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# Missing the Target: Assessing Social Expenditures in Brazil

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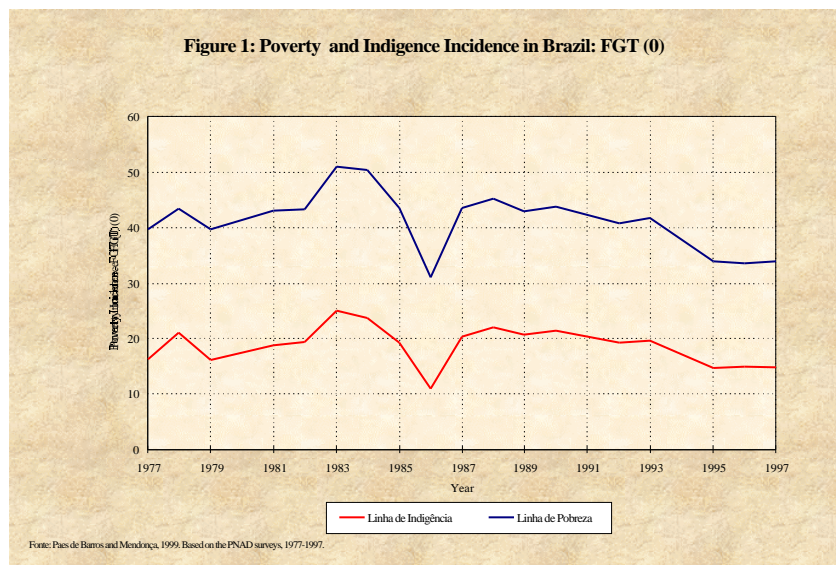
**T**his paper provides a summary assessment of a number of government policies and programs that are either specifically designed to reduce poverty, or have a direct bearing on current or future social welfare in Brazil, drawing on a detailed household survey fielded in 1996-7. A brief discussion of the Comunidade Solidária Programme is followed by an analysis of the coverage and targeting performance of mainstream programs in the areas of education, health, social security and other transfers. Our main finding is that one-fifth of the Brazilian population lives in indigence, and that this figure does not represent a substantial improvement from two decades ago. The highly regressive pattern of incidence of “social expenditures,” which on the whole are disproportionately appropriated by the middle-classes and the rich, is partially responsible for the failure to reduce poverty significantly.

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## Introduction

With an income per capita level of just over \$6,000 per year, measured at purchasing power parity (PPP) exchange rates, Brazil is a middle-income country, ranked eighty-first in the World Bank's per capita GDP tables.<sup>2</sup> In terms of income inequality, however, its international position is sadly prominent. Year after year, the World Bank's tables consistently rank Brazil among the three most unequal countries in its distribution of wealth in the world.

This high inequality is largely responsible for Brazil's relatively large—and persistent—incidence and severity of poverty. Taken from Paes de Barros and Mendonça, Figure 1 shows the aggregate dynamics of poverty over the last two decades in Brazil. Measured by the top line, poverty incidence is calculated with respect to a line equal to \$104 per month in 1997; its value has been kept constant in real terms throughout the period. Measured with respect to a line equal to half the value of the poverty line, the incidence of indigence is indicated by the bottom line. The data are based on PNAD surveys through the period and are nationally representative.



In this time-series, two features are striking. First, despite the passage of two decades, poverty in Brazil seems to have shown remarkably little reduction. Upper-bound poverty fell from 40 percent in 1977 to around 34 percent in 1997. Indigence only fell from 17 percent to 15 percent over the same period. Second, the absence of a sharply-declining trend becomes even more obvious in light of substantial cyclical volatility. Poverty reached a peak of above 50 percent of the population during the 1982-3 recession, and it reached a trough during the boom of 1986, which resulted from temporary stability and real-wage growth. Both figures rose again during the stagflationary period of 1987-90, after the collapse of the Cruzado Plan. Macroeconomically, the dismal failure of a series of other pseudo-stabilization initiatives marked this period, as did GDP stagnation. Due again to a combination of stability—this time, through the longer-lived “Real” Plan—and of a minimum wage hike, poverty declined again after 1994.<sup>3</sup>

Such high and persistent levels of poverty—more than one in three Brazil-

ians were poor in 1997—are cause for concern. After all, during this period, a number of other countries successfully reduced their poverty incidence, either through an active redistribution policy (as in China), through economic growth (as in Thailand or Chile), or through a combination of both (as in Malaysia).

Income deprivation is not the only, or even necessarily the worst, feature of poverty in Brazil. A detailed profile of the poor paints a bleak picture of the pattern of access to publicly-provided services. Eighteen percent of the Brazilian population (53 percent of the poor) do not have access to piped water. Only 9% of the poor (versus 38 percent overall) dispose of their sewage through the main sewerage system. The remaining 91 percent use alternative means, such as cesspits, drains, or direct dumping on river or lakes. Only 26 percent of poor households have access to electricity, compared to 92 percent of the total population. And a full 64 percent of the poor dispose of their garbage by either burning it or dumping it in an unused plot of land.<sup>4</sup>

The objective of this paper is to answer a simple but important question: how can a country whose government claims to spend some \$75 billion per year, roughly one fifth of its Gross Domestic Product, on “social policies,” fail to make more substantial progress in reducing poverty?

### Policies to Combat Poverty

The Government of Brazil does not actually have an explicit National Poverty Reduction Strategy. The nearest substitute is the Comunidade Solidária Programme, which consists of two interconnected but distinct components. The first of this is a federal agency named Comunidade Solidária, with its own, small budget. Its funds are used primarily in compensatory policies, such as in the distribution of free food to poor communities affected by adverse shocks, including the drought-ridden villages in the interior of the Northeastern region, the sertão. The Comunidade Solidária was created in 1995 in the beginning of the first Cardoso administration, and the President’s wife, Dr. Ruth Cardoso, heads it. While a general perception exists that the expenditures of this governmental arm of the program are well-targeted, we were not able to locate a careful evaluation of its impact, either in terms of benefit incidence, or in terms of a shadow valuation of the impact for the recipients.

The second component of the program is a set of “partnerships” between the government, civil-society associations, and private-sector companies. These are presided over by the Conselho da Comunidade Solidária, also established in 1995, and on which the three “sectors” are represented. The Council has so far succeeded in mobilizing and supporting a number of interesting programs, such as the Alfabetização Solidária, the Capacitação Solidária and the Universidade Solidária. All three require little state funding, and their operations are based on

partnerships. The Alfabetização Solidária, for instance, which started out in 1997 with 9,200 students in 38 municipalities, reached 800,000 people in 866 municipalities by the year 2000. University students teach literacy classes that the Education Ministry and private-sector donors jointly fund.

However, to look for the reasons for the failure of significant poverty-reducing public action during the last decades in the Comunidade Solidária Program, which is new and small, would be inappropriate. In 1996, the same year for which the poverty profile presented in the previous section was constructed, the

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federal government alone spent some \$75 billion in what it calls “the social area.” This area includes education, health, social security and other labor-related transfers. According to Paes de Barros et. al., a mere

15% of this figure, if perfectly and costlessly targeted through income transfers, would suffice to eradicate poverty in any given year. While no one suggests that perfect, costless targeting is feasible, this figure is nevertheless an indication of the magnitude of resources that are spent in the area, even in proportion to the magnitude of the need. This is why the bulk of this paper focuses on the effects of overall social expenditures, to which we now turn.

Following the official classification, “social expenditures” are those on education, health, social security, social assistance and labor. In 1998, those expenditures were around \$130 billion.<sup>5</sup> This represents about 64 percent of the total expenditures of the Brazilian government, or 21 percent of GDP, and constitute the highest level of social expenditures in Latin America. This section draws on recent IPEA and World Bank studies that use the Pesquisa sobre Padrões de Vida (PPV) of the IBGE, to map the incidence of benefits from these programs across the Brazilian distribution of income. The data set from the Pesquisa sobre Padrões de Vida of IBGE refers to 1996 and covers the northeast (the poorest) and the southeast (the richest) regions of the country.<sup>6</sup> If existing studies provide any guidance, the picture that they present is one of disparate targeting performances with few programs succeeding in reaching the poor, while substantial expenditures in all “social” areas disproportionately benefit the middle class and the rich.

Our analysis proceeds in two steps. First, we investigate the coverage of a number of different programs. That is, we ask what percentage of the population in each quintile of the consumption distribution uses a given public service. Second, we investigate a program’s targeting: The percentage of users of the program

or of its expenditures that belong to, or is appropriated by, each quintile gives this figure. Although these two concepts are related, they clearly differ. A small, well-targeted program may have a high proportion of its users in, or expenditures going to, the first and poorest quintile, but still only would reach a small share of the population. A large but poorly-targeted program may reach a higher proportion of the first quintile, and thus will reach even larger shares of higher quintiles. Coverage refers to how many people in each “social group” benefit from a program, no matter how many others in other social groups also do. Targeting refers to what share of a program’s users are in, or budget goes to, each quintile, regardless of how many people benefit from it.

#### Education Expenditures: Coverage

Investment in education is the main mechanism for human capital accumulation and, many would argue, the best way to reduce poverty in the long run. So if a country has the reduction or elimination of poverty as a policy objective, it could do much worse than concentrate public investment in education on the poor. Table 1 shows the percentage of children, zero to three years old, that attend public creches, and of children, four to six years old, attending kindergarten.

As is evident, of the total population of zero to three-years-olds on the 40 percent lowest brackets of the consumption distribution, only 3.1 percent are attending public creches on the northeast and the southeast. About 97.8 percent of this population are not attending any creche. For the upper 40 percent of the consumption distribution, 2.7 percent are attending public creches and 88.1 percent are not attending any. So, the distribution of attendance to public creches is more concentrated on the poorest 40 percent of the consumption distribution than on the richest 40 percent.

Table 1: Attendance of Children, ages 0 to 6, at Public Creches and Kindergartens (in percent)

	<u>1<sup>st</sup> quintile</u>	<u>2<sup>nd</sup> quintile</u>	<u>3<sup>rd</sup> quintile</u>	<u>4<sup>th</sup> quintile</u>	<u>5<sup>th</sup> quintile</u>
Creches					
Attending	0.8	2.3	1.5	2.7	0.0
Not attending	99.2	96.4	98.0	95.9	80.3
Kindergarten					
Attending	26.5	29.8	28.7	27.2	20.0
Not attending	70.5	58.0	52.7	47.2	30.3

Source: von Amsberg et. al., 2000.

On the other hand, the distribution of attendance of public kindergarten by children ages four to six, on the other hand, is nearly equal for all consumption

brackets, except the richest 20 percent. One important result is the low rate of attendance of creches by children in all consumption brackets. Kindergarten attendance increases from the lowest consumption brackets to the highest and reaches 70 percent of the total population of children 4 to 6 years old in the highest consumption bracket.

The pattern of public-private substitution along the distribution of income is noteworthy. Although PPV data do not record this explicitly, one can interpret the difference between the “attending” and “not attending” rows of Table 1 as the share of children in the appropriate age group attending a private creche (kindergarten). Figure 2 shows that, for kindergarten use, this share rises unambiguously with income, and particularly steeply from the fourth to fifth quintiles. Public kindergarten use first rises and then falls with income, but moderately, generating the rough stability described above. Although with smaller population shares, a similar picture exists for creche use. The data are consistent with theoretical models that predict that the substitute for public child-care for the poor is no child-care, whereas for the rich it is predominantly private child-care.

Given the size of the overall program expenditures, coverage is generally better for the three main categories of educational expenditure. Table 2 shows the distribution of attendance in primary, secondary and higher education, by people ages seven to fourteen, fifteen to nineteen and twenty to twenty-four, respectively.

Public primary school attendance increases from the first to the third consumption quintile, indicating that the poorest still enjoy lower rates of enrollment than the median family, even in primary school. Enrollment then declines in the fourth and fifth quintile, although the un-enrolled share continues to decline. The implication is that, for kindergartens, the share of private primary schooling rises steeply with parental income. For secondary education, public school enrollment rises with income until the fourth quintile. However, levels are more striking than trends; although primary-school coverage in Brazil could still be better, shares reaching 80 percent are not dismal. The same can not be said of secondary-school enrollment, which is less than 10 percent for the poorest forty percent of the population.

Table 2: Attendance at Public Schools (in percent)

	<u>1<sup>st</sup> quintile</u>	<u>2<sup>nd</sup> quintile</u>	<u>3<sup>rd</sup> quintile</u>	<u>4<sup>th</sup> quintile</u>	<u>5<sup>th</sup> quintile</u>
Primary education					
Attending	68.3	81.6	84.6	71.6	41.5
Not attending	31.2	12.9	9.3	6.9	7.4
Secondary education					
Attending	5.1	9.8	20.6	27.7	22.4
Not attending	94.7	90.2	76.3	62.3	49.6
Higher Education					
Attending	0.0	0.0	0.5	3.2	13.6
Not attending	100.0	99.9	99.5	94.6	67.1

Source: von Amsberg et. al., 2000.

For higher education, coverage rates are smaller than those for secondary or primary education. While this difference is not in itself surprising, the zero percent enrollment of the bottom 40% detected by the survey is scandalous. Any pretense of equal, or even mildly unequal, access to university in Brazil is discredited by this finding. In addition, the shape of the coverage-consumption rank profile is the most convex for this level of education, confirming the view that the rich (within the top 20 percent) do benefit disproportionately from free tertiary education in the country.

One important result is the high non-attendance rate at any educational level by the poorest 20 percent of the population. More than 30 percent of children seven to fourteen years of age in this consumption bracket are not enrolled in any primary school. For secondary education, total enrollment is higher than 50 percent only for the 20 percent richest. Finally, for higher-level education, the poorest 60 percent of the population do not reach a 1% enrollment rate.

#### Health Expenditures: Coverage

We now turn to an analogous description of the coverage of public health services. Table 3 shows the distribution of patients in different facilities. It shows that public hospitals and health posts are those facilities that the poor most widely use, while the wealthier primarily use private hospitals, which have public funding—the privately-run *conveniado* part of the SUS system that is concentrated on the better off. More than 50 percent of the richest 20 percent of the population is served by private hospitals, or SUS clinics, largely funded by public money. But only 3.5 percent of the poorest quintile is served by these facilities.

Table 3: Health Service Coverage (in percent)

	<u>1<sup>st</sup> quintile</u>	<u>2<sup>nd</sup> quintile</u>	<u>3<sup>rd</sup> quintile</u>	<u>4<sup>th</sup> quintile</u>	<u>5<sup>th</sup> quintile</u>
Public Hospitals	47.5	47.8	40.9	32.8	12.2
Public Health Posts	34.6	38.2	35.6	18.8	16.7
Own House	1.5	0.4	0.1	0.6	1.5
Private Hospitals	0.0	3.6	3.1	8.2	11.5
SUS "Conveniado" Hospitals	3.9	3.6	3.1	8.2	11.5
SUS Clinics	1.7	1.9	6.1	15.7	23.4
Private Clinics	1.8	4.4	4.6	16.6	33.9
Pharmacy	3.9	1.9	3.4	2.6	1.1
Other	5.0	0.8	3.8	1.6	1.1

Source: von Amsberg et. al., 2000.

#### Education Targeting: Access and Expenditures

Having considered what share of each social group, defined by PPV consumption quintiles, is enrolled in different public educational programs, let us now consider the reverse question: what share of the beneficiaries of each program belong to each quintile? This is the question of targeting by access. Table 4 shows the distribution of students enrolled in public schools by consumption brackets.

Table 4: Distribution of Students in Public Primary, Secondary and Higher Level of Education (in percent)

	<u>Primary</u>	<u>Secondary</u>	<u>Higher Level</u>
First quintile	26.0	7.4	0.0
Second quintile	26.6	12.1	0.0
Third quintile	19.5	28.0	6.9
Fourth quintile	16.5	33.3	20.3
Fifth quintile	7.6	19.2	72.9

Source: von Amsberg et. al., 2000.

Only primary education shows some degree of targeting, with richer groups having a lower access rate than their population share. As we have argued above, this fact is largely due to outward self-selection since most parents in the fifth quintile enroll their children in private schools. Parents make this choice along a perceived quality-price trade-off. So even for primary schools, where access is reasonably progressive, this is due largely to self-selection, rather than to any form of active administrative targeting by the government.

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Enrollment in secondary and, mainly, tertiary public education increases with the consumption level of the family. For secondary education, more than 50 percent of the students, and, for higher level of education, 93 percent of the students, belong to families among the 40 percent richest of the population.

Just as Table 4 presented information on access targeting, Table 5 presents information on the share of program expenditures that each population quintile captures.

Table 5: Distribution of Government Expenditures on Individual Education Programs (in percent)

	<u>1<sup>st</sup> quintile</u>	<u>2<sup>nd</sup> quintile</u>	<u>3<sup>rd</sup> quintile</u>	<u>4<sup>th</sup> quintile</u>	<u>5<sup>th</sup> quintile</u>
Creche	26.3	35.8	16.3	8.2	13.4
Kindergarten	34.6	12.0	16.8	11.5	25.1
Primary	20.7	22.0	22.1	20.8	14.4
Secondary	8.5	19.4	28.7	29.9	13.5
Tertiary	0.67	1.71	7.03	45.92	44.67

Source: Barros and Foguel, 2000.

The first observation to be made based on this table is that the degree of targeting of government expenditures on education decreases from lower to higher levels of education, as does the distribution of access. At the university level, more than 90 percent of expenditures are appropriated by the richest 40 percent of the population. Given that the budget of free public universities is about 0.7 percent of GDP, this is a significant amount of public expenditure that is almost entirely appropriated by the rich.

Second, the distribution of public expenditures on primary education is almost equal for all income brackets, except the richest 20 percent. Thus the amount of expenditures appropriated by the rich is not substantially less than that appropriated by the poor. The last two lines in Table 5 confirm that expenditures on secondary and tertiary education are poorly targeted in Brazil.

The point is stark in Figure 4, which accumulates the quintile shares presented in Table 5 into “approximation” concentration curves. Each one of these curves plots the cumulative share of expenditure on a specific program against the cumulative population share. Since the plot is based only on five observations for each program (the quintile shares), the resulting curves are approximations of the true concentration curves. If a certain program’s curve were to lie along the diagonal, it would be uniformly distributed among the population. Curves that are concave and lie above the diagonal are disproportionately targeted to the poor, and hence called progressive. Convex curves that lie below the diagonal disproportionately benefit the better-off, and hence called regressive. Note that Figure 4

also plots one particular and well-known concentration curve: the consumption Lorenz curve, which plots the cumulative share of consumption expenditure against the cumulative population share. Programs whose concentration curves lie below the Lorenz curve are more unequally distributed than expenditure, which is our welfare measure and is analogous to income. For instance, this is the case for higher education financing up to the fourth quintile.

Besides the direct financing of public schools, which is taken into account above, the Brazilian government also runs a scholarship program. Table 6 shows the distribution of government expenditures on these scholarships by income brackets.

Table 6: Distribution of Government Expenditures on Scholarships

<u>Income Quintile</u>	<u>Distribution of Expenditures (%)</u>
First quintile	0.1
Second quintile	7.7
Third quintile	7.8
Fourth quintile	5.5
Fifth quintile	78.9

Source: Barros and Foguel, 2000.

As the table illustrates, expenditures on the scholarship program are concentrated on the rich. About 80 percent of all the money spent by the Brazilian government on this item is appropriated by the 20 percent richest of the population. This concentration derives from the fact that most of the fellowship program is directed to graduate students and, as we saw in the previous section, effectively, no one outside the top quintile ever reaches this educational level.

#### Health Targeting

Another way to look at the data on the use of different types of health facility, presented in Table 3, is to consider the distribution of users of each type by population quintile. This is done in Table 7, which considers the incidence of access to these service providers. First, the percentage of patients in each consumption bracket that uses public facilities is similar across the distribution. The degree of utilization increases as per capita consumption increases up to the fourth quintile. But even for the fifth quintile, where substitution with private health facilities is widest, the degree of utilization of public health facilities is higher than for the first quintile.

Table 7: Percentage of Patients in Different Facilities

	<u>All Public Care</u>	<u>Public Hospitals</u>	<u>SUS "Conveniado" Hospitals</u>	<u>Public Health Centers</u>	<u>SUS Clinics</u>
1 <sup>st</sup> quintile	16.3	20.1	8.3	20.2	2.1
2 <sup>nd</sup> quintile	19.5	23.2	8.8	25.5	2.7
3 <sup>rd</sup> quintile	22.2	24.1	9.0	28.9	10.3
4 <sup>th</sup> quintile	23.2	23.0	28.6	18.2	31.7
5 <sup>th</sup> quintile	18.6	9.6	45.3	7.2	53.2

Source: von Amsberg et. al., 2000.

Second, the degree of utilization differs widely depending on the type of facility. More than 50 percent of the patients of SUS clinics, and more than 45 percent of the patients of the SUS conveniado hospitals, are from the highest quintile of the distribution of consumption. On the other hand, only 9.6 percent and 7.2 percent of the patients of the "pure" public hospitals and public health centers are among the 20% richest.

#### Social Security and other Transfer Programs

We now turn to the pattern of benefit incidence of monetary and in-kind transfer programs. The exercise aims to allow the formation of a judgement on the overall targeting effectiveness of the system, as well as to compare the programs in regards to their distributional incidence. In Brazil, the five main transfer programs, including social security, are: distribution of free milk; distribution of regular school lunches; unemployment insurance; pensions; and distribution of free tickets for transportation. The incidence of access to each of these programs by PPV consumption quintile is presented in Table 8.

Table 8: Distribution of Public Transfer Programs (in percent)

	<u>Milk</u>	<u>School Lunches</u>	<u>Unemployment Insurance</u>	<u>Pensions</u>	<u>Transportation Vouchers</u>
1 <sup>st</sup> quintile	29	25	25	14	8
2 <sup>nd</sup> quintile	33	24	24	17	20
3 <sup>rd</sup> quintile	18	24	10	20	22
4 <sup>th</sup> quintile	13	18	3	22	26
5 <sup>th</sup> quintile	7	9	39	28	25

Source: von Amsberg et. al., 2000.

Table 8 shows that, of the five transfer programs analyzed, the distribution of school lunches and milk is best targeted to the poor, while pensions and transportation vouchers are distributed most regressively. One surprising result is the

high percentage of the population in the fifth quintile that receives unemployment insurance. This comes from the structure of the program, which is directed to workers in the formal segment of the labor market. Because most of the poor do not have a formal job, they are not eligible for unemployment insurance.

Of the five programs considered above, two account for greater absolute amounts of expenditure and are thus especially important to welfare. These are pensions to private workers and unemployment insurance. Table 9 shows the distribution of government expenditures, on rather than access to, pensions, and the distribution of government expenditures on unemployment insurance.

Table 9: Distribution of Government Expenditures on Pensions and Unemployment Insurance (in percent)

<u>Income Bracket</u>	<u>Pensions</u>	<u>Unemployment Insurance</u>
1 <sup>st</sup> quintile	2.4	3.0
2 <sup>nd</sup> quintile	6.4	21.0
3 <sup>rd</sup> quintile	9.7	20.2
4 <sup>th</sup> quintile	16.5	36.3
5 <sup>th</sup> quintile	65.1	19.5

Source: Barros and Foguel (2000).

The highly regressive pattern of pension expenditures is not surprising. Pensions are linked to lifetime earnings, and in Brazil, their determination depends heavily upon the last salary received. In addition, with the exception of a basic rural pension for agricultural workers recently introduced through the Lei Orgânica de Assistência Social (LOAS), public pensions are almost exclusively granted to formal sector workers, or *com carteira*. However, as we saw in Table 1, this category of workers accounts for only 11.3 percent of the poor, while nearly 60 percent are self-employed, or *conta própria*, or informally employed, or *sem carteira*. This design virtually ensures that pensions will be distributed more unequally than income.

The regressivity of unemployment insurance is more surprising and equally disappointing. Public perception is that this program targets the poor, who are often equated with the unemployed. Instead, we have over 50 percent of the program's expenditure being captured by the top 40 percent, while the poorest quintile, roughly those in indigence, receive a paltry 3 percent of the program's resources. Its advantage over pensions lies in a reasonable penetration of the second and third quintiles, where expenditures are proportional to population. Once again, a large part of the explanation is that unemployment insurance is contingent upon formal employment, and this is a rare luxury in the first quintile.

Anyone who worries more about unemployment than about the welfare of those in informal employment and self-employment should bear in mind that the median recipient of unemployment insurance is in the fourth quintile of the Brazilian (PPV) consumption distribution.

## Conclusions

So far this paper has been a cursory glance at the nature of social expenditures and their incidence in Brazil. A great deal more investigation is warranted, and each of the programs analyzed above, as well as some that we hardly mentioned, deserve serious separate evaluations. Nevertheless, a few central conclusions can be drawn with reasonable confidence:

Extreme poverty still blights the lives of 15 percent of the Brazilian population. In 1996, a boom year, these households subsisted on less than \$2 per capita per day. Forty-five percent of the heads of these families had either never been to school or had dropped out before completing one year of schooling. This percentage constitutes a lower bound for functional illiteracy among the poor. Over half of their dwellings did not have piped access to clean water, and only one quarter had their rubbish collected by the public services.

This situation does not constitute a dramatic improvement over that of the mid-seventies. Progress has occurred in reducing overall infant mortality and illiteracy, as well as in expanding electrification and other public services. In terms of the consumption of private goods, however, the incidence of extreme poverty is not much lower now than it was twenty years ago.

Our analysis suggests that these “two lost decades” for Brazil’s poor cannot be explained only by a mediocre growth performance, which was particularly dismal during the stagflationary decade of the 1980s. Another cause is the highly ineffective targeting of social spending, be it in education, health, pensions, or other transfers.


In education, while the improvement of the quality of primary schools remains a priority, it now seems time to expand secondary school enrollment, which remains at dismal levels (see Figure 3). Within the constraints of the education budget, significant improvements in progressivity could be achieved by reallocating some of the public expenditures on tertiary education, or its accompanying scholarships program, towards early-childhood, primary and secondary schooling. The concentration curves plotted in Figure 4 should provide food for thought for those who oppose the introduction of fees at public universities on the ground that they would damage equality of opportunity.

In health, the government would be wise to reconsider the levels of its subsidies to the privately-run part of the SUS system—the so-called “hospitais conveniados”—which clearly benefit a disproportionate share of richer people,

and perhaps redirect some of these resources to improve the quality and reduce the queues at public hospitals and health centers. These are the facilities that serve people with the least ability to obtain alternative treatment elsewhere.

The government's current efforts to reform the social security system could not only bring budgetary discipline into a bankrupt institution, but also could be used to extend its reach towards the poor. The Brazilian pension system, which we cannot assess in the detail that it deserves in the context of this rapid appraisal, is famously generous with public servants and those earning 'decent' private sector wages at the time of retirement. At the same time, it excludes the vast majority of the poor, who seldom work in the formal sector in the first place. Initiatives such as the launch of the universal minimum wage rural pensions through LOAS deserve full support, and more of them are in order.

Finally, the development of programs specifically targeted to the poorest agents in society is necessary. These include programs such as those coordinated by Comunidade Solidária and a variety of local government and civil society organizations. In addition to the distribution of food to drought-ridden areas, or literacy classes to adults in poor communities, the government also has endorsed a federal version of the highly successful Bolsa-Escola program, which conditioned narrowly targeted income transfers on the demand that children remain in regular school attendance. Variants of the program were successful in Campinas (SP), Brasília (DF), Belo Horizonte (MG), Belém (PA), and a myriad of other municipalities.

Given the high local administrative requirements and the proposed changes in benefit levels, which have been dramatically lowered, it remains to be seen whether the federal government's proposed expansion of partnerships with poorer municipalities will have the same success. Similarly, the outcome remains important of other innovative ideas, such as market-based land-reform schemes in the Northeast and the use of low-wage public-employment guarantee schemes throughout the country. Some of these new ideas appear heretical to those who have traditionally benefitted from the existing formal-employment-based social security systems, both on the political right and on the political left. But these innovative ideas for well-targeted and often self-selection-based schemes are the only antidote in sight for Brazil's perverse system of public "social expenditures". Alongside a reform of mainstream expenditure patterns in health, education and social security, their implementation is strictly necessary if the government is to transform a regressive redistributive system into one capable of ensuring that fewer than one in five Brazilians remain in indigence ten or twenty years from now. 

Notes

1. A previous version of this paper was commissioned by the United Nations Development Programme (UNDP), as a contribution to its Second Global Poverty Report. We thank Ricardo Paes de Barros, Rosane Mendonça, Ricardo Henriques, Miguel Foguel, Joachim von Amsberg, Peter Lanjouw and Kimberly Nead for permission to draw amply on their original work. However, all opinions are ours alone, as is the responsibility for any errors.

2. World Bank: World Development Report 2001; New York: Oxford University Press.

3. Neri, M.C., "O Reajuste do Salário Mínimo de Maio de 1995", *Anais da Sociedade Brasileira de Econometria*, Recife: 1997.

4. Ferreira, F.H.G., M.C. Neri and P.F. Lanjouw, "A New Poverty Profile for Brazil using PPV, PNAD and Census data," PUC-Rio, Department of Economics, Discussion Paper #418, 2000.

5. Figure for 1996, cited earlier, was in U. S. dollars.

6. This section is based on Von Amsberg, J., Lanjouw, P. and K. Nead, "A Focalização do Gasto Social sobre a Pobreza no Brasil" in Ricardo Henriques (ed.), *Desigualdade e Pobreza no Brasil*. IPEA: Rio de Janeiro, 2000; Paes de Barros, R. and M. Foguel, "Focalização dos Gastos Públicos Sociais e Erradicação da Pobreza no Brasil", in Ricardo Henriques (ed.), *Desigualdade e Pobreza no Brasil*. IPEA: Rio de Janeiro; Paes de Barros, R., M. Foguel, R. Henriques and R. Mendonça, "O Combate à Pobreza no Brasil: Dilemas entre Políticas de Crescimento e Políticas de Redução de Desigualdade", IPEA: Rio de Janeiro, 1999; Paes de Barros, R. e R. Mendonça, "Uma caracterização das condições de pobreza e de desigualdade no Brasil", IPEA: Rio de Janeiro, 1999.

