

PART II
Chapter 7

What are the politics of poverty?

by

Luiz Inácio Lula da Silva, President of Brazil 2003-11

Brazil has experienced a quiet revolution in recent years. Between 2001 and 2011, GDP per capita increased by 29% and the poorest 20% of people saw their income grow seven times as fast as the top 20%. Brazil also reduced by half the number of people living in poverty – in half the time expected. In this chapter, the man at the helm of this remarkable transformation – Luiz Inácio Lula da Silva – explains how this was enabled by a democratic decision to put social policy at the heart of the country’s development strategy. The flagship Bolsa Família (Family Stipend) programme transferred cash to low-income households in exchange for enrolling children in school and ensuring regular medical check-ups and vaccinations (conditional cash transfers). The programme has benefitted an entire generation by helping to break the vicious circle of poverty. The country is now focusing on the last bastion of poverty – the extreme poor – through the strategy called Brazil Without Extreme Poverty Plan. Brazil’s move to reshape its development shows how aligning social and economic policies, transferring cash to poor families (97% to women) and offering public services to those who most need them can have multiple benefits, but that courage and determination are required in choosing such a path.

For centuries, the Brazilian State handled the process of development through a “top-down” approach. Priority was historically given to satisfying the requirements of the owners of mills and plantations, and of the industrial and financial elites.

After the ratification of the Constitution in 1988, social policies designed to improve the lives of the less privileged segments of the population began to take shape. At the first sign of threats to the economy, however, these policies – essential for the construction of a truly democratic nation – were rejected in the quest for economic stability.

Over the past decade, Brazil finally placed social policy at the centre of its development strategy. This was a democratic choice, ratified and endorsed at the voting booth. It was the choice for a political project that, instead of separating people, joined them together in the effort to achieve growth coupled with income distribution and social inclusion.

Brazil’s new era has been shaped by social policy

The results of Brazil’s move to reshape its development through social policy show us that when social and economic policies are aligned, the positive impact in each of these areas is multiplied. GDP per capita increased by 29% between 2001 and 2011. The corresponding increase in earnings was shared by all, in contrast to the historical tradition. In fact, the 20% of people in the lower income brackets showed the greatest rate of increase in income: seven times that of the top 20%.

Over the same period, 19 million jobs were created in the formal sector and the minimum wage increased by 72% in real terms. Infant mortality fell by 40%, life expectancy increased by 3.2 years and education levels increased. Overall, the Gini coefficient¹ fell from 0.553 to 0.500 and in 2008 Brazil achieved its goal of reducing by half the number of people living in poverty – the primary objective of the Millennium Development Goals proposed by the United Nations – in half the time expected.

Mothers know better than anyone how to use funds for the benefit of the entire family, and especially the children

This transformation was only possible because Brazil used a new model for development – one that focused on social policy.² One of the landmarks of this new era was the *Bolsa Família* (“Family Stipend”) programme, which in 2013 marked its tenth anniversary. *Bolsa Família*’s conditional cash transfers have proved to be fundamental in achieving the poverty reduction observed over recent years.

Bolsa Família was Brazil’s first major social-policy incursion to focus on the reality of poverty. The paradigm shift it implied required an unusual measure of courage and political will. Although Brazil’s Constitution had already included poverty eradication among its basic fundamentals, the tendency to blame the poor for being poor was still deeply rooted in society, generating strong opposition to the programme in its first few years.

A huge operational challenge

To this enormous political challenge was added the operational challenge of finding the families that would participate in the programme, registering them, transferring income to them and monitoring progress. To give help where it was needed, the federal government had to improve the structure of its social assistance networks and those of the municipalities.

The *Bolsa Família* programme developed a format that is highly dependent on the federal government for its orchestration. To register families, for example, an existing tool was expanded and improved to produce the Single Registry for Social Programmes; today this registry is used for a series of policies to benefit low-income groups. The federal government transfers income directly to the beneficiaries using magnetic cards that are issued by a federal public bank with a very large distribution network – over 5 570 municipalities. Women hold 97% of these cards because research has shown that mothers know better than anyone how to use funds for the benefit of the entire family, and especially the children. Finally, to provide services and monitor these families, three systems were mobilised: the education system, which monitors the frequency of school attendance by children and young people in the programme; the health care system, which monitors inoculations and the children's nutrition as well as prenatal care for expectant mothers; and the social assistance system, which focuses on low-income and highly vulnerable families.

Success not only in numbers

None of this was easy to accomplish. Yet in 2013, after more than ten years of constantly improving its transfer and management mechanisms, the programme provides benefits to no less than 14 million families, bringing dignity to the lives of 50 million Brazilians. Today, *Bolsa Família* has the approval of the majority of the population, in contrast to the strong opposition it faced in its first few years. Critical comments are now generally focused on the need to strengthen the programme, principally by increasing the amount of benefits transferred.

The Bolsa Família programme has brought dignity to the lives of 50 million Brazilians

How did this come about? Over time it became clear that the impact of *Bolsa Família* extends far beyond providing immediate relief from poverty through a fixed complement to family income: it provides, in addition, a contribution to economic growth. The Brazilian *Instituto de Pesquisa Econômica Aplicada* (Institute of Applied Economic Research, IPEA) has noted that every Real (BRL) invested in the programme increases GDP by BRL 1.44.

It is also clear that *Bolsa Família* has benefitted an entire generation by helping – through education – to break the vicious circle of poverty. The 16 million children and adolescents whose school attendance is monitored by the programme show lower rates of truancy and are performing at a level equal to the average student in the public school system, despite their impoverished economic condition. This will lead to a future for these children far different from the situation of exclusion suffered by their parents and grandparents.

The “Brazil Without Poverty Plan” tackles the core of extreme poverty

While Brazil has made important gains on its pathway towards inclusive development, the further the country advances along this path the more difficult further progress becomes. This is because Brazil is finally approaching the hard core of extreme poverty – those who are lacking in everything. Limited access to infrastructure and public services, low levels of education, precarious relationships with the world of work, minimal and unstable income, and little or no knowledge of their civil rights are some of the characteristics that combine to keep these people in poverty. Left to themselves, they do not have the necessary tools to break this perverse cycle, nor do they possess useful skills to offer the market. Only government action can provide these people and families with a chance to take advantage of the opportunities that Brazil has to offer.

Fortunately, the path that Brazil has followed since 2003 – and the tools it has developed – are helping to take it to the next level and deal with this sector of the population. One such tool is the *Brazil Without Extreme Poverty Plan* (BSM), organised around two concepts:

1. **Actively search out the poor.** In general, the hard-core poor do not have the means to demand their rights from public authorities. The state, therefore, must actively search to find the families that live in extreme poverty, record them in the Registry For Social Programmes and include them in a series of activities and programmes – for instance for cash transfer and professional training – in order to improve their immediate situation and increase their future prospects.
2. **Direct public service supply to the poorest areas.** The BSM programme inverts the previously reigning logic of investment – directed in large measure to areas already well served – to encourage the expansion of programmes that target areas with little or no infrastructure. This is where the vulnerable families in extreme poverty are found. To begin with, a poverty map is created using constantly input information from the Single Registry programme. This then supports the re-targeting of investment. For example, the full-time education programme gives priority to expansion in regions where the incidence of poverty is highest and where schools have the largest numbers of students enrolled in the *Bolsa Família* programme. Health and public assistance programmes are also extended to the municipalities and locations with the highest incidence of extreme poverty.

Recent changes to Bolsa Família have enabled 22 million people to escape from extreme poverty

This review of service supply to direct it where it is most needed will now go even further, because it is not enough to direct services to the poorest areas. Achieving the goal of overcoming extreme poverty makes it necessary to break with many other paradigms. For example, poor – and extremely poor – micro-entrepreneurs have no knowledge of financial services, nor do they feel comfortable in a banking environment. The professionals who provide services to them need to be trained to serve their public; they must be prepared to meet their needs with redoubled patience and care, and with an understanding of the difficulties they face.

This is not to negate the need for universal availability of services. The question is where to begin expansion to achieve this universal access. The answer, in Brazil’s experience, is to start with the poor, the most vulnerable, with those who have so much more to lose from any delay. For the first time, we are finally putting public service at the disposal of those who most need it.

The extreme poverty line adopted by *Brazil Without Extreme Poverty* took into account the international parameter established by the United Nation's Millennium Development Goals, of 1.25 dollar PPP per person a day, which, when the plan was launched in June 2011, represented about BRL 70 per person per month. This amount was already *Bolsa Família*'s parameter for extreme poverty. Given that poverty is a multidimensional phenomenon, the use of a multidimensional line was considered. A monetary line, however, loses very little compared to a multidimensional one in terms of reflecting all types of destitution, and gains a lot in terms of simplicity and transparency. Besides, the policy itself was designed through a multidimensional approach.

Over the past two years the government of Brazil has improved *Bolsa Família*, adjusting the amounts and changing the logic of its benefits – especially those directed toward children. One of the cruellest faces of inequality in Brazil is the heavy concentration of poverty in Brazilians less than 16 years old. Data from the 2010 census show that the incidence of extreme poverty in this age group was four times greater than that observed among people over 60; this last group benefits from a consolidated social protection network – for instance both retirement and pension plans are already available to them. Since the initiation of the Brazil Without Poverty Plan in 2011, the changes introduced by *Bolsa Família* have enabled 22 million people to escape from extreme poverty – all of the people receiving benefits through the programme. The incidence of extreme poverty has declined in all age groups and the income abyss that separated the young from the old no longer exists.

Brazil is ensuring productive opportunities for all Brazilians

The slogan of President Dilma Rousseff's government is: "The end of poverty is just the beginning." This slogan reflects a commitment to confronting poverty in all its dimensions. We have overcome the first hurdle – the income dimension – and we are expanding services. The *Brazil Without Extreme Poverty Plan* aims to see the country filled with productive opportunities for all Brazilians. One of the most important initiatives in this sense is the National Programme for Access to Technical Education and Employment (Pronatec) being carried out by the Ministry of Education in partnership with the Ministry of Social Development. The programme offers free professional training courses, lasting a minimum of 160 hours, for citizens 16 years and older, focused on those in the Single Registry for Social Programmes.

Assistance for the labour force is provided principally by the National Employment System (SINE), which guides workers to employment openings provided by companies. Those who prefer to work autonomously are encouraged to register in the Brazil Without Poverty Plan as individual micro-businesses, enabling the Brazilian Small and Micro Businesses Support Service (Sebrae) to co-ordinate their participation in a programme that offers technical and managerial assistance. These workers also have access to programmes for productive microcredit provided by public federal banks (the Crescer programme). Those who work collectively can seek support from the Brazil Without Poverty Plan for purposes of organisation, production, commercialisation and access to credit.

Conclusions

The quiet revolution that has been taking place in Brazil over recent years is the result of a persistent democratic choice by the people for a project that places social policy at the core of the strategy for development. The *Bolsa Família* programme and the *Brazil Without*

Extreme Poverty Plan are reflections of the Brazilian government's political will, courage and technical ability to carry out this project.

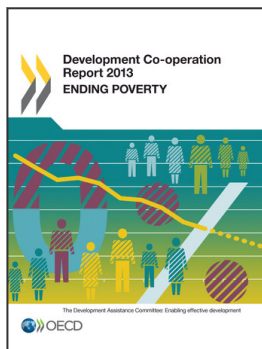
What is taking place in Brazil is not trivial. The structural changes required to put these programmes in place encounter resistance at every turn from those who were previously the focus of the development model. Centuries of policies founded on aristocratic bases and subordinate to oligarchic interests cannot be erased in a single decade. But it is now clear that we are not going to give up the guarantee of social sustainability for economic growth if this demands that we turn our backs on a significant portion of the population. That is a thing of the past. Brazil now recognises that its greatest resource is its people, and that the government has to act for all of them.

The rising lower classes, on the other hand, are now generating new demands and claiming new rights. This was reflected by the hundreds of thousands of protesters who took to the streets of Brazil in June 2013. They value the achievements of the past decade, but want more. They have access to higher education and now they want skilled jobs to enable them to put into practice what they have learnt in universities. They have come to rely on public services that were not available before and now they want to improve the quality of those services. Millions of Brazilians can now buy a car for the first time and can also travel by plane. The counterpart to that, however, should be decent and efficient public transportation to facilitate urban mobility and make life in the big cities less painful and stressful.

The spirit of Brazilian society today can be summed up in the words of composer Luiz Gonzaga Junior: "If what is achieved has great value, there is even greater value in what is to come".

Notes

1. The Gini coefficient is commonly used as a measure of inequality of income or wealth, where a coefficient of one means maximum inequality, and zero means total equality.
2. Chapter 6 contains a detailed discussion of social protection policies.



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