

Federative Republic of Brazil
State of Tocantins
Secretariat of Production (SEPRO -TO)
Secretariat of Planning and Environment (SEPLAN -TO)

Japan International
Cooperation Agency
(JICA)

ANNEX I

SOCIO-ECONOMIC CONDITIONS OF BRAZIL

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| | | |
|----|---|------|
| 1. | General Profile of Brazil..... | - 2 |
| 2. | Economic Trend..... | - 2 |
| | (1) General Economic Situation of Brazil | - 2 |
| | (2) Inflation Rates..... | - 3 |
| | (3) Interest Rates | - 3 |
| | (4) National Rude production for Productive Sector..... | - 4 |
| | (5) International Balance | - 4 |
| | (6) Brazilian Trade..... | - 5 |
| | (7) Foreign Debts of Brazil | - 6 |
| 3. | Modifications of the National Politics | - 6 |
| | (1) Economic Policy | - 6 |
| | (2) Multi-annual Plan | - 7 |
| 4. | Agricultural Policies of the Federal Government..... | - 8 |
| | (1) Historical Revision of the Agricultural Policy..... | - 8 |
| | (2) Trends of Agricultural Policy in Multi-annual Plan..... | - 9 |
| | (3) Specific Agricultural Policies..... | - 9 |
| | (4) Transitional Measure | - 10 |
| | (5) Long Term Measure | - 12 |
| 5. | Trend in Agricultural Sector | - 13 |
| | (1) Land Use and Possession..... | - 14 |
| | (2) Rural Economy | - 15 |
| | (3) Agricultural Production..... | - 16 |
| 6. | Sociological Conditions..... | - 17 |

1. General Profile of Brazil

The Federative Republic of Brazil, the largest country in South American countries (ranked in the 5th at the world level), covers an area of 8,512,000 km². The territory is located between 5°16' latitude North and 33°45' latitude South and between 34°47' and 73°59' longitude West. The climate is classified as tropical forest zone (northern part), semi-arid zone (northeastern part), and temperate zone (southern part).

According to the Brazilian Institute of Geography and Statistics in 1996 (IBGE), the country account a population of 157 million, of which urban population represented 123 million (78%) and 34 million (22%) in rural area. Population of Brazil has been growing at a rate of 1.36% by annum during the period from 1991 to 1996. The population is concentrated in big metropolis such as São Paulo, Rio de Janeiro and Belo Horizonte. And the states, which include those cities, have 40.9% population of entire population of Brazil. The average population density of Brazil is 19.2 p /km². The difference of population density is varied state by state. Most highest part of population density is federal district of Brasilia which estimated 338.3 p /km². On the other hand, lowest state of that is Roraima state which estimated 1.2 p /km². However the increase number of population in these days is remarkable along the Amazon River district. And its economic activities population is 60 million and 23% of that worked in primary industries.

Another demographic data of the country are life expectancy at birth: 67.6 years, infant mortality rate: 42 per 1000 live births, and total fertility rate: 2.2. In addition, basic social indicators such as primary school enrollment and adult literacy rate aged 15 and above are 81% respectively. The average of HDI value for Brazil is estimated to be 0.74. HDI vary according to the locality. The highest states of that are federal district of Brasilia and Rio Grande do Sul State. On the other hand, Piaui state and Maranhão state indicate lowest HDI.

The Federative Republic of Brazil is divided administratively into the federal district of Brasilia and 26 states and these federal district and states are integrated into five regions (North, Northeast, Southeast, South and Central-West). Economic predominance of the country is concentrated in the South and Southeast regions where there is a higher level of development in industrial, service and agricultural sectors. By contrast, the North and Northeast regions are under-developed in every socio-economic aspect, and hence regional imbalance and income disparities between the south and the north has been made up as a major agenda to be tackled by the central government over decades.

Index of Brazilian Economy

| | North | Northeast | Southeast | South | Central-West |
|---|-------------|-------------|------------|------------|--------------|
| Area (km ²) | 3,869,677.9 | 1,561,177.8 | 927,286.2 | 577,214.0 | 1,612,077.2 |
| Number of Municipal | 449 | 1,787 | 1,666 | 1,159 | 446 |
| Population (1999) | 12,133,705 | 46,289,042 | 69,858,115 | 24,445,950 | 11,220,742 |
| Population in cities (%) (1999) | 62.3 | 65.2 | 89.3 | 77.2 | 84.4 |
| Population Growth Rate (%) (1991-1996) | 2.4 | 1.1 | 1.3 | 1.2 | 2.2 |
| Rate of Illiteracy (1996) | 12.4 | 28.7 | 8.7 | 8.9 | 11.6 |
| Children(7-14)school intendance rate (%) (1998) | 8.1 | 8.0 | 2.4 | 2.9 | 5.7 |
| Infant mortality rate (per 1000)(1998) | 35.2 | 57.9 | 24.8 | 22.4 | 25.1 |
| H I D (1996) | 0.727 | 0.608 | 0.857 | .860 | .848 |
| G D P contribution (%) | 4.87 | 12.68 | 59.41 | 15.89 | 7.15 |
| G D P per person (US\$)(1998) | 2,738 | 1,845 | 5,744 | 4,387 | 4,338 |

2. Economic Trend

(1) General Economic Situation of Brazil

Although the Federative Republic of Brazil faced with high inflation from late 1980s to beginning of

1990s, an economic reform plan called "Real Plan" which has launched by federal government in 1994 is seem to successfully accomplish to control of high inflation. In the aspect of economic policy, it converted the policy to be based on the market mechanism from the government leading development policy and it moved forward liberalization of economy such as the liberalization of import, the privatization, easing of official restrictions. Therefore, the economy growth recovered and the large amount of external capital flowed into this country by the form of direct investment, portfolio investment. However, exchange policy adapted for the control of the inflation brought various negative factors and got to show the expansion tendency of the foreign trade deficit.

The inflation control policy has begun to present an effect in 1993, smooth economy growth was shown and the GDP growth percentage got 5.9% in 1994. Even so, it undergoes the influence of exchange and financial policy as the inflation restraint plan and Asia and Russian economic crisis. So that the economy growth start to slow down and as for the GDP growth percentage showed 0.1% in 1998.

(2) Inflation rates

Regarding inflation, the financial policy of the government succeeded in restraining the inflation. Also, the exchange rate was corrected with the incentive policies for the working capital introduction with high interests, stabilizing the market prices gradually. The annual inflation percentage in 1993 reached 2,700% but it became stable to 1.7% in 1998. However, Brazil also faced the influence of Asian and Russia economic crisis. In the beginning of 1999, Brazil fell into the economic confusion partially then exchange rate changed on a large scale and inflation percentage increased again. Inflationary percentage in 1999 increases with 28.9% per year by wholesale price level and increases with 8.9% by consumption price level. Those tendencies show possible ness of inflation recurrence.

The shift of inflation rates by annum (%)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|--------|---------|---------|---------|------|------|------|------|------|
| IGP-DI | 1,157.9 | 2,708.6 | 909.7 | 14.8 | 9.3 | 7.5 | 1.7 | 13.5 |
| IPC | 1,129.5 | 2,491.0 | 1,173.0 | 17.8 | 7.1 | 1.9 | -0.5 | 5.4 |

Source: Almanaque April 2000

(3) Interest rates

The interest rate of organisms backers was used as main middle of stabilizing the economy. Therefore, even after the stabilization of the inflation, the interest rates were Fixed in high levels. To follow the variation of the interest rates it is presented for the main indicators used by the organisms backers.

The Trend of Major Interest Rate (%/year)

| | 1995/12 | 1996/12 | 1997/12 | 1998/12 | 1999/12 |
|-----------------------------|---------|---------|---------|---------|---------|
| Over/Selic | 38.92 | 23.94 | 42.04 | 31.24 | 18.99 |
| TR (Reference Rate) | 17.32 | 10.98 | 16.88 | 9.29 | 3.66 |
| TJLP (Long Term Rate) | 17.72 | 11.02 | 9.89 | 18.06 | 12.50 |
| TBF (Basic Rate for Credit) | 36.99 | 22.84 | 39.25 | 29.90 | 20.32 |
| TBC (Central Bank Rate) | - | 23.00 | 40.92 | 23.55 | 18.99 |

Source: Central Bank of Brazil

These interest rates are particularly problematic for the agricultural sector because time deposit interest rate, TR interest rate and TJLP interest rate are applied to agricultural financing. The problem remains in the sense that these interest rates are always set higher than the inflation rate to promote savings trend of the people.

Now, some programs of agricultural financing (after 1986) still use as base these operations with pré-Fixed taxes (1999/2000), even after 1995, when the inflation began the if it stabilizes and the real interests were Fixed at a high level, becoming a factor that pressed the agricultural economy.

(4) National Rude Production for Productive Sector

The production in Brazil for sector has as the largest factor the tertiary section that includes the trade, following by the secondary and primary sectors. The tertiary sector had reduced participation after the stabilization of the inflation. Mainly, this can be said of the financial sector that in the apogee of the inflation, in 1993, it meant 25% and in 98, after the stabilization, it decreased the participation to 6,5%. In the place of this, the communication sectors and of construction had a great increase. Besides, currently the agricultural section has been receiving good you influence of the politics of promotion of the export, increasing the export, elevating like this the contribution of the agricultural sector to GDP. The index of contribution of the national production for section á presented to proceed.

Share of Contribution to the GDP by Sector (%)

| Section | 91 | 93 | 95 | 97 | 98 |
|----------------------|-------|-------|-------|-------|-------|
| Primary (Farming) | 6,9 | 5,8 | 8,5 | 7,5 | 8,0 |
| Secondary (Industry) | 32,0 | 31,8 | 34,5 | 33,1 | 32,3 |
| Tertiary (Services) | 61,1 | 67,6 | 57,1 | 59,4 | 59,7 |
| Total | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |

(Source: IBGE - Bills Consolidated for the Nation)

From the point of the GDP sector's trend, the economical growth rate during the 88 to 92 shows the stagnated rate. After the beginning of the control of the inflation, in 93, the economical growth came satisfactory. However, from the year of 97, having the influence of the Asian and Russian monetary crisis, the economy enfaced he stagnation. The growth rate during 86 to 98, were only 5%.

GDP growth rates by sectors

| Year | GDP Price 98 (R\$ 10 ⁶) | GDP/Capita Price 98 (R\$ 10 ⁶) | Actual Growth Rate (%) | | | |
|------|---|--|------------------------|-------------|----------|-------|
| | | | Total | Agriculture | Industry | Trade |
| 1986 | 711.672 | 5.285 | 7,5 | -8,0 | 11,7 | 8,1 |
| 1987 | 736.794 | 5.368 | 3,5 | 15,0 | 1,0 | 3,1 |
| 1988 | 736.352 | 5.266 | -0,1 | 0,8 | -2,6 | 2,3 |
| 1989 | 759.620 | 5.338 | 3,2 | 2,8 | 2,9 | 3,5 |
| 1990 | 726.577 | 5.042 | -4,3 | -3,7 | -8,2 | -0,8 |
| 1991 | 734.060 | 5.014 | 1,0 | 1,4 | 0,3 | 2,0 |
| 1992 | 730.097 | 4.910 | -0,5 | 4,9 | -4,2 | 1,5 |
| 1993 | 766.017 | 5.075 | 4,9 | -0,1 | 7,0 | 3,2 |
| 1994 | 810.829 | 5.295 | 5,9 | 5,5 | 6,7 | 4,7 |
| 1995 | 845.046 | 5.441 | 4,2 | 4,1 | 1,9 | 4,5 |
| 1996 | 868.370 | 5.514 | 2,7 | 3,1 | 3,3 | 2,3 |
| 1997 | 900.326 | 5.640 | 3,6 | -0,2 | 5,8 | 2,7 |
| 1998 | 901.406 | 5.571 | -0,1 | 0,0 | -1,3 | 0,8 |

Source: Boletim do Banco Central (Dez/99)

(5) International Balance

The international account of Brazil was in the constant deficit. In the period from 1992 to 1994, it changed in the surplus basis. After Real plan started, trade account got to shift to deficit with the rise of Real currency value and the import alleviation plan. Especially because of high Real value, predominance of import rises and import activation grows rapidly. The export growth rate from 1993 to 1997 reached 25 % per year. As for export subdivision, development is seen by the export promotion plan of the federal government but the percentage increased just 8% per year. And also invisible trade account is aggravated, trade deficit increase.

Table3-2-3 The change of general balances (Unit; US\$ million)

| | 1991 | 1993 | 1995 | 1997 | 1998 |
|-------------------------|---------|---------|---------|---------|---------|
| Total Balance | -6,043 | 7,813 | -3,304 | -7,845 | -17,265 |
| Trade balance | 10,579 | 13,308 | -3,257 | -8,357 | -6,430 |
| Export | 3,2,620 | 38,563 | 46,506 | 52,990 | 51,120 |
| Import | 21,041 | 25,256 | 49,663 | 61,347 | 57,550 |
| Invisible trade balance | -11,943 | -13,899 | -14,627 | -26,284 | -29,459 |
| Interest etc. | -13,542 | -15,585 | -18,600 | -26,284 | -29,459 |
| Remittance * Allotment | 1,599 | 1,686 | 3,973 | 2,216 | 1,778 |
| Transfer balance | -1,407 | -592 | -17,784 | -32,426 | -34,111 |
| Capital balance | -4,148 | 10,115 | 29,820 | 26,072 | 15,924 |
| Direct investment | 535 | 6,270 | 4,870 | 20,815 | 20,884 |
| Lending | 2,026 | 2,380 | 2,641 | 18,409 | 18,146 |
| Repayment | -7,830 | -9,978 | -11,026 | -28,714 | -33,587 |
| Mid, Long-term lending | 3,997 | 10,790 | 34,403 | 28,870 | 41,673 |
| Short-term capital | -2,876 | 653 | -1,068 | -13,307 | -29,093 |
| Error * Recitation | 876 | -1,119 | 1,444 | -1,492 | 921 |

Source; Brasil Central Bank Annual Report

(6) Brazilian trade

(6.1) Value of the Export / Import

The commerce, that was good after 1985, decreased in the export section and it increased in the import section due to Plano real, established in 1994, that it strengthened the Real in relation to the Dollar. Like this, to trade balance he/she became negative after 1995, needing that the government took measures in relation to this. To follow the variation of the trade it is presented after 1992.

Table 3-2-4 Brazilian Export / Import (Unit: US\$10⁶)

| Year | Export | Import | Balance |
|------|--------------|--------------|---------|
| 1992 | 35,793 (100) | 20,554 (100) | 15,239 |
| 1993 | 38,555 (108) | 25,256 (123) | 13,299 |
| 1994 | 43,545 (122) | 33,079 (161) | 10,466 |
| 1995 | 46,506 (130) | 49,858 (243) | -3,352 |
| 1996 | 47,747 (133) | 53,286 (259) | -5,539 |
| 1997 | 52,990 (148) | 59,755 (291) | -6,765 |
| 1998 | 51,120 (143) | 57,731 (281) | -6,611 |

Source: Report of Brazilian Central bank, 12/99

(6.2) Export for Sector and the Primary Industry

The Brazilian export has as main agricultural products the coffee, soy, cocoa, sugar, orange juice and meats, as main products industrialized airplanes, appliances, leather products and textile products. The export is accomplished mainly for the European Union, continent American north, Japan and China.

Value Exported by Sector (Unit: US\$ 10⁶)

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Primary Products | 12,620 | 15,564 | 16,787 | 18,071 | 20,254 | 19,175 |
| Agricultural Products | 10,154 | 13,064 | 14,041 | 15,138 | 17,193 | 15,709 |
| Ore | 2,466 | 2,500 | 2,746 | 2,933 | 3,061 | 3,466 |
| Secondary Products | 23,787 | 25,935 | 27,981 | 29,720 | 29,676 | 32,736 |
| Lumbermen Products | 2,357 | 2,860 | 3,840 | 3,045 | 3,209 | 3,106 |
| Industrial Products | 33,497 | 37,609 | 39,193 | 41,191 | 45,919 | 44,296 |
| Others | 2,701 | 3,076 | 3,473 | 3,511 | 3,862 | 3,727 |
| Total | 38,555 | 43,545 | 46,506 | 47,747 | 52,990 | 51,129 |

Source: Report of Brazilian Central bank, 12/99

The imports increased starting from the year 1993, especially until the year of 1997 when the parents'

economy stabilized. These increased with the imports of the maquinários and appliances. In the agricultural section the imports of the agricultural inputs increased.

| Imported Value per Sector | | (Unit: US\$ 10 ⁶) | | | | |
|---------------------------|--------|-------------------------------|--------|--------|--------|--------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| TOTAL | 25,256 | 33,079 | 49,972 | 53,301 | 59,755 | 57,731 |
| Mat. of Consumption | 3,020 | 4,658 | 8,631 | 9,214 | 9,241 | 8,826 |
| Foods | 1,089 | 2,014 | 3,514 | 3,279 | 3,251 | 3,057 |
| Clothes | 159 | 296 | 804 | 862 | 971 | 791 |
| Other | 1,772 | 2,348 | 4,313 | 5,073 | 5,019 | 4,978 |
| Raw Material | 9,469 | 11,662 | 16,738 | 17,775 | 18,893 | 19,310 |
| Grains | 1,229 | 1,408 | 1,665 | 2,103 | 1,579 | 1,865 |
| Wheat | 726 | 749 | 914 | 1,288 | 811 | 814 |
| Fertilizer | 511 | 634 | 661 | 860 | 951 | 954 |
| Chemical materials | 3,844 | 4,961 | 7,349 | 7,958 | 8,801 | 9,265 |
| Metals | 367 | 432 | 699 | 793 | 1,226 | 5,276 |
| Coal, etc. | 438 | 571 | 1,096 | 938 | 1,115 | 1,375 |
| Petroleum | 4,398 | 4,069 | 4,712 | 6,124 | 6,020 | 3,987 |
| Goods of Capital | 8,369 | 12,690 | 19,891 | 20,188 | 25,600 | 25,280 |
| You plan Transport | 2,103 | 3,396 | 5,935 | 4,514 | 6,389 | 6,793 |
| Máq. e Equip. Energy | 6,266 | 9,293 | 13,956 | 15,674 | 19,211 | 18,488 |

Source: Report of Brazilian Central bank, 12/99

(7) Foreign Debts of Brazil

The foreign debts increased with the monetary policies implemented for the stabilization of the economy, especially after the implementation of Plano real. The foreign debts during the period from 94 to 98 grew in US\$ 148,3 billion for 235 billion. These are increased with the financings of medium period for the exports. The debt in the public sector in the year 94 was of 64% of the total debt, they decreased to 41% in the year 98, meaning that had the increments of the debts in the private sectors.

Foreing Debts Value (Unit US\$ millions)

| | 1994 | 1995 | 1996 | 1997 | 1998 |
|-------------------------------------|---------|---------|---------|---------|---------|
| Total debt | 148,295 | 159,256 | 179,935 | 199,998 | 235,058 |
| Registered debt | 119,668 | 128,732 | 142,148 | 163,283 | 210,458 |
| FMI | 186 | 142 | 68 | 32 | 11 |
| Bonus of Debt Originated from Banks | 51,538 | 51,451 | 51,239 | 41,930 | 40,400 |
| others | 1,616 | 2,452 | 3,637 | 7,457 | 8,900 |
| Load for importation | 35,711 | 36,113 | 34,165 | 50,785 | 65,040 |
| Capital Load | 30,387 | 38,349 | 52,386 | 62,8998 | 95,949 |
| Others | 230 | 227 | 203 | 181 | 157 |
| Load of Short Term | 28,627 | 30,524 | 37,787 | 36,715 | 24,600 |
| Petroleum | 2,530 | 3,067 | 4,985 | 5,695 | 4,276 |
| No Bank | 56 | 354 | 177 | | |
| Private Bank | 25,575 | 26,235 | 30,611 | 26,501 | 18,476 |
| Agricultural Load of Short Term | - | 581 | 1,944 | 4,003 | 1,232 |
| Other | 466 | 287 | 70 | 516 | 616 |
| (Segundo Fonte) | | | | | |
| Federal Government | 75,701 | 76,031 | 74,010 | 65,989 | 65,800 |
| State Government | 2,140 | 2,333 | 2,796 | 3,512 | 4,745 |
| Public Institutions | 16,685 | 16,264 | 15,742 | 16,173 | 27,327 |
| Aval | 394 | 485 | 370 | 489 | 507 |
| Government | 94,920 | 95,113 | 92,918 | 86,163 | 98,379 |

3. Modifications of the National Politics

Prioritizing the politics of control of the chronic inflation, the other economic and social policies were prejudiced strongly. From the Government's transformation to the democratization of the country, several types of politics were adapted. Nowadays, Real Plan is in the second stage. The politics of Real

Plan can be characterized by the stabilization of the economy with the controlled inflation, international trade openings and globalization of the markets, and the decrease of the powers in the federal government, controlled financial politics and the vitalização of the economy for the privatizations of the state companies, and reforms politics.

For the inflation control, several types of politics were applied, acted by the high interest rate monetary policy and the suspension of the subsidies, resulting in the decrease of the perspectives to the investments. About the international trade, with the politics of opening of the international trade, the import volumes grew, resulting in the deterioration of the trade balances. With the objective of getting better to trade balance, the Government is structuring the competitive productive sectors with other countries, giving the priorities of politics in the implementations of the productive and competitive infrastructures. On the globalization of the savings, through the invigoration of MERCOSUL, the government is structuring activated savings. The part of public finances, as restructuring measures, the politics of privatizations were adapted, to minimize the Central Government's powers and to take advantage them you can of the private sector. This politics was well happened, in the privatization of the sectors of Communications, Transport, Electrification, Metallurgy, and Petroleum. Now it is privatizing the financial sectors. The reform of the public finances, through the federal politics, that make responsible of the applications of the budgets to the local governments, implanted the system of control of budgets. But these politics will press the in debt local governments what disables the execution of public works.

In the agricultural sector, the breach of contract grew due to politics of high interest rates for the agricultural credits, subsidy suspensions, substitution politics to stabilize the prices of the basic foods with high exchange rates. Being the responsible agricultural sector for great part of the export and due to the fragility of this section there is a deterioration of the trade balance and of the work opportunities in the rural zone. It is necessary that the Government retakes the politics of restructuring of the Agricultural Sector. To restructure the section, politics of resolution of the at fault debts were adapted, the Government increased the resources destined to the agricultural credit and it enabled the transport infrastructure to increase the competitiveness of the section.

In the rural sector, the politics that lessen the social and regional disparities are being implemented, through the priority investments in the poverty areas and in the lines of credit destined to the rural producers less capitalized.

(1) Economic Policy

To improve the economy politics of incentives they were implanted to the export, diminuindo the taxes of exports and tax exemption (ICMS), and privatizations of the state companies, looking for external capitals. Also the infrastructure improvement was implanted to structure the savings really competitive, they are not competitive the dependent savings of exchange politics.

Beyond of these politics, the lines of credit of IMF were used to avoid the economic crises originating from of the Asian and Russian crises. Thanks to that, the economic crisis was avoided in larger dimension.

To stabilize the economy, the Government is developing politics that reduce the deficit of the trade balance through the expansion of the exports, and tax policies that solve the financial debts. As politics of expansion of the exports are strengthening the productive sectors, through the implementations of the works in the transport roads that reduce the transport costs. The transport cost is, there is a long time, one of the fragile parts of the Brazilian economy, the call "Brazilian Cost."

(2) Multi-annual Plan

As the politics that aim at to solve the problems of Brazil, the Plan intends to activate the regional economies taking advantage of the características and advantages of the each area. The contents of the Program are Composed by 4 objectives:

- Fiscal balance: maintenance of the inflation in low levels through the public debt reduction and consolidation of the fiscal balance in the public sector.
- Economic growth with income distribution that makes possible to solve the social and regional disparities: I increase of the job level and income of the poorest population through the maintainable economic growth.
- Insert of the country in the world economy, improvement of the structures of the competitive and productive industries: opening of the market, protection against the disloyal trade.
- Economic growth considering the Environment

To reach the objectives, they were established the improvement of the infrastructure, knowledge and information. Introduction of the programs of the Axes of Development, enrichment of the social programs, made responsible financial politics, them use of the natural resources and participation of the private sector.

As scenery macroeconomico, is aiming at to stabilize the inflationary index (3%), to maintain the economic growth rate (5%), to increase the work opportunities (to increase of 2,7% annual) and the incomes opportunities, to increase the exports, etc.

4. Agricultural Policies of the Federal Government

(1) Historical Revision of the Agricultural Policy

The essence of the Brazilian agricultural policy is composed by 3 systems: financing agricultural, safe agricultural and warranty of minimum prices.

The system of agricultural financing founded in 1965 with the name of SNCR (National System of Agricultural credit), it worked as fomentation for the agriculture, offering credit with extremely low interests, 2,3% a.a. negative, it was operated as a subsidy form up to 1973. However, in the context of high inflation rates that started at the country, starting from 1974, this agricultural credit system benefitted by low and fixed interests entered in contradiction with other economic sectors. The effective interest that arrived at the level of 38,8% negative, in 1980, for the increase of the value of the subsidy due to the financing, gave reason to inadequate and abusive uses of the resources destined to the agricultural financing.

The federal government had decided to reduce total amount for the rural credit in 1980. And they abolished the system because of its minus interest and changed to the system using interest rate with inflation rates. At the same time, government leaded PROAGRO (Programa de Grantia da Atividade Agropecuaria , PGPM (Politica de Garantias de Precos Minimos) for the purpose of protection of agriculture.

Afterwards, the government established Caderneta de Poupanca Rural in 1986, Fundo Constitucional de Financiamento for the purpose of development in northern, northeastern, central-western part of Brazil in 1989. At the same time, they also established many systems and funds to support development of agriculture such as DER deposit system, commodity fund.

However, with the entrance in a policies represented by the application of high interests rate in a financial sector, objecting to reduce the inflation rate, the high inflation rate were considered as one of the main factors of the instability of the Brazilian economy by a long period. The agricultural sector began to present stagnation signs associated to several negative factors. The government announces debt relief law which make possible to postpone their debt since 1996 and it is relieving debt farmers. But actually, with only this method, it becomes a difficult situation to help those farmers.

The Government, knowing the importance of the agricultural credit in a agricultural sector, is adopting

agricultural policies that to strengthen the agricultural sectors, increasing the bottoms for the lines of agricultural credit through the creation of laws that make possible to uses of the foreign capitals and the private sector's capital. As for interest rate, they encourage to apply fixed interest rate about financing of short-term fund.

(2) Trends of Agricultural policy in Plan Multi-annual Plan

The basic strategies of the agricultural policy are based on: the expansion of the foods production, maintenance of the strategies of the expansion of the exports, promotion of the sustainable agriculture, preservations of the natural resources, and expansion of the opportunities of works. The agricultural policies established the guidelines in these objectives, revising the policies of credit agricultural, the determination of the government's paper in the commercialization areas and of foods supplies, and the interest rates for the activities of agricultural credit. This guideline is based on the uses of the private initiatives.

The agricultural policies are adapting the following measures;

Decrease of the cost called "Custo Brasil".

Decrease of the Interest rates in rural credit, through discounted rate, specially for he small farmers

Implementation of PROAGRO, Publications of the Bills of Products that makes possible obtaining of the capitals in the deprived initiative.

Exemption of ICMS for export

Decrease of the Administrative Costs that facilitates the Stabilization of the Income of the Farmers

Improvements of the Infrastructure of transports, through the modernization.

In the sector of agricultural credit, the Government is implementing the appropriate policies for each situation, growing up the lines of specific credits.

The government is adjusting financial policy depend on the situation of each farmers. It provides low-income farmers for beneficial financing condition through PRONAF, PROGER and special financial plan for reform.

To structure the competitive agriculture, the government had facilitated the receptions of resources of the initiative sectors deprived in the finance market, for not depending on the Government's resources. As examples, were established of the norms called "Soja Verde", Bill of Rural Producer, etc. Also to adjust the productive chains of the agricultural economy, the Government was established the lines for the credits to enable the participation of Integrator of Aviculture, etc., being used of the lines of credits of FNO.

As the market policies, the Policies of Warranty of Minimum Prices (PGPM) was introduced and as a form of operating PGPM the Federal Government's Acquisitions were adopted (AGF), and the Federal Government's Loan (EGF). In order to stabilize the prices, also the REP was created for the agricultural years of 96/97.

In recent agriculture policy, about planting fund, the implementation of SECURITIZACAO, which concerns farmer's debt, introduction of foreign capital and implementation of CPR as the funds source and PEP like distribution mechanism.

(3) Specific Agriculture Policies

As for agricultural policy, the federal government has conceived two proposals: transitional one and

long-term one. The former proposal intends to adjust prevailing agricultural policy to the actual macro-economic performance attained as a consequence of stabilized economic situation and shall lay focus on alleviation of governmental intervention to economic activities and on encouragement of market-oriented agricultural production. Meanwhile, the latter proposal shall have target of reconstructing agricultural sector for free competition of the 21st century from the viewpoint that the agricultural sector plays strategic role in expanding the share of Brazilian products at the international market.

(4) Transitional Measure

The transitional measures correspond to the modifications in the following systems: 1) Implantation of the securitization, 2) PGPM (Policies of Warranty of Minimum Prices), 3) Systems of Agricultural Credit, 4) Storage System accomplished by the government and 5) Agriculture Insurance System.

(4.1) Implantation of the securitization

The agricultural sector, besides having surpluses of the foods supplies in recent years, the imported agricultural product, the prices of the agricultural product were maintained in low level, resulting the deterioration of the farmer's economy. Furthermore, the application of the policies used the high interest rates in the rural credit, high exchanges rate, the inefficiencies of the function of PGPM, were affected to deteriorate the agricultural gross income, especially for the farmers who cultivate the basic foods such as rice, feijão bean and corn, being resulted the increases of the debt in the agricultural sectors

To stabilize the policies of Plano real, the measure for the stabilization of the agricultural activities were put on a policy, using the measure of "Securitization of the debt", on which resolve the debt values until the value of R\$ 200.000,00 for farmer. Most of these debts were with the Bank of Brazil, besides other banks in smaller participation. Like this, with this measured, it leaves of the debt of the farmers were resolved, being able to these rural farmers restart his production. They put, problem of the debt of the farmers still continues. The demand of real warranties on the part of the bank system is still one of the impediments for the operations of the agricultural credit. Accompanying the inadiplencias of the farmers, the cooperatives of productions, typical case of the Cooperative of Cotia, one of the largest of last decade was inadiplentes. In the part of the cooperatives, the government adopted the lines of denominated specific credits RECOOP.

This line of the credit RECOOPS, whose purpose is the restructuring of broken cooperatives, for the use needs exist of if it inbox in the following conditions:

Having the intention of the restructuring of the cooperative, they should show the economical and financial viability clearly

To establish the forms of collection of the taxes of commercialization services for the cooperative of the farmers

To introduce the specialization of the activity of the cooperative.

Accomplishment of monitoring of the viability of the structure.

The destined resource RECOOP was of R\$ 3 billion, that can be destined the resolution of the debt (of the structure and/or associated).

(4.2) Reform of PGPM and crop storage system

PGPM was useful to guarantee the stability of the income of the rural farmers and to improve the conditions of commercialization of the products. On the other hand, it also involves the storage of

the acquired production for the government. With the objective of reducing the government's paper and seeking to establish an open economy, the federal government established the system of Contract of Option of Sale, in April of 1997, and AGF&EGF, and PEP to maintain the prices of the products.

The Contract of Option was created with to purposes of guaranteeing the future prices of the products, and to have the direct of selling to the government, in certain date, the product to a preset value. In the case of the option contract, the expirations happen in the time between harvests, and the government can opt to pay the difference between the market price and to transfer the product for their stocks. PREMIO DE ESCOAMENTO DE PRODUTO (PEP) is part of PPGM, it has objective of making possible the collection of the product of the area with harvest surplus for consuming center or processor.

(4.3) Improvement of the Agriculture Financing System

The credit systems, that were applied the flexible interest rates, influenced by the prevalent interest rates in the finance market, to stabilize the activities of agricultural credit. In the case of the credit for the agricultural cropping, they were applied the fixed interest rates (16% a year) starting from the agricultural year of 95/96, decreased to 9.5% the agricultural year of 98/99, and this year were reduced up to 8.75% a year. In the case of the lines of credits for the small farmers the taxes were decreased from 6.6% to 5.75%, for the agricultural harvests of 99/00 and 2000/01, respectively.

Resources of Capital for the Agricultural Lines of credit

The evolution of the resources of capitals destined to SNCR is the following ones;

Applied amount of agricultural funds by S N C R

Unit; us\$ million

| | 1995 | 1996 | 1997 |
|------------------|----------|----------|----------|
| Production costs | 4814.6 | 4744.7 | 6944.52 |
| Cotton | 188.11 | 134.02 | 224.33 |
| Rice | 480.85 | 389.49 | 383.30 |
| Feijão | 124.18 | 109.01 | 150.57 |
| Corn | 982.95 | 976.91 | 679.06 |
| Soy bean | 799.40 | 1,032.91 | 1,514.37 |
| Others | 1,478.63 | 1,575.09 | 2,651.37 |
| Agriculture | 4,054.12 | 4,217.43 | 5,608.00 |
| Stock raising | 760.48 | 527.27 | 1,336.51 |
| (investment) | 1,684.91 | 1,628.00 | 2,005.59 |
| Agriculture | 831.28 | 604.58 | 866.89 |
| Stock raising | 853.63 | 1,023.42 | 1,138.70 |
| (distribution) | 1,263.98 | 418.92 | 889.41 |
| Agriculture | 1,225.28 | 378.53 | 861.35 |
| Stock raising | 38.69 | 40.39 | 28.07 |
| (Total) | 7,763.49 | 6,791.62 | 9,839.52 |
| Agriculture | 6,110.68 | 5,200.54 | 7,336.24 |
| Stock raising | 1,652.80 | 1,591.08 | 2,503.28 |

▪ Incentives of the Uses of the Resources of Foreign Capital

With to purposes of facilitating usage of the external resources, it was exempted of the Tax about Financial Operation (IOF), being permitted that the total cost of the reception expresses was closer of the capacity of payments of the agricultural sector. The possibilities of use of those resources were extended to the industrial compounds of fertilizers and defensive for it reviews it of this credit to their distributors and resellers in the direct purchase of their products. The value of circulated capital of this resource is big, being in charge of 20% of the resources destined in the areas of rural credit.

- CPR

CPR was proposed by the Bank of Brazil and created by the law in the 8.929, of August 22, 1994. It is an title that allows the collateral of necessary working capital to the development of the rural activity and it is destined in the purchase promise and sale of rural products for the future delivery, being constituted in the promise of delivery of the physical product, with or without warranty constituted title. The salesperson assumes an obligation to give the promised product for sale, second description, condition, and dates and place foreseen in title. CPR can be negotiated directly between the issuer and the buyer or to be sold through official market. In that case, it should be endorsed by a bank and registered in the Headquarters of Custody and Clearance sale Title.

Although the main bank to operate with CPR is BB, any bank can acts at that market. The products circulated with CPR are, cotton, rice, beefe meat, carf, coffee, corn and soy. They are the products exportation.

(4.4) Reform of Agriculture Insurance System

Being a dependent activity of the climatic conditions, the agriculture requests the activities of insurance of agricultural. Although, the rates applied for agricultural are extremely high, being resulted the increases of the production costs. Now EMBRAPA, is preparing the zoning maps. The government is promoting the agricultural activities following the recommendations done by EMBAPA, through the discounts of the taxes of safe agricultural, especially to the objective farmers of PRONAF and PROCERA they were established differentiated them.

(5) Long Term Measure

These measured seek the improvement of the activities correlated with the agricultural activity, reduction of the government intervention in the market activities, etc. The special attention was given to the following four items;

Reconstruction and Consolidation of the Research System and Technological Extension

Expansion, Diversification and Modernization of Port Facilities and Transportation facilities

Renewal and Consolidation of the System of Vegetable Sanitary Defense and Animal

Structuring of a system to facilitate and to enlarge the participation of the private sector in the branch of the commercialization

(5.1) Reconstruction and Consolidation of the Research System and Technological Extension

In the agricultural researches, the participation of agribusiness companies is being every time larger, however the governmental institution still assume an important paper in the development of new technologies. The government intends to modify the current system of research led by EMBRAPA, reducing the administrative sector, specifying research branches and objective products in its activities. The goal is to reach an efficient and competitive agriculture internationally, accomplishing the use of the soil in accordance characteristics of each area of the Brazilian territory. It is extremely important, therefore, to accomplish a research of agricultural aptitude of all of the areas of the territory and to prepare the possible alternatives of profitable products.

(5.2) Expansion, Diversity and Modernization of Harbor Facilities and Transportation Routes

Improvement of the Infrastructure is necessary measure to increase competitiveness of agro-production, giving the efficiencies of the production activities and reducing the transportation cost. The government

plans to make new transportation routes for the regions that expected highly produce of agro-production. Now, four routes are already decided as the priority.

Northwestern part

Central northern part

Northeastern part

Central eastern part

(5.3) Renewal and Consolidation of the System of Vegetable Sanitary Defense and Animal

In the international market, the control of the norms of vegetable and animal defense assume significantly important paper in a trade of the product. In the field of the vegetable and animal sanitary defense, urgent measures are necessary to take in the sense of promoting rigorous researches on the subject. The discussion of this theme is an international tendency, mainly when it is promoting the defense of the national products of each country. The Brazilian government is aware of this fact and it considers that this task should be assumed with efficiency and quality by the public organs, in way the one that the Brazilian products have free access to the international market.

(5.4) Structuring of a System to Facilitate and to Enlarge the Participation of the Private Sector in the Commercialization

CONAB should centralize the intervention in the support to small farmers or in emergencies. Besides, CONAB also owes if it entrusts of the improvement of the system of agricultural information on prices of the farmers and export prices, opening the public the information on the process of formation of prices and market.

5. Trend in Agricultural Sector

The agriculture, in spite of only representing 14% (1994) of GDP, it is a sector important for the Brazilian economy; 24% of the Brazilian population live in the rural area, 27% of the population economically active is absorbed by the agricultural activities and 25% (1994) of the acquisition of foreign coins it is obtained through the export of agricultural products and correlates.

Minas Gerais state, São Paulo state and further southern state from those produce 66% of total agriculture production. And 70% of grains produce in that area. These number shows that there are large regional differences according to agro-production.

In a agriculture activity, number of person who work related to agriculture shows tendency of decrease but product quantity is increasing. From the fact, quantity of product per person is surely increased, resulted by mechanization progress, introduction of the improvement breed, quality improvement of agriculture production material.

The land for agriculture is 353,000,000 hectares (about 41% of the total area) from the statistics in 95/96. There is no increase of agriculture area after 1980 and especially, the area for short-term farmland is substantially decreased from 41,500,000 hectares in 1985 to 34,200,000 hectares in 1995.

The numbers of rural workers also show a diminutive tendency, especially starting from the year 1985. During the period of 10 years (85/95), it had 1 million agricultural families approximately that its abandoned the agricultural activities, accounting to the number population of 4.4 million people. Most of these were farmers in a small scale and tenants.

In compensation, the productions were increased with the increases of the productivities. The products that had increases of productions were of orange, apple, soy, tomato and grape, which are the products

recently promoted. Did the traditional products have some decreases, especially in the bean culture and cassava.

The cattle sector showed a growing tendency, especially in the creation of bovine and poultry. The number of ovine creation increased of 128 million heads in the year 85 for 153 million in the year 1995. In the creation of poultry, the increase was significant of 437 million in 85 for 718 million poultry in the year 95.

As well as the agricultural sectors, they are changing in growing, resulting in the best placement in the world level. These are results of the efforts of the agricultural policies that it motivated the agricultural activities to be competitive.

(1) Land Use and Possession

Inside of the Brazilian territory with a surface of 846 million has, the areas registered as use farming is of 353 million has, among them 50 million has (5.9%) they are used for the cultures. The pasture area is of 173 million has, being 3/4 of natural pasture. The changes in the agricultural areas are the following ones.

Evolution of the Agricultural Land (1985~1995)

| Agricultural Land (ha) | 1985 | 1995 |
|------------------------|-------------|-------------|
| Total | 374,924,918 | 353,498,679 |
| Permanent Crop | 9,903,472 | 7,528,040 |
| Short Crop | 41,569,402 | 34,249,382 |
| Rsst Land | 10,662,701 | 8,305,767 |
| Natural Pasture | 110,243,263 | 78,048,135 |
| Pasture | 74,094,390 | 99,617,053 |
| Natural Forest | 83,016,961 | 88,845,690 |
| Forested | 5,966,612 | 5,395,228 |
| Abandoned | 24,519,101 | 16,357,223 |

In the structures of the rural farmers, the forms of possession of the lands are shown in the following table. It shows tendencies of decrease of the numbers of family's occupants.

| | Num. of Farmer | | (%) | |
|---------------|----------------|-----------|-------|-------|
| | 1985 | 1995 | 1985 | 1995 |
| Total Number | 5,902,206 | 4,858,597 | | |
| Owner | 3,748,024 | 3,603,076 | 63.5% | 74.2% |
| Leaseholder | 575,119 | 268,293 | 9.7% | 5.5% |
| Cooper. Owner | 444,324 | 277,518 | 7.5% | 5.7% |
| Occupant | 1,034,739 | 709,710 | 17.5% | 14.6% |

It forms of land condition, majorities of the farmers are the small ones, producing of less than 10 hectares, with 50% of the establishments. The areas for these small farmers are few, being only 2.3% of the total areas. The proprietors of great scales farmer's occupy 14.5% of the total areas on the other hand, being shown the tendencies of crescents.

| | Num. of Farmer (%) | | Areas (%) | |
|----------------------|--------------------|--------|-----------|--------|
| | 1985 | 1995 | 1985 | 1995 |
| Mini (< 10 ha) | 51.4% | 49.7% | 3.1% | 2.3% |
| Small (10~100 ha) | 39.4% | 39.6% | 20.4% | 17.7% |
| Medium (100~1000 ha) | 8.5% | 9.7% | 37.0% | 34.9% |
| Big (1000~10.000 ha) | 0.7% | 1.0% | 27.2% | 30.6% |
| (> 10.000 ha) | 0.0% | 0.0% | 12.3% | 14.5% |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% |

The numbers of rural workers are of 8 million people, being 38% is of having dedicated to the cultivations of short cycle cultivation, and 33% are of permanent cultivation, 27% belong to cattle farmers, and 12% are of the other activities. Most of the workers dedicates in the agricultural lands less than 10 ha. The numbers of workers that dedicate in the big farms are of 19% of the total.

(2) Rural Economy

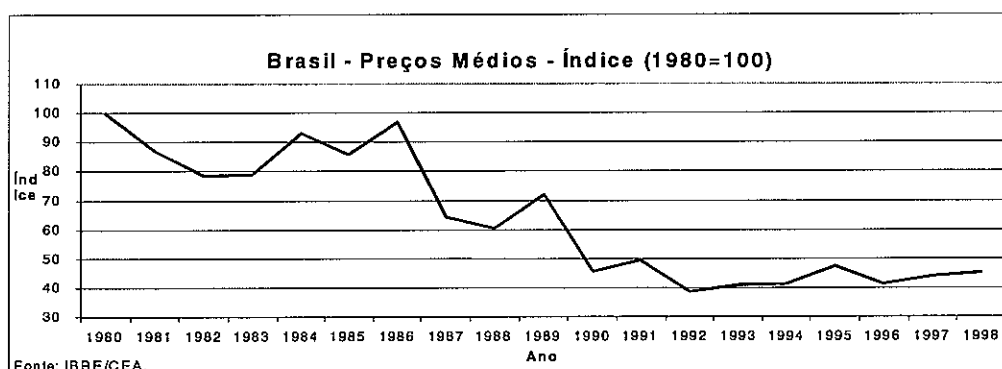
The conditions of the agricultural economies are observed the conditions of the economical deteriorations, due to the several factors, such as of, policies of warranty of prices made negatively, the rural credit systems applied high interest rates, and of the high cropping cost and the costs of transports, especially affected the policies of economical stabilization that it controlled the prices, especially the nutritious diets. These factors punish the rural farmers, entrapping to the debt situation. It is observed the situations of the penalization in the small scales farmers, in the following table, it can observe the evolutions of the prices of the main agricultural products.

Medium price of Producing of the Main Agricultural Products (Real)

| Products | 1994 | 2000/01 |
|------------------|-------|---------|
| Beef Meat (15kg) | 43.29 | 36.07 |
| Pork Meat (15kg) | 24.37 | 19.96 |
| Milk (liters) | 0.40 | 0.29 |
| Eggs (dozen) | 1.14 | 0.84 |
| Cassava (kg) | 98.86 | 90.47 |
| Corn (kg) | 0.21 | 0.23 |
| Soy | 0.33 | 0.29 |
| Tomato | 0.64 | 0.45 |
| Onion | 0.48 | 0.30 |
| Rice (in peel) | 0.33 | 0.28 |
| Bean | 1.28 | 0.65 |

(Source: Agroanalysis 2000/04)

The indexes of the prices are indicated in the following figure, being indicated the falls of prices approximately of 60%. This fact affected to the rural farmers that it could not accompany the agricultural production, being meant the penalization of the small farmers.



The evolution of the prices is indicated in the following table. The indexes of the agricultural prices of agricultural inputs were shown an elevation of the prices, showing the inflation of labor price was of 190%, and fertilizers was of 87%. As well as it didn't accompany the increases prices of the agricultural products, the agricultural economies were deteriorated.

Evolution of the Prices of Main Agricultural inputs (100 = August 1994)

| Agricultural Input | 1995 | 1998/08 | 2000/01 |
|-----------------------|-------|---------|---------|
| Seed | 107.5 | 141.2 | 159.5 |
| Fertilizer | 111.2 | 137.9 | 187.2 |
| Agricultural Chemical | 105.2 | 130.2 | 181.4 |
| Fuel | 101.8 | 125.0 | 178.8 |
| Labor | 193.9 | 271.9 | 286.7 |

(Source ; Agroanalysis 2000/04)

In spite of this penalization, the agricultural production was increased, especially for the specialized farmers. In the following table it is indicated the percentages of use of agricultural inputs. The use of fertilizers was increased.

Proportion of Farmers that Use Inputs

| | Total of Farmers (%) | | Specialized farmers (%) | |
|------------|----------------------|-------|-------------------------|-------|
| | 1985 | 1995 | 1985 | 1995 |
| Fertilizer | 31.6% | 38.2% | 34.6% | 44.6% |
| Calcareous | 5.5% | 12.0% | 13.4% | 15.1% |
| Defensive | 35.5% | 43.8% | 35.5% | 43.8% |

(3) Agricultural Production

The agricultural production in Brazil was increased by the increases of the productivity, it is not of expansion of the lands. The cultivations that had increase the cultivated areas were of soybeans and cane of sugar. Although it observes some decrease of the productions, in the traditional cultures, such as of cotton, coffee, cassava, most of the cultivations shows the growing tendencies.

Planted area and Production of the Main Agricultural Products

| Prod. Agricultural | Planted area (1.000 ha) | | | Production (1.000 t) | | |
|--------------------|-------------------------|--------|--------|----------------------|---------|---------|
| | 1985 | 1995 | 1999 | 1985 | 1995 | 1999 |
| Cotton | 3,582 | 1,024 | 672 | 1,673 | 1,452 | 1,416 |
| Rice | 5,446 | 3,906 | 3,810 | 9,023 | 10,541 | 11,779 |
| Coffee | 2,534 | 1,320 | 2,209 | 3,821 | 1,860 | 3,260 |
| Sugar Cane | 3,900 | 4,203 | 4,860 | 246,542 | 303,699 | 333,315 |
| Bean | 5,317 | 3,006 | 4,179 | 2,548 | 2,946 | 2,889 |
| Orange | 662 | 105 | 1,022 | 70,996 | 99,186 | 113,861 |
| Cassava | 1,867 | 1,270 | 1,586 | 23,111 | 24,323 | 20,933 |
| Corn | 11,802 | 12,733 | 11,626 | 22,020 | 36,267 | 32,178 |
| Soy | 10,153 | 11,631 | 13,011 | 18,278 | 25,683 | 30,904 |
| Wheat | 2,670 | 994 | 1,252 | 4,323 | 1,534 | 2,436 |

(Source: IBGE)

The increments of the livestock are significant, being shown the increases of the numbers of creations. In the sector of creation of poultry it showed a significant growth, increasing 46% during 95/200.

Amount of Animals

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Bovine | 153,433,779 | 150,973,934 | 151,560,318 | 153,588,139 | 156,986,365 | 157,513,274 |
| Bubaline | 866,004 | 852,438 | 865,386 | *881,898 | *900,450 | *921,232 |
| Swine | 32,335,337 | 27,017,795 | 27,041,057 | 29,357,032 | *30,147,684 | *31,487,261 |
| Chicken (103 ton) | 4,050 | 4,052 | 4,461 | 4,854 | 5,526 | *5,921 |
| Eggs (106 dozens) | 1,341 | 1,328 | 1,050 | 1,136 | 1,231 | *1,286 |

(Source: FNP/ABCS/ABIE/IBGE) * : Estimative

6. Sociological Conditions

According to the World Bank, the income per captures Brazilian for the year of 1999, it was of R\$ 3.321,00 maintaining it as an economy of medium position among the countries of high income (US\$ 2.500 to 10.000). For other as the Report of PNUD, there was for this same year a larger impoverishment of the population that can be explained by the phase of slowing down of the economy

of the period 1997-1999 in certain way. In mentioned three-year period as the economy is known grew to very reduced taxes (1,01%) interfering direct and mainly on impoverished sectors of the population, integrated by extensive fractions of the middle class impoverished also.

For the optics of the conditions of life of the society, the classification according to the Index of Human Development-IDH (estimate of PNUD; 2000) it puts Brazil 74th position among the 174 countries considered for referred him calculation, maintaining the Country in the same interval, or same position (0,500 to 0,799 in IDH) of suitable medium development in the final report of 1998, in spite of having fallen four positions below the one that met in 1999.

Being taken by base the group of the countries of South America, it is seen that Brazil in the current classification of IDH occupies an inferior position to the one of the countries of the South Cone (Argentina in the position 35th, Uruguay 39th and Chile 38th) as well as of Venezuela in the position 65th and Colombia 68th, being above just of Bolivia and Paraguay classified in 114th and 81st respectively. Surprisingly, these countries are in a degree of inferior economical development to the Brazil, evidencing that the way as the economical development has been practiced, it has not been capable to promote and to elevate the levels of human development. (to put graph 1.1 fjp)

Regarding the aspect the government initiatives of federal and state extent have above if concerned with the investment in the content of the public policies, tends for perspective firstly the elevation of the conditions of life of the society in wide sense, for later see each other modified the positions of IDH regarding the Country. Starting from an including vision on the human development is that programs have been proposed in the different areas of the government action, being taken into account the necessary intervention to the level of the education, health and sanitation and generating activities of the work and of the income gone back to the elevation of a basic standard of living.

Among the pragmatically lines, it is mentioned as of great importance for the character indirectly redistribution, the one of Official Attendance to the Rural Development with different experiences for the Country, being included those regarding the State of Tocantins.

With this the wants the attention to be called for the fact that the impact relatively negative of IDH on the society and about government's action it should be reverted in big measured by actions, or you program founded not in the poverty and in the threshold of the survival, but, starting from actions that stimulate and dynamite the rural and urban development.

In general terms in Tocantins the reversion of IDH for better positions of the conditions of life of the population, counts to example than it was said above with the arrangement of policies decision of a group of development actions being taken into account the basic patterns for the inclusion of social segments of the rural and urban society in the development process.

As the situation of the Brazilian economy appeared previously, the State of Tocantins to example of the other units of the federation particularly in the north area, they accompanied them contained taxes of the economical growth of the Country.

The recent creation of the State impedes to certain point not only the most effective of the behavior of the economy, as well as the establishment of a more reliable relationship between this and the social conditions of life of the population. However data produced by the General office of Planning of the State esteemed the income per captures of the State in the years of 1999 and 2002 arrived the one of U \$928,3 and U \$1.147,8 respectively. As the same source the sector Services (52,16%), following for the Primary Sector (39,25%) with prominence for the Farming of Animal Production that alone it would represent 84% of this sector would be the one of larger contribution for the total composition of GDP of the tocantinense.

In agreement with SEPLAN, in this same period the life conditions understood as basic to the

development of the population (it pays, basic sanitation, reduction of the infant mortality tax and education) they tended to get better, suggesting a harmonic relationship among the two observed points. However, if compared the current levels of life conditions, with the indexes made calculations by PNUD that involves the indicators income, life hope and education, it would probably be seen that these would be still far away from the considered ideal to the development of the population.

Brazil is composed to put five areas (North, Northeast, Southeast, South and Center West) that present differences amongst themselves so much in natural conditions (soils, hydraulic resources and climates) as in conditions socioeconomic (industrial development, social infrastructure and education level). According to the estimate of IBGE/DIEESE in the Southeast, the richest area, presented an elevation of the income per captures that U arrived \$4.249,00 if compared the year of year of 1997 and 1994. For the same period, in the Northeast, the area more poor of the country, the income per captures suffered a quick elevation for U \$1.425,00 representing a smaller difference of 2,9 times than the Southeast area. Among states, the income per captures of one of the richest states (SP) and of the more poor (MA) it is respectively of U \$5.041,14 and U \$793,71 presenting a difference of 6,4 times superior.

In this same logic, regarding IDH the calculation of PNUD of the year of 1996, finishes him/it available for municipal district, it is illustrative when it shows this index of Rio Grande do Sul (0,868) and for the states as Paraíba (0,557), Maranhão (0,547), Piauí (0,534) and Tocantins (0,587). The contrasting to comment on, is that there is in Brazil such unequal levels of human development, example of this, in the document (PNUD; 1996) Rio Grande do Sul is classified in the 1th position, indicator this similar to the of countries of development tall human, while mentioned them States are classified in positions significantly inferior and assimilated the one of countries of development low human.

The inequality among some states and areas, revealed sharply by the indicators partner - economical above mentioned, it could also be illustrated by the capacity of fiscal collection common to the states. As general rule the financial resources of the states are composed by own incomes, like ICMS, and for constitutional transfers, reviewed by the federal government.

Before this, the important to observe is that in States as São Paulo and Rio de Janeiro, where they ponder developed industries and larger commercial abundance of goods and services, the state fiscal income for inhabitant in 1999, reached R\$ 704,82 (SP) and R\$ 523,63 (RJ), while in poor States like Maranhão, Paraíba, Tocantins and Piauí, the fiscal income is extremely low: R\$ 188,49 (TO), R\$ 84,69 (MA), R\$ 179,33 (PB) and R\$ 124,50 (PI). For consequence referred them States, they are forced to have their finances in having accentuated the federal government's dependence.

In the year of 1999 the state of Tocantins received from the federal government the value proximate of R\$ 241,49 for inhabitant originating from constitutional transfers (FPM, ITR, WELFARE DEPARTMENT, PASEP, IOF, FGTS and FUNDEF) value this that gets to be three times larger than that received by the State of São Paulo (R\$ 76,00).

The reduction of the space inequality is an essential task, in long period for the Brazilian government. President Fernando Henrique Cardoso current government established the modification of this scenery of space inequality as one of the three political guidelines of the development strategy that they structure PPA, giving priority to the execution of concrete measures starting from transport projects (Axis of National and Continental Integration) promoters of the commercialization of the products of areas less developed and of projects regarding to improvements in the spheres of the education, health and sanitation.