

Social Equity in Latin America and the Caribbean

Seminário sobre Equidade Social na América Latina e Caribe
Banco Interamericano de Desenvolvimento

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First of all, I would like to thank my dear friend, President Enrique Iglesias, for the invitation to address such a distinguished audience on the challenge of promoting social equity in Latin America and the Caribbean.

As this is the first occasion I come to the headquarters of the Inter-American Development Bank after my years in office as President of Brazil, allow me to express my recognition of the outstanding contribution the IDB has given to the social and economic development of my country over the last decade.

“BID”, as we call the IDB in Portuguese, has become a household name in Brazil.

Brazilians from all quarters feel indebted to the benefits brought about by IDB's projects to their daily life, which range from the creation of job opportunities in low income areas to the improvement of infrastructure services.

Not to mention the ground-breaking “Favela Bairro” project in my native town, Rio de Janeiro.

In 1999, halfway through my second presidential term, I had the chance of participating in a well-deserved tribute to the fortieth anniversary of the IDB at the historic site of Quitandinha in the city of Petrópolis.

On that occasion, I made reference to the political circumstances under which the IDB had been created. I recalled that the IDB had been a fortunate consequence of power politics.

The strategic concerns raised by the evolution of the Cold War, particularly by the Cuban Revolution, opened up room for the longstanding aspiration of Latin Americans for a Regional Development Bank to be met.

It is only ironical that half a century later we run the risk of having the cause of development jeopardized by the imperatives of power politics .

Nothing but security anxieties seems to mobilize the attention of today's power holders. Hence the importance of moving against the current and holding a seminar like this one, which is meant to discuss not the protection of national borders, important though such an objective is, but the prospects of social development in one of the most populous regions of the world.

The more the international community manages to keep its agenda as diversified and plural as possible, the better the chances that the world order still in the making proves sensitive to the interests of the majority of States.

It goes without saying that the question of development has undergone a dramatic conceptual change since the first days of the IDB.

In the late fifties and during most of the sixties development was equated with material progress and economic growth.

The assumption was that growth would necessarily lead to an improvement in living standards. The dependency theory then came up with the variable of politics.

It was argued that, depending on how political and social forces were organized, economic growth could follow different paths, with varying effects on social structures.

The authoritarian experience was there to demonstrate that growth could easily part ways with equity.

It became clear that, unless development policies were framed by values, economic growth could fall well short of satisfying social needs.

The following decades have borne witness to the emergence of a plethora of new notions, such as sustainable development (at the Rio Conference), social development (at the Copenhagen Conference) and development with equity (in various fora).

What seems to lie behind this deconstruction of the concept of development is the growing perception that economic growth only proves meaningful if understood as part of a larger process, which entails respect for the environment and promotion of human rights and collective aspirations, among other values.

Much to the credit of intellectuals like Amartya Sen and Mahbud ul Haq, the notion of human development is perhaps the latest and most successful attempt to bring the concept of development into line with the multiple expectations of contemporary societies.

I need not stress how honored I felt by receiving last December from the Secretary General of the United Nations, Kofi Annan, the first ever Mahbud ul Haq Award for Outstanding Contribution for Human Development.

Rather than an individual achievement, that tribute should be seen as a recognition of the joint effort of the Brazilian State and people to start redressing centuries of negligence with the living standards in the country.

Had there not been such an uncompromising collective endeavor, it would not have been possible to move

the Human Development Index of the country up from the level of 0,707 in 1991 to that of 0,764 in 2000.

As we break the Index up into its main components (family income, life expectancy from birth and school attendance/literacy), we notice that progress has been made all across the board.

Family income per capita rose from the monthly average of R\$ 228,4 in 1991 to the average of R\$ 297,4 in 2000, which means an increase of approximately 30%.

Though the average real incomes have suffered losses over the last three years, due to currency devaluation and fall in employment levels, the average monthly earnings in the period 1994-2002 turned out to be 25% higher than the average earnings in the early nineties.

With regard to life expectancy from birth, the figures show a rise from the ceiling of 66,76 years in 1991 to that of 68,14 years in 2000.

Still more significant, the rate of infant mortality (an indicator that is not contemplated by the HDI) dropped in the same period from 38,80 to 32,52 deaths per 1,000 live births.

The country's poorest region, the Northeast, achieved the greatest gains.

As to education levels, the country has all but accomplished the goal of having each and every child attending school. In 2000, the proportion of literate Brazilians aged 15 or more was 86,4%, compared with just 81,9% in 1991.

Again, the most significant gains were in the rural areas of the North and Northeast regions of the country.

The objective of reducing regional and social disparities in Brazil was greatly enhanced by the Alvorada Project ("Sunrise Project") developed under the coordination of Doctor Wanda Engel, who is currently sharing her valuable experience with the IDB staff here in Washington.

The Project was targeted at the poorest among the poor, benefiting the 2,361 Municipalities (in 23 states) whose HDI was 0.500 or less.

The overall budget of the Project reached the amount of R\$ 13.2 billion (approximately U\$ 3.6 billion), involving 17 government social programs, which ranged from Family Farm Support to Water and Sewage Services.

Even more far-reaching in its consequences was the Social Protection Network put in place by the Federal Government over the last decade.

The Network encompassed 13 nationwide programs of income transfer to the most vulnerable segments of

society, which amounted to approximately 37.6 million people, including low-income families, the elderly, children, disabled people, pregnant and breast-feeding women, small farmers, among others.

The Network was funded by a budget of around R\$ 30 billion (approximately U\$ 8 billion) every year.

This is roughly the amount of income tax collected by the Government from individual taxpayers and corporations each year.

It is still too early to evaluate the impact of such broad initiatives on the country's social structure, as some of the programs, such as the School Grant, the Food Grant, the Child Labor Eradication and even the Harvest Insurance, will produce more tangible effects only in the long run.

But there are already clear signs that Brazil 's social picture is changing for better, or for much better. The Gini Index, for instance, has improved in a consistent pace over the nineties, falling from the level of 0,603 in 1993 to that of 0,572 in 2001.

Also, while the average income of the richest 10% of the population increased by 13% from 1993 to 2001, the average earnings of the poorest 20% rose by 63%.

As the gap between the rich and the poor is gradually becoming less disturbing, the number of those below the poverty line has fallen dramatically.

It is fair to say that Brazil has pursued over the last eight years one of the largest sustainable poverty reduction programs in Western history.

With the curbing of inflation alone, around 10 million Brazilians crossed the poverty line. And thousands more continued to do so in the following years.

Immediately prior to the Real Plan, the percentage of the population in poverty was 43%. In 2000 it was 32%. The minimum wage, measured in real terms – that is, discounting for inflation – , increased by 27% from 1994 to 2001, achieving its highest level in forty years.

I am perfectly aware that the figures I have just quoted are far from ensuring the social redemption of Brazil. But I am fully convinced that they are robust enough to show that the country was put on the right track.

We still have a long way to go, but, as Vilmar Faria – a bright sociologist and dear friend of mine – used to say, the glass is already half full (rather than half empty).

And what is most important: we have devised the ways to have the job duly accomplished. What are the principles according to which social programs have been and, as far as I can see, will continue to be implemented in Brazil?

They are simple guidelines, which could certainly prove relevant in other national realities throughout Latin America and the Caribbean.

The basic idea is that the State should spend more and better. Let me recall that, despite the ever-present financial constraints, we have managed in Brazil to increase social spending at a steady pace since 1995.

In 1994, the country allocated 11.3% of GDP to social programs. In 2002, social spending stood at over 14% of GDP, the highest level of all times.

The annual growth rate of the Federal Government social spending from 1995 onwards was around 7%, significantly higher than the growth rate of GDP.

What matters most, however, is that social spending was focused on the neediest among the needy. Public resources were put to the service of the misery-ridden segments, rather than being diverted to middle-income strata or channeled to special groups or interests.

I have already stressed the extent to which this principle underpinned key-initiatives such as the Alvorada Project and the Social Protection Network.

No less important was the directive that money effectively reached those it was meant to. This entailed breaking with long imbedded vices such as clientelism, money-squandering and corruption.

New practices were introduced, improving the quality or productivity of social spending. First, services and resources were decentralized through objective criteria.

The dramatic improvement in health services in Brazil testifies to the importance of empowering Municipalities to act as actual stewards of the State.

Second, low-income families were ensured direct access to benefits, without intermediaries, bureaucracy or exchange of favors.

This was made possible by the introduction of the magnetic Citizen's Card, which was distributed preferentially to mothers for the withdrawal of their families' benefits.

Third, emphasis was put on enhancing social control over the implementation of the various programs, to the benefit of accountability and transparency.

No effort was spared either to foster the value of social responsibility, which produced very positive results.

Initiatives like the Solidarity Community only thrive because of the general disposition on the part of business circles and society as a whole to share with the State the task of mitigating social problems in

Brazil. I feel I owe you all an excuse for having presented so many figures and examples derived from my own experience at the helm of the Brazilian government.

I can perhaps argue in my defense that I did so out of the conviction that the circumstances the Brazilian model is designed to address are, to different degrees, present elsewhere in Latin America and the Caribbean.

Also common to our societies is the determination to get rid of the stigmas of destitution and social injustice once and for all.

Such a challenge is to be faced by attitudes entirely different from those prevalent in the past, when the continent was hostage to what I once called "fear of the outside".

It was as if the condition of being on the periphery of the world economy condemned us all to a sad fate. Imperialism still loomed in the horizon.

Together with Enzo Faletto, I tried to demonstrate, in one of my books, that dependence and development could well coexist.

History has shown ever since that development can even overcome dependence.

Suffice it that, domestically, we do the intensive work necessary to reduce our vulnerabilities and broaden our prospects in the world market.

It is true that the existing asymmetries in the globalization process pose severe limits to the aspirations of the developing world.

Were we not faced with obstacles such as the rising US and European protectionism, not to mention the instability in financial flows, our chances would certainly be much greater.

Hence the imperative of fighting for fairer and more stable standards in international trade and finances. But, still, as I understand Brazil has shown, there is room for social improvement through hard and competent work at home.

Let us face the challenge.

At the end of the day, our future lies in our hands.

Thank you very much.