Bolsa Alimentação, Cartão Alimentação Program (Food Card Program) – and some of the Fome Zero Program's initiatives<sup>30</sup>.

One example of how the Lula administration incorporated targeting tools was the Unified Registry, a tool used to identify potential beneficiaries of all programs of the then-called Social Protection Network<sup>31</sup>.

As pointed out by Castro, the income transfer programs developed by different levels of government in Brazil during a number of years replaced the old food basket with money directly to the families, via magnetic cards and access to the baking system, and consolidated in society as a new way to intervene with the social issue<sup>31</sup>.

The Bolsa Alimentação Program (Food Grant

**Table 3.** Number of beneficiaries of the Federal Income Transfer Programs (2003-2006)\*.

	2003(A)	2004	2005	2006(B)	Difference between A and B
Bolsa Escola (School Grant Program)	3,771,199	3,042,794	1,783,874	36,481	(3,734,718)
Bolsa Alimentação Program (Food Grant Program)	369,463	53,507	24,175	2,474	(366,989)
Gas Voucher	8,229,144	4,220,953	3,401,114	576,375	(7,652,769)
Food Card	349,905	107,907	83,524	32,136	(317,769)
Bolsa Família (Food Grant Program)	3,615,596	6,571,842	8,700,451	10,965,810	7,350,214
Total	16,335,596			11,613,276	(4,722,031)

Source: Ministério do Desenvolvimento Social. *Análise comparativa de programas de proteção social*. Brasília: Ministério do Desenvolvimento Social; 2004. [Data from 2003]  
\*Reference: December

Program) was a result of that change. It was, in that sense, one of the sources of institutional learning for the Lula administration in providing a model for allocation of resources directly to the families through the federal baking network and in close cooperation with the Municipal Executives in registering the families.

Created by the Ministry of Health in 2001, in the FHC administration, it sought to promote health conditions and nutrition of pregnant women and those breastfeeding their children from the age of 6 (six) months to 6 (six) years and eleven months, under nutritional risk, who belonged to families with no income or whose income was under R\$ 90.00 *per capita*. The grant was paid using a magnetic card at Caixa Econômica Federal (Federal Savings Bank) agencies or bank representatives (businesses with the sign "Caixa Aqui"). Once registered in the Program, the family compromised to follow a health Commitment Schedule, which consisted of basic actions such as pre-natal exams, vaccination, monitoring child growth and development and educational activities in health and nutrition<sup>32</sup>.

The implementation of the Bolsa Família Program was greatly assisted by the institutional learning acquired by Bolsa Alimentação and other programs in the Social Protection Network. The registration of beneficiaries activity by the Municipal Executives may have been one of the most interesting innovations of the Bolsa Alimentação Program. The Mayor's registration function made it possible to share the credit for the Bolsa Alimentação Program's benefits between the federal and local governments. The Bolsa Família Program kept this essential feature. Thus, for example, the realization that the Federal Executive does not get all the credit for the Bolsa Família Program in municipalities.

This sharing of credit between the federal and local governments in terms of implementation makes it difficult, for example, to directly transfer credit and votes to candidates supported directly by the Federal Executive<sup>33</sup>.

In summary, the Lula administration's social intervention from 2004 was guided by targeting the poor. The Bolsa Família Program expressed this priority. Paradoxically, Table 3 shows that the set of income transfer programs, unified and reduced under the brand Bolsa Família Program, reduced the number of beneficiaries of Income Transfer Programs by 4,722,031 from 2003 and 2006. The Bolsa Família Program's great success, despite this reduction, can be associated with targeting the poor strata, predominantly poor families in the Northeast, and also to the evident increase in the average amount paid<sup>34</sup>.

Such extension in the scale of population covered by the PBF would produce an important side-effect on the federal government's protection functions from 2004. Federal funds allocated to traditional social policies, such as health, education and sanitation, were greatly limited. Table 4 shows the reduction in health and education expenditures, in relation to the Gross Domestic Product, especially in the first years of Lula's first term of office when compared to the first two FHC terms of office.

Souza and Costa prove, additionally, the extremely negative impact of changes in federal spending policy in the sanitation sector during the decades of 1990 and 2000. The authors reinforce the thesis that the sanitation sector was one of the main losers in terms of public decisions in the country regarding the social area<sup>35</sup>.

Such constraint in basic social spending during the Lula administration is associated with three

factors: growth of irreducible expenditures with Social Security; the process of large scale income transfer through the Bolsa Família Program, and the fiscal austerity policy of the Lula administration through the elevation of the fiscal surplus from 2003. Table 5 shows the behavior of the central government's primary effort in the last few years, emphasizing the notable effort by the Lula administration in its first term of office.

The detailed analysis of the Brazilian public

spending behavior in the last two decades is naturally beyond the scope of this paper. The data analyzed before, however, show that the Lula administration promoted change in the federal government's social policy priorities, expanding an important innovation of targeting the poor, with evident limitations to the growth of expenses with universalist policies, implemented in the democratization wave, especially the health, sanitation and education policies.

**Table 4.** Federal Spending in Health and Education, % of the Gross Domestic Product in the FHC and Lula (first) Terms of Office. Brazil, 1995-2006.

Year	Education	Average % per Term of Office	Health	Average per Term of Office	Terms of Office
1995	1.31	1.14	1.94	1.81	FHC's First Term of Office
1996	1.11		1.95		
1997	1.03		1.66		
2008	1.10		1.69		
1999	1.08	1.11	1.85	1.84	FHC's Second Term of Office
2000	1.13		1.82		
2001	1.11		1.85		
2002	1.13		1.85		
2003	1.07	1.0	1.73	1.76	Lula's First Term of Office
2004	0.95		1.78		
2005	0.93		1.76		
2006	1.03				

Source: IPEA<sup>34</sup>; <http://www.ripsa.org.br>

**Table 5.** Tendency towards Primary Financing of the Brazilian Public Sector in the FHC and Lula (first) Terms of Office. Brazil, 1995-2006.

Year	Primary Financing	Average % of Primary Balance per Term of Office	Terms of Office
1995	0.36	(0.15)	FHC's First Term of Office
1996	(0.09)		
1997	(0.91)		
2008	0.01	3.62	FHC's Second Term of Office
1999	3.28		
2000	3.50		
2001	3.70		
2002	4.01	4.32	Lula's First Term of Office
2003	4.38		
2004	4.64		
2005	4.35		
2006	3.90		

Source: FGV<sup>36</sup>.

## Conclusion

The macroeconomic adjustment program of the Brazilian Federal Executive by means of monetary stabilization and fiscal discipline, since the Real Plan, merged the fiscal adjustment agenda with the expansion of the country's debt burden. From 1999, when the Federal Executive was compelled to produce primary surplus, threatened by the State's insolvency, the debt burden grew together with the search for public saving.

Balance in public finances was obtained by means of a skilful combination of effort toward surplus and growth of the country's debt burden. The Federal Executive in the FHC and Lula administrations was never actually under severe fiscal limitation to a degree which prevented them from implementing the democratization commitments and creating new social protection programs<sup>37</sup>.

It can be said that criticism to the lack of direction and inefficiency of the Brazilian social public policies had an important role in defining new interventions to transfer income directly to the poor who were not contemplated by the 1988 Federal Constitution. There is no doubt that this agenda was strongly influenced by the macroeconomic adjustment orientation which sought to reduce social spending and target poorer groups.

The current Brazilian social protection system is a direct result of this unique combination of universalist traditional policies with income transfer programs for groups considered to be vulnerable.

The text demonstrates that there is a notable continuity in the scope of social protection created by the new Brazilian democracy. The Lula administration – despite its left-wing tradition of criticism to the Brazilian social model – has maintained and expanded the essential bases of the arrangement implemented by the FHC administration. If it is possible to speak of innovation in the Lula administration, this was the expansion of the range of income transfer mechanisms by the PBF.

As in the macroeconomic management, the FHC and Lula administrations maintained the institutional guidance of the social protection regime practically the same during nearly two decades.

It is worth noting that the development of social policies in Brazil is still limited by a secondary economy in nominal deficit. The Federal Executive has been obliged to make a complex fiscal effort to organize public finances considering the commitments of the public financial debt, which is around 7% of the GDP annually, in the current decade<sup>38</sup>. This means that the expansion of public spending has been constrained by the effort of primary surplus, despite the tax burden of the three levels of government have reached more than 1 / 3 of Gross Domestic Product in 2003.

The creation of a program as large as the PBF affected directly the availability of resources of the central government for basic social areas – health, education, and sanitation. The progression of expenditures in those areas reveals that there has been a significant stagnation of federal supplies in the last 7 years. In the health sector only, it can be noted that the reduction in federal spending has been compensated by growth in Municipal and State spending. Still, the expansion of the financing role by municipal and state governments has not generated substantial change in the role of private spending in healthcare in the country.

The dynamic aspect of income transfer has had, on the one hand, important impacts of a distributive nature in reducing income inequities in the country<sup>39</sup>. On the other hand, the weak performance shown by figures in the areas of education and sanitation indicates that Brazilian society still maintains a high social deficit in basic areas. The mediocre condition in terms of performance of Brazilian social policies in those areas can be explained by the lack of encouragement by the central government of active policies to expand the cover (in case of sanitation) and guidance toward efficiency and quality (education and health). In this situation, the macroeconomic restriction and the strategic choices of government in the field of protection have affected the quality of life of Brazilians in the health, education and sanitation areas, although significant redistributive gains have been observed in the effects of the large scale income transfer program caused by the PBF.

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