

Lula set to collect reward for poverty relief effort

By Richard Lapper and Jonathan Wheatley in Salvador, Brazil

Published: September 29 2006 18:12 | Last updated: September 29 2006 18:12

[Print](#)

Along the coast heading north from Salvador, the capital of the state of Bahia in north-eastern Brazil, beach-side barflies and bathers mix easily with fishermen resting or mending their tackle between trips out to the open sea.

"All of us here have totally made up our minds," says David Sebastião Costa, a 45-year-old who is one of 3,800 members of the Itapuã fisherman's co-operative, hardly pausing to add that he and his colleagues will vote for Luiz Inácio Lula da Silva, running for re-election as Brazil's president on Saturday. "Everything's much easier for us since he's been in power."

The fishermen have special reasons to support the government, which has promised loans for boats and tackle of up to R\$45,000 (\$21,000, €16,000, £11,000). But their enthusiasm is shared by many who are less fortunate.

Resting under a tree beside the fishermen after a morning selling fruit juice and *coxinhas* – a minced chicken savoury – is Ivandro Santos, a 33-year-old who lost half a hand in a maize grinder when he was 12. He, his wife and their two children are among more than 12m families in Brazil receiving monthly payments under the Lula government's *Bolsa Família* and other income transfer programmes. "You can't complain," he says. "Lula is the only one who's done anything for the poor."

The government's record of poverty relief is, indeed, one of which it can be proud and is the main reason why Mr Lula da Silva is poised to win tomorrow. The number of families living below the poverty line – defined as those with per capita income of less than R\$120 a month – has fallen sharply, from 28.2 per cent in 2003, his first year in office, to 22.8 per cent last year.

"Poverty and misery have changed fundamentally," says Marcelo Neri, head of the social policy unit at the Fundação Getúlio Vargas, a university, in Rio de Janeiro. "Why have the poor left the PFL and the PMDB [traditional rightwing and loosely populist parties that in the past dominated politics in the north-east] and gone to Lula? Because they've had a big gain in their income."

The shift in politics has been particularly strong in Bahia and other poor states in the north and north-east. In the past, leaders of parties such as the PFL directed how the poor voted as if they were part of personal fiefdoms, often "buying" votes with hand-outs of food.

This franchise has been transferred en masse to Mr Lula da Silva's government largely thanks to programmes such as the *Bolsa Família*. More than half of families benefiting from the programme are in the north and north-east, although the region is home to a little more than a third of Brazil's population.

These families, though, have also benefited disproportionately from low inflation and more general economic stability under the Lula government. The poor spend a higher than average proportion of their income on food, so they have the most to gain from low inflation. Indeed, food prices have actually fallen during the past year.

The national monthly minimum wage has increased by 26 per cent in real terms during the Lula government, and there has been a big increase in consumer credit, both through instalment plans offered by retailers and in new payroll-linked loans, under which lenders take instalments directly from borrowers' pay packets.

The new spending power of the poor has been a boon for retailers in the north and north-east. Retail sales rose 15 per cent in the year to February. By contrast, in the richer south they fell 1 per cent over the same period. Overall, the economy is growing by a sluggish 3 per cent this year – and even this is slightly more than the average for the four years of the Lula government.

And here lies the paradox of the Lula presidency – how he has managed to be so popular among the poor, while failing to deliver the growth that Brazil needs to ensure prosperity for its people in the long term.

Economists say that to deliver this would require politically difficult cuts in public spending to release money for investment in infrastructure and other drivers of growth. Indeed, Mr Neri at the Fundação Getúlio Vargas says many of the gains for the poor may well have their origin in measures to relax restrictive labour practices taken by the previous, centrist government and opposed by Mr Lula da Silva.

Even among the fishermen of Itapuã there is an awareness that things could be getting better more quickly. But the opposition will still struggle to win votes here. Squatting beside a road near the sea is João Batista de Oliveira, slicing the remains of a stingray into chunks. On top of a wall behind him, the animal's tail with its vicious spike is drying in the sun, soon to be sold to tourists. "I'll vote Lula," he says. "He deserves another chance."

Copyright The Financial Times Limited 2006