



# **SEVEN YEARS OF THE REAL**

Stability, Growth and  
Social Development

Brazil. President (1999-2002: F.H. Cardoso)  
7 years of the Real Plan, Stability,  
Growth and Social Development  
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## Introduction

The seven years since The Real Plan was first implemented have changed Brazil. Our challenges are still huge, but we are in a much better position to face them. We have built a solid economy and we have developed effective social programmes.

The Real Plan made it possible to carry out a hard fight against social exclusion in our country.

Social programmes, formerly channelled particularly to the assistance of the richest, are currently geared to those who need most. The income-concentration effect of social expenditure in Brazil was alarming in the early nineties, when we distributed 21% of the funds applied to the social domain amongst the 20% richest layer of the population.

We turned the page of history called assistance policy. By de-politicising social projects, we have created new bridges between government's indispensable effort and the essential initiative of society in the social domain. In the struggle against social exclusion in Brazil, the great deal we have accomplished since 1995 is still little. We have a backlog of five centuries of exclusion. It is a historical heritage of injustice fuelled by slavery, latifundium, income-concentrating industrialisation and socially excluding political authoritarianism.

The first form of struggle against exclusion was the promotion of economic stability, by abandoning four decades of an inflationary culture. With The Real Plan, we have dismantled the merry-go-round of inflation, we proceeded to the passage from the entrepreneur State to the regulating State, we have restructured the financial system and we have consolidated the fiscal adjustment. Stabilisation has distributed income that infla-



tion had concentrated. Thus, we have proved that good macroeconomic management is not incompatible with the improvement of the social situation.

The second form of struggle against exclusion is economic growth, by increasing production and employment.

An important reason for economic growth after The Real Plan was launched was the increase in the purchasing power of wage earners associated to the decrease of inflation. While at the dawn of the Plan, on July 1<sup>st</sup>, 1994, one minimum wage bought the equivalent of 60% of a basic food basket; currently it buys 123%.

We have entered an era of stabilisation, growth and income distribution, and we have abandoned the vicious circle of recession, inflation and income concentration.

During the seven years in which The Real Plan has been in force, we had to face and adverse international framework, with the emergence of three international economic crises with serious ramifications (the Mexican, Asian and Russian crises). In January 1999, the change in the foreign-exchange policy appeared as a new challenge to stabilisation. But we were able to overcome it, because the pessimistic forecasts of high inflation and overall recession failed to materialise.

The basic interest rate reached the high threshold of 45%, but it was gradually reduced to the level of 15.75% in late 2000. We have closed the year with the lowest interest rate of the decade, although the conjuncture has imposed new increases in 2001.

In spite of the impact of these three crises, the average economic growth in the last six years, of about 2.9% of GDP, was higher than that recorded in the six years immediately prior, of roughly 0.6% of GDP.



What is as important as these results is the quality of the new growth. This growth occurs on solid and stable bases, with increasing production, dwindling inflation and high direct foreign investment. In 2000, foreign investments reached US\$ 32 billion, more than enough to finance the deficit in current account, and they corresponded to sixteenfold the level of foreign investment recorded in 1994, when it reached but US\$ 2 billion.

Foreign trade has shown decreasing deficits in the last years. From a high deficit of US\$ 6.6 billion in 1998, we have moved to a substantially lower level, US\$ 1.2 billion, in 1999, and to US\$ 690 million in 2000. The commercial surplus expectation in the last year failed to materialise due to a set of circumstances: a drop in the price of commodities exported; a steep increase in oil prices; the permanence of protectionism in developed countries and the pressure on imports, deriving from a 4.6% growth in GDP.

The National De-Statistation Programme has significantly contributed to the modernisation of key sectors, such as telecommunications, to financing the deficit in current account, as well as to the reduction of public debt. IN the period from 1991 to 2000, this programme has generated a total revenue of US\$ 100.4 billion, of which 65.7 billion come from federal privatisation operations and US\$ 34.7 billion come from state privatisation operations.

An important social dividend of privatisation has been access to wire-line, mobile and pay-phone telephone services. From 1994 to 2000, the number of wire-line telephones has trebled, moving from 13.3 million to 38.3 million, with a forecast of 49.6 million in 2003. Mobile telephones, which represented 800 thou-



sand lines in 1994, have grown to 23.2 million lines in 2000, with a forecast of 45.5 million for 2003. Pay-phones – “orelhões” \* - which were 343 thousand in 1994 and in 2000 have moved to 913 thousand, are forecast to be 1.6 million in 2005. These visible advantages for consumers have also rendered feasible the effective entrance of the country in the era of the INTERNET, which would have been practically impossible without the privatisation of telecommunications.

The increase in employment is a socially expressive result of the resumption of growth, started in the second semester of 1999 as it reflects the drop in the rate of unemployment, which moved from 6.3% in December, 1999, to 4.8% in December, 2000.

The third form of struggle against exclusion are the social development programmes.

Most of the efforts were concentrated on fundamental education – the basis for the education of society – without disregarding secondary education and higher learning. With the creation of the Fund for the Maintenance and Development of Fundamental Education and for the Valorisation of the Teaching Profession – FUNDEF, the apportionment of revenues between the states and their municipalities became proportional to the number of students enrolled, thus stimulating a strong expansion of education. At the same time, Programme Money Straight to School has eliminated the political manipulation of budgets and allowed communities a higher level of control over them.

Brazil is currently very close to rendering access to fundamental education universal, with a rate of enrolment of 97%. The evolution was impressive, if compared with the early years of the decade, when the rate was of but 82%.





We have brought about strong mechanisms of incentive for families to maintain their children at school. Programme Guarantee of Minimum Income has served circa 879 thousand families in 2000, thus benefiting approximately 1.7 million children in the age group from 7 to 14. This represents an extraordinary result, which is being continued in 2001, with the forecast universal reach of the programme.

We were able to ensure fairer remuneration and better training to teachers of state-owned schools. In the Northeast, teachers had an average wage increase of 94% in 2000, moving from R\$ 168,00 to R\$ 362,00.

Teacher training activities took an important qualitative leap. Teachers who had solely elementary education represented 6.3% of the total in 1997, and in June, 2000, they were only 3.1%. We have also created better teaching conditions, by means of the distribution of 270 million books to 121 million students, between 1997 and 2000. In 2001, 110 million books have been distributed to 32.5 million students.

The growing use of modern audio-visual resources and IT means has been increasingly encouraged in the state-owned fundamental education network. The remarkable TV School Project, launched in 1996, operates in 93% of the network, reaching 28 million students and one million teachers.

Efforts in the domain of education brought about a drop in the rate of illiteracy amongst the population over 15 years of age, which was of 25.4% in 1980, and in 200 had already declined to 13%.

In secondary education, enrolment grew significantly between 1994 and 1999, when it expanded by 57%. This expansion is associated to the growing demand deriving from the broadening recorded in elementary education.



In 50 years, Brazil has built a public system of science and technology the like of which very few developing countries have in place. Amongst these countries, from 1995 to 1998, only South Korea had a higher level of growth in this sector than Brazil. The increase in the Brazilian scientific production (365% between 1981 and 1998) has been circa three times higher than the world average (104%). In 2001, the Ministry of Science and Technology started managing several sectoral funds aimed at encouraging research, in addition to the Oil Fund, already operating and funded with a portion of the royalties received from the production of oil and gas. Such Funds will account for over R\$ one billion/year, practically doubling the resources currently available for science and technology (C&T).

During the period since the launching of the Real Plan, measures having a deep impact on the health sector have been taken. We have created the Joint Health System – SUS, based upon decentralisation, a region-oriented policy, and the participation of society and financing by the three spheres of government.

Currently, the Federal Government funds 70% of the expenditure in public health. The financial resources of the National Health Fund are now automatically transferred to state and municipality funds. This approach eliminates to a large extent the possibility of political discrimination and reduces the practice of political servility. Another innovation was the creation of the National agency for Supplementary Health Services, meant to control and inspect health-insurance plans.

The introduction of generic medicines, with a stern quality control and with prices substantially below those of brand-name medicines, represents an unheard-of step in terms of democratising health services



in Brazil. A year after they were launched, generic medicines are increasingly supported by the population and are a real success story.

Within a perspective of preventive health, we have substantially expanded Family Health Programme and Community Health Agents Programme. The results are impressive. Circa 154 thousand Community Health Agents operating in the country account for the monthly health monitoring of over 91 million people in 4.719 municipalities. The number of Community Health Agents, which in 1994 was below 30 thousand, was multiplied fivefold in only seven years.

Infantile mortality is diminishing drastically. For every 1.000 children born alive in 1990, 49.4 used to die. In 1999, this index declined to 34.2. Other striking results are the 50% drop in patients interned due to diarrhoea in the second half of the nineties and the increase in breast feeding in urban areas, from 47% in 1989 to 84% in 1999. These are data that show a healthier Brazil.

Currently, the Brazilian Social Security System benefits, only in the private sector, 18.4 million people, with an expenditure corresponding to 6% of GDP. Retirement in the rural milieu represent a true programme of minimum income, for its benefits are provided without the corresponding contribution. From 1994 to 1998, its value has practically doubled, as it reached circa R\$ 10 billion and benefited over 6 million people.

Despite this reach, Social Security does not cover 60% of the economically active population yet. To overcome the major challenge of incorporating those 38 million workers who are out of the reach of social protection requires important measures aimed at rationalising the system.



The reform of Social Security is a fundamental element of this effort, as it reverses the explosive trajectory of growing deficits, which are indeed the most important factor of the fiscal unbalance prevailing in Brazil. Amongst many corrective measures taken, one must highlight the adoption of the social-security factor, which meant the introduction of actuarial criteria in Social Security. Results achieved in the last two years show that we are in the right path. In the period 1998-1999, the deficit grew by 25.8%, while in 2000 the social-security deficit was equivalent to 0.9% of GDP, which represents a 0.1% reduction vis-à-vis 1999. At the same time, we are reducing the marked inequality between benefits granted by public and private social-security.

The efforts aimed at uprooting child labour, started in 1996, have already yielded important outcomes, as they have ensured the permanence of almost 400 thousand children and teen-agers at school.

Between 1995 and 2000, we have promoted a true revolution in the countryside. Over 465 thousand families have been settled in colonies, a number twice larger than that of families served in the 30 previous years, and the activity covered an area of settlements larger than the States of Rio de Janeiro and Espírito Santo together. The programme is completed solely when settlers reach the situation of family farmers fitting competitively into the market. The unification of PRONAF and the Agrarian Reform has been highly instrumental for this achievement.

This set of initiatives in the rural milieu has transformed Brazil in the scene of a deep-reaching land-deconcentration effort, a phenomenon that becomes more visible when one notices that we have moved from the



5<sup>th</sup> position amongst the countries with the highest concentration of land ownership to the 12<sup>th</sup> position.

The defence of national interests has marked our foreign policy. We have struggled for the preservation of MERCOSUL and, after hard negotiations, we were able to maintain the date of 2005 for the beginning of ALCA. We have reinforced our political presence in South America, as one of the important architects of peace between Peru and Ecuador, and, in 2000, we organised the historical meeting of all South-American Presidents in our country.

Our domestic policy went through an important process of local-government elections, with the participation of over 100 million people. This process showed the political maturity of the Brazilian electorate, which, less sensitive to easy populism, has chosen the candidates best identified with a balanced fiscal management and with concrete achievements in the social domain.

\* - Translator's note: "orelhão", in Portuguese big ear, a reference to the shape of telephone booths in Brazil.





# SEVEN YEARS OF THE REAL

Stability, Growth and  
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## ECONOMY







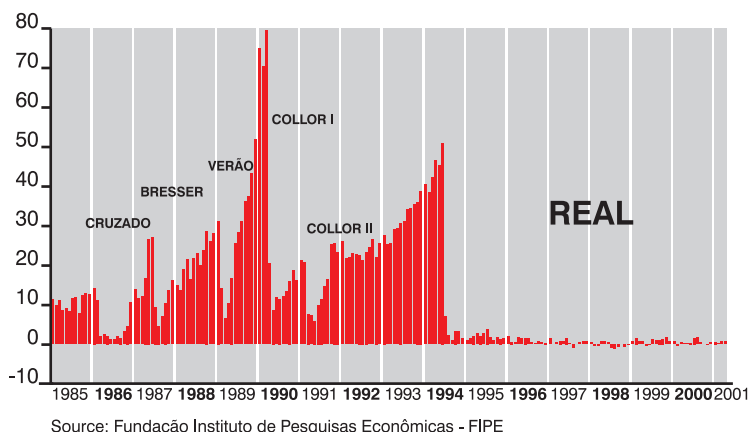
## Inflation

Year 2000 was the first year to go through totally under the new foreign-exchange regime and under the new targets regarding inflation adopted the year before. The price variation in 2000, as measured by IPC/FIPE, reached the rate of 4.38% per annum, nearly half of the one recorded in 1999, 8.64%.

The results achieved in terms of inflation confirm the success of the transition towards the regime of flexible rate of exchange without jeopardising the stability of our currency.

### Monthly Inflation (IPC-FIPE)

A comparison with previous stabilisation plans



After a succession of foreign-exchange shocks, in public tariffs and in the prices of fuel in 1999, indexes reduced at the beginning of 2000. However, the declining trend of inflation in the first semester was interrupted in July and August, due to the concentration of the



adjustment of prices of electric power, telephone services and fuels, and of the effects of a particularly strong agricultural harvest break, further extended by frost in the Centre-West Region of the country.

Even under these circumstances, the Extended Index of Consumer Prices – IPCA accumulated in 2000, 5.97%, stayed below that of the one recorded the previous year, 8.94%, and within the target set for the Central Bank. According to the target system in place since 1999, the Central Bank is responsible for reaching a rate of inflation in the year, as measured by IPCA and defined by the Ministry of Finance. This system clearly shows the commitment of Government to price stability, an indispensable condition for the increase in investments and the generation of more employment.

### Rate of inflation, accumulated in 12 months



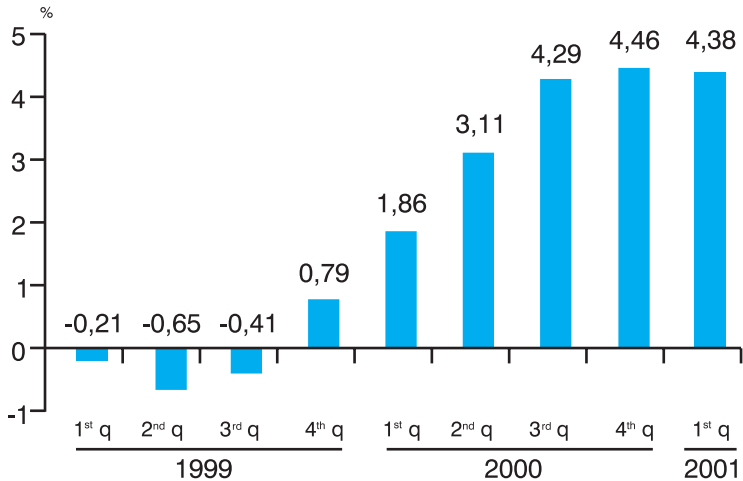
Source: IBGE and Fundação Getúlio Vargas - FGV



## Growth

Year 200 was marked by the resumption of economic growth in sustainable bases. The reduction in real rates of interest and the dynamic behaviour recorded in the volume of exports, a consequence of the new foreign-exchange regime, have propelled the economic activity.

### Gross Domestic Product (GDP) Accumulated in 4 quarters



Source: IBGE

During 2000, the recovery of demand consolidated, thanks to the expansion of consumer credit, of employment and of the salary mass. The growth of GDP, which reached 4.6%, was mainly led by industry.

The industrial GDP reversed the declining trajectory that marked the whole year 1999 and recorded, in 2000, a 5% increase. As a result of this expansion, the degree of utilisation of the installed capability in the



transformation industry, measured by the National Confederation of Industry (CNI), grew by 3% in 2000, and reached the average of 80.7%, the highest level since the beginning of the series in 1992.

## GDP per Sector

### Accumulated variation in four quarters

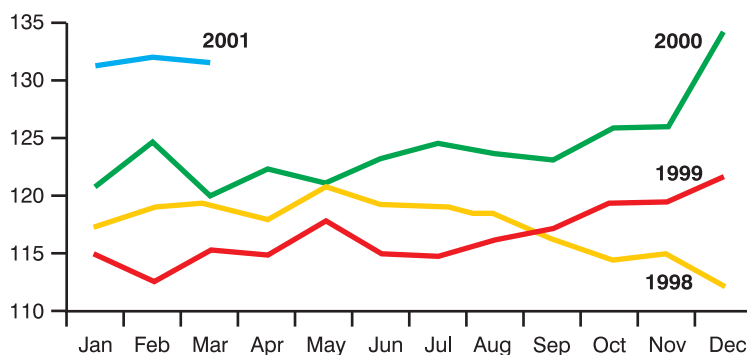
Sectors	1999				2000				2001
	I	II	III	IV	I	II	III	IV	I
Farming	3,03	3,63	7,31	7,41	7,42	7,60	5,69	3,02	1,61
Industry	-2,56	-3,55	-3,53	-1,60	0,63	2,84	4,65	5,01	5,12
Services	1,00	0,84	0,84	1,89	2,39	3,05	3,89	3,85	3,66

Source: Instituto Brasileiro de Geografia e Estatística - IBGE

The expansion of the domestic market, the increase in exports and in investment were the most visible trends of this growth, which consolidated the productivity gains obtained during the last years.

## Physical Industrial Production

### Index 1991 = 100 (with seasonal adjustment)



Source: IBGE



According to CNI, the real sales of industry grew by 10.5% as an average in 2000. This increase was due to new investments in machines and equipment and in the production of durable consumer goods.

The resumption of investment reversed the declining trajectory of the Gross Fixed Capital Formation, which not only recovered from the reduction experienced in 2000, but also presents strong rising signals in early 2001. This performance is a consequence of the acquisitions of machines and equipment for the renewal and expansion of the productive capability.

## Gross Fixed Capital Formation

Accumulated variation in the year

Period	Civil Construction	Machines and Equipment <sup>1</sup>	Total
1995	6.7	0	21.7
1996	1.8	5.6	-5.9
1997	9.3	8.6	11.2
1998	0	1.8	-4.7
1999	-7.0	-3.6	-16.3
2000	2.7	2.2	4.3
2001 (up to april)	12.1	4.4	34.3

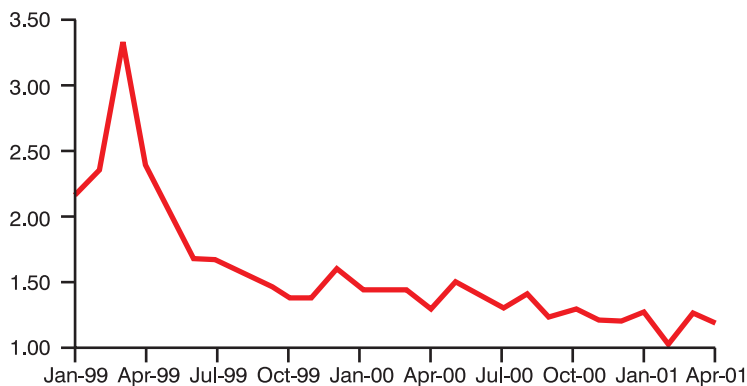
<sup>1</sup>. Production plus imports minus exports.

Source: IBGE

The higher level of production of durable consumer goods was favoured by the expansion of consumer credit, by the extension of periods of financing and by the drop in the interest rate deriving from the stabilisation after the changes in the rate of exchange.



## Interest Rate (Selic\*% per month)



\* - Used as reference for the formation of interest rates.

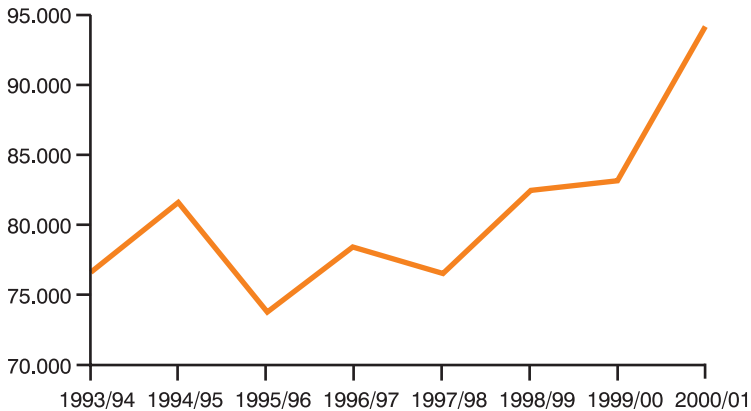
Source: Ministry of Finance



## Agriculture

In the harvest year 2000/2001, the grain harvest consolidates at a new threshold, overcoming the mark of 94 million tons, with a 13% increase vis-à-vis the previous harvest.

### Agricultural Production (1000 tons)

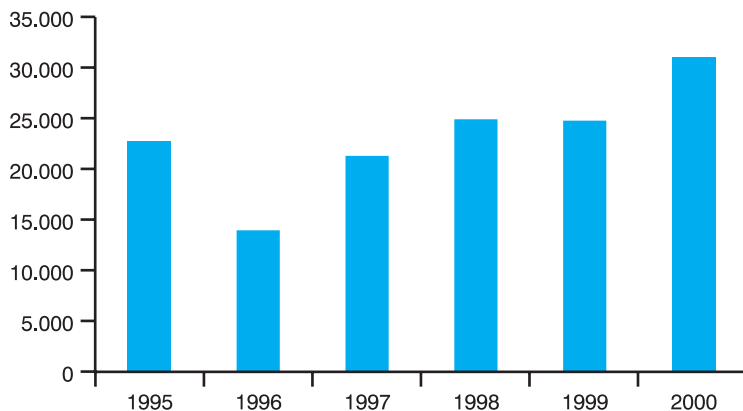


Source: Companhia Nacional de Abastecimento - CONAB

This growth is particularly due to the 8.9% expansion of the area planted with grain crops in the last three years, at the same time as one notices an improvement in the productivity for all crops. The productivity gains reflect the growth in the sales of agricultural machines and fertilisers in the last years, which allows for the modernisation of technologies used in agriculture.



## Sales of agricultural machines (units)



Source: Associação Nacional dos Fabricantes  
de Veículos Automotores - ANFAVEA

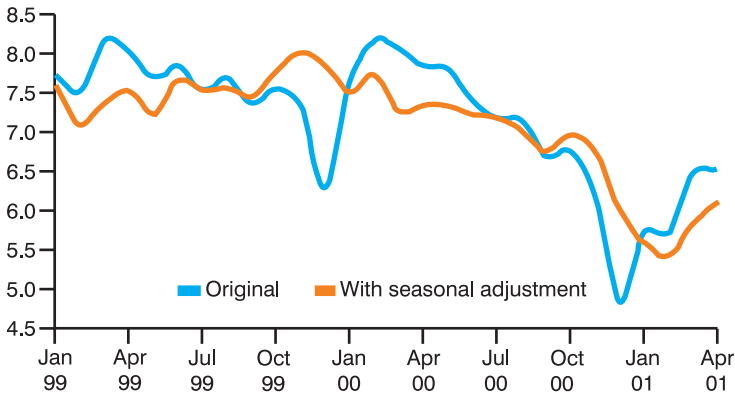




## Employment and Income

In 2000, the expansion was recorded of the employment supply, started in the second semester of 1999, which propitiated a strong drop in the unemployment rate. Such rate moved from 6.3% in December, 1999, to 4.8 in December, 2000, the lowest result since December, 1997.

### Unemployment Rate\* (%)



\* Ratio between people who sought work in the week before that in which the survey was carried out and the economically active population, with a minimum age of 15.

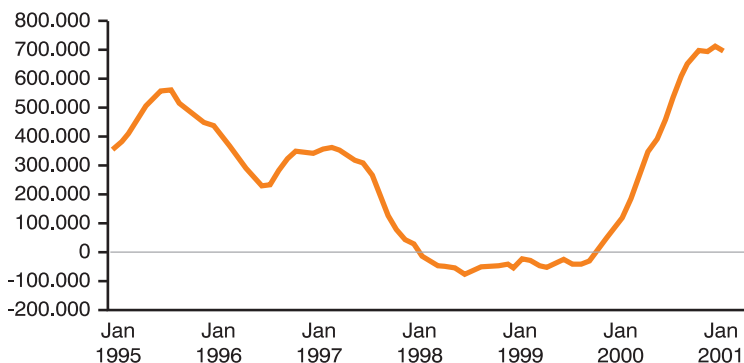
Source: IBGE

As a result of the resumption of economic activities, over 600 jobs were created, as compared to the previous year, according to the Monthly Employment Survey of IBGE. One important feature of this result is the level of employment in the transformation industry, which, since August, 1999, had not presented net growth and that in 2000 created a positive balance of 82 thousand new jobs.



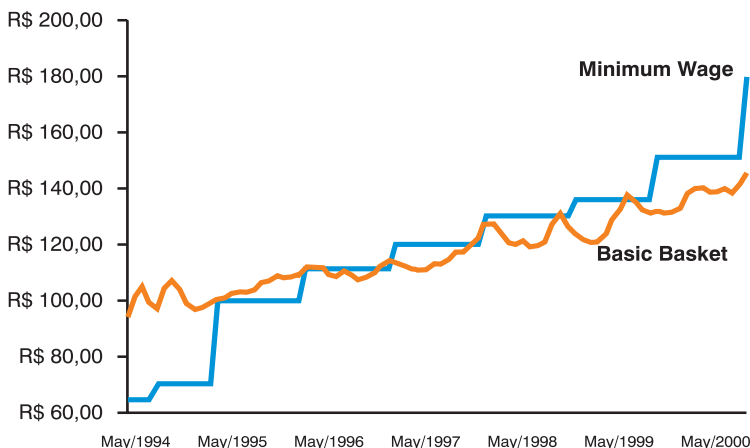
## Increase in Employment

(Twelve-month average as compared to the same period in the previous year)



Source: IBGE

The increase in the job supply occurred simultaneously with an increase in formal employment. While in 1999 there was a reduction of 196 thousand jobs, in 2000 over 657 thousand formal jobs were created, out of which 192 thousand in the transformation industry.



Source: Ministry of Finance and Dieese



Together with the recovery of employment, the labour market indicates the re-composition of wages, although at a somehow slower rhythm. One of the factors that have contributed to this situation is the increase in the demand for manpower and the real increases of the minimum wage.

The minimum wage has kept systematically above the basic food basket and presented steep increase in 2001.

At the beginning of the implementation of The Real Plan (July 1<sup>st</sup>, 1994) one minimum wage bought only 60% of one basic food basket, and in May, 2001, the same salary bought more than one basic food basket (123%).

Period	Value of the Basic Basket	Value of the Minimum Wage	Number of Basic Baskets bought with one Minimum Wage
May 1995	R\$ 100,60	R\$ 100,00	0.99
May 1997	R\$ 113,64	R\$ 120,00	1.06
May 1999	R\$ 124,19	R\$ 136,00	1.10
May 2000	R\$ 131,26	R\$ 151,00	1.15
May 2001	R\$ 145,77	R\$ 180,00	1.23

Source: Ministry of Finance

## Fiscal Results

In 2000, the consolidated public sector (the Union, the States and the Municipalities) reached a primary surplus of 3.5% of GDP, above the 3.2% recorded in 1999, which indicates the high level of effort deployed in the expansion of revenues, expenditure reduction and the commitment to a responsible fiscal policy.

The enactment of the Fiscal Accountability Act was fundamental for the improvement of results in the States and Municipalities in 2000, and it is par-



ticularly relevant when one takes into account the fact that in that year there were local-government elections, a time typically associated to an increase in public expenditure.

## Primary Results in the Public Sector

Public Sector	% of GDP			R\$ million		
	1998	1999	2000	1998	1999	2000
Central Government	0.56	2.36	1.88	785	22.673	20.434
States and Municipalities	-0.19	0.22	0.55	150	2.150	6.026
State-Owned Enterprises	-0.36	0.66	1.07	-1.517	6.310	11.700
Consolidated	0.01	3.24	3.56	-582	31.088	38.160

Source: Ministry of Finance



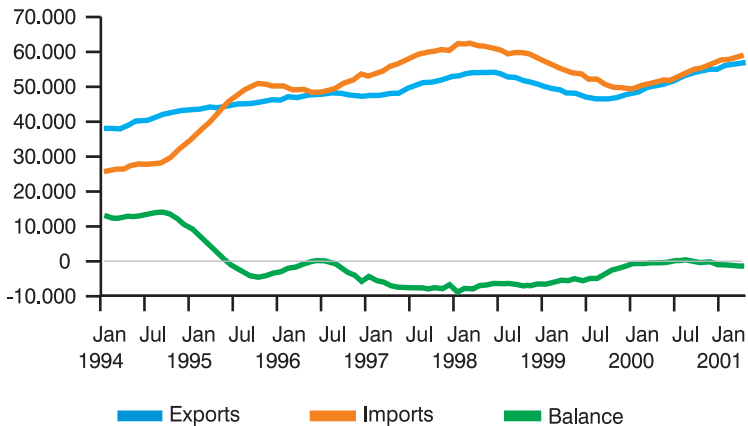
## The External Sector

### Trade Balance

In 2000, there was a 13.2% increase in imports as compared to 1999, and of 14.7% in exports, a result that may be deemed excellent, once the economy is in a period of growth. Although industrial growth brings about an increase in imports and reduces the goods available for export, the trade-balance deficit reduced by almost 50% in the last years, moving from a negative balance of U\$ 1.2 billion in 1999 to only U\$ 715 million in 2000.

### Trade Balance

#### The accumulated balance in 12 months



Source: Ministry of Development, Industry and Foreign Trade - MDIC

In the comparison between the situations before and after the external crises (1<sup>st</sup> semester of 2001 as compared to the 1<sup>st</sup> semester of 1997) one realises that, in spite of the 25.3% reduction in export prices as a whole, there has been a 29.4% increase in the value of



total exports, thanks to the increase of the “*quantum*” exported during the period, 52.2%. Exports of manufactured goods showed an excellent result, having increased by 39.2 in the period.

## Expors - FOB

1<sup>st</sup> quarter of 2001 / 1<sup>st</sup> quarter of 1997

Variação %

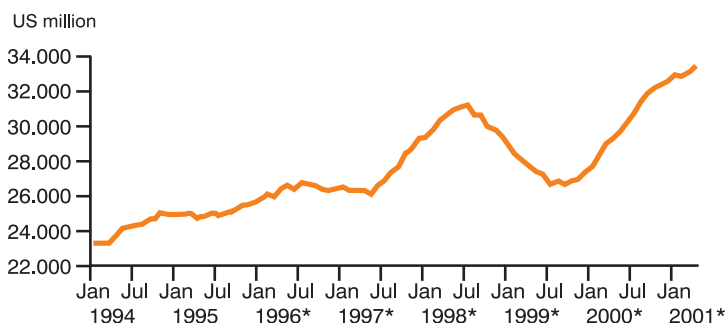
Breakdown	Value	Price	Quantum
<b>Exports</b>	29.4	-15.3	52.2
Basics	14.1	-31.5	65.2
Semi- manufactured	17.6	-14.2	36.4
Manufactures <sup>1</sup>	39.2	-8.7	48.9

1. Includes special operations

Source: MDIC/Secex and Funcex

The evolution of manufactured-good exports has been supported by an increase in competitiveness on the part of the Brazilian industry and by the diversification of products and of markets of destination.

## Manufactured-good exports - FOB Accumulated in 12 months



\* - preliminary results

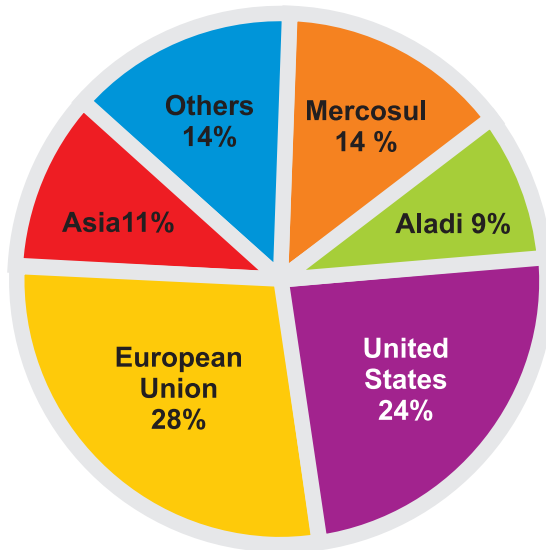
Source: MDIC/SECEX



Amongst the manufactured goods, it is worth highlighting the performance of the exports of aircraft, where the increase in volume was of 49% as compared to the period 1997/2001.

Even after the conquest and expansion of new markets, such as China, these good results were made possible only through a sales effort in traditional markets such as that of the United States. The American participation in external sales moved from 23% in 1999 to 24% in 2000, while the participation of MERCOSUL remained stable and that of other ALADI member-countries experienced vigorous growth, having reached 36.6%.

## Destination Markets of Exports - 2000



Source: MDIC/SECEX



## Current Transactions

The change in the foreign-exchange regime in early 1999 also brought about important changes in the balance of services. Particularly, the balance in the international-travel account, which went beyond the figure of US\$ 4 billion in 1997 and 1998, moved to the threshold of US\$ 2 billion or less in the following biennium (1999/2000).

### International Travel

Period	Balance - US\$ Million
1992	- 319.1
1993	- 799.3
1994	- 1.181.1
1995	- 2.419.7
1996	- 3.598.5
1997	- 4.376.9
1998	- 4.146.1
1999	- 1.457.1
2000	-2.084.2

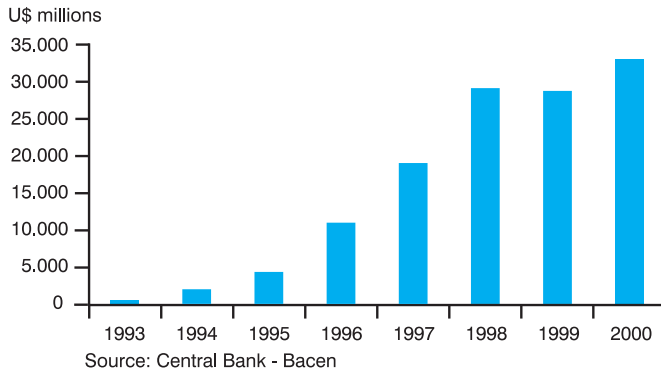
Source: MDIC/Secex

As a result of the resumption of growth and of the success of the economic policy, net direct foreign investments keep flowing in at expressive volumes, even after the reduction of the number of privatisation operations. In 2000, circa US\$ 32.8 billion entered Brazil, a historical record that shows the trust of foreign investors in our economy. It suffices to recall that before stabilisation, in 1994, only US\$ 2 billion entered Brazil under this item. Within a period of only six years (1995-2000), over US\$ 119 billion entered Brazil, out of which circa US\$ 30 billion within the privatisation programme.



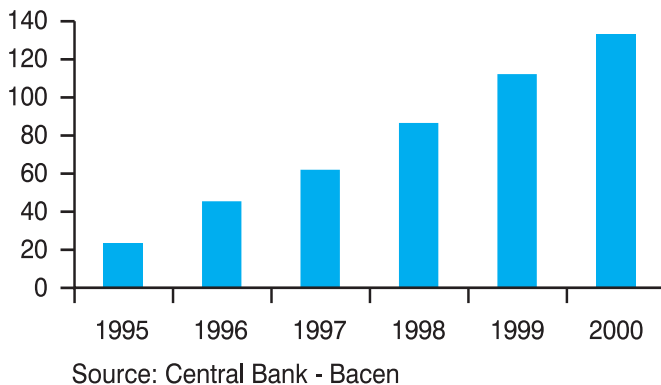


## Net Direct Foreign Investment



The flow of direct foreign investments has been an important source of funding for the deficit in current transactions, which renders the balance of payments less dependant upon short-term capitals. In 2000, net direct foreign investments surpassed by 33% the value of the deficit in current transactions.

## Percentage of the in Current Transactions Covered by Direct Foreign Investment





## Mercosul

For Brazil, MERCOSUL must be seen as its destiny and ALCA as an option. This is the prevailing perception 10 years after MERCOSUL was created.

MERCOSUL expands our bargaining power in the negotiations with several partners, such as the European Union, where progress has been made in terms of the creation of a free-trade area; the Free Trade Area of the Americas – ALCA, the creation of which is forecasted for 2005; and the World Trade Organisation – WTO which, after the frustrated Seattle meeting, should re-launch a broad process of global multilateral negotiations.

Chile and Bolivia participate in MERCOSUL as associated States. Venezuela and South Africa have also announced their intention of becoming associated to MERCOSUL.

The devaluation of the Real, in January, 1999, and the Argentinean economic crisis have reduced the levels of trade within MERCOSUL by circa 25% between 1997 and 1999 and have brought about concerns on the future of integration.

Our exports for MERCOSUL countries have presented, along the 10 years of existence of the block (1991/2000), the growth rate of 335%, and our imports from those countries have evolved at a rate of 343%. These data show the speedy dynamics of the integration process.

However, there has been a decline in the exchanges in the last three years, particularly as off 1997, when Brazilian trade with MERCOSUL reached its highest level (US\$ 9.0 billion exports and US\$ 9.4 billion). Our exports for MERCOSUL, which came to absorb circa 17%



of the total in 1997, have dwindled to circa 14% of the total in 2000.

In spite of this decline, if one compares year 2000 with 1999, our trade with the region has shown a slight recovery.

## Trade Brazil - Mercosul

Year	Exports U\$ millions	Participation in the Total	Imports U\$ millions	Participation in the total
1991	2.309,35	7.30	2.268,36	10,78
1992	4.097,47	11.45	2.228,56	10.84
1993	5.386,91	13.97	3.378,25	13.38
1994	5.921,48	13.60	4.583,27	13.86
1995	6.153,77	13.23	6.843,92	13.70
1996	7.305,28	15.30	8.301,55	15.56
1997	9.046,60	17.07	9.425,31	15.78
1998	8.878,23	17.36	9.424,05	16.32
1999	6.777,87	14,12	6.720,67	13,64
2000	7.733,07	14.04	7.796,56	13.97

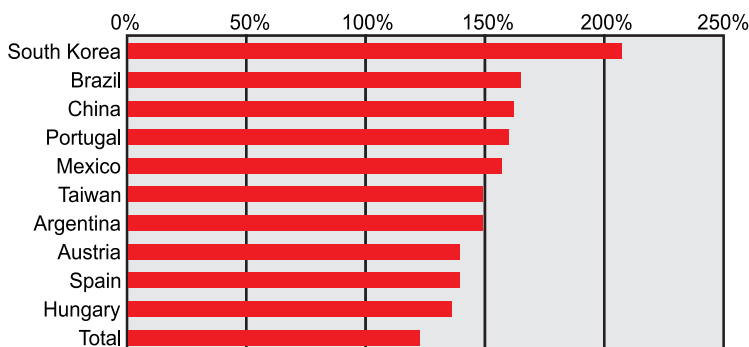
Source: MDIC/Secex



## Science and Technology

Brazil has recently surpassed the mark of 1% of the international scientific production – as measured by articles or rates of quotation. Furthermore, the increase in the Brazilian scientific production between 1981 and 1998 (365%) has been circa three times higher than the world average (104%) and few countries, most of them in Southeast Asia, present better performances. Between 1995 and 1998, the growth of our scientific productivity was higher than that of any country except South Korea.

### Countries with Higher Growth in the Number of Scientific Articles Listed in Sci Between 1995



Note: Total pertaining to articles in the English language of the 34 most important countries

Source: Science Citation index

The participation of the National Council for Scientific and Technological Development – CNPq, to complete 50 years of existence in 2001, was paramount in the establishment of this technical and scientific basis. In the domains of science and engineering, the number of doctor's degrees in 1997 was 3600 and reaches now



the figure of 5000 a year. This development places the country in a relatively favourable situation in the world context, with figures that are close to those of, inter alia, such countries as South Korea, China, Italy, Switzerland and Canada.

CNPq and other federal agencies lend their continued support to human-resource training programmes and to researcher training programmes, which annually grant over 40 thousand scholarships. Including all the other agencies – Co-ordination Office for the Development of University Level Personnel (CAPES) and State Support Foundations – the number of scholarships surpasses 70 thousand a year. In recent years, one notices a gradual displacement of scholarships and grants towards the modalities of doctor's and post-doctor's degrees, which shows the degree of consolidation of the science-and-technology system.

The researcher training system has to be complemented by a strong effort aimed at fostering research. Sectoral funds are essential in the funding of technological development. These funds also contribute for a greater interaction between the scientific community and the productive sector, for an increase in the encouragement of scientific and technological research as well as for the implementation of a result-oriented assessment.

CTPetro, the Oil Fund, established with part of the royalties received from the oil and gas production, was the first such fund to start operations and it already lends its support to CENPES/Petrobras projects and to strategic studies and projects (the oceanic tanker, CT-Dutos, CTGás, the creation of a Gas Technology Laboratory – Lagás). An important edict has also been published, concerning Priority Areas, which allowed 126



projects to be selected out of a demand for 585 ones, which provided an excellent panorama of the Brazilian potentiality for research in this domain.

In 2001, the Ministry of Science and Technology – MCT started managing the Electric Power Fund, the Water Resource Fund, as well as the funds related to Land and Water Transport, Mineral Activities, Space and Infrastructure and the *Verde-Amarelo* Fund, to promote the interaction between universities and business. The Federal Government examines proposals for the creation of new funds for the areas of agribusiness, health, aeronautics and biotechnology. This set of Funds will represent an estimated contribution of over R\$ 1 billion a year, thus practically doubling the volume of financial resources currently allocated to S&T activities.

The 62% growth in the budget of MCT for 2001, in which 30% of the financial resources derive from the Sectoral Funds, is unheard-of in the recent history of S&T in Brazil and renders the budget more stable and flexible.

The Ministry of Science and Technology is defining new development strategies and institutional mechanisms, such as: the expansion of the national S&T basis; the establishment of an effective National Innovation System and activities aimed at equipping the country for the Information Society. Five programmes are deemed structural ones within the activities of the Ministry of Science and Technology, accounting for 50.3% of the total of investments for the period 2000-2003:

- ⇒ Information Society Programme – INTERNET II
- ⇒ Biotechnology and Resources Programme
- ⇒ Innovation for Competitiveness Programme
- ⇒ Human-Resource Development for Research Programme
- ⇒ Local Innovation Systems Programme



These structuring programmes are complemented by several efforts of the Ministry of Science and Technology in areas deemed strategic for the development of science and technology in the country. Amongst those areas it is worth highlighting the activities of the Climate-Science, Meteorology and Hydrology Programme and of the National Programme of Space Activities (PNAE).

Another important effort has to do with the policy related to research institutes. The Ministry of Science and Technology is carrying out a new assessment of its research institutes, by means of a high-level committee, whose activities started in 2000.



## The Environment

In 2000, circa 206 thousand hectares of protected areas have been incorporated to the Brazilian natural capital stock. This area includes National Parks, Biological and Ecological Reserves, Ecological Stations, Areas of Environmental Protection, Areas of Relevant Ecological Interest, Extraction-Activity Areas and National Forests.

Two areas are especially important, because they have been recognised as Natural Heritage of Human-kind by UNESCO: the Jaú National Park (Amazonas), with 2.27 million hectares, the largest in Brazil, and the Pantanal Complex, encompassing the National Park of the Mato Grosso Pantanal and three Private Reserves of the Natural Heritage.

The National System of Nature Conservation Units (SNUC) was created in 2000, after eight years of debate, and has propitiated important progress in the design of the National Biological-Diversity Policy.

Another result achieved in year 2000 was the allocation of funds for implementing the integrated management of solid waste in tens of municipalities, an activity that benefits circa 850 thousand families.

This was part of a set of important measures aimed at fighting pollution problems related to urban settlements and rural communities, such as: surface water pollution in urban regions; air pollution by means of particulate material in large cities and the pollution of underground water due to the absence of an appropriate system for the collection and disposal of solid waste.

Environmental-information systems have been put in place for the integrated management of waste in 45 municipalities, with investments of about R\$ 11 mil-





lion. Environmental-education hubs for the dissemination of sustainable practices have also been put in place in the 27 States of the Federation.

In year 2000, efforts were deployed in terms of improving the quality of the air in urban centres. These efforts are aimed at measuring environmental and public-health gains deriving from the project for the control of air pollution by motor vehicles and for limiting atmospheric emissions by waste incinerators.

An important outcome of these efforts has been the reduction from 86% to 97%, between 1980 and 2000, in the carbon monoxide emissions and other pollutants in the motor-vehicle sector.

The concrete actions aimed at protecting the ozone layer have encouraged several companies to promote industrial-conversion projects. In the period from 1996 to 1999, 182 companies had such projects approved by the Multilateral Fund of the Montreal Protocol. In 2000, 28 more companies also obtained approval.

In July 2000, Law n. 9.984/00 took an important step towards the management of water resources in the country, with the establishment of the National Water Agency – ANA.

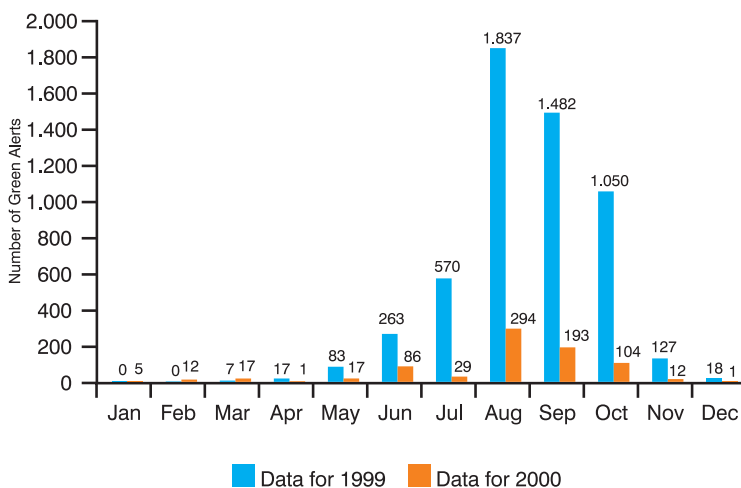
Within the achievements recorded in 2000, highlight efforts aimed at preventing and fighting deforestation, slash-and-burn activities and forest fires in the Amazonian Region. These actions have brought about a real reduction of the heat foci (slash-and-burn), with an important reduction – over 80% - in green alerts.

Green alerts are heat foci detected by satellite, using remote sensing techniques and information systems. These alerts define the levels of risk of fire in the Legal Amazonian Region, in conservation units and in Indian lands in all Brazilian states.



This reduction has surpassed by 50% the initial target defined for the arch of deforestation, which encompasses a continuous strip of approximately 1.7 million square kilometres, with a high incidence of heat foci and deforestation, covering 248 municipalities. The number of heat foci in the Legal Amazonian Region has been reduced by circa 20% in year 2000.

### Comparison of Green Alerts (1999/2000) Data updated to 11/30/2000



Source: Centre for Remote Sensing - IBAMA/INPE



## Energy

Early in 1995, the Brazilian electric sector was amidst a deep structural crisis, with works interrupted, out of date tariffs and lacking incentives for new investments, associated to the State's inability to invest due to the fiscal crisis.

At the same time, The Real Plan came to incorporate new layers of consumers to the Brazilian market, thus significantly increasing the consumption of electric/electronic equipment such as refrigerators, television sets, washing machines, electric showers and computers.

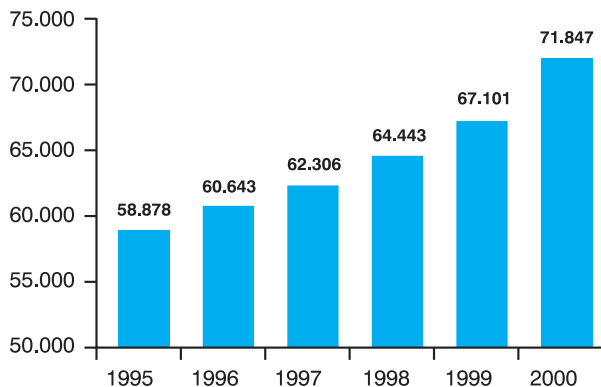
The restructuring of the sector was undelayable and was undertaken aimed at: increasing competition and ensuring the efficiency of the system; encouraging new investments, particularly private investments; ensuring the improvement of the quality of services, with fairer prices for consumers; and implementing the diversification of the energy-generating matrix.

Out of the 23 works that were paralysed in early 1995, 15 were completed by 2000, with an addition of circa 16 thousand MW to the generating capability and the deployment of over seven thousand kilometres of transmission lines. From 1996 to 2000, there was an annual average increase in the supply of energy in the country of 2900 MW/year, as compared to less than half of this amount in the period 1986/1995.

Investments in the electric sector in the five-year period 1995-2000 amounted to circa R\$ 20.8 billion, a significant part of which coming from the private sector. The real growth of the Brazilian GDP between 1995 and 2000 was of 11.65%, while the generation capability installed in the National Interconnected System grew by 22.03%, reaching the level of 71.847 MW, according to the evolution shown in the following graph.



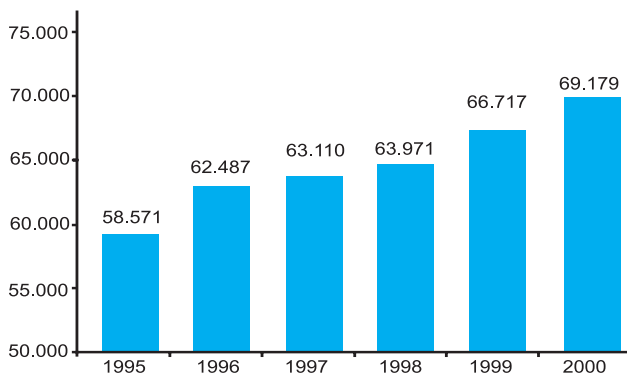
### Installed Capability of the Brazilian Interconnected Systems (in MW)



Source: Ministry of Mines and Energy

The extension of transmission lines is another segment of the electric sector that grew in the second half of the nineties. Circa 18.11% between 1995 and 2000, reaching a total network of 69.179 kilometres.

### Extension of Transmission Lines (in Kilometres)



Source: Ministry of Mines and Energy



In the period 1995 – 2000, the following structural works highlighted in the Brazilian electric sector:

- ⇒ Completion of the Igarapava UHE, with 210 MW, improving the supply of energy for the State of Minas Gerais
- ⇒ Completion of the Canoas I and II UHEs, with 82.5 MW and 72 MW, respectively, also to serve the State of Minas Gerais
- ⇒ Completion of the first three generating units of the Porto Primavera UHE, corresponding to 302.4 MH, to serve the whole Southeast Region
- ⇒ Completion of the upgrading of the Três Irmãos UHE, by putting in place the 5<sup>th</sup> and last generating unit, to meet the supply needs of the State of São Paulo
- ⇒ Completion of the Salto Caxias UHE, with 1240 MW, thus improving the supply in the States of Paraná, Santa Catarina and Rio Grande do Sul
- ⇒ Completion of the Uruguaiana UHE, in Rio Grande do Sul, with 600 MW, using Argentinean gas
- ⇒ Beginning of the commercial operations of the Nuclear Plant Angra II, adding 1309 MW to the installed capability of the State of Rio de Janeiro
- ⇒ Installation of the engines at the Itá UHE, thus adding a total of 1450 MW of installed capability
- ⇒ There have also been important works between 1995 and 2000 in order to expand the infrastructure for the transportation of natural gas, as specified in item Oil and Gas.

In the domain of transmission, the following initiatives highlight:



- ⇒ Completion of the Interconnection of the North/South Electric Systems, with an extension of 1280 Kilometres, between Imperatriz (Maranhão) and Samambaia (Federal District), integrating Tucuruí to the new hydroelectric plants under construction on the Araguaia River (Lageado, Serra da Mesa) and to the South, the Southeast and the Centre-West.
- ⇒ Completion of the transmission system that interconnects the Tucuruí Hydroelectric Plant (UHE) to Presidente Dutra, Teresina, Sobral and Fortaleza, with an extension of 753 Kilometres (Presidente Dutra – Fortaleza).
- ⇒ Completion of the Brazilian portion of the electric interconnection Brazil-Venezuela (Guri), with an extension of 190 Kilometres, connecting Boa Vista (Roraima) to the Venezuelan border, with a transfer capability of up to 200 MW.
- ⇒ Electric interconnection with Argentina, with an exchange of 1000 MW between the substations of Rincón and Garabi, in Argentina, and Santo Ângelo and Itá, in Brazil, with 355 Kilometres.

Although the investments mentioned have contributed to the expansion of the supply of electric power in Brazil, the generating capability is based, by more than 90%, on hydroelectric plants, which rely substantially on the rain regime.

Under normal hydrological conditions, the steps taken during the last years and the entrance of new investments in the sector allowed the market to be fully served in 2001. However, these conditions have been extremely adverse, the amount of rain having remained 29% below the historical average of the South-



east and the Centre-West, and 53% below the historical average of the Northeast. According to the national Institute of Meteorology – INMET, the Southeast and Centre West Regions are going through, this year, the longest draught of the last 40 years. This situation made the water storage in the reservoirs in the Southeast and in the Centre West to reach levels that justify serious concerns.

In view of the extremely low level of the reservoirs, the central authorities that operate the electric system in the country have identified the need to reduce the consumption of electric power as off June, 2001, by 20% vis-à-vis the average of the period from May to July, 2000. At the same time, some stumbling blocks have been identified on the path of the operation of the new model of the electric sector, which were hampering the system's ability to expand. These risks have to do with the very transition to the new model, implemented since 1997, with the need to complement the regulatory frameworks established, and with a certain delay in the schedule of implementation of the thermal-plant initiatives, as outlined in the Priority Thermal-Plant Programme launched in 1990.

Then, in May 2001, the Chamber for the Management of the Electric-Power Crisis was established in May 2001, in order to manage the demand-adjustment programmes and to co-ordinate all efforts aimed at increasing the supply of electric power.

The impressive co-operation of the Brazilian society to the electric-power rationing programme increases day by day the likelihood that power cuts will be unnecessary in 2001, although they are not fully out of the question due to the extremely long draught. The Government also endeavours to reduce as much as possible the de-



pendence of the supply of energy in 2002 upon the hydrologic regime of that year. The steps taken by 2002 should allow a completely normal supply in 2003.

Strategic programmes defined as priorities in the Government Agenda for the Biennium 2000-2001, launched in April 2001, forecast investments meant to increase by 11 thousand MW the capability of electricity generation, and to expand by 7 thousand kilometres the transmission lines by 2002, which includes the completion or upgrading of 15 hydroelectric plants and over 20 thermal plants all over the country. These investments are being assessed and shall be re-organised according to priorities or expanded according to the emergency needs identified by the end of July, 2001.

A structured programme for the increase of the supply, also to be announced by the end of July, 2001, will present targets for the continuation of the diversified increase of the generation of electric power, by attracting investments from the private sector and the participation of the public sector, the latter preferably subsidiary, in those works deemed indispensable. Total priority will be attributed to the new investments in BNDES financing schemes, and their schedule of approval will be sped up. These investments will be compatible with the Ten-Year Expansion Plan of the Electric Sector 2001-2002 and such investments should comply with the directives regarding the efficiency and diversification of the matrix, emphasising co-generation and rationalisation, as well as the use of alternatives sources of energy.



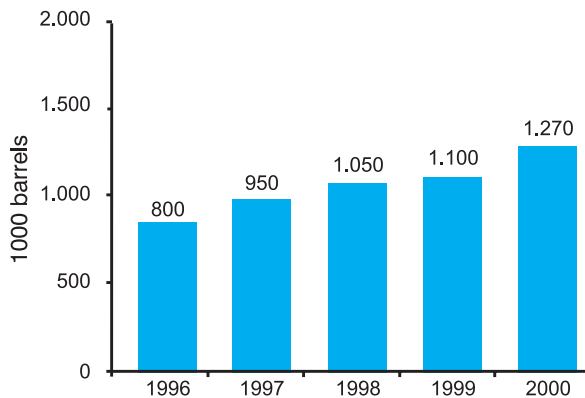


## Oil and Gas

Government's main guidelines in the oil and gas segment are geared to the promotion of opportunities and investments, the speeding up of bidding procedures and concession and the guarantee that the demand for oil and natural-gas products will be met.

In 2000, actions meant to increase the supply of oil and natural gas have allowed the domestic production to reach the record average of 1,271 million barrels a day.

### The Oil Production



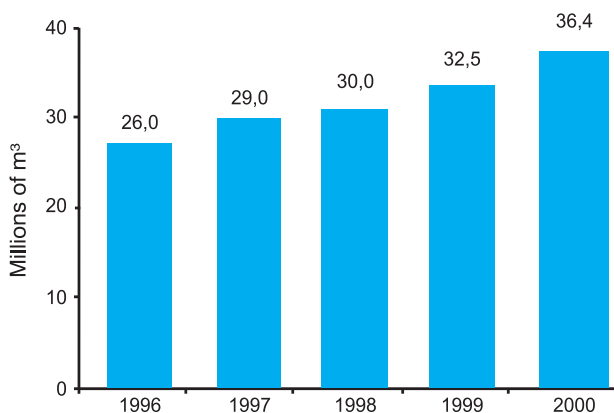
Source: Petrobras

In the production of natural gas, results are translated by the daily average production of 36.4 million cubic metres.

Another important highlight of the sector is the set of works aimed at upgrading the transportation infrastructure for natural gas.



## The Production of Natural Gas



Source: Petrobras

- ⇒ Completion of the Bolivia-Brazil gas pipeline, connecting Rio Grande, in Bolivia, to Porto Alegre, in the Brazilian State of Rio Grande do Sul, crossing the States of Mato Grosso do Sul, São Paulo, Paraná and Santa Catarina, with a total extension of 3165 kilometres.
- ⇒ Completion of the Urucu-Coari gas pipeline, for a total extension of 420 kilometres, rendering feasible the exploitation of a power potential that may surpass 930 MW in thermal generation.
- ⇒ Completion of gas pipelines Guaramaré-Pecém and Pilar-Cabo, ensuring the transportation of natural gas in the Northern Region, along its 1300 kilometres, between Salvador and Fortaleza.



## Telecommunications

In the first half of the nineties, the companies that made up the Telebras System were unable even to meet the needs of the expansion plans, although the very customers who bought telephone lines funded them.

Although tariffs were too low, jeopardising the investments of the sector, it was difficult for the poor layers of the population to acquire lines, due to their high cost. The state monopoly over the sector, instead of disciplining by demanding results, attributed priority to the control of the means, a situation that ended up by leading the system to financial exhaustion.

This situation was changed in 1995, when the Brazilian telecommunication system was opened to the participation of private capital (Constitutional Amendment n. 8).

*“A daring programme of investments promoted by Government and strongly complemented by the mobilisation of private resources – human, managerial and financial – aimed at transforming the Brazilian telecommunication system into an effective agent for the development of the country, encouraging the national productivity and ensuring universal access to communication services”.* With these words, the then Minister of Communications summarised at that time the Plan for the Recovery and Expansion of The Telecommunication System and of the Postal System.

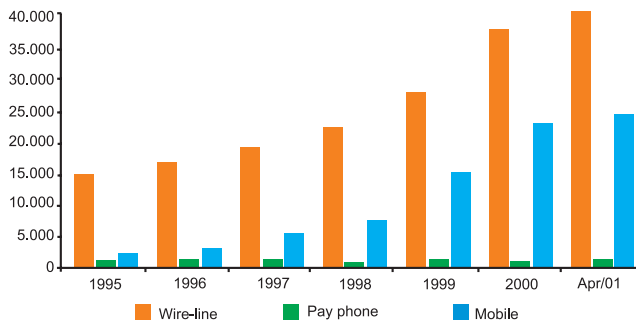
The new strategy was framed by technical, economic and social parameters. Launched in mid 1995, it has changed the profile of the Brazilian telecommunication services, providing a more dynamic model, endowed with clear and reliable rules, in addition to being transparent in its implementation and performance.



It is easy to notice the impact of the new model on the scenario of Brazilian life. It is enough to compare the growth of the number of wire-line telephones, of mobile telephones and of pay phones – “orelhões” – during the last six years with the growth of the economy.

From 1994 to 2000, the number of wire-line telephones has practically trebled, moving from 13.3 million to 38.3 million, with a forecast of 49.6 million in 2003. Mobile telephones, which represented 800 thousand lines in 1994, grew to 23.2 million lines in 2000, with a forecast of 45.5 million in 2003. The number of pay phones – “orelhões” – has also grown. In 1994 they were 343 thousand, having moved to 813 thousand in 2000, with a forecast of 1.6 million in 2005. These visible benefits for consumers have also rendered feasible the effective entrance of the country in the era of the INTERNET, which would have been impossible had the sector not been privatised.

#### Telecommunication Services (per thousand of access/year)

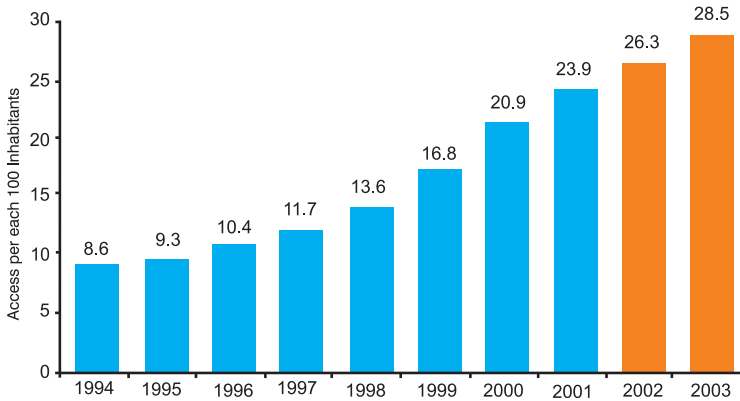


Source: Ministry of Communications

To have an even clearer idea of the progress achieved in the sector during the last five years, it is necessary to compare the telephone density in the country, represented by the number of wire-line accesses in place per 100 inhabitants. This growth corresponds to the rate of 95% in the period from 1994 to 1999.



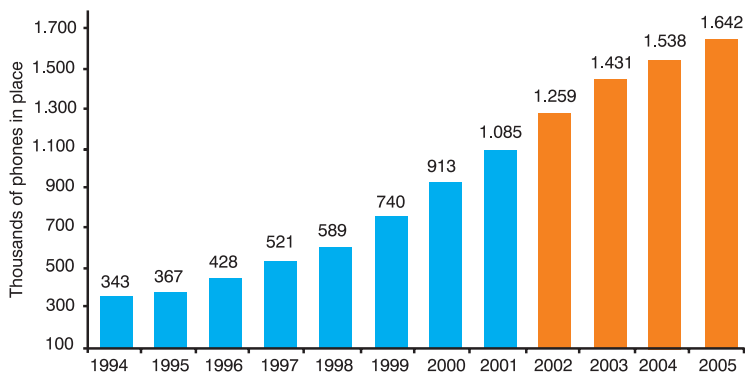
## Telephone Service Evolution of the Telephone Density



Source: National Telecommunication Agency - ANATEL

Pay phones also went through a huge expansion. Their growth was of about 116% in the last six years, corresponding to the annual average rate of 16.6%

## Telephone Services Evolution of Pay Phones



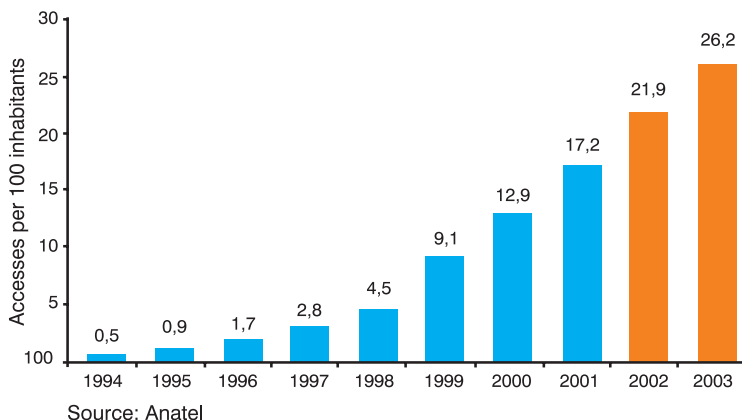
Source: ANATEL



The mobile cellular service was the one having had the fastest dissemination in the country, having reached the rate of growth, from 1994 to 1999, of circa 79% per annum. The number of accesses per 100 inhabitants (or density) expected by 2003 is of 26.2.

## Telephones Services

### Evolution of the density of cellular telephone services



It is important to highlight that, within the set of strategic programmes of Plan Avança Brasil, there are actions geared to the most wanting segments of the community. Financed with resources of FUST – the Fund for Rendering Universal Telecommunication Services – these programmes will receive 0.2% of all the funds collected from telephone services.

Only in 2001, circa R\$ 1 billion will be invested in activities aimed at putting in place 49 thousand accesses to telecommunication services in public educational establishments and libraries, and make available 72 thousand accesses to telecommunication services in public network hospitals and to put in place computers and provide access to the INTERNET in 13227 public secondary schools.



## Transportation

The transportation system presents an important evolution. In view of the country's needs, this sector remains one of the major challenges for the Federal Government, particularly as far as construction and maintenance works in roads and railroads are concerned.

Several indicators show the recent trajectory:

- ⇒ In 2000, 1736 kilometres of roads were retrofitted. With the lease of the federal railway network, private investments of about R\$ 1.7 billion were ensured. Lessees are operating increasing volumes of cargo, the transportation of 266.7 million tons having been recorded in 2000.
- ⇒ The country has 38 state-owned ports operated by the private sector. The expectation in terms of investments in this sector is of over R\$ 3.2 billion, out of which lessees will invest R \$ 900 million. Starting in 1996, the total port area leased to the private sector has evolved from 1.4 to 7.4 square kilometres, representing an addition of 421% in the period. The cargo movement in Brazilian ports has reached 433 million tons in 2000, and the transportation of cargo in containers has moved from 906 thousand units in 1993 to one million units in 2000, an important indicator of the modernisation in course in the sector.
- ⇒ In 2000, R\$ 186 million were invested in the improvement of internal navigation services, coastal navigation and long-haul navigation, within Programme Quality and Incentive for Water Transport. In turn, the Programme for the Maintenance of Water Ways has invested circa R\$ 17 billion in



the integration of stretches of the strategic transportation corridors, significantly increasing the supply of river transportation. In 2000, over 900 thousand tons of soybeans were transported through the Madeira River Water Way, 200% more than in 1999.

A set of structural measures in the domain of transportation, adopted by the Federal Government, is paramount for the effort aimed at increasing the productivity of the economy. Amongst these measures, we highlight the multi-modal corridors that interconnect roads, railways, waterways, ports and airports, with important investments in course.

The increasing use of roads and waterways, as well as the interaction between these modals and roads reduce the cost of transportation and increase the competitiveness of our products abroad.

Another significant part of the investments in infrastructure in 2001 is meant for the expansion of the airport network. There are R\$ 171.2 million allocated to the upgrading of the capacity and increasing the efficiency of Brazilian airports. The end of 2001 will complete the expansion of the airports of Salvador, Palmas, Rio de Janeiro and Porto Alegre. In 2002, the expansion of the airports of Recife and Porto Velho will also be completed.





# SEVEN YEARS OF THE REAL

Stability, Growth and  
Social Development

## SOCIAL



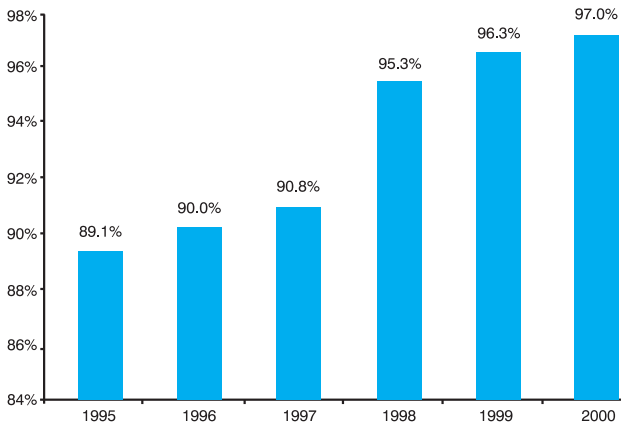


## Education

The Brazilian educational system is undergoing deep reforms, from its funding mechanisms to its evaluation, including the reformulation of its curriculum structures and the introduction of new technologies. Performance indicators show a remarkable evolution as a result of the structural changes promoted in close co-operation between the three spheres of government, civil society and the educational community as a whole.

The priority attributed to the provision of universal access to elementary education brought about the incorporation, from 1995 to 1999, of circa 3.4 million new students, with a more expressive evolution of enrolment in Regions Northeast (2.3 million students) and North (530 thousand students). Due to this expansion, it was possible to reach a net rate of school-attendance of 97% in 2001 – nearly corresponding to the total of children between the ages of 7 and 14 enrolled in elementary school.

### Net Rate of School Attendance elementary school



Source: Ministry of Education/INEP



The main instrument of change in the funding of elementary education was the Fund for the Maintenance and Development of Elementary Education and for Attributing Due Value to the Teaching Profession (FUNDEF). This Fund redistributes revenues, and this distribution is allowing elementary education to become more and more controlled and financed by municipalities at the same time as due value is increasingly attributed to the teaching profession.

Supporting the efforts of Programme All Children at School, FUNDEF has relevant impact on the poorer regions. The states that failed to reach, in 1998 and 1999, the minimum expenditure of R\$ 315 per student/year have received supplementary funds transferred by the Federal Government, for an amount of circa R\$ 424.9 million and R\$ 674.9 million, respectively. In 2000, this expenditure rose to the amount of R\$ 333 for students enrolled in the 1<sup>st</sup> and 4<sup>th</sup> grades, and of R\$ 349.65 for students enrolled in the 5<sup>th</sup> to 8<sup>th</sup> grades And those in special education, which meant a provision of R\$ 587.3 million supplementary funds by the Union.

From 1997 to 1999, enrolment in elementary school in the public network grew by 7.5% (2.3 million more students), and the municipality network experienced a 30.6% growth. Expansion is stronger in enrolment in the 5<sup>th</sup> to 8<sup>th</sup> grades than in 1<sup>st</sup> to 4<sup>th</sup> grades, as a consequence of an improvement in the school flow associated to changes in the demographic profile of the country, which indicate a drop in the birth rate.

Programme Guarantee of Minimum Income – PGRM grants the financial support of the Union to municipalities having tax revenues and per capita family income below the respective state average and that have put in place their PGRM. The programme ensures the increase of the

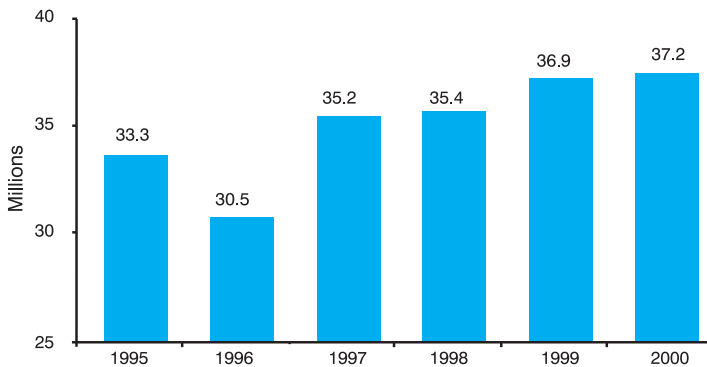


financial capability of families having per capita income below half a minimum wage, as it provides access to and permanence and at school for the children and dependants of those families in the age group from 7 to 14, in order to encourage school attendance, to reduce school drop-outs and flunking, in addition to contributing to the elimination of child labour in the country. In the fiscal year of 2000, the programme served circa 879 thousand families in 1373 municipalities, which benefited circa 1.7 million children in the age group from 7 to 14.

### **School meals**

In 2000, another important contribution of Programme All Children at School was the automatic transfer of R\$ 901.7 million for school meals, benefiting over 37 million students enrolled in 184.570 learning institutions. By means of periodical transfers, without formalising agreements, these resources were transferred to the Secretariats for Education of the States and the

### **The National School-Meal Programme (School lunch) number of students served**

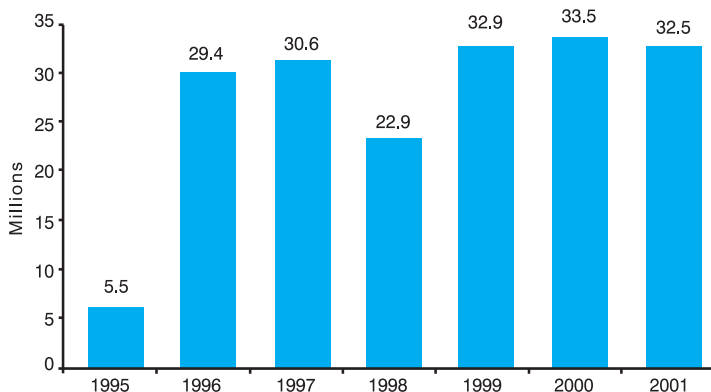


Source: Ministry of Education



Federal District, to local governments, to federal institutions and to school maintained by philanthropic institutions. For 2001 there is a forecast of R\$ 920.2 million, which will benefit 37.7 million students.

### **The National Programme of School Text Books number of students benefited**



Source: Ministry of Education

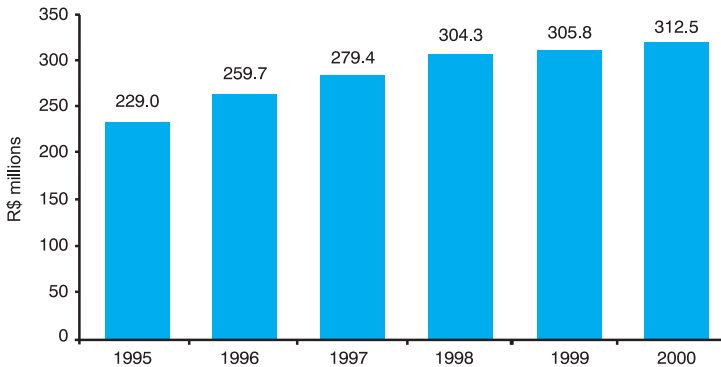
### **School Text Books**

During the 2001 school period, for the first time, the process of distributing books took place, having served 32.5 million students, three months before the beginning of the school activities. Circa R\$ 486.5 million deriving from the budget of year 2000 also allowed the inclusion of 20 million dictionaries of the Portuguese language, delivered to all students from the 1<sup>st</sup> to the 4<sup>th</sup> grades, in a total distribution of 110 million books.



Programme Money Directly to School – PDDE, launched in 1995, serves the policy of decentralisation of public funds, covering all regions in the country. From 1995 to 2000, R\$ 1.7 billion have been transferred, meant for state-owned schools and special-education establishments maintained by non-governmental organisations – NGOs, aimed at providing their basic needs in terms of operation, including, in addition to the maintenance of the school unit, training and development for teachers, learning assessment, implementation of pedagogical projects and the development of educational activities. Thus, circa 130 thousand schools/year have been served, out of which circa 87 thousand in Regions North, Northeast and Centre-West, and approximately 45 thousand in Regions South and Southeast.

### **Programme Money Directly to School** **Funds transferred**



Source: Ministry of Education

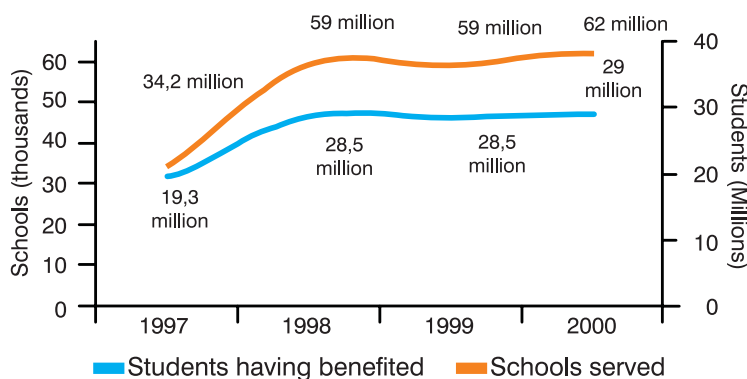
The Fund for the Strengthening of School – FUNDESCOLA, deriving from an agreement between the Ministry of Education and the World Bank (MEC/BIRD), has been serving Regions North, Northeast and Centre-



West, with actions directly implemented, without the transfer of funds, such as donations of information-technology equipment to the Municipality Secretariats for Education, the establishment of the Active School in 1281 municipalities, benefiting 52.132 students, and the development of the Programme of Support for Municipality Secretaries of Education – PRASEM, aimed at the improvement of educational management.

Technology is also present in the educational reforms. A concrete example is TV School, an initiative that benefits circa one million teachers and 28 million students. Schools receive television sets, VTR equipment, parabolic aerials and, by means of educational tapes and an exclusive satellite-television channel, they have access to a high-quality set of educational programmes.

### Long-Distance Education - TV School



Source: Ministry of Education/ Secretariat for Long-Distance Learning





## Culture

### **The Historical and Cultural Heritage**

In the domain of the historical, artistic and archaeological heritage, actions have been developed aimed at promoting the restoration of historical and cultural patrimony.

Programme *Monumenta*: Preservation of the Historical Heritage, a partnership of the Ministry of Culture with the Interamerican Development Bank – IADB and with the United Nations Educational, Scientific and Cultural Organisation – UNESCO, finances the preservation of the national historical heritage.

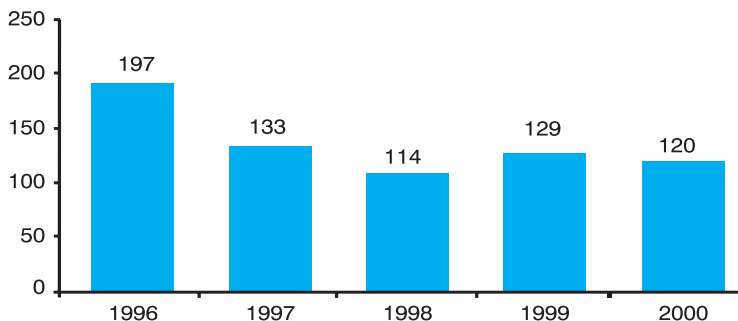
It is the largest investment ever made in the preservation of the heritage in a single period of Government, having mobilised at its first stage over US\$ 200 million. The funds come from three sources: US\$ 62.5 million from the Interamerican Development Bank (IADB), US\$ 62.5 million from the Union's Budget and counterparts by the States and Municipalities; the remainder coming from financial institutions and companies.

Project *Resgate*, as part of the celebrations of the V Centennial of the Discovery of Brazil, has promoted the repatriation of over 300.000 documents of our colonial history, which had been kept at the Overseas Archives in Lisbon and in other European countries. By 1999, circa 200.000 documents had been microfilmed and nearly 40.000 documents in 2000.

Within Programme Brazil Cultural Heritage, which develops actions geared to the cultural heritage that are not covered by Programme Monumenta, 693 items of real-estate property have been revitalised/restored during the period 1996-2000.



## Real-Estate Properties belonging to the Heritage that were Preserved/Restored



Fonte: Ministry of Culture - IPHAN

## Music and Scenic Arts

Between 1996 and 1999, funds allocated to actions geared to music and scenic arts presented an 18% evolution, totalling in the period the amount of R\$ 66 million. A group of 2466 artists received financial support to participate in cultural events and cultural exchanges, thus widening their possibilities of professional improvement and disseminating regional cultural manifestations. A total of 54810 different music and scenic-art materials were distributed, including books, magazines, videotapes and CDs. R\$ 1.9 million were invested in putting in place and/or modernising 97 theatres all over Brazil.

By means of Programme Support for Orchestras, 34 Brazilian orchestras received financial support, for a total amount of R\$ 3.8 million, which were invested in the purchase and restoration of musical instruments and music collections, refurbishment of physical facilities, concerts and CD recordings.

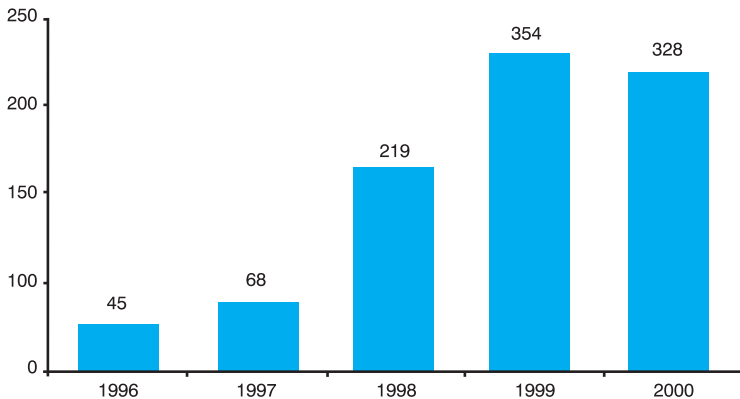


The creation and maintenance of music bands in Brazilian municipalities has contributed to publicising instrumental music in Brazil and to the promotion of social life amongst young people and children. Since 1996, over 1300 bands in Brazil have received this support.

## Libraries

Starting from the second half of the nineties, the greatest expansion of the library system in Brazilian history has been in course. Between 1996 and 2000, 1014 new libraries have been created all over the country, with investments of circa R\$ 30 million. This achievement is being possible thanks to the development of Programme One Library in Each Municipality, designed in 1995 and being implemented since 1996. The programme has already allowed the creation of circa two thousand new direct jobs.

### Installed Libraries

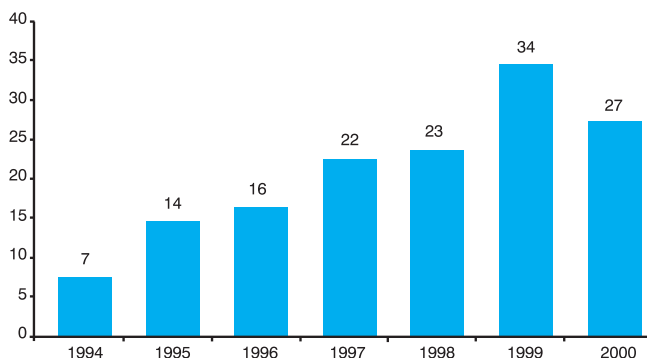


Source: Ministry of Culture



## Audiovisual

### The National Movie Production Motion Pictures Released in the year



Source: Ministry of Culture

Between 1990 and 1993, the audio-visual production in Brazil was of only five films, having evolved to 117 during the period 1994-1999. Only in 2000, 27 films were produced, totalling a production of 144 works in the period 1994-2000.

By November 2000, budgetary funds of circa R\$ 10 million had been spent in audio-visual productions, which made a possible implementing 81 projects, in the domains of production, marketing, distribution and/or exhibition of short, medium and full length films, as well as the attribution of awards to scripts and documentary films.

Fiction full-length films with budgets below R\$ one million count on the firm support of Government. Programme Cinema Brazil was created in 1999 to reward these new films, which will be exhibited in movie theatres, in television stations, home videos and other media. Eleven films have been selected and received financing of up to 50% of their cost from the Ministry of Culture.

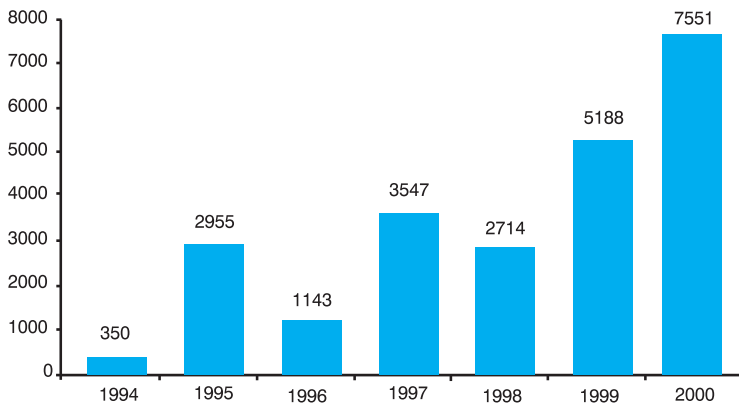


Another relevant target of this programme is to increase from 8% to 20% the participation of Brazilian cinema in the exhibition market.

Project Cinema on the Square, created in 1999, is one of the most important pillars of the audio-visual policy, of which one part is the “Rediscovery of Brazilian Cinema”. Programme Cinema on the Square is geared to the education of audiences and to the consolidation of the movie industry in the country, based upon the idea of itinerant cinema.

The first goal of the project is to bring movies to the people, so that an increasing number of Brazilians watch Brazilian movies. It is also aimed at publicising the basic themes of our social, cultural and historic fabric, so that each Brazilian can see him or herself as in a mirror and recognises him or herself. Not less important is the goal of strengthening the spirit of citizenship.

### **Spectators of Brazilian Films (in thousands)**



Source: Ministry of Culture



In the first 15 shows so far presented, Project Cinema on the Square has reached an audience of 7650 spectators.

The number of spectators of Brazilian movie productions, which did not surpass 350 thousand in 1994, has reached the figure of 7.5 million in 2000 spectators. There has been an increase of over 2.3 million as compared to 1999, an extremely positive result.



## Health

Health in Brazil is a right granted by the Federal Constitution and based upon the principles of universality, equality and integrality. The Joint Health System – SUS makes up one of the largest public-health networks in the world. It operates in a decentralised manner and devolves to states and municipalities the operation of services and the implementation of different activities. The management of the system also counts on the participation of society, which operates through state and municipality health councils in the planning and control of actions implemented by Government.

In 2001, out of each R\$ 10 spent in public health, R\$ 7 come from the Federal Government.

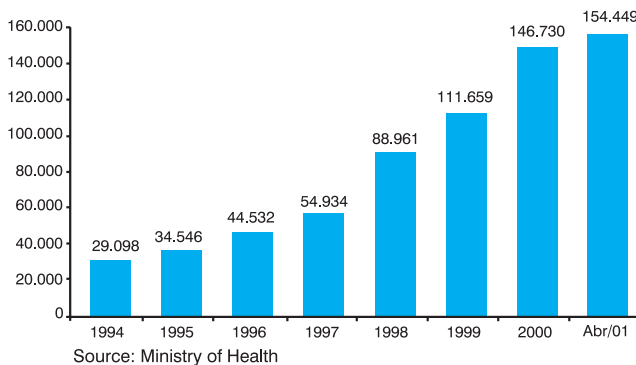
The process of decentralisation of the execution of actions and of the distribution of funds in the domain of health has been intensified through the automatic and regular transfer of federal funds to SUS. Transfers are made directly from the National Health Fund to the state and municipality funds, known as fund-to-fund transfers. Parallel to this, the assistance-based model is being reorganised according to new bases and criteria, in which priority is attributed to the preventive character of the service and to total health care.

The Family Health Programme is the structuring axis of the new model of health care, and it is aimed at expanding access by the population to basic health services, by means of Community Agents and Family-Health Teams.

The Community Health Agents – over 154 thousand – that operate in the country are responsible for the monthly monitoring of over 91 million people in 4719 municipalities. The number of Community Health Agents, which in 1994 was under 30 thousand, has been multiplied fivefold in only seven years.

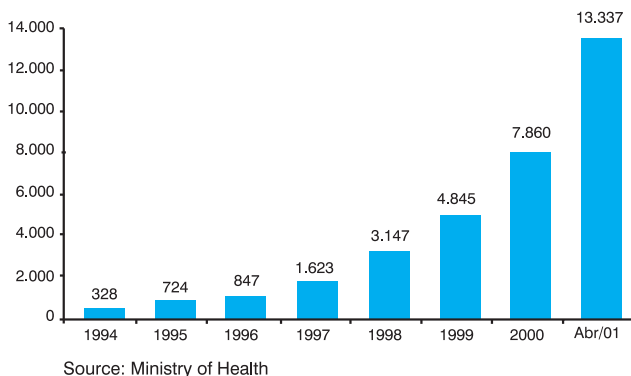


## Community Health Agents Number of agents



The Family Health Programme is aimed at reorganising the practice of health care, by replacing the traditional model geared to hospitals and to curing diseases. It is focused on families, allowing Health Teams to have a more preventive action and to go beyond the therapeutic practice. In 2001, the 13337 teams that operate in 3389 municipalities are serving circa 46 million people.

## Family Health Number of teams





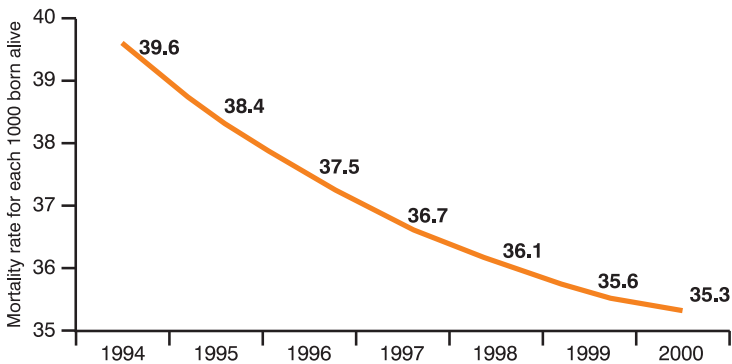


The Children Health and Breastfeeding Programme was responsible for the expansion of the National Network of Human Milk Banks to 136 units. Deemed one of the best in the world, the network collects circa 100 thousand litres of human milk per year, benefiting over 70 thousand new-borns under risk situation. Another important achievement of the programme was the vaccination of 17.2 million children from zero to 5 years of age all over the country.

The indicators show a sensitive improvement of the basic living conditions of children in this age group: hospital internment cases due to diarrhoea have recorded, in the period 1995-1999, a 50% reduction in urban areas, and breastfeeding up to the age of six months has evolved from 47% in 1989 to 84.1% in 1999.

Infant mortality up to the age of one year for each thousand born alive has decreased from 47,8 in the early nineties to 35.3 in 2000.

### Infant Mortality Rate



Source: IBGE and Ministry of Health



For 2001, the expectation is that this reduction will reach the level of 32.4, which means that in 2001 the death of over 320 new-borns will have been avoided.

In the area of nourishment and nutrition, highlights Programme Healthy Nourishment, aimed at the reduction and control of malnutrition and of deficiencies in micronutrients in health services, as well as at the promotion of healthy nourishment throughout the different cycles of life.

The main results achieved in 2000 indicate an evolution in the figures of ICCN – Incentive to the Struggle Against Nutritional Deficiencies: the target of qualifying 4600 municipalities set for the year was surpassed, and the programme has reached 5026 municipalities in all units of the Federation, with over 870 thousand beneficiaries. Transfers of funds to those municipalities were of nearly R\$ 12.8 million a month for the struggle against malnutrition.

Finally, the programme has expanded the vitamin-A supplementation, using the structure of the National Multi-Vaccination Campaigns, of the services of child care and Community Health Agents in all municipalities in the Northeast Region and many ones in the Jequitinhonha Valley (Minas Gerais), areas where the vitamin-A deficiency is deemed endemic.

The reduction of the incidence of AIDS in Brazil is an achievement of the health programmes put into practice in the last three years. Currently we may say that the epidemic is still growing, yet at decreasing rates.

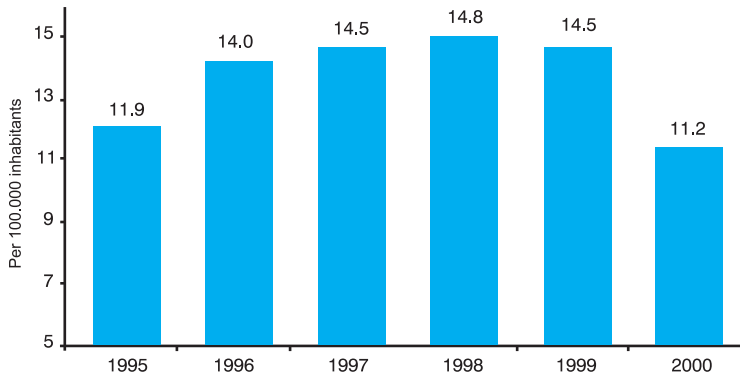
In 1995, the number of cases of AIDS in Brazil was of 11.9 per each 100 thousand inhabitants. In 1996 this figure rose to 14 per 100 thousand, and has remained at this threshold, with variations of circa 0.5 per 100 thousand until 1998.



From 1999, the situation has been changing. In 1999, the Ministry of Health accredited 130 maternity hospitals for treatment with AZT injections, which has reduced by up to 70% the transmission of the virus to infants.

In 2000, anti-retroviral medicines were purchased and distributed to 90 thousand people bearing HIV/AIDS. Similar and generic medicines are now being produced in Brazil, which ensures cost reduction and maintenance for the policy of universality aimed at the access to anti-retroviral medicines.

### Annual Incidence of AIDS Cases



Source: Ministry of Health

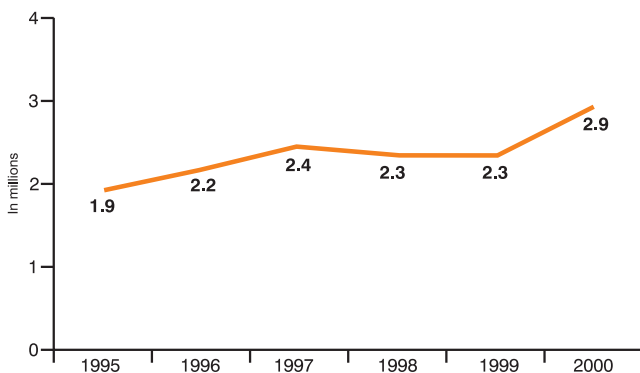
In 2001, within the framework of Programme Prevention, Control and Assistance to Bearers of Sexually Transmissible Diseases and AIDS, the number of women assisted by prevention actions grew by 193%. In addition to measures aimed at informing the population on contact risks, 200 thousand preservatives were distributed to the population by the Ministry of Health, which corresponds to 40% of the total consumption in the country.



## Social Security

In 2000, Social Security granted 2.95 million new benefits, a 31% growth vis-à-vis 1999, when 2.25 million benefits were granted.

### Evolution of the Amount of Benefits Granted 1995 - 2000



Source: Ministry of Social Security and Social Work

The important increase in the concession of benefits is explained particularly by the concession of maternity wages, according to the provisions of Law n. 9876/99, which expanded the coverage of this benefit to all women insured by Social Security and also transferred the payment system of companies to INSS (National Institute for Social Security).

The concession of maternity wages highlights due to the increase of over 400% this year, which meant a leap from the 166.9 thousand such benefits granted in 1999 to 829.1 thousand in 2000, out of which 427.6 thousand benefits (over 50%) were paid to special insured women, as a result of the effort carried out by Social Security and

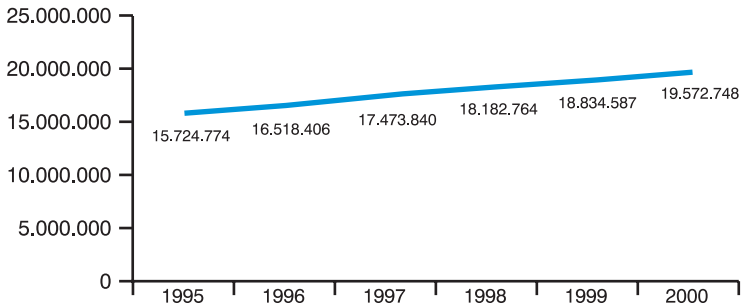


by organised bodies in rural areas in terms of building awareness among rural workers about their rights.

The reform of Social Security has already shown its beneficial results as far as the concession of retirement pensions based upon the time of contribution is concerned. This concession has confirmed the declining trend due to the reduction in early retirements, thus correcting the distortions that existed before the constitutional reform of Social Security.

Taking into account the stock, during 2000, an average of 19.5 million social-security benefits were paid every month, that is, 3.9% more than in 1999. Most of these benefits are retirement pensions and widow or orphan pensions, which represented 82.9% of the total of benefits paid in 2000.

### Evolution of the Number of Benefits Issued by Social Security Position in December 2000



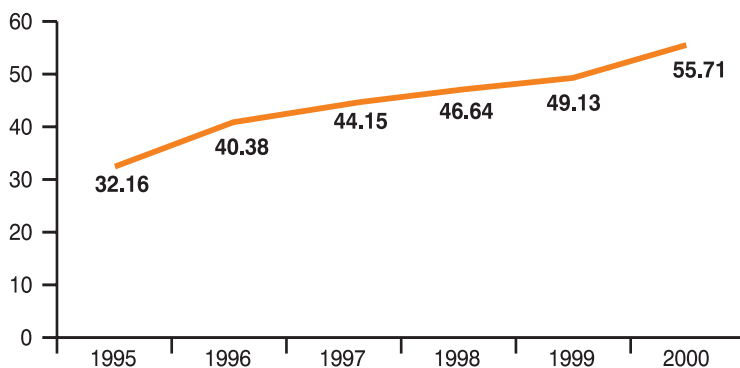
Source: Boletim Estatístico da Previdência Social - MPAS

The revenues of Social Security in 2000 presented a performance 13.4% higher than that recorded in 1999, by collecting R\$ 55.7 billion. This increase in the col-



lection of contributions was due to two factors: the impacts of the Social Security Reform and the recovery of the level of formal employment. Among the measures imposed by the reform highlight the retention, the collection made by labour courts, judicial deposits, certificates of public debt, maternity wages and the settlement of municipality debts. These measures alone totalled and increment of R\$ 3.7 billion in collection.

### Evolution of the Net Excision R\$ billions (current)



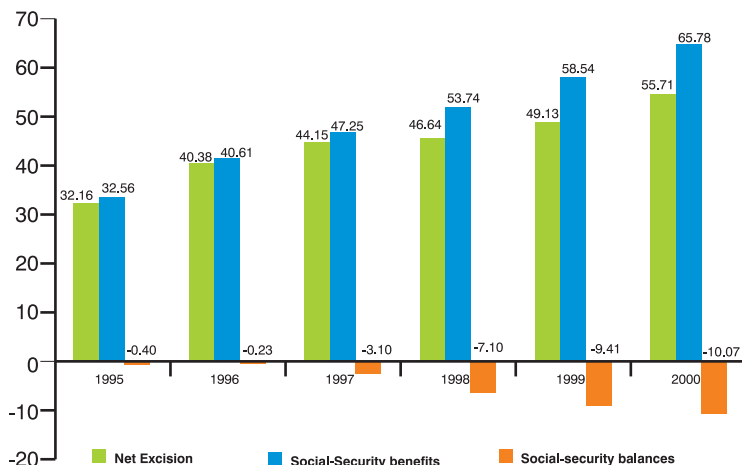
Source: Instituto Nacional do Seguro Social - INSS

The social-security deficit in 2000 totalled R\$ 10.07 billion, 7.01% higher than the one recorded in 1999. As the graph indicates, the growth of the deficit was quite intense if compared to previous periods. This result derives from a smaller growth of expenditure vis-à-vis the increase in revenues.



## Evolution of Net Excision

### Expenses with social-security benefits and social-security balance 1995 - 2000 (R\$ billion)



Source: INSS

One of the main components of the mitigation of the deficit was the outcome of the social security reform. Changes in the conditions of eligibility of retirements for tenure, a result of the reform, in addition to positively affecting revenues by extending the period of contribution, also reduce expenses in the short run, by postponing the concession of benefits.

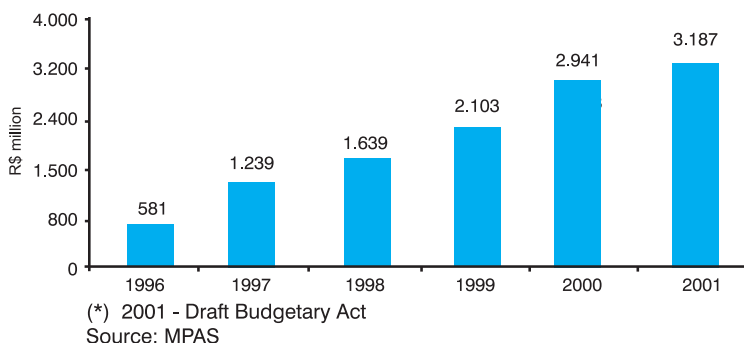
Furthermore, the warming up of the labour market recorded in 2000 brought about positive results, since it has been widening the basis of social-security collection by creating more formal employment.



## Social Assistance (Social Work)

The expansion of social-assistance resources has been important in the last years. The volume invested in the delivery of services and in the payment of assistance benefits by the National Social Assistance Fund – FNAS has moved from R\$ 580 million in 1996 to R\$ 2.9 billion in 2000 – an over four fold increase.

### The National Social Assistance Fund Resources invested - 1996 to 2000



The Senior-Citizen Welfare Programme continues the campaign of vaccination against the flu, diphtheria and tetanus. When it was launched, in 1999, the campaign was directed to the population over 65 years old, and 7.5 million doses were inoculated. The target audience was widened in 2000, to include the population over 60 in the campaign. The total number of doses inoculated was 9.3 million, which corresponds to a coverage of 70% of the population in that age group, a rate esteemed important even by the standards of developed countries.





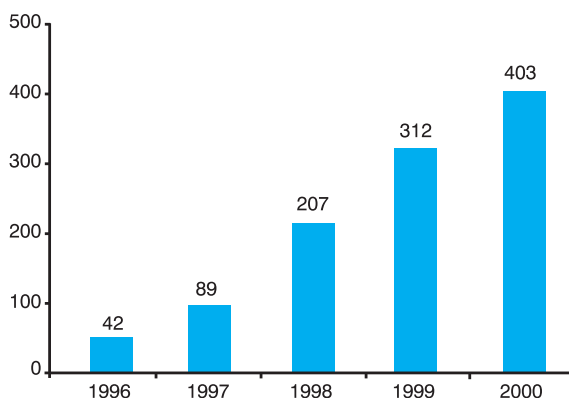
Year	Amount of doses	% of the senior-citizen population covered
1999	7.5 million	56%
2000	9.3 million	70%

Source: Ministry of Health

Within this programme, 393 thousand senior citizens have been served according to different modalities: homes for the elderly, residences, social centres, inter alia, with investments of over R\$ 32.6 million. The programme has been ensuring the response to basic needs, aimed at the integration of the elderly into their families and communities.

## Continued-Delivery Benefits

### Quantitative of elderly people having benefited

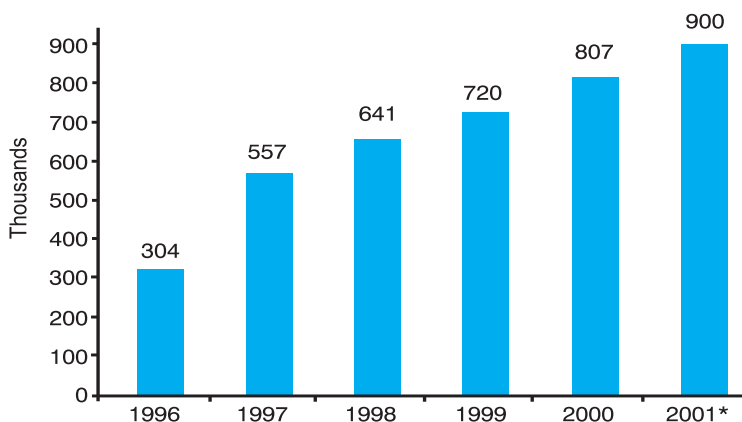


In 2000, R\$ 639.5 thousand were spent paying continued-action benefits to 403 thousand elderly people having per capita family incomes of up to  $\frac{1}{4}$  of the minimum wage. This benefit being paid since 1996, the number of beneficiaries has grown over eight times the original figure.



The Care-for-the-Disabled Programme (a segment of the network under agreement to deliver continued-action benefits) has used R\$ 68.8 million to serve 141 thousand poor disabled people. Circa 807 thousand poor people, either disabled or suffering from other handicaps preventing them from working were benefited with one minimum wage a month. For 2001 the forecast is to reach 900 thousand people under these conditions.

### Continued-Delivery Benefits Disabled people having benefited



\* forecast

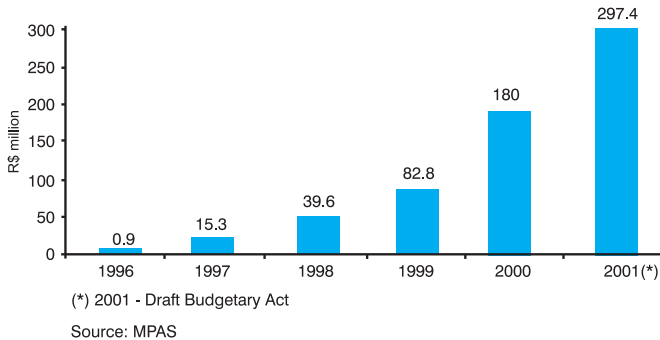
Source: MPAS

Two programmes in the domain of social assistance are aimed at the age group from 7 to 14 years of age: Elimination of Child Labour and Struggle Against Sexual Abuse and Exploitation of Children and Teenagers.

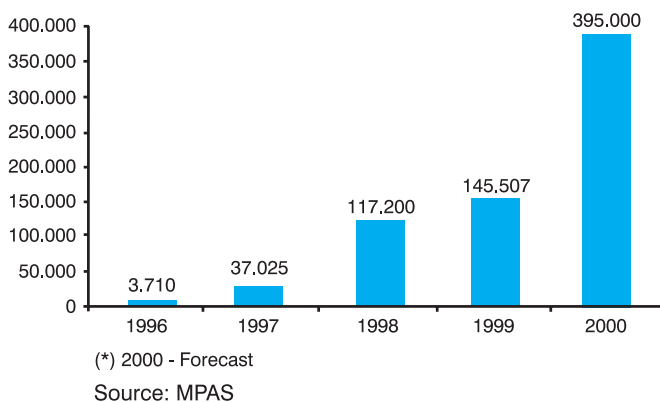


In 2000, R\$ 180 million have been spent in the elimination of Child Labour. The programme has promoted the enrolment at, return to and permanence at school of 395 thousand children and teenagers, in 976 municipalities. In 2001, the intention is to reach 651 thousand children and teenagers.

### Elimination of Child Labour Evolution of expenditure



### Elimination of Child Labour number of children and teenagers served





First implemented in 1997, in the State of Amazonas, as a response to international denunciations of sexual exploitation of children in the Amazonian Region, the Struggle Against Sexual Abuse and Exploitation of Children and Teenagers Programme. Has been since reorganised and expanded. Circa R\$ 5 million have been invested in funding social and educational actions of a preventive character and geared to specialised care for cases notified, in several municipalities, benefiting 31.2 thousand children.

Within the sphere of activity of the National Council for the Rights of Children and Teenagers – CONANDA, the following instruments and measures have been approved: the National Plan to Face Sexual Violence against Children and Teenagers, the restructuring of the national system of notifications of denunciations of sexual violence against children and teenagers and the Information Network on Sexual Violence Against Children and Teenagers.



## Poverty Reduction

The 1999 Human-Development Report (UNDP/IPEA) estimates the per capita income in Brazil at U\$ 4.271, and a degree of poverty of about 28%. According to this report, the proportion of poor people provided for by the world standard for countries having per capita income such as Brazil's would be 8%. It seems therefore clear that poverty reduction and the reduction of the number of people in situations of pauperism has necessarily to do with an improvement of income distribution.

The combination of the growth of the national per capita income by 4% a year until 2005, with a reduction of the inequality by 10%, would cut poverty by half, that is, over 25 million Brazilians would be out of the perverse condition of poverty by that year.

By eliminating the political traits of social projects, new bridges have been built in the social domain between the indispensable effort of Government and the essential initiative of society. In the struggle against social exclusion in Brazil, the great deal we have achieved since 1995 is still little. We face five centuries of exclusion. It is a historical inheritance of injustice nourished by slavery, latifundium, income-concentrating industrialisation and socially excluding political authoritarianism.

Another characteristic trait of poverty and pauperism in Brazil is its regional nature. The proportion of poor people in Region Northeast vis-à-vis the total population is of 60% and that of paupers is of 32%, while in Region Southeast these proportions are 20% and 6%, respectively.

The main causes of poverty in Brazil also include: the low level of education, which represents a barrier to the access of the poor population to the labour market



or to their access to better paid jobs; families headed by women or by half-caste or black men are more likely to be poor; and the inadequate conditions of sanitation of poor households jeopardise the quality of living and worsen the framework of poverty.

The struggle against poverty is an imperative task that the Federal Government has undertaken through a series of policies aimed at redeeming the social condition that have been implemented during the last six years.

The stability of prices, achieved with the end of inflation, was the first battle won against social exclusion. It had a direct effect over the income of the population. It has also allowed a better planning of public expenditure by Government, which focused its action on the poorest.

The effect of stabilisation on the quality of living of Brazilians, particularly the humblest ones, is undeniable. It has put recession and unemployment at a distance, providing better conditions in terms of nourishment, housing, clothing, education and health.

This improvement in the management of public expenditure takes place by means of a set of programmes and through the introduction of a result-oriented management model. Its investments favour social development, without losing sight of the need for implementation in the sectors of economic infrastructure, the environment, information and learning.

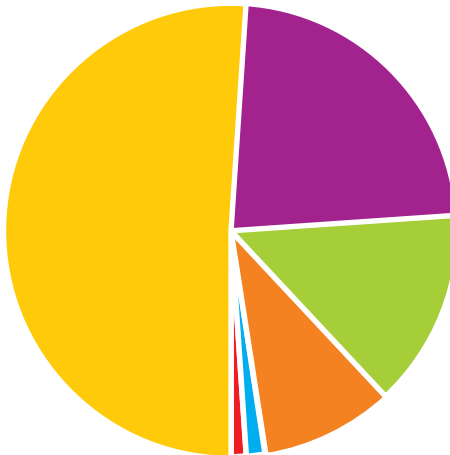
There are several programmes in the domain of the struggle against poverty and social exclusion, amongst which the Active Community and Project Alvorada Programmes.

The Active Community Programme operates in the organisation and mobilisation of the poorer communities. Assisted by the programme, these communities



are organised in order to claim improvements and receive the benefits of social initiatives implemented by Government, increasing their utility. Also operating in the poorest municipalities of the country, Active Community is aimed at inducing the process of local integrated and sustainable development, by means of partnerships and starting from the agenda defined by the community itself.

### Distribution of Funds of Plan Avanço Brasil PPA 2000 - 2003



Social Development  
R\$ 598.4 billion



Others  
R\$ 112.9 billion



Economic Infrastructure  
R\$ 257.7 billion



Information and Knowledge  
R\$ 16.3 billion



Productive Sector  
R\$ 172.6 billion



The environment  
R\$ 8.2 billion



With a deeply innovating conception, in which economic development is not divorced from social development, the emphasis of Active Community is put on the human and social capital, on entrepreneurial capital and on access to information. The synergy between local-level public policies must be the starting point for a continuous process of mobilisation of the community so that, very shortly, will no longer depend upon Government in order to maintain itself and expand.

By the end of 2001, 15.000 community leaders and representatives of popular decision-making forums will have gone through training programmes.

The main target is, by December 2002, to have responded, in an articulated manner, to over ten thousand items of local agendas decided by the population of municipalities linked to the programme. Out of those items, the Federal Government takes charge of 35% of actions required; the States 33%, Municipalities 21% and the Service for the Support to Micro and Small Business – SEBRAE of the remaining 11%.

In the local agendas, activities related to agriculture, family-farming improvement, agribusiness, tourism, health, sanitation, environmental management and educational programmes, as well as manpower training and infrastructure-related initiatives are predominant. The target is to reach at least one thousand municipalities by 2002.

Two other programmes, integrated and complementary, also fight against exclusion: Solidarity Community and Entrepreneurial Brazil. By articulating partnerships with the private sector, non-governmental organisations and universities, Solidarity Community develops three major programmes: Solidarity Literacy and Solidarity Training. Entrepreneurial Brazil, in turn, is





devoted to the support of micro, small and medium business, by creating and maintaining jobs and generating income.

Project Alvorada meets the need for an intensive monitoring of the several federal actions and programmes aimed at building social infrastructure, apt to improve the living conditions in the most deprived municipalities.

The Fund for the Struggle Against Poverty, created by a constitutional amendment tabled by the National Congress, will be a substantial complement for covering the costs of Project Alvorada.

The project's first stage, called Plan for the Support of States Having Lower Human Development, will count, in the period 2000-2002, on scheduled resources of R\$ 11.6 billion, out of which R\$ 4.2 billion will come from the Fund for the Struggle Against Poverty. These are actions in the domain of education, health and social-economic development, including the sanitation programmes and School Grants. IN the project's second stage, called Basic Social Infrastructure for Deprived Micro-Regions and Municipalities, the funds allocated for the two coming years amount to R\$ 1.7 billion: R\$ 1.1 billion form the Union's Budget and R\$ 600 million form the Fund for the Struggle Against Poverty.



## The National Plan for Public Safety

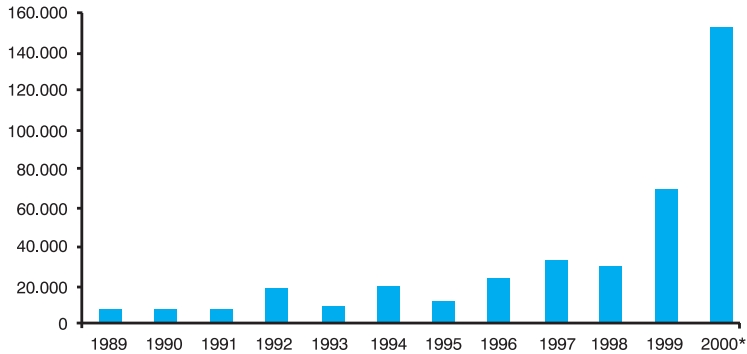
The National Plan for Public Safety is aimed at the prevention and the repression of crime. The Plan, presented by the Federal Government during the second semester of 2000, lists 124 actions organised in 15 commitments, involving several subjects, such as the fight against drug traffic, the disarmament of society, the re-equipment of the police forces and the reduction of impunity, thus translating the endeavour of Government in the struggle against criminality. In addition, primary prevention actions are being implemented, by focusing and integrating programmes within the Avanço Brasil Plan, which operate aimed at the improvement of social-economic conditions in risky areas and in violence patches.

In the domain of repression, one of the main commitments is that to the fight against drug traffic and organised crime. By opening 18 new precincts of the Federal Police, by purchasing 900 new vehicles and by carrying out integrated actions of the Federal Police, the Federal Road Police, the Civil and the Military Police, important results are produced: in 2000, the seizure of 156 tons of marijuana was twice as important as the results achieved in 1999 and over three times more important than the average of the four-year period 1996-1999.

The results of the repression of drug traffic keep growing in 2001. By April, 96 tons of marijuana had already been seized, as well as 1592 Kg of cocaine. The increase in the intensity of operations in the 26 States and in the Federal District should mobilise this year circa 45 thousand agents.



## Marijuana seized, in Kg



Source: Ministry of Justice / DOPS / SDF

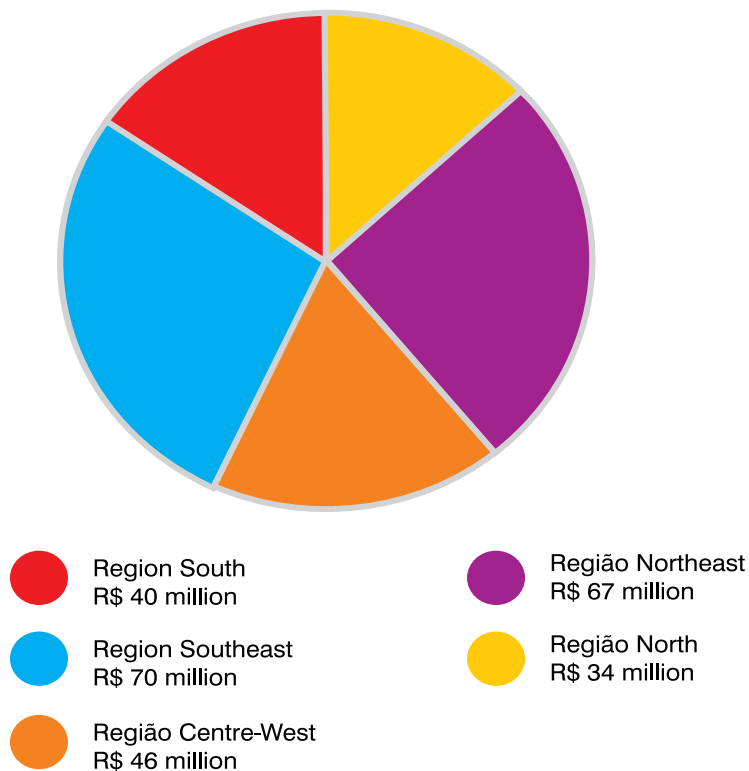
The Federal Government, in response to the growing wave of violence and criminality in the country, has adopted several initiatives geared to the safety of citizens and society. In order to render the plan feasible, the National Fund for Public Safety has been created, a plan that counts on financial resources of the National Treasury for a total amount of R\$ 1.3 billion, only for the period 2000 to 2002, primarily allocated to the Programme for the Safety of Citizens, with projects for the re-equipment and training of the state police forces, ostensive police patrolling, the creation of community police forces and a system for monitoring the different police forces.

In 2000, circa R\$ 257 million were invested in the purchase of armament and ammunition; construction, refurbishing and expansion of police facilities and penitentiary complexes, vehicles, aircraft and professional training.

In the upgrading of the Penitentiary System there were transfers of about R\$ 102 million to the States, in the areas of construction and refurbishing of correc-



## Distribution of Funds of Programme Safety for Citizens



Source: Ministry of Planning, Budget and Management

tional institutions, jails and police precincts, projects of social reinstatement for convicts and penitentiary community actions.



The prevention strategy strives for a better focus and more integration of social programmes within the three spheres of government. The goal is to promote an increase in efficiency in the implementation of actions and in obtaining better results in meeting the needs of populations residing in the so-called patches of violence in the metropolitan regions of Rio de Janeiro, São Paulo, Vitória and Recife, marked by the highest rates of violence in the country.

It is a major joint effort aimed at the integration of actions in the domains of education, culture, sport, health, sanitation, housing and job and income generation, for the benefit of the populations most exposed to violence.



## The State Reform

The restructuring of the federal administration is aimed at fitting the Executive Branch into a new moment of national life. A time marked by ever-growing demands on the part of society vis-à-vis the role of the State. Its timeliness is a consequence of the ongoing transformations in the relationship between the public and private spheres, between society and state and municipality governments. As a result of this re-organisation, the entrepreneur State is being replaced by market, at the same time as it undertakes its role as regulator and supervisor.

The state reinforces its regulatory and supervision role, as well as that of fostering and carrying out actions in the social domain.

In a stabilised economy, the challenge of development has demanded from Government a deep reform of the State and the review of concepts that govern its relationship with society. The state model previously in force was not sufficiently able to invest and this circumstance brought about an old fashioned and patrimony-oriented style of management, overloading institutions with entrepreneurial tasks.

Thus, the cycle of reforms started with privatisation was more than a simple operation of sale of assets to investors. It was part of a process of deep institutional transformation, aimed at reducing the influence of State policies on the economy and, thus, reducing the public deficit, creating new investment opportunities and strengthening market through competition.

By re-directing public utilities, through the concession of their exploitation to the public sector, the State was forced to put together an economic regulation structure and the means to supervise services now op-



erating under concessions, thus creating a safer and more reliable environment for people and the community. To do so, Regulatory Agencies were created, which make up a new institutional model.

By creating an agency, Government determines that such agency should establish several criteria for the improvement of customer relations and service delivery for privatised companies or concessionaires, in addition to increasing the supply of such services and to setting standards of efficiency and transparency in the conduction of their activities. Organised as autonomous agencies, with financial and administrative independence and with the mandate of their rulers, regulatory agencies are linked to the ministries and organised according to service modalities.

Currently there are six agencies:

ANATEL: the National Telecommunication Agency: it is responsible for the policies of implementation, regulation and supervision of services that range from cable-television concessions and their commitments to the community to the supervision of telephone services.

ANEEL: the National Electric Power Agency: it has the important mission of regulating and supervising energy generation, transmission and distribution services.

ANP: the National Oil Agency: it performs a strategic role in the regulation and supervision of all the policies involving the production of oil and natural gas.

ANS: the National Supplementary Health Care Agency; it regulates and supervises activities in the domain of supplementary health care and health plans.

ANVISA: the national Sanitary Surveillance Agency: deals with sanitary surveillance.

ANA: the National Water Agency: its function is to supervise and regulate water resources.



The National Congress is studying bills that create the National Land-Transport Agency and the National Waterway Transport Agency, as a complement of the bill that creates the National Civil Aviation Agency, ANAC.

All this regulating and supervising structure has a far-reaching purpose for society. It is to replace the old model of the producer State by a more efficient State apparatus, one better fitting its essential purpose. A State geared to collective interests, managed by a really operating government, both in terms of meeting society's demands and of creating standards to govern activities performed by private companies, by social organisations and by citizens.

An important aspect in the context of the restructuring of the relationship between public power and society is the Third Sector. Currently, a whole segment of non-governmental organisations – funded by private initiative – is mobilised around issues concerning the common welfare. The Third Sector allows new alternatives to emerge, starting from collaborative efforts between the State and Civil Society, in which the final goal is public interest.

As opposed to the impersonal norms of governments, and contrary to the quest for profit and personal gain, which are characteristics of market, there emerges the need for a joint effort amongst the different agents of society: companies, the public power, community and non-governmental organisations. These initiatives are not incompatible with efficient and responsible public policies. On the contrary, such policies are the starting point of actions allowing a more comprehensive reflection of common goals among private initiative, the State and society.





The State is but politically organised society. Society creates the State as an instance of its own representation. It is therefore highly valid that Government, as the enforcer of policies determined within the State, provides to society as a whole more access to its actions.

In present-day Brazil, at the same time as the economy fits the new world challenges, the Federal Government adopts a management model that emphasises the transparency of funds allocated and the widespread dissemination of its performance and of targets met.

Government actions, gathered in Plan Avançada Brasil 200-2003, are organised under programmes aimed at meeting social demands. There are 388 programmes with clearly defined targets. A manager has been assigned to each programme, these managers are responsible for the performance of his or her programme. This management system applied to programmes, a true innovation in terms of public policies, grants Government the accurate control of costs and outcomes.

To co-ordinate this effort, there is in place a Managerial Information System that ensures the real-time follow-up of the progress of each programme. The different levels of government, their managers and partners, are in constant contact through a virtual network that provides essential information for decision making. In addition, several publicising tools, such as web pages available in the INTERNET, grant total transparency and interconnection, thus allowing the population at large to count on information and to interact presenting suggestions and criticisms.

Yet, the most outstanding evidence of the transparency of this management model is its evaluation system. Produced starting from data directly collected from the Managerial Information System, the Annual Evalua-



tion Report of the Pluri-Annual Plan - Avançar Brazil makes available for the scrutiny of society everything that is being done by the Federal Government and its partners. Presented to the National Congress, this document, with over 600 pages, contains from the progress of programmes, their physical developments and targets fulfilled, to a detailed analysis of their outcomes and recommendations for the future. Counting on this information, society is able to know where and how the resources it delivers as taxes are being invested.

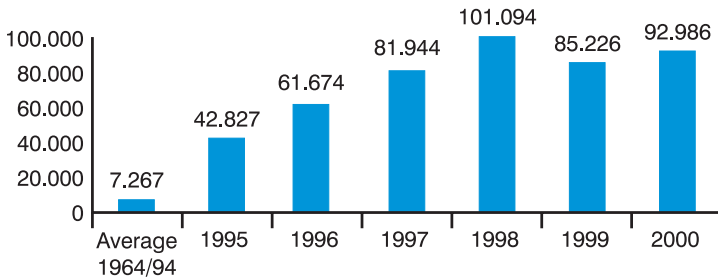
The State has become different, not smaller. What has changed is its role vis-à-vis society. Where there used to be the concern with the physical reduction of the size of the State, now one notices that this change occurs as Government acquires a new role, yet without waiving its responsibility as the supreme standard-setting, regulating and supervising body.



## The Agrarian Reform

The major achievements in the period from 1995 to 2000 were complementary to one another in quantitative and qualitative terms, and thus they maximise the outcomes yielded. In the first instance, it is worth highlighting that, between 1995 and 2000, 465.751 families were settled within the Agrarian Reform Programme. This programme has been complemented, during the last two years, by Banco da Terra, an innovating instrument that funds the acquisition of rural real-estate properties with long periods for repayment and reduced financial charges, in areas chosen by the beneficiaries themselves.

### Families Settled



Source: Ministry of Agrarian Development

In addition to its absolute expression, this figure acquires further importance when one compares the annual average of settlements, from 77.500 families from 1995 to 2000, against the annual average of only 7.267 families during the thirty years after the enactment of the Land Act, when circa 218 thousand families were settled. Considering at the same time the higher degree of assistance provided by Government to settlers, one



notices that the quality of governmental support to agrarian development is another important dimension that must be recorded.

Brazil has become the scene of deep land de-concentration, a phenomenon that is more visible when one notices that we have moved from the 5<sup>th</sup> position among countries having the highest levels of concentration to the 12th position.

In sum, among the major examples of qualitative progress in terms of agrarian development promoted in Brazil in the last years highlight: legal and administrative measures aimed at increasing the efficiency of the process of obtaining land and settling farmers; the decentralisation of the process of agrarian reform with more participation of the other state and municipality spheres of government, of representatives of workers and of society within the Council for Sustainable Rural Development; the democratisation of access to land by means of Banco da Terra; the improvement of technical-assistance services delivered to settlers; and the commitment of emancipated producers to PRONAF.



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