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PLANS AND PROGRAMS

Chapter I – Economic Stabilization Plans

Cruzado Plan

President of the Republic: José Sarney

Minister of Finance: Dilson Domingos Funaro

Banco Central Governor: Fernão Carlos Botelho Bracher

Basic legislation: Decree Law 2,283, dated 2.27.1986, later substituted by Decree Law 2,284, dated 3.10.1986.

Principal measures:

- a) price freeze, at the levels in effect on 2.27.1986;
- b) alteration of monetary standard from the cruzeiro to the cruzado (Cz\$1.00 = Cr\$1,000.00) as of 2.28.1986;
- c) alterations in wages, salaries, pensions and earnings in general to be determined annually. Following the first collective bargaining agreement, wages would be automatically readjusted whenever accumulated growth in the Consumer Price Index (IPC) reached 20%;
- d) rate of exchange determined for the period from 3.3.1986 to 10.15.1986 (US\$1.00 = Cz\$13.84);
- e) creation of a table for conversion of payment obligations expressed in cruzeiros, with no preset monetary indexing clause;
- f) effective as of 3.11.1986, prohibition of monetary adjustment clauses in contracts with terms of less than one year; contracts including such clauses would be automatically null and void;
- g) the Readjustable National Treasury Obligations (ORTN) was renamed the National Treasury Bond (OTN). The first OTN were issued on 3.3.1986, with a unit value of Cz\$106.40 and remained at that value up to 3.1.1987.

Bresser Plan

President of the Republic: José Sarney

Minister of Finance: Luiz Carlos Bresser Pereira

Banco Central Governor: Fernando Milliet de Oliveira

Basic legislation: Decree Law 2,335, dated 6.12.1987, and alterations introduced by Decree Laws 2,336, dated 6.15.1987, and 2,337, dated 6.18.1987.

Principal measures:

- a) ninety day price freeze, including those charged on services, tariffs and real estate lease contracts, at the levels in effect on 6.12.1987;

- b) creation of the URP as the reference factor for price and wage alterations. The value of the URP was defined according to average monthly growth in the IPC for the immediately previous quarter and its application to each month of the subsequent quarter;
- c) the rate of exchange was altered by 9.50% on 6.16.1987, after which the system of crawling peg devaluations was applied;
- d) monetary contractual obligations and credit securities that had been constituted in cruzados in the period from 1.1.1987 to 6.15.1987, with no adjustment or monetary indexing clauses, or with preset monetary indexing clauses, were deflated for each day remaining to maturity through application of a conversion table.

Summer Plan

President of the Republic: José Sarney

Minister of Finance: Maílson Ferreira da Nóbrega

Banco Central Governor: Elmo de Araújo Camões

Basic legislation: Provisional Measure 32, dated 1.15.1989, converted into Law 7,730, dated 1.31.1989.

Principal measures:

- a) price freeze for an undetermined period of time at the levels in effect on 1.14.1989;
- b) alteration of the monetary standard from the cruzado to the cruzado novo (NCz\$1,00 = Cz\$1,000.00) as of 1.16.1989;
- c) salaries and other earnings and pensions for the month of February 1989 were altered to their respective real average values for 1988;
- d) as of February 1989, payments of civil service wages against the National Treasury operating account were to be effected up to the tenth day of the subsequent month;
- e) on 1.16.1989, the rate of exchange was altered by 16.381% and maintained at that level until 4.14.1989, when it was then set at a fixed level that remained in effect until 5.4.1989; this was followed by a series of crawling peg devaluations up to 7.3.1989, when a new devaluation in the amount of 11.892% was announced;
- f) creation of a conversion table for payment of obligations expressed in cruzeiros, with no monetary indexing clause nor preset monetary indexing factor;
- g) elimination of the daily indexed OTN – fiscal on 1.16.1989, followed by elimination of the OTN on 2.1.1989. The OTN-fiscal was used as the official indexing factor for payment of taxes and fiscal contributions.

Collor Plan I

President of the Republic: Fernando Affonso Collor de Mello

Minister of Finance: Zélia Maria Cardoso de Melo

Banco Central Governor: Ibrahim Eris

Basic legislation: Provisional Measure 168, dated 3.15.1990, converted into Law 8,024, dated 4.12.1990; Laws 8,030, 8,031, 8,032, 8,033 and 8,034, dated 4.12.1990; and National Monetary Council (CMN) Resolution 1,689, dated 3.18.1990.

Principal measures:

- a) alterations in the prices of goods and services were prohibited as of 3.15.1990, without prior authorization of the Ministry of Finance;
- b) alteration of the monetary standard from new cruzado to cruzeiro (Cr\$1.00 = NCz 1.00), effective as of 3.16.1990;
- c) authorization was given to the Minister of Finance to issue norms defining the minimum monthly percentage growth permitted for wages in general, as well as for the minimum wage. This percentage would be valid for the wages of the current month. Wage increases above the minimum level defined by the government could be freely negotiated among the parties involved, but would not be taken into consideration for purposes of calculating average monthly price growth. In the same way, the Minister was authorized to issue specific acts determining the maximum monthly percentage increase of authorized prices for goods and services in general;
- d) determined that exchange rates on purchase and sale operations would be freely negotiated among the contracting parties in spot and futures operations carried out with institutions authorized to deal in exchange;
- e) the possibility of Banco Central acting on the free rate market as buyer and seller of currency was created;
- f) the demand for deposit at Banco Central of exchange operations formalized for purposes of payment of import operations was eliminated;
- g) suspended payment of interest and other charges on foreign currency deposits;
- h) imposed an obligatory lengthening of the average terms of securities, while fostering a sharp reduction in the corresponding financial charges. The lengthening of terms was achieved through issue of National Treasury Bonds – Special Series (BTN-E), since maturity of these papers was to begin as of September 1991, in twelve successive installments, while National Treasury Financing Bills (LFT) registered average terms ranging from six to nine months;
- i) created Privatization Certificates;

- j) imposed an embargo on financial assets, a rate increase and broadening of the range of facts that generate taxes. Ceilings were imposed on releases of financial assets for a single holder of these assets at the same financial institute. For balances registered under demand deposits and savings accounts, a maximum limit of Cr\$50 thousand was defined. As of 9.16.1991, the amounts above this limit were converted into twelve monthly and successive installments in equal amounts, with monetary updating based on the change in the value of the BTN-Fiscal, plus interest of 6% per year or a pro rata fraction. The following limits were defined for time deposits, with or without issue of certificates, exchange bills, interfinancial deposits, debentures and other financial assets, as well as the resources contracted by financial institutions through committed operations:
- j.1) committed operations: Cr\$25 thousand or 20% of the redemption value of the operation, whichever is largest, on the maturity date of the original term of the investment;
 - j.2) other assets and investments, excluding interfinancial deposits: 20% of the redemption value on the maturity date of the original term of the papers.

The treatment given to the amounts above the stated limits were given treatment identical to that applied to demand deposits and savings accounts;

- l) restricted the presence of the State in the economy through deregulation and privatizations;
- m) imposed temporary levying of the Financial Operations Tax (IOF) on stock and security redemption operations, transmission of proprietorship of gold and stocks traded on stock exchanges, as well as withdrawals from savings accounts;
- n) redemptions of investments of unidentified origin were subjected to payment of the income tax at a 25% rate.

Collor Plan II

President of the Republic: Fernando Affonso Collor de Mello

Minister of Finance: Zélia Maria Cardoso de Melo

Banco Central Governor: Ibrahim Eris

Basic legislation: Provisional Measures 294 and 295, dated 1.31.1991, converted into Laws 8,177 and 8,178, respectively, both of which were dated 3.1.1991.

Principal measures:

- a) determined that the prices of goods and services in effect on 1.30.1991 could only be increased with the prior and express authorization of the Ministry of Finance;
- b) introduced rules determining that salaries for the month of February 1991, with the exception of the wages, earnings and

other incomes and monetary advantages paid to civilian and military employees of the direct federal public administration, semi-autonomous government entities and foundations, as well as the monthly benefits paid by the Social Security System or National Treasury were to be altered on the basis of the average salary of the last twelve months, while duly complying with the principle that salaries cannot be reduced. The earnings of civilian and military public sector personnel, as well as the earnings paid to pensioners, were altered by 9.36% in the month of February 1991. Wage policy in the period from March 1 to August 31, 1991, was to be based exclusively on the granting of wage advances;

- c) defined rules determining that contractual and monetary obligations constituted in the period from 9.1.1990 to 1.31.1991, without adjustment clauses or preset monetary indexing clauses, would be subjected to deflation upon maturity through application of a conversion table;
- d) based on a methodology announced by the CMN, created the TR as the instrument to be used in calculating earnings on short-term financial investments. A period of sixty days was defined for the CMN to define the methodology for calculating the TR;
- e) as of 2.1.1991, abolished the BTN - Fiscal and the BTN (which had been instituted by laws 7,777, dated 6.19.1989 and 7,799, dated 7.10.1989, respectively), the Largest Reference Value (MVR), overnight operations for individual and nonfinancial corporate investors, monetary indexing, the fiscal value adjustment index (IRVF) and the basic food supply index (ICB);
- f) duly respecting the authorization granted and the limits defined in budget legislation as well as in additional budget credits, created the National Treasury Note (NTN) to be issued with the purpose of providing the National Treasury with the resources required to maintain budget equilibrium or for the carrying out credit operations based on anticipated revenues.

Immediate Action Program (PAI)

President of the Republic: Itamar Augusto Cautiero Franco

Minister of Finance: Fernando Henrique Cardoso

Banco Central Governor: Francisco Roberto André Gros

Principal measures:

- a) revision of 1993 budget law with spending cuts of US\$6 billion;
- b) increase in public sector revenues, not only through adoption of such transitory solutions as creation of the Provisional Tax on Financial Transactions (IPMF), but also through improvements in the instruments used in tax inspection activities and combating tax evasion;

- c) normalization of the payments made by state and municipal treasuries on their debts with the federal government in an overall amount equivalent to approximately US\$40 billion;
- d) strengthening of the instruments of control and inspection of state banks with the objective of not allowing them to operate as financing agents of their respective treasuries;
- e) extension of the provisions of the so-called “white collar law” to the government financial system, subjecting managers of financial institutions who grant loans to their own controlling stock holders or to companies controlled by them to imprisonment for periods from two to six years;
- f) reorganization of federal banks by redefining their roles, with the purpose of eliminating duplicate activities and predatory reciprocal competition, streamlining their structures, while also granting Banco Central greater autonomy to control and inspect the activities of these institutions;
- g) accelerate and expand the scope of the National Privatization Program (PND), in order to give continuity to the process of redefining the role of the State and resolving the question of public sector financial imbalances.

Real Plan

President of the Republic: Itamar Augusto Cautiero Franco

Minister of Finance: Rubens Ricúpero

Banco Central Governor: Pedro Sampaio Malan

Basic legislation: Provisional Measure 542, dated 6.30.1994, converted into Law 9,069, dated 6.29.1995¹.

Principal measures:

- a) alteration of the monetary standard from the cruzeiro real to the real (R\$1,00 = CR\$2,750.00), effective as of 7.1.1994;
- b) reduction in IOF rates on the operations to which law 8,033, dated 4.12.1990, refers;
 - b.1) from 8% to zero on transmission or redemption of public and private securities, including short-term investments;
 - b.2) from 25% to zero on transmission of the stocks of open capital corporations;

^{1/} In the strict sense, the Real Plan began with creation of the Emergency Social Fund (FSE) (Constitutional Review Amendment 1, dated 3.1.1994), which set aside a specified amount of federal government revenues to be used to cover the current expenditures of programs in the sectors of health, social security benefits and continuous assistance programs. The FSE was approved for the 1994-1995 period. Once the first stage of the Plan had become feasible, the government created the URV to serve as a monetary value standard, coexisting within the National Financial System temporarily with the cruzeiro real. Based on estimates of three price indices, the URV made it possible to achieve enhanced synchrony among prices and, consequently, facilitated transition to the new currency.

- b.3) from 20% to zero on withdrawals against savings accounts;
- b.4) from 35% to 15% on transmission or redemption of securities representative of gold assets;
- c) interruption of the system of converting taxes according to the Ufir until 12.31.1994, provided that they were paid within the original periods specified in tax legislation. In the case of unduly paid taxes and contributions, compensation or restitution based on the change in the value of the Ufir calculated as of the date of payment was ensured;
- d) extinction of the daily Ufir, which would henceforward be set on a quarterly basis, at the same time in which alterations in the value of state fiscal units were tied to the Ufir;
- e) in public sector contracts with no monetary updating clause, permission to deduct the expectation of inflation for the period between the final date of the period of performance of the liability and the date on which payment is effectively due. If the contract does not explicitly cite expected inflation, the General Price Index - Domestic Supply (IGP-DI) is to be adopted and applied pro rata tempore for the scheduled payment period. In contracts in which there are monetary updating clauses, the appropriate deduction is to be applied;
- f) determined that allocations in the General Federal Government Budget (OGU) and their proposed alterations would be updated to the average price in effect in 1994 through application of the multiplier 66.8402 to the amounts expressed in terms of April 1993 prices, and then converted into real on July 1, 1994;
- g) suspension until June 30, 1995:
 - g.1) of the granting of endorsements or any other guaranties by the National Treasury, granted for any reason whatsoever;
 - g.2) of approval of new projects financed in the Foreign Financing Commission (Cofix) framework;
 - g.3) of the opening of special credits in the National Budget;
 - g.4) of conversion of credits originating in the Result Account to be Offset (CRC) into federal public securities, according to the terms of laws 8,632/1993 and 8,724/1993;
 - g.5) of placements abroad of any securities or liabilities of any type;
 - g.6) of contracting of new internal or external credit operations, except operations for amortization of the indexed principal of the internal or external debt or those referring to commercial operations;
- h) determined that the positive result of Banco Central operations were to be deposited at the National Treasury on a half-yearly basis up to the 10th day of the month subsequent to calculation of such results.

In March 1994, the first prices to be converted into URV were salaries, social security benefits and contracts involving the public

sector. There were no interventions of any type in the mechanisms responsible for formation of the prices of goods and services.

Transition to the URV in the financial market was gradual. In the first place, the National Monetary Council permitted negotiation of contracts on the futures market as well as the discounting of commercial invoices, both expressed in URV. At the same time, financial institutions were allowed to contract credit operations in URV, with the exception of rural credits and Housing Financing System (SFH) credits which were subjected to their own specific rules. Following that, issues of private financial instruments in URV were permitted, including Bank Deposit Certificates (CDB), debentures and short-term fixed income funds. In commercial operations, the URV was spontaneously adopted by the sector.

The final stage of implementation of the Real Plan began as of July 1, 1994, with conversion at par of prices and contracts expressed in URV into real. Duly respecting the specific terms of each contract, the remaining prices and contracts expressed in cruzeiros reais were converted at the rate of CR\$2,750.00/R\$1.00 (one real).

Real Plan (complementary measures)

President of the Republic: Fernando Henrique Cardoso

Minister of Finance: Pedro Sampaio Malan

Banco Central Governor: Gustavo Jorge Laboissière Loyola

Basic legislation: Provisional Measure 1,053, dated 6.30.1995
(converted into Law 10,192, dated 2.14.2001).

Principal measures:

- a) effective as of 7.1.1995, extinction of all monetary units of account of any nature whatsoever, such as those utilized in the rendering of services (taxi unit, coefficient of fees charged by health professionals, etc.). As of 1.1.1996, this measure was also applied to the fiscal units adopted by states and municipalities (UPDF, Uferj, Unif, etc.);
- b) change in the Ufir indexing interval from quarterly updating in 1995 to half-year updating as of 1996;
- c) permission granted to the states and municipalities to utilize the Ufir to substitute their recently abolished respective monetary units of account and fiscal units, provided that the Ufir be used under the same conditions and time periods adopted by the federal government;
- d) indexing of wages according to the change in the value of the Consumer Price Index - Restricted (IPC-r) (between the most recent base data and the month of June 1995), on the first base date of the labor category, as of July 1, 1995, and adoption of free collective bargaining for subsequent adjustments;

- e) extinction of the IPC-r, effective as of July 1, 1995;
- f) creation of the Basic Financing Rate (TBF), to be used exclusively as the basis of earnings on financial market operations with terms equal to or greater than sixty days.

Macroeconomic Stability Program – 1999/2001

President of the Republic: Fernando Henrique Cardoso

Minister of Finance: Pedro Sampaio Malan

Banco Central Governor: Gustavo H. B. Franco

Basic legislation: Constitutional Amendments 20, dated 12.15.1998, 21, dated 3.18.1999, and 27, dated 3.21.2000; Laws 9,703, dated 11.17.1998, 9,717 and 9,718, dated 11.27.1998, 9,732, dated 12.11.1998, 9,779, dated 1.19.1999, 9,789, dated 2.23.1999, 9,801, dated 6.14.1999, 9,876, dated 11.26.1999 and 9,962, dated 2.22.2000; Provisional Measures 1,807-2, dated 3.25.1999 and 1,815, dated 3.5.1999; Decrees 2,913, dated 12.29.1998 and 2,983, dated 3.5.1999; and Ministry of Finance Directives 348, dated 12.30.1998, and 22, dated 3.3.1999.

Principal measures:

Announced in October 1998, the Macroeconomic Stability Program was based on three fundamental pillars: deepening of the fiscal consolidation program – Fiscal Stability Program, adoption of a monetary policy based on inflation targets and additional achievements in the structural transformation of the economy. In terms of structural policy, the Program's objective was to intensify progress in the following areas: approval of the "Fiscal Responsibility Act" (LRF), expansion of the privatization program, consolidation of legislation related to implementation of the social security reform, as well as to private pension funds, and approval of the tax reform aimed at streamlining the inefficient system of indirect taxation.

The Macroeconomic Stability Program was created with the aim of reversing the trajectory of public accounts. In its first version, the target was to obtain primary surpluses (consolidation of the three levels of government) corresponding to 2.6% of Gross Domestic Product (GDP) in 1999, 2.8% in 2000 and 3% in 2001. Achievement of these targets would require the government to make a significant fiscal efforts, combined with cutbacks in spending and growth in revenues, in such a way as to generate additional resources totaling R\$28 billion in 1999, R\$33 billion in 2000 and R\$39.4 billion in 2001.

The activities performed with the aim of implementing this fiscal effort were distributed into four groupings:

- a) measures of a structural nature, involving reform of the Social Security System (Constitutional Amendment 20, dated 12.15.1998), regulation of the administrative reform and extension of the Fiscal Stabilization Fund (FEF), which was scheduled to expire on 12.31.1999. With regard to the regulating of the administrative reform, the following norms have already been approved: law 9,801, dated 6.14.1999, which defines general norms covering dismissals from civil service positions due to excess personnel outlays; and law 9,962, dated 2.22.2000, which disciplines the system of public sector employment at the level of the direct federal administration, semi-autonomous entities and foundations. The FEF was substituted by a new mechanism designated Release of Federal Government Resources Entitlements (DRU) for the period extending from 2000 to 2003 (Constitutional Amendment 27, dated 3.21.2000);
- b) reductions in current and capital expenditures against the national budget in an amount equivalent to 20% of expenditures subject to cutbacks in the General National Budget (Law 9,789, dated 2.23.1999);
- c) reduction in the social security deficit by raising the contributions of active federal government employees and charging contributions to civilian retirees and pensioners. A law in this sense was approved by the National Congress (Law 9,783, dated 1.28.1999) but was considered unconstitutional by the Federal Supreme Court (STF) in October 1999. Subsequent to that, the government sent a constitutional amendment proposal to the National Congress calling for the charging of a social contribution to retired civil servants and pensioners, as well as members of the military at the level of the states, Federal district and territories and their respective pensioners. With approval of Law 9,876, dated 11.26.1999, the calculation for the granting of the benefit of private sector workers was altered;
- d) revenue increase through:
 - d.1) increase in the rate of the Contribution to Social Security Financing (Cofins) from 2% to 3%, effective as of 2.1.1999 and extension of the levying of this contribution to financial institutions and an increase in the rate of the IOF on insurance operations to 25% (Law 9,718, dated 11.27.1998). Up to that time, the segment of insurance had been an exception to the general rule that set a maximum rate of 25%, with rates of 2% for life insurance operations and 5% for the other types of insurance;
 - d.2) reinstatement of the levying of the Provisional Contribution on Financial Transactions (CPMF) from 6.17.1999 to 6.16.2002, with a rate increase from 0.20% to 0.38% in the first 12 months and 0.30% in the

- remaining 24 months (Constitutional Amendment 21, dated 3.18.1999);
- d.3) incorporation of judicial and extrajudicial deposits administered by the Secretariat of Federal Revenue and National Social Security Institute (INSS) into federal government tax revenues (Law 9,703, dated 11.17.1998).

In March 1999, the Fiscal Stability Program targets were altered for the purpose of adapting them to the new free floating exchange system which was adopted as of January 1999. Thus, the targets for the primary surplus of the consolidated public sector were revised to 3.1% of GDP in 1999, 3.25% in 2000 and 3.35% in 2001, while the primary federal government surplus is expected to reach at least 2.3% of GDP in 1999.

Other measures of a complementary nature were also approved within the framework of the Macroeconomic Stability Program, including the General Public Social Security Act (Law 9,717, dated 11.27.1998) which set down the general rules for the organization and operation of social security systems for civil servants of the federal government, states and municipalities, as well as for military personnel at the level of the states and Federal District. Aside from this, a norm was approved that redefined the concept of philanthropic entity, defining limits for the exemptions from social security contributions to which they are entitled, while also raising contribution rates for companies that expose workers to risk and/or unhealthy working conditions (Law 9,732, dated 12.11.1998). Minifaz/Mines and Energy Interministerial Directives 320 to 323, dated 11.30.1998, were issued for the purpose of deregulating the sector of fuels.

Delays in approval of several fiscal adjustment measures – extension of the CPMF and institution of contributions levied on retirees – led the government to adopt the following compensatory measures on December/1998:

- a) increase of 0.38 percentage points in the IOF rate effective as of 1.24.1999, with validity until the date of reintroduction of the CPMF (6.17.1999) and inclusion of the acquisition value of investment fund quotas in the calculation base of this tax (Decree 2,913, dated 12.29.1998, and Minifaz Directive 348, dated 12.30.1998);
- b) reduction in the Social Contribution on the Profits of Legal Entities (CSLL) rate on financial institutions from 18% to 8% (the same rate charged to other corporate taxpayers) effective as of 1.1.1999 and valid up to 4.30.1999. As of May 1, a rate of 12% was introduced and levied on all corporate taxpayers.

In the month of March 1999, the following additional measures were introduced with the objectives specified below:

- a) revenue gains:

- a.1) alteration in the system of levying of the additional IOF rate (0.38%) through Minifaz Directive 22, dated 3.3.1999;
- a.2) suspension of presumed Industrialized Products Tax (IPI) credits under the heading of Cofins and Social Integration Plan/Program of Asset Formation of Public Employees (PIS/Pasep) refunds on products destined for the export market (Provisional Measure 1,807-2, dated 3.25.1999);
- a.3) increase in fuel prices (Interministerial Directives 25 to 29, dated 3.9.1999);
- b) spending cutbacks:
 - b.1) reduction in outlays on personnel through suspension of competitive civil service examinations, nominations and correction of curves and progressions; elimination of additional payments for time of service, as dealt with in Law 8,112/1990 (Decree 2,983, dated 3.5.1999, and Provisional Measure 1,815, issued on the same date.

Finally, one should mention approval of the Fiscal Accountability Act (Complementary Law 101, dated 5.4.2000) which sets down norms on fiscal management accountability. Among the measures related to the Stabilization Program, the tax reform bill and the measures dealing with the private social security system are still awaiting approval at the National Congress.

Chapter II – Other Plans and Programs

Multiyear Plan (PPA)

Basic legislation: Art. 165 of the Federal Constitution, Decree 2,829, dated 10.29.1998 and ordinary legislation approved by the National Congress.

Principal characteristics: The PPA defines the federal public administration's guidelines, objectives and goals for capital expenditures and other consequent outlays, as well as those related to programs of continuous duration. Duration of the PPA is four years. It begins in the second year of a presidential term and ends at the close of the first year of the subsequent tenure in office. The current PPA was approved by Law 9,989, dated 7.21.2000, for the 2000/2003 period.

As of the 2000 fiscal year and based on elaboration and implementation of the 2000-2003 Multiyear Plan and government budgets, all of the end-activities of the federal government are to be structured into programs oriented to achievement of the strategic objectives set down for the period covered by the PPA. End-activity is understood as that which provides the goods or services required to directly meet the demands of society.

Each of the programs should have the following components: objective, entity responsible, overall value, period for conclusion, source of financing, indicator that identifies the situation that the program is designed to alter, targets corresponding to goods and services needed to reach the objective, activities not covered by the General National Budget and required to achieve the stated objectives and regionalization of goals on a state-by-state basis.

Community Solidarity Program

Basic legislation: Decree 1,366, dated 1.12.1995 and 2,999, dated 3.25.1999.

Principal characteristics: Community Solidarity is a program created to mobilize the efforts of government and society to improve the quality of life of the poorer segments of the population. By joining together, government and society seek to generate the human, technical and financial resources required to combat poverty in an efficient manner. For this reason, the program's underlying proposal is based on the principle of a partnership between the federal government and the states and municipalities through the Program's Executive Secretariat, as

well as a partnership between government actions and the initiatives generated by civil society. Responsibility for this aspect of the program is assigned to the Consultative Council.

The Community Solidarity Program is composed of a Consultative Council with 21 members drawn from society and 10 State Ministers, each of which is charged with a specific area of social activity, as well as an Executive Secretariat.

The Consultative Council is responsible for mobilizing civil society, potentializing its initiatives, disseminating information on successful experiences and fostering partnerships among the various social segments involved in the Program.

The Executive Secretariat is charged with coordinating and monitoring development of a series of government programs in the sectors of health, education and nourishment in areas characterized by more intense poverty. The Secretariat is a coordinating entity and does not directly execute programs, formalizes no agreements and does not transfer funds. These activities are the responsibility of the respective Ministries representative of each of the different sectors of activity.

The work of the Executive Secretariat encompasses a series of programs specified in its Basic Agenda, which includes 16 federal programs implemented by five different ministries: Agriculture and Supply, Education and Sports, Planning and Budget, Health and Labor. These programs are targeted to six basic areas:

- a) reduction of infant mortality;
- b) supplemental nourishment;
- c) support to primary and preschool education;
- d) generation of jobs and income and vocational training – Rural Employment and Income Generation Program (Proger);
- e) basic sanitation and housing;
- f) strengthening of family farming – National Program for Strengthening Family Agriculture (Pronaf).

Poverty is fought through the following activities:

- a) coordination of implementation of a series of Basic Agenda programs, selected according to their potential for favorably impacting the living conditions of the country's poorer population segments;
- b) fostering of concentrated activities in the most needy municipalities of each state – pockets of poverty – targeted for priority action by the Community Solidarity Program;
- c) building of partnerships involving different government levels and civil society with the aim of potentializing results and garnering additional resources for the national effort to deal with the question of dire poverty.

The Community Solidarity Program network is composed as follows:

- a) the Consultative Council of the Community Solidarity Program;
- b) the Executive Secretariat of the Community Solidarity Program;
- c) ministerial level personnel involved in the Community Solidarity Program;
- d) state government level personnel involved in the Community Solidarity Program;
- e) municipal government level personnel involved in the Community Solidarity Program;
- f) institutions of society and international organizations.

There are a number of instruments that not only make it possible to operate the Community Solidarity Program network but also stimulate its diverse activities. Among these, the following deserve mention:

- a) utilization of technical and transparent criteria in the selection of municipalities to be targeted for special attention on the part of the Community Solidarity Program;
- b) implementation of such legal instruments as those listed below:
 - b.1) Budget Guidelines Legislation (LDO) which, since 1996, has exempted the priority municipalities of the Community Solidarity Program from the need for mobilizing matching funds;
 - b.2) Provisional Measure 1,542-22, according to which defaults on the part of states and municipalities would be suspended for all of the municipalities in the country until 12.31.1997. This Provisional Measure also determined that the states, Federal District and municipalities would be dispensed from submitting the certificates required in laws, decrees and other normative instruments up to 12.31.1997;
 - b.3) Provisional Measure 1,571, dated 4.1.1997, which facilitates normalization of debts originating in social contributions and other amounts due to INSS by the states, Federal District and municipalities and by the entities and hospitals that are included within the Single Health System (SUS) or contracted by it or with which the System has operating agreements. The priority municipalities of the Community Solidarity Program received special treatment. In article 3, Provisional Measure 1,571, states that the commitments of the Municipal Revenue Sharing Funds (FPM) of these municipalities will be reduced by six percentage points if they have up to 20 thousand inhabitants and three percentage points in those with populations between 20 thousand and 30 thousand inhabitants.

Program of Improvement in Banco Central do Brasil National Financial System Intervention Instruments (Proat)

This Program is a component of the State modernization effort undertaken by the Brazilian government. Implementation is based on funding provided by Banco Central through a technical cooperation agreement with the World Bank. The fundamental objective is to improve the instruments utilized by Banco Central do Brasil to supervise the National Financial System (SFN).

The Program was conceived on the basis of the evident need to accelerate modernization of bank supervisory procedures, update technological and information resources and permanently train Banco Central personnel.

The components of the Program are as follows:

- a) improvements in banking supervision;
- b) training of all Banco Central personnel;
- c) studies aimed at developing a strategic vision of the future of the SFN;
- d) study of alternative solutions to the question of the assets of financial institutions being liquidated by Banco Central.

The loan operation has made it possible to immediately and intensively implement the activities that Banco Central had previously planned to execute over a longer period of time. Aside from this, World Bank technical cooperation has introduced the added possibility of interchanges with other countries in matters related to improved international banking supervision practices.

In this operation, it is important to stress that the federal government is the borrower and Banco Central is Program executor. The direct benefit is enhanced Banco Central effectiveness in performing its supervisory role in the SFN framework. Among the indirect benefits, one should cite the increased credibility of our financial system, with evident positive impact on internal savings and, furthermore, increased facility in efforts to incorporate Brazilian financial institutions into the international financial system.

The management structure is participatory and interdepartmental.

The Executive Committee – composed of the Executive Secretary, Consultants to the Board of Directors, the Banco Central Legal Advocate and a representative of the Ministry of Finance – is charged with Program supervision. The projects of each component are coordinated by the respective departments which then come together in thematic committees to elaborate the Annual Plan of Action.

The Project Secretariat (Sepro) is the Program's coordinating unit. It is responsible for planning, control and physical-financial monitoring of the ongoing projects.

Program of Support to the Restructuring and Fiscal Adjustment of the States (Parafe)

Basic legislation: Minifaz Directive 289/1995; CMN Resolutions 2,217/1995 and 2,218/1995; CMN Votes 162/1995; 122/1996; 197/1996; 9/1997; 94/1997; 108/1997; 109/1997; 111/1997; 131/1997 and 147/1997.

Principal characteristics: This Program makes it possible to implement measures that will aid the states in achieving sustainable budget equilibrium. The federal government's strategy is to impose conditioning factors in the form of fiscal equilibrium targets, in exchange for financial assistance to the states provided through the opening of credit lines. The aforementioned conditioning factors encompass:

- a) control of reductions in personnel expenditures;
- b) adherence to programs involving privatizations, concessions of public services, asset reform and control over state enterprises, through agreements formalized with the National Bank of Economic and Social Development (BNDES) and the ministries responsible for the services to be assigned to other entities;
- c) increased revenues, modernization and improvement of collection systems, spending controls and generation of fiscal information;
- d) utilizing primary equilibrium as the reference base, commitment to a minimum fiscal result;
- e) reduction and control of state government indebtedness, making use of the instrument of internally generated assistance which grants the National Treasury power to retain part of the transfers due to the states to cover financial commitments assumed at the time of the renegotiation of their financial liabilities and to impose restrictions on new operations based on Anticipated Budget Revenues (ARO).

Program of Incentives to the Restructuring and Strengthening of the National Financial System (Proer)

Basic legislation: Provisional Measure 1,179, dated 11.3.1995, and respective reissues; Provisional Measure 1,182, dated 11.17.1995 (converted into Law 9,447, dated 3.14.1997); Provisional Measure 1604-38, dated 10.22.1998 (converted into Law 9,710, dated 11.19.1998); CMN

Resolution 2,208, dated 11.3.1995 (CMN Vote 148/1995) and 2,253, dated 3.6.1996; Banco Central Circulars 2,633/1995, 2,634/1995 and 2,636/1995.

Objective: The program is designed to ensure National Financial System liquidity and solvency while safeguarding the interests of depositors and investors by stimulating administrative, operational and stockholding reorganizations previously authorized by Banco Central and that result in transfers of stock control or alterations of the corporate objectives of the institution in question. The Program also encompasses the financing of operations involving federal government liabilities, losses generated by reorganization processes, including those consequent upon demobilization of assets belonging to the participating financial institutions. It also permits release of funding from obligatory reserves on demand deposits for purposes of acquisition of CDB from institutions participating in the program, a more flexible approach to compliance with the operational limits applicable to financial institutions and deferral of outlays consequent upon ongoing processes of restructuring and reorganization.

Law 9,447, dated 3.14.1997, determines that the controllers of institutions subjected to the administrative systems specified in Law 6,024, dated 3.13.1974, and Decree Law 2,321, dated 2.25.1987, bear individual and joint liability – previously restricted only to those currently charged with administration of the institution and, within 12 months, to the institution's former administrators. The aforementioned law also deals with the inalienability of their properties; the liability of accounting companies and of independent auditors; privatization of institutions following expropriation of their stock, according to the terms of Decree Law 2,321/1987, and takes other measures.

Export Financing Program (Proex)

Basic legislation: Law 8,187, dated 6.1.1991; Federal Senate Resolution 50, dated 6.16.1993; and CMN Resolutions 1,998, dated 6.30.1993 (BCB-Vote-069)/1993); 2,214, dated 11.29.1995 and 2,224, dated 12.20.1995.

Objective: Proex succeeded Export Financing Fund (Finex) and has the objective of operating in the financing of exports of goods and services, as well as providing financial assistance through interest rate equalization operations with the purpose of facilitating placement of Brazilian products on the foreign market, principally involving capital goods.

Proex financial assistance consists of:

- a) discounting of securities, in cases involving exports of goods;
- b) discounting of securities, in cases involving exports of services to foreign public sector entities;
- c) financing, in cases involving exports of services to foreign public sector entities.

Program for Strengthening Financial Institutions (Proef)

Basic legislation: Provisional Measure 2,155, dated 6.22.2001.

Purpose: Proef has the objective of fostering a wide-ranging restructuring of federal banks – Banco do Brasil S.A. (BB), Banco do Nordeste S.A. (BNB), Banco da Amazônia S.A. (Basa) and Caixa Econômica Federal (CEF) – with the aim of enhancing the transparency of these institutions' accounts. With this, many of the operations carried out by these banks will now be explicitly stated in the Federal Government Budget.

The principal measures adopted by MP-2,155/2001 were as follows:

- a) in operations originating in rural credits in which maturities have been lengthened or renegotiated by BB, Basa and BNB according to the terms of Law 9,138, dated 11.29.1995, authorizes the federal government:
 - a.1) to dispense with the guaranties granted by the aforementioned financial institutions in operations assigned to the federal government;
 - a.2) to acquire credits consequent upon operations formalized with Worker Support Fund (FAT) resources or other resources managed by the BNDES System in operations with companies that are part of that System;
 - a.3) to receive credits against borrowers corresponding to the operations referred to in item a.2 in the form of payment in kind;
 - a.4) to acquire credits corresponding to the operations formalized with resources from the financial institutions cited;
 - a.5) to receive the credits corresponding to operations formalized with National Treasury resources in the form of payment in kind.

The operations referred to in items a.2 to a.5 will be effected at the updated debt balance. In their turn, the amounts honored by the financial institutions as a result of guaranties included in the credits assigned to the federal government, as treated in item a.1, will be refunded by the federal government to the respective institutions to the extent in which they are received from borrowers;

- b) authorizes the federal government to receive credits in the form of payment in kind from BB, Basa and BNB corresponding to credit operations formalized with resources from the Savannas Development Program (Prodecer-II) and from the Coffee Economy Defense Fund (Funcafé). The payment in kind will be effected at the updated debt balance.

In both operations (letters a and b), the federal government is authorized to reconcile accounts with federal financial institutions, in such a way as to include credits held by such institutions against the federal government as a result of the equalization of charges dealt with in article 1 of Law 9,138, dated 1995;

- c) authorizes the federal government to effect exchanges for papers issued by the National Treasury:
 - c.1) with BB, Brazilian foreign debt securities issued by the Federative Republic of Brazil and considered at their face value;
 - c.2) with Basa and CEF, credits referring to refinancing operations formalized under the terms of Law 8,727, dated 11.5.1993, in the amount of the updated debt balance;
 - c.3) with CEF and the Asset Management Company (Emgea), the credits corresponding to obligations renewed on the basis of Law 10,150, dated 12.21.2000, at their face value;
- d) authorizes the Federal Government to acquire:
 - d.1) from CEF, credits consequent upon operations carried out directly with resources drawn from the Employment Guaranty Fund (FGTS);
 - d.2) from the Banco Central, credits against CEF and those to be utilized in future capitalization of the financial institution, at face value after deduction of provisions set aside, according to the terms of current legislation;
- e) authorizes the federal government to create the Emgea, a federal public company connected to the Ministry of Finance. The bylaws of the company will be approved by decree and its headquarters and legal jurisdiction will be located in Brasília. The company will have the objective of acquiring goods and rights from the federal government and other entities included in the Federal Public Administration and, parallel to this, may assume the liabilities of such entities;
- f) frees BB, Basa and BNB from the risk implicit in operations carried out up to 11.30.1998 based on resources drawn from the Central-West, Northern and Northeast Constitutional Funds, respectively;
- g) authorizes the federal government to contract federal financial institutions directly for purposes of managing credits acquired or received by the federal government as payment in the terms of the provision in MP-2,155/2001, with power to represent the government in contractual instrument that may be

formalized involving such credits, when such have the prior authorization of the Ministry of Finance.

Farm Activity Guaranty Program (Proagro)

Basic legislation: Laws 5,969, dated 12.11.1973 and 8,171, dated 1.17.1991, and Decree 175, dated 7.10.1991.

Objective: Release rural producers from financial liabilities involving rural credit current expenditure operations, when liquidation of such liabilities becomes difficult as a consequence of the occurrence of natural phenomena, such as infestations, etc.; pay indemnity to rural producers for losses of their own funds utilized to cover rural current expenditures, when the losses occur as a consequence of the events cited above.

Minimum Income Guaranty Program (PGRM)

Basic legislation: Law 9,533, dated 12.10.1997, Decrees 2,609, dated 6.2.1998, and 2,728, dated 8.10.1998 (Regulations)

Objective: grant financial support to guaranteed minimum income programs instituted by municipalities that do not possess financial resources sufficient to fully fund implementation of such programs.

This support will be restricted to those municipalities in which tax revenues per inhabitant, including current constitutionally determined transfers, are less than the state average and in which family income per inhabitant is less than average family income per inhabitant in the state.

Without prejudice to the diversity of the programs apt for implementation by the municipalities, the reference for federal government financial support will be the maximum benefit limit per family calculated on the basis of the following equation: Value of the Benefit per Family = R\$ 15.00 (fifteen reais) x number of dependents between zero and fourteen years of age - [0.5 (five tenths) x value of per capita family income].

Federal government financial support will be limited to fifty percent of the total value of the respective municipal programs. Each municipality, either individually or in conjunction with the state, will be responsible for the other fifty percent.

Federal resources will be channeled exclusively to families that are cumulatively classified within the following parameters:

- a) per capita family income of less than one half the value of the minimum monthly wage;
- b) offspring or dependents of less than fourteen years of age;
- c) corroboration by those responsible for the program that all dependents between seven and fourteen years of age are duly enrolled and attending public schools or special education programs.

State Enterprise Management Program (PGE)

Basic legislation: Decree 137, dated 5.27.1991.

Objective: This Program seeks to ensure the compatibility of state enterprise management with economic policy and sector-by-sector planning, and foster the modernization of state companies. For the purposes of Decree 137/1991, state enterprises are public sector companies, joint capital corporations, their subsidiaries and controlled companies and other entities subject to the direct or indirect control of the federal government. The State Enterprise Control Committee (CCE) is charged with defining PGE guidelines and approving the proposals put forward by these companies with respect to public prices and tariffs; hirings; personnel spending, including personnel contracted in the form of third party services; budget elaboration, execution and review; contracting of credit or leasing operations, including refinancing operations.

Program of Incentives to the Reduction of the State Public Sector in Banking Activities (Proes)

Basic legislation: Provisional Measures 1,514, dated 8.7.1996; 1,556, dated 12.18.1996 and 1,590-15, dated 9.24.1997; CMN Resolution 2,365, dated 2.28.1997; Banco Central Circulars 2,742/1997, 2,743/1997, 2,744/1997 and 2,745/1997.

Objective: Creates conditions for reducing the presence of the state government public sector in bank-related financial activities by transforming and/or privatizing government banks; issues regulations covering mechanisms that make it possible to enhance banking supervision, principally by making accounting auditors and independent auditors jointly liable; stimulates reorganization measures aimed at reducing overbanking situations (excess number of banks) as well as overbranched banks (excess number of bank branches) and cutting personnel outlays, at the same time in which it deals with the extrajudicial liquidation of institutions found to be in situations of grave irregularities.

Program of Reorganization of Decentralized Federal Government Units

Basic legislation: Decree 2,258, dated 6.20.1997.

Objective: Foster improvement in services rendered, strengthening of end activities and optimization of the resources allocated to civilian units of the direct federal public administration.

The Program will be implemented through specific projects developed on the basis of the local characteristics of each state. These activities should comply with the following guidelines:

- a) restructuring of organizational units targeted at executing administrative support activities, giving priority to the sharing of human, material and equity resources;
- b) reevaluation of structures responsible for end activities that are not the sole responsibility of the federal government;
- c) gradualism in the implementation of any measures that could impact the continuity of services;
- d) incentives to the constant participation of users in the evaluation of the administrative support services rendered in a decentralized manner;
- e) professionalization of the management of the units rendering administrative support services;
- f) utilization of mechanisms designed to redistribute personnel and reallocate material and equity resources among different entities, with the aim of providing for shortcomings and ensuring enhanced efficiency in the distribution of resources;
- g) gradual absorption and unification of the management of administrative support services by the Ministry of Federal Administration and State Reform.

Fiscal Recovery Program (Refis)

Basic legislation: Provisional Measure 1,923, dated 10.6.1999 (converted into Law 9,964, dated 2.10.2000) and Decree 3,431, dated 4.24.2000 (regulations).

Objective: The purpose underlying Refis is to foster normalization of federal government credits generated by corporate debts involving taxes and contributions administered by the Secretariat of Federal Revenue and the INSS, when such debts were generated prior to October 31, 1999, independently of whether they have or have not been registered under debts subject to judicial execution, have or have not already been judged by the courts or are scheduled to be judged, have or have not been suspended or are a result of a failure to deposit specific amounts withheld.

Refis does not encompass debts:

- a) of directly administered public sector entities, including foundations instituted and maintained by the public sector and their respective semi-autonomous entities;
- b) involving the Rural Land Tax (ITR);
- c) involving legal entities that have been split since October 1, 1999.

The corporate entity in question must opt to be admitted to Refis and will be entitled to a special system of consolidation of the aforementioned fiscal debts and will be permitted to effect payment on an installment basis. The option should be formalized by the final business day of the second month subsequent to the issue of Program regulations. The debts existent in the name of the party opting for the Program will be consolidated on the date on which the request for admission to Refis is duly formalized.

The consolidation will encompass all debt existent in the name of the corporate entity, both as taxpayer and as party responsible for payment, independently of whether such debts have or have not been duly constituted and will include such additional amounts as fines, arrears and other levies, interest or arrears and other charges specified according to the terms of current legislation at the time in which the facts generating such debts occurred.

The consolidated debt:

- a) will, as of the date of consolidation, be subject to interest corresponding to the monthly change in the value of the Long-Term Interest Rate (TJLP) and no other additional levies will be permitted;
- b) will be paid in monthly and consecutive installments to mature on the final business day of each month and the value of each installment will be defined on the basis of a percentage of gross revenues in the immediately previous month, calculated according to the terms of Law 8,981, dated 1.20.1995.

The option for Refis subjects the corporate entity to:

- a) irrevocable confession of the debts referred to above;
- b) authorization of unrestricted access on the part of the Secretariat of Federal Revenue to information concerning the entity's financial operations as of the date of option for Refis;
- c) specific fiscal monitoring, with the periodic supply of data by magnetic means, including revenue-related information;
- d) full and irrevocable acceptance of all of the established conditions;
- e) regular compliance with the liabilities generated by the FGTS and ITR;
- f) regular payment of the installments of the consolidated debt, as well as of taxes and contributions consequent upon generating facts that occurred subsequent to 10.31.1999.

Productive Public Works Emergency Program

Basic legislation: Provisional Measure 1,667, dated 6.5.1998.

Objective: Provide assistance to the population of regions affected by drought.

The Program's activities will be developed on the basis of loans granted on an exceptional basis through the Ministry of Planning and Budget to the federal government, involving resources allocated to the FAT in an amount of up to R\$600,000,000.00 (six hundred million reais) in special interest bearing deposits at Banco do Brasil S.A.

The Northeast Development Fund Authority (Sudene) will be the entity charged with program execution.

National Program of Fiscal Management Support for Brazilian States (Pnafe)

Basic legislation: Minifaz Directive 36, dated 2.3.1997, and Federal Senate Resolution 91, dated 9.23.1997.

Objective: Orient elaboration and execution of specific projects of the Secretariats of Finance, Planning or Taxation of the Federal District and states, in order to achieve the objective referred to in the Parafe.

National Privatization Program (PND)

Basic legislation: Law 9,491, dated 9.9.1997 (succeeding Law 8,031, dated 4.12.1990) and Decree 2,594, dated 5.15.1998.

Objective: Restructure the strategic position of the State in the economy by transferring activities unduly operated by the public sector to private initiative; contribute to the economic restructuring of the public sector, particularly through improvements in its profile and reductions in the net public debt; make it possible to recover the flow of investments into companies and activities that may come to be transferred to private initiative; contribute to the economic restructuring of the private sector, particularly to the modernization of the nation's infrastructure and industrial base, enhancing its competitiveness and strengthening business capacity in diverse sectors of the economy, including the granting of credit to such sectors; make it possible for the public administration to concentrate its attention on activities in which the presence of the state is of fundamental importance to achieving national priorities;

contribute to the strengthening of the capital market by increasing the supply of monetary instruments and democratizing proprietorship of the capital of the companies encompassed by the Program.

The following may be included in the privatization process:

- a) companies, including financial institutions that are directly or indirectly controlled by the federal government and have been instituted by law or by an act of the executive branch;
- b) companies created by the private sector and that, for any reason whatsoever, have been transferred to the direct or indirect control of the government;
- c) public services included in concessions, permissions or authorizations;
- d) state public financial institutions when the shares of the institution's capital stock have been expropriated;
- e) direct and indirect minority government participation in the capital stock of any other corporate entities;
- f) stockholdings of the government in excess of the minimum amount required to maintain control of *Petróleo Brasileiro S.A.* (Petrobras).

The following are excluded from the National Privatization Program:

- a) public companies or joint capital corporations that perform activities that are the exclusive responsibility of the federal government, as specified in indents XI and XXIII of article 21, line c of indent I of art. 159 and art. 177 of the Constitution;
- b) Banco do Brasil and the CEF.

National Minimum Income Program - Earmarked to health sector - Food program

Basic legislation: Provisional Measure 2,206, dated 8.10.2001, and Decree 3,934, dated 9.20.2001.

Purpose: The Program is designed to foster improved health and nutritional conditions among pregnant women, breast-fed infants and children from six months to six years and eleven months of age, considered to be at nutritional risk, when such children are members of families with per capita income of less than the amount defined nationally by the Executive Branch, for each fiscal year.

The benefit will be R\$15,00 per month per beneficiary, up to the limit of R\$45,00 per beneficiary family.

All Brazilian municipalities are entitled to adhere to the Program, with priority to those that meet any of the following requirements:

- a) be among the fourteen states with the lowest measured Human Development Index (IDH) levels;
- b) be included in a micro-region of other states that have IDH levels equal to or less than 0.500.

Program expenditures will be set aside in allocations in the Ministry of Health budget.

National Minimum Income Program – School Attendance

Basic legislation: Provisional Measure 2,140, dated 2.13.2001 (converted into Law 10,219, dated 4.11.2001).

Purpose: The Program was created with the objective of serving as an instrument of federal government financial participation in municipal guaranteed minimum income programs that involve socioeducational activities.

Characteristics: Legislation determined that, as of 2001, the federal government will support guaranteed minimum income programs associated with socioeducational activities that meet all of the following requirements:

- a) that they be instituted by municipal law;
- b) that their beneficiaries be families resident within the municipality with per capita family income of less than the amount nationally defined in an act of the Executive Branch for each fiscal year when such families have, under their responsibility, children between the ages of six and fifteen years duly enrolled in regular primary education institutions, with attendance equal to or greater than 85%;
- c) that they include initiatives, implemented either directly or through partnerships with community institutions, that provide incentives or make it possible for the beneficiary children to remain in school, through the taking of socioeducational measures of support to school work, nourishment and sports and cultural practices, in schedules that are complementary to regular classes;
- d) that they submit to monitoring activities on the part of a social control council that is designed and constituted for this purpose and composed of representatives of government and civilian society.

The participation of the federal government in guaranteed minimum income programs is reflected in monthly payment of R\$15,00 per child up to a limit of three children per family and such payments are made to beneficiary families that meet the requirements specified above. Inclusion of families in municipal minimum income programs is prohibited when such families

already receive the benefits of the Child Labor Eradication Program, as long as such families remain within that program.

Those amounts that, by act or omission on the part of those responsible for the program at the municipal level, are unduly paid in the form of federal government financial participation will constitute federal government credits against the municipality in question. Payment of such credits is a fundamental condition for the Federal District and municipalities to be able to receive transfers of resources from the State and Federal District Participation Fund and Municipal Participation Fund and, furthermore, to be able to formalize agreements, contracts, arrangements or other instruments, as well as to receive loans, financing, endorsements and grants in general from organs or entities belonging to the direct and indirect federal government administration.

The resources spent by the federal government through the minimum income program, as well as the outlays of states and municipalities in the granting of financial benefits to needy families will not be included as spending on education maintenance and development for purposes of the terms of article 212 of the Federal Constitution, which determines that the federal government must apply a minimum of 18% of its current net revenues in education, while the states and municipalities are obligated to spend at least 25%.